



2020 ANNUAL REPORT

(April 1, 2019~March 31, 2020)

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This book is a disclosure material (explanation materials for business and property) which is prepared based on Article 21 of the Banking Act and Article 19 (2) of the Ordinance for Enforcement of the Banking Act.

Corporate Management Philosophy

Management Philosophy, Management Policy, Principles of Conduct

SMBC Trust Bank has established the following Management Philosophy, as the universal approach in company management, and positions it as the foundation for all of our corporate activities.



Management Philosophy

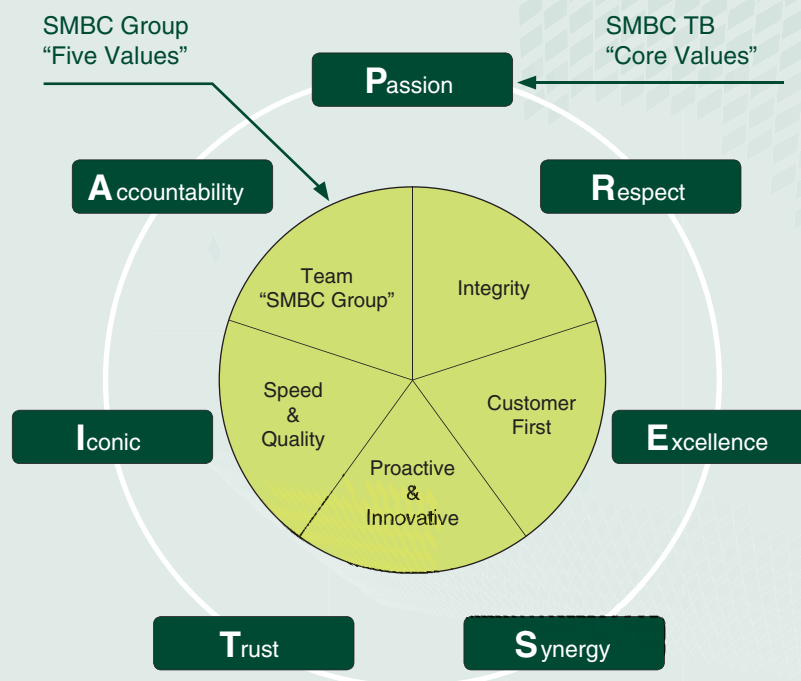
- We aim to be a company trusted by our stakeholders, by placing importance on sound company management based on the spirit of legal compliance.
- We provide value-added unique services to our customers and evolve with them.
- With due respect to diversity, we create a workplace that encourages employees to thoroughly use individual abilities as professionals while fully participating in teamwork built on reliability and responsibility.
- We contribute to a sustainable society by addressing environmental and social issues.

Management Policy

- Be a “trust bank in SMBC Group” that pursues the highest trust and new possibilities.
- Be a “fully unique trust bank” that provides original products and distinguished services.

Principles of Conduct

As the guiding principles of corporate conduct, in line with both the Management Philosophy and the Management Policy, SMBC Trust Bank has set out the core values which are aimed at fostering a unique, vibrant, and productive corporate culture, as an extension of SMBC Group’s “Five Values”.



Top Message



To those who passed away due to the new coronavirus infection, please accept my sincere condolences to the bereaved family. At the same time, we sincerely hope that the affected people will recover as soon as possible and that the situation will be resolved.

SMBC Trust Bank started in October 2013 with predecessor bank Societe General Private Banking (Japan) brought into the SMBC Group. In November 2015, we took a further step forward by integrating Citibank's retail banking business in Japan and launched a new brand "PRESTIA", under which we now offer a broad range of solutions as a trust bank, utilizing our three functions: "foreign currency", "real estate", and "trusts".

The period up to fiscal 2019 is defined as the "Transition Stage" and we have been working on the creation of a new corporate culture through the integration and the stable business promotion. Since April of this year, we have taken a step forward, moving to the "Growing Stage" that aims to provide holistic and advanced solution by connecting 3 functions, which are "foreign currency" "real estate" and "trusts" and to realize sustainable growth as a trust bank and contribute to reinforcement and development of SMBC Group. As a concrete measure, the new three-year Medium-Term Management Plan from fiscal year 2020 is placed and we pursue to improve profitability by executing new strategies and various initiatives, and further expand and strengthen our business base.

Having one of the highest life expectancy rates in the world, Japan is entering into the era of 100-year life. Customers' needs for management and succession of their total assets are to further grow, going forward. Our experienced professionals continue to strive to meet our customer's varied demands with attentive support and tailor-made products and solutions, and aim to be the most reliable trust bank that contributes to society.

SMBC Trust Bank will thoroughly implement our "Customer First" business approach and develop various solutions that will lead to the SDGs, thereby contributing to build a sustainable society.

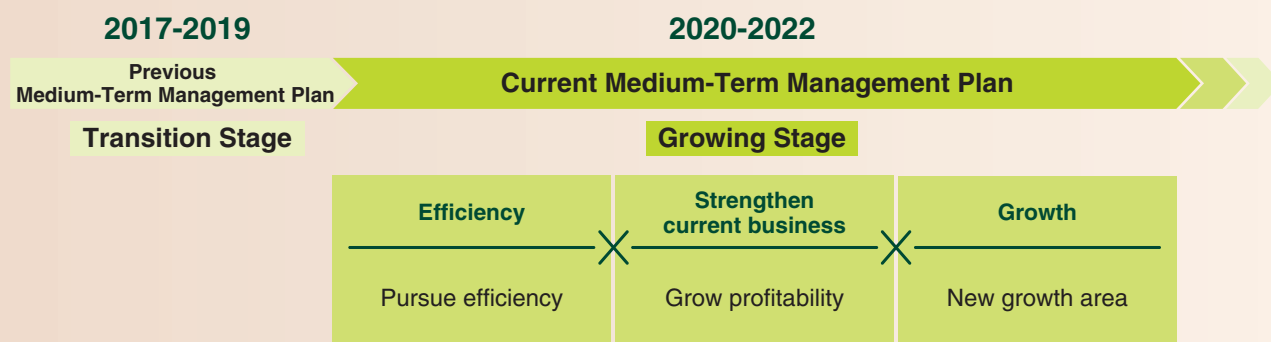
We look forward to your continued support and business for years to come.

Kozo Ogino
President and CEO
June 2020

Medium-Term Management Plan

SMBC Trust Bank, a member of SMBC Group, has a three-year Medium-Term Management Plan for the fiscal 2020 - 2022 period in place.

In order to strengthen our business from a longer-range perspective, this plan has been developed based on our ten-year vision set in consideration of the expected business conditions and changes in operating environment. The Medium-Term Management Plan describes what we work on during the first three years to achieve the vision.



Vision	<p>Vision after 10 years</p> <p>With globalization, aging society and digitalization, be the most reliable trust bank in management/succession of customers' total assets, that contributes to society</p>
Management Goal	<p>From transition stage to growing stage</p> <ol style="list-style-type: none"> 1. Provide holistic and advanced solution by connecting 3 functions, which are "foreign currency" "real estate" and "trusts" 2. Realize sustainable growth as a trust bank and contribute to reinforcement and development of SMBC Group 3. Establish an active and productive organization that focuses on employees' motivation and growth
Strategies	<ol style="list-style-type: none"> 1. Sustainable growth on fund management business in foreign currency 2. Expansion and diversification of real estate business through solution proposal 3. Strengthen trust function that supports life planning in the era of 100-year life 4. Promote online sales activities and productivity improvement by digitalization 5. Develop human resources who can contribute to society through improved engagement

Response to new coronavirus infection

We are taking various measures in view of the situation that the global epidemic of new coronavirus infectious diseases has a huge impact on citizens' lives and economic activities. At the sales offices that serve as customers' points of contact, we have taken measures to prevent infection, such as installing acrylic plates to prevent splash infections. We also recommend that employees work from home and split operations by reviewing work spaces. We will ensure the health and safety of our customers and employees and strive to provide financial services smoothly. SMBC Group is also engaged in activities that contribute to the community and society, including donations to medical institutions.



Company Profile (as of June 30, 2020)

Company Name : SMBC Trust Bank Ltd.
Date of Establishment : February 25, 1986
Capital : 87.5 billion yen



SMBC Trust is a member of SMBC Group.

SMBC Group provides high-value-added financial services to its customers through commercial banks, trust bank, securities company, and other group companies.

	Holding Company
	SUMITOMO MITSUI FINANCIAL GROUP
	Bank
	SUMITOMO MITSUI BANKING CORPORATION
	SMBC TRUST BANK
	Lease
	Sumitomo Mitsui Finance and Leasing
	Securities
	SMBC NIKKO SECURITIES
	Credit Card, Consumer Finance
	SUMITOMO MITSUI CARD
	CEDYNA FINANCIAL CORPORATION ^(*)
	SMBC CONSUMER FINANCE
	System Development, Information Processing
	Japan Research Institute
	Asset Management
	Sumitomo Mitsui DS Asset Management

※ As of July 1, 2020, Cedyne Financial Corporation merged with SMBC Finance Service Co., Ltd., and renamed SMBC Finance service Co., Ltd.

Major Shareholders (as of June 30, 2020)

(1) Common Stock

Name of shareholders	Sumitomo Mitsui Banking Corporation
Number of shares	3,418 thousand shares
Stock ownership ratio	100.00%

(2) Non-voting Stock

Name of shareholders	Sumitomo Mitsui Banking Corporation
Number of shares	900 thousand shares
Stock ownership ratio	100.00%



History

1986/2	Chemical Trust Bank, the Company's earliest predecessor, is established as an indirect wholly-owned subsidiary of Chemical Bank.
1996/11	Chemical Trust Bank is renamed Chase Trust Bank following a merger and renaming of Chemical Bank.
2002/6	Societe Generale acquires Chase Trust Bank to form SG Private Banking (Japan) Ltd., an indirect, wholly-owned subsidiary of the French financial institution, starting private banking and asset management businesses in Japan in full-scale.
2010/1	SG Private Banking (Japan) Ltd. is renamed Societe Generale Private Banking (Japan) Ltd.
2013/10	Societe Generale Private Banking (Japan) becomes a wholly-owned subsidiary of Sumitomo Mitsui Banking Corporation and is renamed SMBC Trust Bank Ltd.
2015/3	The Company relocates its head office from Akasaka, Minato-ku, Tokyo to Nishi-Shimbashi, Minato-ku, Tokyo.
2015/11	The Company acquires the retail banking business of Citibank Japan.
2018/4	The Company takes over the operations of foreign exchange counters from Sumitomo Mitsui Banking Corporation.

Major economic topics

1996	Japanese financial Big Bang starts.
1999	The Bank of Japan introduces a zero interest rate policy.
2000	The Financial Services Agency is established.
2005	The Japanese government's unlimited guarantee on bank deposits is removed.
2006	The Bank of Japan lifts the zero interest rate policy.
2007	A subprime mortgage crisis takes place in the United States.
2008	Lehman Brothers collapses.
2010	The European debt crisis erupts. The Dodd-Frank Act is signed into law.
2013	The Bank of Japan implements a quantitative and qualitative easing policy.
2016	The Bank of Japan adopts a negative interest rate policy.
2017	The Principles of Customer-Oriented Business Conduct is announced.
2018	The trade frictions between U.S. and China arised.
2019	COVID-19 outbreak.

Officers (as of June 30, 2020)

Director

Hidetoshi Furukawa	Chairperson
Kozo Ogino	Representative Director, President and Chief Executive Officer
Atsushi Oku	Representative Director, Senior Managing Director and Senior Managing Executive Officer Executive Officer in charge for Corporate Staff Unit (Corporate Planning Dept., Financial Planning Dept., Business Development Dept., Treasury Dept., Investment & Loan Dept., Investment Research Dept.)
Naoya Ishida	Senior Managing Director and Senior Managing Executive Officer Executive Officer in charge for Wholesale Business Unit
Noburu Kato	Managing Director and Managing Executive Officer Executive Officer in charge for Products Unit
Shiro Tani	Managing Director and Managing Executive Officer Executive Officer in charge for Operation & System Unit
Hiroshi Nishiyama	Managing Director and Managing Executive Officer Executive Officer in charge for Corporate Staff Unit (Human Resource Dept.)
Yoshiyuki Ohmi	Managing Director and Managing Executive Officer Executive Officer in charge for Compliance Unit and Risk Management Unit
Hideo Goto	Managing Director and Managing Executive Officer Executive Officer in charge for Consumer Business Unit
Laurent Depus	Director (Outside)
Toru Nakashima	Director (Outside)
Haruo Funabashi	Director (Outside Director)

Auditor

Koji Saito	Statutory Auditor
Takashi Nakamura	Statutory Auditor
Akihiro Ito	Statutory Auditor (Outside)
Yuji Kage	Outside Statutory Auditor

Managing Executive Officer

Kazuhiro Tsuchiya	Executive Officer in charge for Corporate Staff Unit (Customer Experience Promotion Dept., Decision Management Dept., Administrative Services Dept.) and Executive Officer in charge of Exchange Promotion Dept., Foreign Exchange Counters
Shinji Hoshino	Head of Real Estate Business Div. II and Consumer Business Unit, Special Assignment
Rikako Sekine	Head of Real Estate Solutions Div. and Real Estate Consulting Dept.

Executive Officer

Hiroshi Kuroda	Executive Officer in charge for Internal Audit Unit
Noriyuki Nishigami	Deputy Executive Officer in charge for Compliance Unit
Kazuma Ohashi	Executive Officer in charge of Wholesale Trust Business Dept., Real Estate Investment Advisory Dept.
Masatomo Odagawa	Sumitomo Mitsui Financial Group and SMBC Nikko Securities Inc. (Secondment)
Dai Sugiyama	Executive Officer in charge for Area, Remote Sales Dept., Loan Promotion Dept., and Special Assignment
Hiroshi Manabe	Executive Officer in charge for Corporate Staff Unit, Special Assignment
Tsutomu Kamiya	Co-Head of Real Estate Business Div. I (Business Dept., Tokyo I, Business Dept., Tokyo II)
Satoshi Joichi	Head of Wholesale Business Planning Dept.
Nobuya Nagasaka	Head of Corporate Planning Dept.
Hiroyuki Hayashi	Head of Real Estate Screening Dept.
Takahiko Hirashima	Head of Compliance Management Dept.
Takako Sannohe	Executive Officer in charge of Consumer Business Unit, Special Assignment
Tetsuya Shindo	Deputy Executive Officer in charge for Consumer Business Unit
Ryusuke Matsui	Head of Consumer Business Promotion Dept.
Shuji Ikeda	Co-Head of Real Estate Business Div. I (Business Dept., Osaka I, Business Dept., Osaka II, Business Dept., Kobe, Business Dept., Strategic Real Estate Business Dept.), and Head of Business Dept., Fukuoka
Hong Zhou	Executive Officer in charge of Operations Planning Dept., Banking Operations Dept. I, Banking Operations Dept. III, Service Operations Dept., Product Operations Dept.
Yasuhiro Tajima	Assistant Head of Real Estate Business Div. II
Aya Tsumura	Head of Customer Experience Promotion Dept.
Toru Fukunaga	Head of Human Resource Dept.
Takashi Kishi	Executive Officer in charge of Relationship Promotion Dept.
Tomonaga Takaoka	Deputy Executive Officer in charge for Corporate Staff (Human Resource Dept.)
Nobuyuki Deguchi	Head of Credit Dept.
Makoto Hirose	Head of Risk Management Dept.
Takanori Mizuyama	Assistant Head of Real Estate Business Div. I (Business Dept., Osaka I, Business Dept., Osaka II, Business Dept., Kobe), and assigned to Osaka Office

Fellow (*)

Shigetoshi Hirata	Products Unit
Kohei Fukaya	General Manager of Consumer Business Promotion Dept.
Hiroki Masuhara	Head of Trust Solution Business Dept.

* A position which engages in business operation as a subject matter expert

Senior Director 'RIJI'

Tadanobu Ono	Head of Business Development Dept.
Koichiro Kubo	Head of Exchange Promotion Dept.
Toyonori Abe	Head of Product Development Dept.
Yoshifumi Tsuchiya	General Manager of Consumer Business Promotion Dept.
Tadashi Hayakawa	Head of Consumer Business Planning Dept.
Michiko Hirota	Head of Real Estate Trust Sales Dept.
Kenichi Fukumoto	Head of Investment & Loan Dept.
Masayuki Yamazaki	Head of System Planning Dept.
Tomoko Yuka	Head of Banking Operations Dept. III, Head of PRESTIA Call Center Dept., Remote Sales Dept. and General Manager of Consumer Business Planning Dept.
Kentaro Ikemoto	Area Director of East Japan II Area
Tsunehiro Iwami	Head of Private Banking Dept.
Daisuke Unami	Head of Financial Planning Dept.
Ryuji Kato	Head of Business Compliance Dept.
Masahide Tanaka	Head of Portfolio Solutions Dept.
Masahiko Watanabe	Area Director of East Japan III Area

Office Information (as of June 30, 2020)

Head office

Nishi-Shimbashi Square,
1-3-1, Nishi-Shimbashi, Minato-ku, Tokyo 105-0003
TEL : 03-4510-4300

Higashishinjuku Office

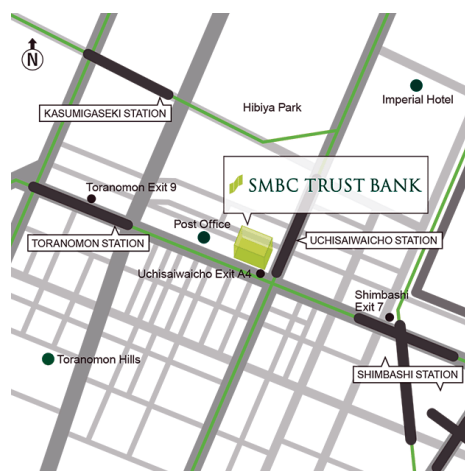
Shinjuku Eastside Square, 6-27-30 Shinjuku, Shinjuku-ku, Tokyo

Osaka Office

Keihanshin Midotsuji Bldg., 3-6-1 Dosho-machi, Chuo-ku, Osaka-shi,
Osaka

Okinawa Office

Tomari Port Terminal Bldg., 3-25-1 Maeshima, Naha-shi, Okinawa



PRESTIA Branches and PRESTIA EXCHANGE

●Branches

Sapporo

Hokkaido Bldg., 1-banchi, Kitaniijonishi 4-chome, Chuo-ku,
Sapporo-shi, Hokkaido

Aoyama

Ao, 3-11-7 Kita-Aoyama, Minato-ku, Tokyo

Akasaka (Global Branch)

S-GATE Akasaka Sanno, 2-5-1 Akasaka, Minato-ku, Tokyo

Ikebukuro

Ikebukuro Muromachi Bldg., 2-27-9 Minami-Ikebukuro,
Toshima-ku, Tokyo

Ohtemachi

Ote Center Bldg., 1-1-3 Ohtemachi, Chiyoda-ku, Tokyo

Ginza

7F GINZA SIX, 6-10-1 Ginza, Chuo-ku, Tokyo

Gotanda

SMBC Gotanda Bldg., 1-14-10 Higashi-Gotanda, Shinagawa-ku,
Tokyo

Shibuya

SMBC Shibuya-Nishi Bldg., 28-4 Udagawa-cho, Shibuya-ku,
Tokyo

Jiyugaoka

9F SMBC Jiyugaoka Bldg., 2-11-3 Jiyugaoka, Meguro-ku, Tokyo

Shinjuku Higashiguchi

Shinjuku M - SQUARE, 3-24-1 Shinjuku, Shinjuku-ku, Tokyo

Shinjuku Minamiguchi

Kubo Bldg., 2-9-2 Yoyogi, Shibuya-ku, Tokyo

Kichijoji Consulting Office (Mini Branch)

Iwasaki Kichijoji Bldg., 1-15-9 Kichijoji-Honcho, Musashino-shi,
Tokyo

Tachikawa

Suzuharu Bldg., 2-7-16 Akebono-cho, Tachikawa-shi, Tokyo

Nihonbashi

Nihonbashi Kato Bldg., 2-1-14 Nihonbashi, Chuo-ku, Tokyo

Hiroo (Global Branch)

HIROO REEPLX B's, 5-15-27 Minami-Azabu, Minato-ku, Tokyo

Yokohama

Yokohama First Bldg., 1-6-1 Kita-Saiwai, Nishi-ku, Yokohama-shi,
Kanagawa

Aobadai Consulting Office (Mini Branch)

Aobadai Tokyu Square South-2, 1-7-1 Aobadai, Aoba-ku,
Yokohama-shi, Kanagawa

Fujisawa Consulting Office (Mini Branch)

Lumine Fujisawa, 438-1 Fujisawa, Fujisawa-shi, Kanagawa

Chiba

Sencity Tower, 1000 Shinmachi, Chuo-ku, Chiba-shi, Chiba

Urawa

Urawa Nikko Bldg., 2-1-23 Takasago, Urawa-ku, Saitama-shi,
Saitama

Nagoya

Sakae Parkside Place, 3-16-27 Nishiki, Naka-ku, Nagoya-shi, Aichi

Nagoya Ekimae

MIDLAND SQUARE, 4-7-1 Meieki, Nakamura-ku, Nagoya-shi,
Aichi

Umeda

ABC-MART Umeda Bldg., 1-27 Chayamachi, Kita-ku, Osaka-shi,
Osaka

Osaka Ekimae

Osaka Dai-ichi Seimei Bldg., 1-8-17 Umeda, Kita-ku, Osaka-shi,
Osaka

Namba

NAMBA SkyO, 5-1-60 Namba, Chuo-ku, Osaka-shi, Osaka

Ashiya

Hotel Takezono Ashiya, 10-1 Ohara-cho, Ashiya-shi, Hyogo

Kobe

S.Yoshimatsu Bldg., 8-1-17 Gokodori, Chuo-ku, Kobe-shi, Hyogo

Sannomiya Office

Ginsen Sannomiya Bldg., 1-5-1 Sannomiya-cho Chuo-ku Kobe-shi
Hyogo

Kyoto

1F Kyoto Mitsui Bldg., 8 Naginataboko-cho, Karasuma-Higashiiru,
Shijo-dori, Shimogyo-ku, Kyoto-shi, Kyoto

Fukuoka

Fukuoka PARCO Main Bldg., 2-11-1 Tenjin, Chuo-ku, Fukuoka-shi,
Fukuoka

Internet Branch

Shinjuku Eastside Square, 6-27-30 Shinjuku, Shinjuku-ku, Tokyo

●Currency Exchange Counter

Akihabara Currency Exchange Counter

1-6-5 Kandasakuma-cho, Chiyoda-ku, Tokyo

Asakusa Currency Exchange Counter

2-17-12 Kaminarimon, Taito-ku, Tokyo

Ginza Currency Exchange Counter

6-10-1 Ginza, Chuo-ku, Tokyo

Shibuya Currency Exchange Counter

28-4 Udagawa-cho, Shibuya-ku, Tokyo

Shinjuku Currency Exchange Counter

3-24-1 Shinjuku, Shinjuku-ku, Tokyo

Shinjuku Nishiguchi Currency Exchange Counter

1-7-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo

Futako-Tamagawa Currency Exchange Counter

2-24-9 Futako-Tamagawa, Setagaya-ku, Tokyo

Machida Currency Exchange Counter

6-12-1, Haramachida, Machida-shi, Tokyo

Yurakucho Mullion Currency Exchange Counter

2-5-1 Yurakucho, Chiyoda-ku, Tokyo

Haneda Airport Currency Exchange Counter

2-6-5 Haneda-Kuko, Ota-ku, Tokyo

Narita International Airport North Wing Currency Exchange Counter

1-1 Goryo Bokujo, Sanrizuka, Narita-shi, Chiba

Narita International Airport South Wing Currency Exchange Counter

1-1 Goryo Bokujo, Sanrizuka, Narita-shi, Chiba

Narita International Airport Terminal 2 A-zone Currency Exchange Counter

1-1, Aza-Furugome, Furugome, Narita-shi, Chiba

Narita International Airport Terminal 2 B-zone Currency Exchange Counter

1-1, Aza-Furugome, Furugome, Narita-shi, Chiba

Umeda Currency Exchange Counter

1-1-3 Shibata, Kita-ku, Osaka-shi, Osaka

Namba Currency Exchange Counter

5-1-60 Namba, Chuo-ku, Osaka-shi, Osaka

Kansai International Airport No.2 Currency Exchange Counter

14 Senshu-kuko-naka, Tajiri-cho, Sennan-gun, Osaka

Kansai International Airport No.3 Currency Exchange Counter

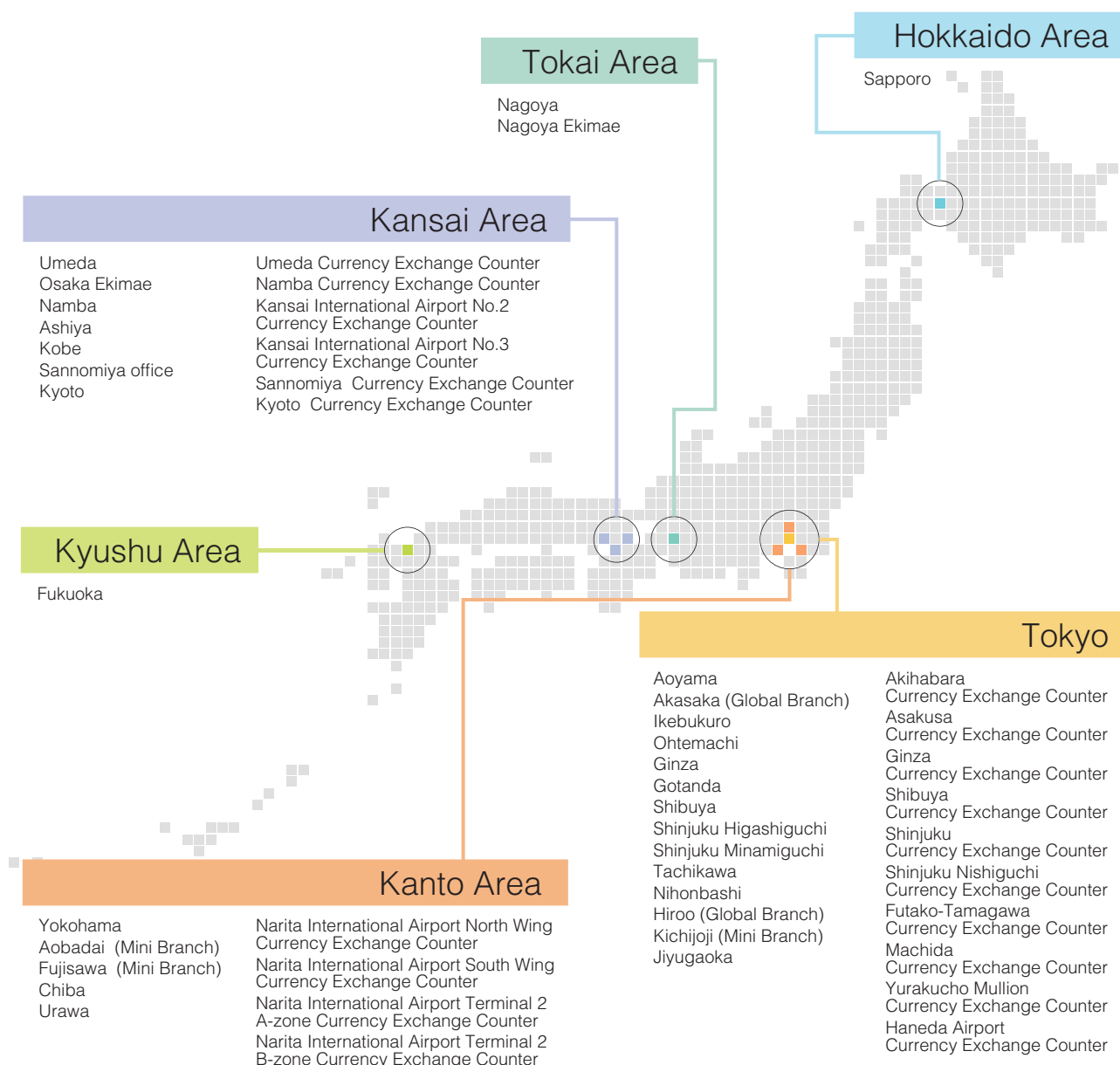
14 Senshu-kuko-naka, Tajiri-cho, Sennan-gun, Osaka

Sannomiya Currency Exchange Counter

1-5-1 Sannomiya-cho, Chuo-ku, Kobe-shi, Hyogo

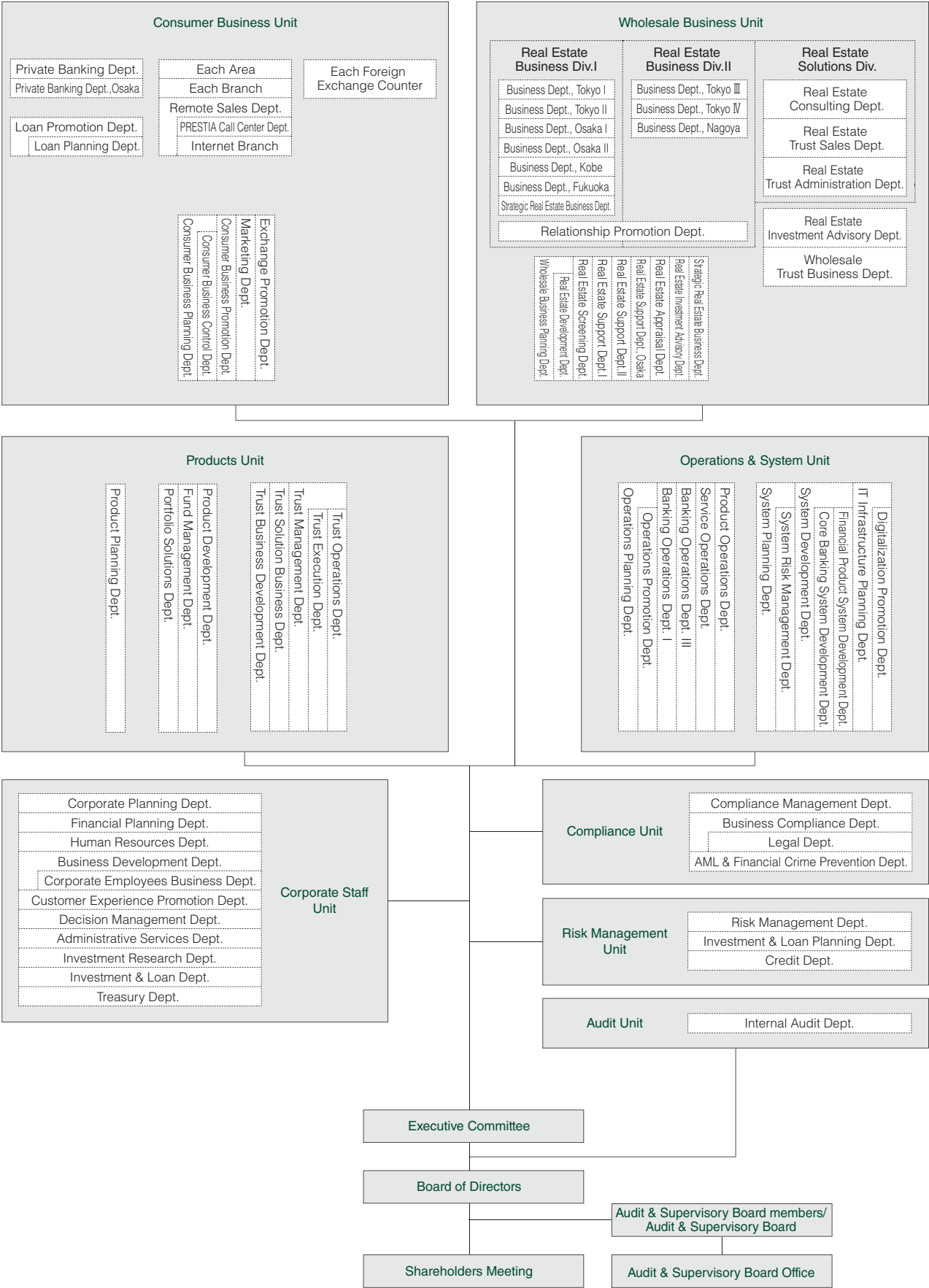
Kyoto Currency Exchange Counter

8 Naginataboko-cho, Shijodori-Karasuma Higashiiru, Shimogyo-ku, Kyoto-shi, Kyoto

**Contact Us**

- ▶ For account holders
Telephone (open 24 hours a day, 365 days a year)
0120-110-330 (toll-free)
From Overseas
81-46-401-2100 (toll-charge)
- ▶ For non-account holders
Telephone
0120-50-4189 (toll-free)

Organization Chart (as of June 30, 2020)



Corporate Overview

As the trust bank of SMBC Group, we operate under the group-wide business units and CxO systems of the Group.

We are a company with Audit & Supervisory Board (ASB) and, as such, have elected four ASB members, all from outside the Company except two members.

Our ASB members review the way our directors and executive officers carry out their duties by attending important meetings such as the Board of Directors, receiving business reports from our directors, inspecting approval-granting documents, and receiving debriefing from Internal Audit Department and the accounting auditor. The Board of Directors operates under the authority of the Chairperson for the proper role-sharing with the President and CEO, who is in charge of execution of business. The Board consists of 12 members and makes decisions on the Company's management policy and business execution, and supervises how our directors execute their duties. By electing outside directors, the Company strengthens the effectiveness of the supervision. The Board has established the Executive Committee (EXCO) comprised of our executive officers. The EXCO assists the President and CEO to make decisions on execution of business and on internal control. Of the matters an executive officer performs or decides on, the ones relevant to the Company's management policy determined by the Board are discussed, resolved, or reported at EXCO meetings. Those matters include policies, plans, budgets, and other important matters delegated by the Board. For the reinforcement of corporate governance, the Company has also established other committees, such as the "Compliance Committee" and the "Risk Management Committee," and, by establishing the "Promotion of Customer-Oriented Business Operation Committee," we have been reinforcing the framework for our customer-first approach.

Our attitude towards improving management of small and medium enterprises and vitalizing communities

Our main focus of business is to satisfy individual customers' needs. We do not, therefore, provide business financing for small and medium enterprises in principle. We, however, deal with the customers asking for business loans sincerely. In other words, we listen to their requests seriously, and explain our decisions on the requests thoroughly to gain their understanding. For the community vitalization, we strive to fulfill our social responsibilities to local communities and contribute to regional vitalization.

Our Business

Business Activities

We connects the three functions of “foreign currency,” “real estate,” and “trusts,” and develops various businesses such as banking business, trust business, and real estate-related business as joint business.

1. Banking

(1) Deposits

Acceptance of deposits and installment savings (including acceptance of foreign currency deposits and structured deposits)

(2) Lending

Lending of funds (including lending of foreign currency funds)

(3) Domestic exchange

Remittance, account transfer, and other domestic exchange transactions

(4) Foreign exchange

Remittance, account transfer, buying and selling of foreign exchange, and other foreign-exchange transactions.

2. Trusts

(1) Money Trusts

Non-discretionary (Tokkin) money trusts, Clearing trusts, Pension Tokkin, Discretionary commingled trusts, Discretionary money trusts

(2) Money in Trust Other than Money Trusts

(Kingaishin Trusts)

Non-discretionary Kingaishin trusts, Discretionary Kingaishin trusts

(3) Securities Trusts

Securities administration trusts, Securities disposal trusts, Securities acquisition trusts

(4) Composite Trusts

Composite trusts (discretionary & non-discretionary)

(5) Other Trusts

Security trusts, real estate administration and disposal trusts, mutual funds, pension trusts, living trusts / consecutive successive beneficiary trusts, monetary claim trusts, asset management for defined contribution pension funds, art trusts

3. Concurrent Business

(1) Real Estate Brokerage

Advisory and support services for customers in need of a sale or an acquisition of real estate.

(2) Real Estate Consulting

Consulting services on corporate real estate (CRE) strategy planning and others for companies with real estate assets.

(3) Real Estate Appraisal

Real estate appraisal services for customers with assessment needs.

(4) Real Estate Asset Management

Investment advisory services at all stages of real estate asset management.

4. Registered Financial Institution Business

(1) Financial instrument intermediary services

Provision of structured bonds and other securities

(2) Sale and Purchase, etc. of Beneficial Interests in Real Estate Trusts

Brokerage services for sales or purchases of beneficial interests in real estate trusts, and dealing in private placement funds, etc.

(3) Handling of public offering or private placement of beneficiary certificates of mutual funds

Over-the-counter sales of mutual funds to individual investors and direct sales of mutual funds to qualified institutional investors as Trustee.

(4) Administration of Securities, etc.

Administration of beneficiary certificates of mutual funds and other securities within our office or through an external depository.

5. Bank Agency Service

(1) Bank Agency Service

Following services are provided by SMBC on behalf of SMBC Trust Bank:

Acting as an intermediary for conclusion of contracts on acceptance of deposits or installment savings with us; acting as an intermediary for conclusion of contracts on loans of our funds, and; acting as an intermediary for contracts on exchange transactions by us.

6. Trust Agency

(1) Trust Agency Business

SMBC provides intermediary services to us for conclusion of trust agreements on our discretionary money trusts and business/asset succession trusts.

Introduction to Our Banking Business

We offer tailor-made total solutions using trust functions, etc. for high net-worth customers and conduct the retail banking business acquired from Citibank Japan on November 1, 2015 under the new brand, "PRESTIA."

Introduction to PRESTIA

We offer a wide range of products and services in order to respond to the customer's various needs, focusing on settlement services and foreign exchange transactions, including GLOBAL PASS®(Multi Currencies Visa Debit with Cash Card), a cash card with Visa debit service that can be used for withdrawing local currencies at an ATM of Visa/PLUS mark in more than 200 countries. We also provide the financial information and professional advice based on the global economic assessment, through our branches, telephone and the internet. We offer the token-based One Time Password service and advanced transaction authentication for our customer's online transactions.

PRESTIA's appealing points

Strong at Foreign Currency Services

- Top level foreign currency deposit balance in Japan
- An extensive foreign currency product lineup (deposits, mutual funds, insurance, and financial instruments intermediary service) to serve those interested in foreign currency investment and those not knowing their potential foreign currency need
- Settlement services for those with overseas access

Expert Consulting

- Consultation for asset management to meet your need at each stage of your life through prompt analysis of abundant information
- Support for inheritance and business succession
- Consultation for loans to foreign nationals

Multiple Channels

- **Nation-Wide Branch Network**
In addition to ATMs at our 30 branches and sub-branches, those at allied financial institutions are available for use
- **Manned Call Center** available 24 hours a day and year in Japanese and English
- **Easy overseas remittance and other yen/foreign currency transactions** through our online-banking services

Worldwide Network

- **GLOBAL PASS(Multi Currencies Visa Debit with Cash Card)**
GLOBAL PASS is a cash card with Visa debit service that can be used for withdrawing local currencies at an ATM of Visa/PLUS mark in more than 200 countries. Customers can use the card for shopping at stores with Visa logo around the world as well as online shopping, in 18 local currencies (including Japanese Yen) directly from your PRESTIA MultiMoney account.
- **ANA Mileage Club GLOBAL PASS**
Customers can earn miles not only by shopping and ATM transaction abroad, but also yearly increase in foreign currency deposit.



Exclusive Services for Special Customers

We have programs to offer the customers preferential fees based on their Total Average Monthly Relationship Balance and other preferential services including asset management consultation by our special consultants.

PRESTIA GOLD PREMIUM



PRESTIA GOLD PREMIUM is a high value service for the customers who maintain a Total Average Monthly Relationship Balance equivalent to 50 million yen or more

- Exclusive asset management assistance by Relationship Manager.
- Many discounted/waived fee services.
- Exclusive products (mutual funds, bonds, loans, etc.) for GOLD PREMIUM customers

PRESTIA GOLD



PRESTIA GOLD is a special service available to selected customers who maintain a Total Average Monthly Relationship Balance equivalent to 10 million yen or more and have asset management needs for products such as foreign currency denominated instruments.

- Exclusive asset management assistance by PRESTIA GOLD Executives (special consultants).
- Many discounted/waived fee services.



PRESTIA



Introduction to Private Banking



Head office 19F reception

We offer private banking services to provide tailor-made solutions to diversified needs of high net worth and other individual customers, using our trust and other functions.

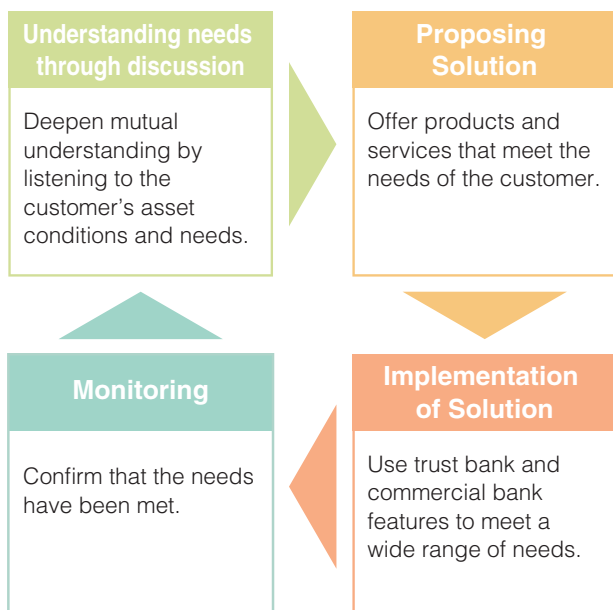
Since its establishment, our Private Banking has been offering trust-based total solutions for asset and business succession and real estate services covering multiple generations including customers' family members, as well as tailor-made investment products.

Our private bankers are committed to putting customers first and providing the best financial products for them by customizing financial services in cooperation with our dedicated fund-management team to meet the needs of customers.

Private Banking Philosophy

Our philosophy of private banking services stresses tailor-made solutions to provide customers with a long-term point of view by accurately understanding their needs.

Wealth Management Process and Features



Key Features of Our Private Banking

1. Building a sustaining relationship of trust
Your dedicated private banker acts as the concierge of your precious assets.
2. Support for the investments, administration, and protection of your precious assets through trust functions
We offer trust solutions in accordance with the stages of your life cycle.
3. Providing speedy and comprehensive solutions through collaboration between other SMBC Group companies

We provide a variety of financial services by capitalizing on the network and credit worthiness of SMBC Group, which is one of the leading financial groups in Japan.

Total Solutions

Asset Management

- Discretionary Trusts
- Structured Deposits

Asset Purchasing

- Stock Purchasing Trusts
- Real Estate Brokerage
- Loans

Asset Sales

- Stock Disposal Trusts
- Real Estate Brokerage

Asset Administration

- Securities Administration Trusts

Asset Succession

- Living Trusts
- Successive Beneficiary Trusts

Major Financial Products Lineup

Lineup of Foreign Currency Deposit Products

Savings Deposits

- PRESTIA MultiMoney Foreign Currency Savings Deposit
- PRESTIA US dollar Savings Deposit for US dollar cash card

Time Deposits

- Foreign Currency Time Deposit
- Step Up Time Deposit

Structured Deposit

- Premium Deposit
<Structured Deposit with FX Option>

Foreign Exchange transaction

- Order Watch <Foreign exchange order service>
- Cross Currency <Foreign Currency exchange between foreign currencies>

Investment Trust

SMBC Trust has carefully selected investment trusts from around the world that can be managed in U.S. dollars, Euros, and Australian dollars.

Financial Instruments Intermediary Service

SMBC Trust partners with SMBC Nikko Securities and act as an intermediary for the trading of foreign currency bonds and other products. In addition, SMBC Trust sets up intermediary accounts (both private and corporate) for SMBC Nikko Securities' financial instruments.

Lineup of Yen Deposit Products

Savings Deposits

- Yen Savings
- PRESTIA MultiMoney Yen Savings Deposit

Time Deposits

- Super Teiki (Deregulated Interest Rate Time Deposit - M Type)
- Oguchi Teiki (Deregulated Interest Rate Time Deposit)

Insurance

SMBC Trust offers product lines that meet a variety of needs, such as funds for supplementing pension, death benefit protection, inheritance, and lifetime gifting.

Loans & Mortgages

- Housing Loan / Investment Property Loan
- PRESTIA MultiMoney Credit (Overdraft secured by deposit)

GLOBAL PASS

- GLOBAL PASS (Multi Currencies Visa Debit with Cash Card)
- ANA Mileage Club GLOBAL PASS

Credit Cards

- PRESTIA Visa GOLD CARD
- PRESTIA Visa PLATINUM CARD

Market Information Offering

The Investment Research Department is specialized in the analysis of the global economy and financial markets. The department collects domestic and international information, and provides unbiased views on them to retail customers through financial market reports and seminars, and media such as TV and newspapers.

Financial analysts



Masahiro Yamaguchi
Head of Investment Research
Department
Senior Market Analyst



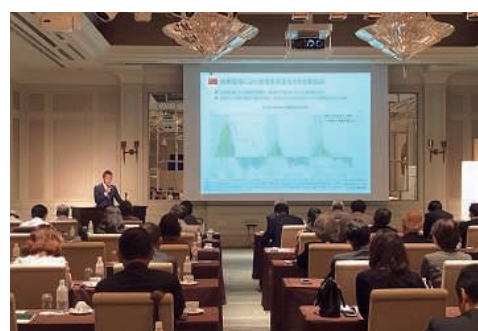
Keiko Ninomiya
Senior FX Market Analyst



Masashi Samizo
Market Analyst



Offer the latest market
information through
a number of market reports



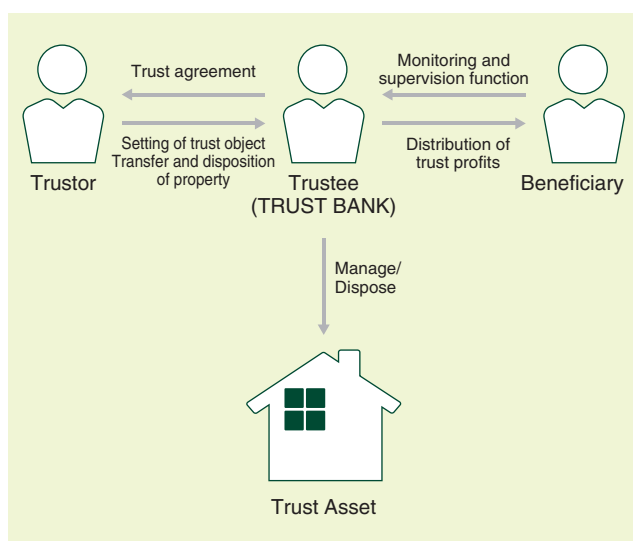
Hold a variety of seminars

Introduction to Our Trust Business

What is a Trust?

A “trust” is an agreement that a person who has assets/property, such as financial instruments and real estate, concludes as the trustor with a credible trustee to have the trustee manage the assets (trust assets/property). In the agreement, the trustor and the trustee agree on how to manage the assets, and to whom the assets pass. Based on the agreement, the trustee manages the assets in the trustee’s name and the income arising from the assets is distributed in accordance with the agreement.

When a trustor transfers assets into a trust, a beneficial interest (right) is created and those with the interest, called the beneficiary receives the income from the assets. The beneficiary is, thus, practically the asset holder. Beneficial interests can be divided or assigned, and because trust assets would be protected even if the trustee went bankrupt, they would not be affected by seizure, etc.



Difference between a Trust Bank and a Bank

In addition to the “banking operations” that banks are allowed to undertake, trust banks can conduct the “trust operations” such as money or securities trusts, and “concurrent operations” related to administration and disposal of property, such as real estate brokerage.

Banking operations	Trust operations	
	Trust operations	Concurrent operations
Taking deposits	Money trusts	Real estate brokerage
Making loans	Securities trusts	Real estate consulting
Processing foreign exchange transactions	Living trusts	Real estate appraisal
...etc.	...etc.	...etc.

Our Products and Services

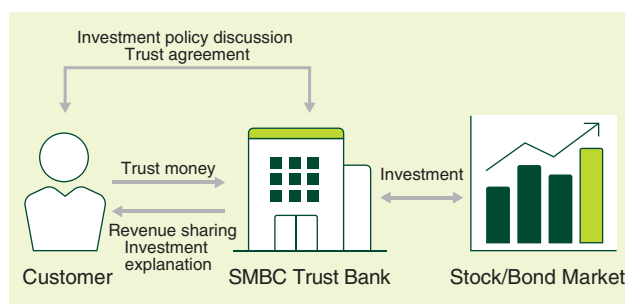
For Retail Customers

Asset Management

●Discretionary/Non-Discretionary Trusts

We offer comprehensive asset management solutions to meet customers’ investment needs.

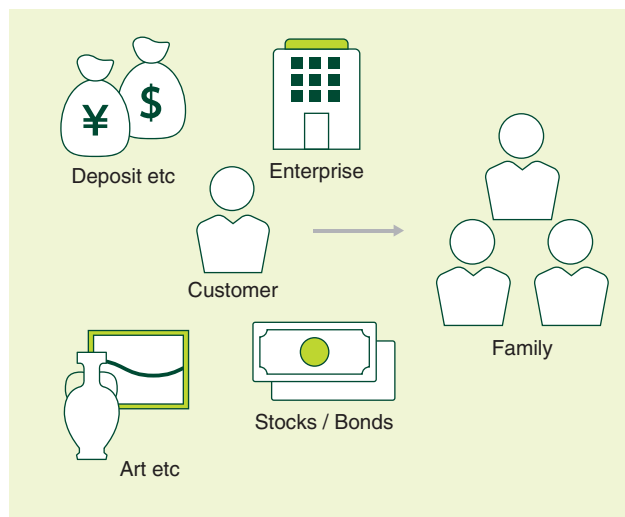
●Structure of Discretionary Trusts



Asset Succession, Business Succession

●Living trusts / Successive beneficiary trusts

We will support smooth succession of assets or businesses by offering solutions that best suit customers’ needs that a will cannot meet.



Asset Administration & Protection

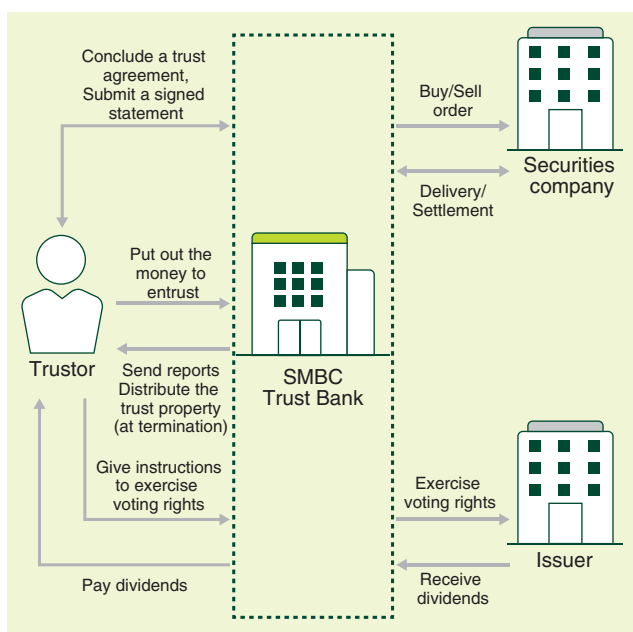
●Securities Administration Trusts

We are committed to the secure administration and long-term protection of customers' valuable assets in accordance with their goals and requirements. The use of trusts for these purposes could be the optimal option for those who have a broad range of assets but little time to care for them. Assets in our trust are administered in our name and, thus, their privacy is protected. In addition, trust assets are kept separate from the corporate assets of SMBC Trust Bank, and a statement describing the state of their assets and account activities is sent to them regularly.

Asset Trading

●Securities Acquisition Trust, Securities Disposal Trust

We have a wide range of asset trading solutions that can assist our customers with asset administration and succession planning at various stages of their lifecycle. For example, if you or a member of your family owns a publicly-traded company, the shares of the company are an important component of your assets. When trading such shares, however, you should be aware that your transaction may be scrutinized for or arouse suspicion about a possible violation of insider trading or market manipulation regulations. To mitigate these risks, we would advise you to use a securities acquisition trust or a securities disposal trust and let us buy or sell such shares at our own discretion for you.



For Corporate Customers

Asset Administration and Protection

●Securities Administration Trusts

We administer in our name securities such as stocks and bonds that corporate customers own. We receive dividends and principals/interests on their behalf and distribute them to the corresponding customers. We also exercise their voting rights in accordance with their instructions.

●Securities Investment Trusts

A securities investment trust is a financial product where investors' monies are pooled together and invested primarily in marketable securities by the professional fund manager of an investment trust management company. Earnings and other payouts from the investments are distributed to the investors.

●Clearing Trusts

We administer the margin money for foreign-exchange margin trading, etc. deposited with the settlor by its customers, as the trust assets for the protection of the money and the customers as well as for the legal compliance.

Asset Trading

●Securities Acquisition Trusts, Securities Disposal Trusts

We offer various asset trading solutions to meet customers' needs. For example, when trading a publicly-traded stock in the marketplace, extra attention should be paid to the risk of infringing insider trading and market manipulation regulations or of causing such doubts. As a method to mitigate such risks, we would propose to use a securities trading trust and let us sell the shares at our own discretion.

Monetary Claims Trusts, etc.

We provide solutions for corporate financing and collateral management.

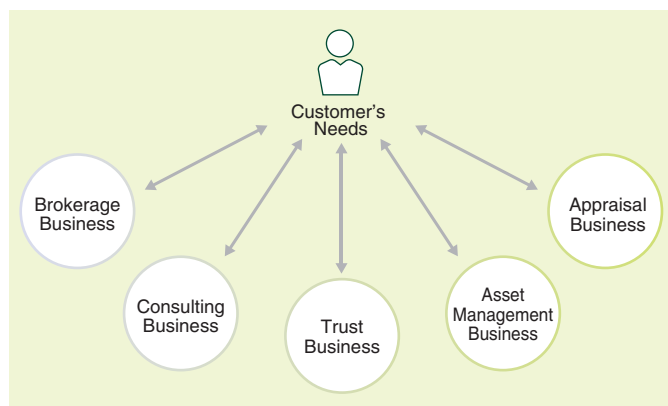
Trust & Debt Assumption

We provide solutions for corporate financial improvement.

Introduction to our Real Estate

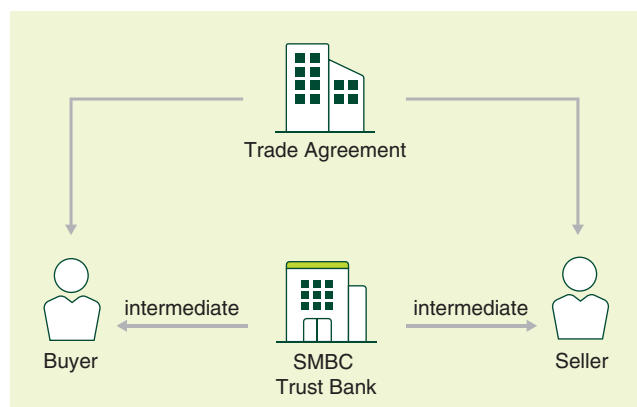
We provide a wide variety of services to meet customers' real estate related needs, such as brokerage services, consulting services and appraisal services.

Support Customer's Optimal Real Estate Strategy



Brokerage Business

We provide comprehensive support to meet the needs of corporate customers and high net worth individual customers for large real estate deals.

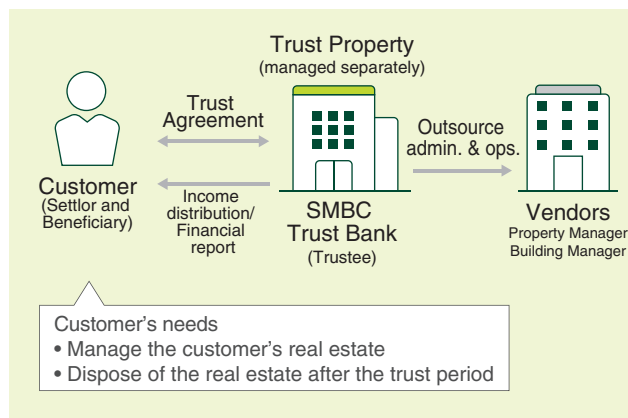


Consulting

To customers owning property, SMBC Trust provides not only research and analysis services from the perspective of enhancing corporate value but also responds to a wide range of other consulting needs in consideration of customers' financial strategies.

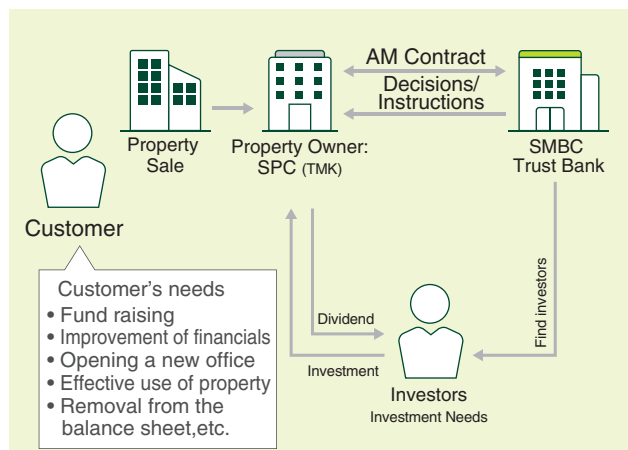
Trust Business

We provide trust services to the customers who own real estate assets.



Real Estate Asset Management (AM)

We provide services to the customers wishing to invest in real estate. Our services cover investment decisions and advisory services at all steps, including acquisition, management during the holding period, and exit.



Real Estate Appraisal

Our specialized real estate appraisers give high-quality appraisals.

Topics

Service Provided by GLOBAL PASS



In October 2019, we began offering Multi Currencies Visa Debit with Cash Card, “GLOBAL PASS”, which covers 18 currencies (including Japanese Yen), the largest number in Japan and is available for direct use of both Yen Savings and PRESTIA MultiMoney Foreign Currency Savings Deposit.

The card is usable for both domestic and overseas cash withdrawal, as well as payment at Visa/J-Debit/ iD member stores. In addition, Visa Touch payment and iD contactless payments are also supported, and the card can be used for a wide range of cashless payments that are rapidly spreading all over the world. Also, we can issue a family card that can be utilized by your child studying abroad.

We offer customers a new experience and convenience by allowing them to directly use foreign currencies saved in fund management etc.

On our website, we have created a special page titled “GLOBAL PASS” to introduce you the scenes where the card is utilized, for your easy understanding of new function and its convenience that “the card is directly available for foreign currencies as well as Yen”,



Handling 17 foreign currencies

From the perspective of long-term diversified investment, we are making efforts to clearly explain the significance of owning foreign currency to more customers, while expanding our services.

In August 2019, we expanded to handle 17 currencies for foreign currency deposit and made the application of foreign currency installment deposit service through PRESTIA Online available.

The service provides commission-free exchange from yen to foreign currency and free savings account maintenance fee in case of a certain amount of deposit.

We are also developing various campaigns to make opportunities for asset management in foreign currency.

USD	AUD	NZD	GBP
CAD	EUR	CHF	SGD
HKD	CNY*	THB	ZAR
TRY	MXN	NOK	SEK
DKK	*PRESTIA MultiMoney Foreign Currency Savings Deposit handles Chinese Yuan offshore only.		

Launch of a Global Support Program for individual banking customers

In December 2019, we began providing services to our individual banking customers as part of an agreement with Citibank, a major global bank based in the U.S. These services include surcharge-free cash withdrawals from Citi® ATMs in 17 countries and jurisdictions via GLOBAL PASS®, introduction of U.S. Citibank® branch locations for relocating customers, and access to Citigold lounges in New York, Miami, San Francisco, London, Singapore, Hong Kong and Shanghai for PRESTIA Gold customers.

Providing this access to the Citi global network represents another step in our efforts to improve support for our customers who travel or relocate overseas.



“Art Branch” at the Nihonbashi Branch

We held “Art Branch” at the Nihonbashi branch from September 2019 to March 2020, which visitors can experience the world created by valuable art works. With the cooperation of world-renowned Japanese contemporary artists, Mr. Takuro Kuwata, Mr. Takahide Komatsu, Ms. Miwa Komatsu, Mr. Noritaka Tatehana, Mr. Yuki Nara and Mr. Kohei Nawa, we provided a rare space where visitors can appreciate works rarely seen in Japan.

We have been working to provide customers with spiritual values and inspiration through the services from an art perspective, while contributing to the revitalization of Japanese culture. We will continue to provide original service that other financial institutions do not offer.



Exhibition view of Mr. Noritaka Tatehana's work

Shared Branches in SMBC Group

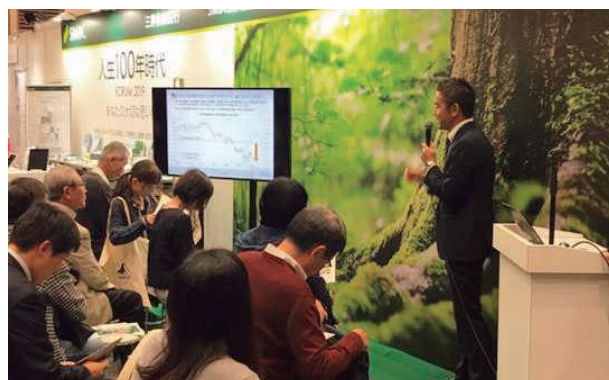
We have been operating “Shared Branches” in the same building with SMBC and SMBC Nikko Securities. At each branch, you can use total financial solutions of SMBC Group, including banking, trusts and securities services, besides PRESTIA's services renowned for foreign currency products, as one-stop services.



“The 100-Year Life FORUM 2019”

Looking ahead to “The 100-Year Life”, we held a big event themed “To your precious thoughts” in Tokyo and Osaka, in cooperation with SMBC and SMBC Nikko Securities.

We organized various contents such as talk sessions by celebrities, exhibition booths by sponsors, seminars, so that we could provide visitors with an opportunity to think about what the most important thing for them is, when looking back on the past and looking ahead to the 100-Year Life future.



‘S’ rating by R&I

In January 2020, we were awarded an ‘S’ rating by Rating and Investment Information, Inc. (R&I) in their “Customer-Oriented Investment Trust Sales Company Evaluation” for

2 years in a row. Their ratings consist of five grades: SS, S, A, B, and C. Our rating, S, is the highest rating of all the companies evaluated. Keeping R&I's comment on our sales practices in mind, we will further pursue customer-oriented business practices.



Disclaimer:

Customer-Oriented Investment Trust Sales Company Evaluation (hereinafter referred to as the “Evaluation”) is R&I's statements of opinion, not of fact, on the sales practices adopted by investment trust sales companies from the viewpoint of customer-orientation. Although the information that R&I used for the Evaluation is what R&I believes to be reliable, R&I does not carry out independent verification for the accuracy, etc. of the information. R&I, etc. does not guarantee as to the accuracy or completeness of the information, and the Evaluation is not a recommendation to purchase, sell, or hold any particular product, and does not guarantee future performance. All rights related to the Evaluation, including intellectual property rights such as copyrights, are reserved by R&I.

Efforts by PRESTIA Phone Banking

Our call center has been granted the highest rating of 3 Stars in HDI Benchmarking (in the telephone services and monitoring categories) hosted by HDI-Japan, the Japan chapter of the world's largest membership organization in IT support services industry, HDI.

We are highly evaluated by the third party, such as obtaining certification of "COPC® CX Standard CSP 6.1 version", international quality assurance standard for call center business in February 2020.

We will continue to provide services as a call center being close to customers.



Received Forbes JAPAN WOMEN AWARD 2019

We received 6th place in "Company with 100 or more employees category" of "Forbes JAPAN WOMEN AWARD 2019, the biggest women award in Japan, hosted by global business magazine, "Forbes JAPAN".



The award is to select and recognize "women who made her own path and are active front-runners" and "companies that actively create ideal workplaces for motivated women". We will continue to strengthen business competitiveness as a company with an advantage of diversity, by establishing "Diversity & Inclusion Promotion Committee" as a company-wide engagement, family care leave, and holding a periodic session of "Women's Shared House Program", a group-based mentor system for carrier support to female employees. We aim to be a company where employees respect each other and actively play their roles.

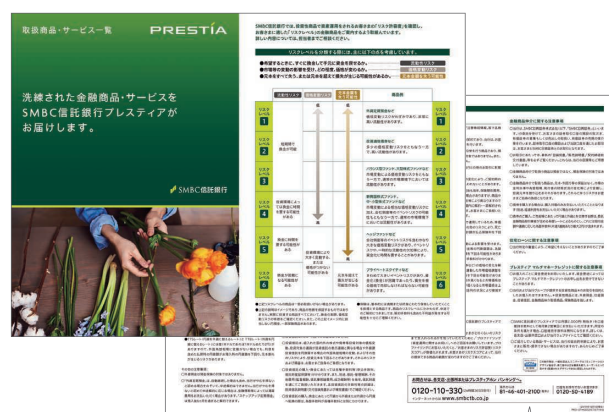
Received USDA AWARD 2019

Our brochure "Products and Services List" was awarded "Special Prize" in the USDA AWARD 2019, which is presented to companies with unique viewpoint and characteristic evaluation result.

The color design and the explanation of investment risk by level were well evaluated.

"USDA AWARD" by Universal Communication Design Association (USDA) is to recognize outstanding communication designs, provided by companies (organizations) and administrations, by adopting the "third party's" objective evaluation of information media for consumers, which is based on the standard created with accumulated knowledge of industry, academia and consumers.

We will keep making efforts to provide clear information of products and services from the customers' perspective.



Business Overview

The following is an overview of SMBC Trust's business activities in the fiscal year ended March 31, 2020.

Economic and Financial Environment

Looking at the Japanese economy in the fiscal year ended March 31, 2020, a trend of gradual decline continued, and under such circumstances, the real GDP for the October-December quarter fell 7.1% from the previous period, the largest decline since the April-June period of 2014.

The decline came after household spending slowed down following a sales tax hike, as in 2014, as well as falls in capital expenditures and exports due to prolonged U.S.-China trade talks.

In such conditions, the Cabinet Office has been using the term "worsen" since last August as the overall assessment of the Japanese economy, heralding a possible recession.

Furthermore, with the spread of the novel coronavirus (COVID-19) having brought the global economy to a standstill since the beginning of 2020, the Bank of Japan, in coordination with the central banks of major countries, took additional monetary easing steps in March 2020.

In the domestic stock market, the Nikkei Stock Average had tried to make renewed gains over the year-end period since the burst of the bubble economy of the early 1990s against the backdrop of global bull markets buoyed by progress in U.S.-China trade talks, a bottoming-out of the semiconductor market, and the U.S. Federal Reserve's balance-sheet expansion.

With COVID-19 becoming pandemic in late January, however, concerns grew about an economic slowdown caused by the measures taken by many countries to curb the spread of infections, and, coupled with a sharp drop in crude oil prices, the Nikkei average nosedived to lower ¥16,000 in late March for the first time in about 3-1/3 years.

In the domestic bond market, the long-term interest rates in the first half of the fiscal year fell from 0% in spring 2019 to around negative 0.3% in September on the back of growing demand for safe assets amid heightened concern that the U.S.-China trade talks would last longer than expected.

Although, in the second half of the year, the interest rates rebounded toward December backed by expectations that the U.S.-China trade talks would reach an agreement soon, the bond yields were traded within the negative territory.

From January 2020, the domestic bond market became volatile under the circumstances of the virus spreading globally, and the interest rates fell to around negative 0.2% and then surged to 0.1% in mid-March. With continued monetary easing by the Bank of Japan, however, the market ended the fiscal year at around 0%.

As part of the measures against an economic downturn, the U.S. Federal Reserve (Fed) lowered interest rates in July 2019 for the first time in about 10.5 years.

Although the U.S. economy showed signs of acceleration at the end of 2019, it ground to a halt in March 2020 with rapid spread of COVID-19 infections.

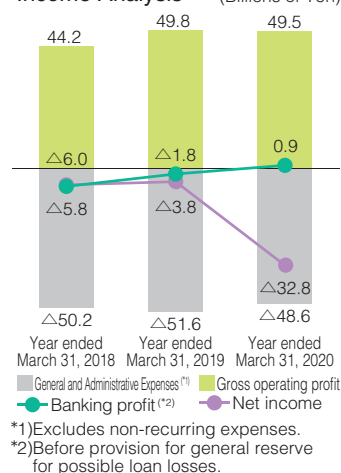
The Fed cut the federal funds rate to the "floor," providing liquidity and credit as crisis-response measures.

In the foreign exchange market, the U.S. dollar rose against major currencies on expectations that major central banks, except the U.S. Fed, would cut their rates, and, coupled with expectations for rebound in the Chinese economy, the dollar rose to the lower ¥112 level in April 2019.

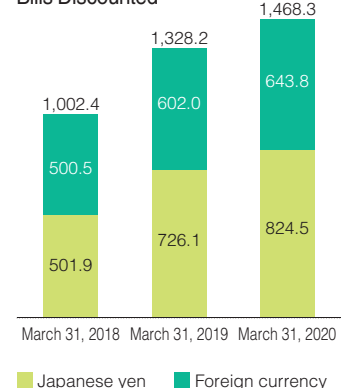
However, as the U.S. government's implementation of additional tariffs on trading partners intensified trade friction along with rising tensions in the Middle East, a risk-off sentiment resumed and the dollar fell back to the lower ¥104 level in August 2019.

The U.S. and China continued the trade talks while mutually imposing retaliatory tariffs, and they agreed on the "phase one" deal in January 2020, rapidly sending the dollar to the lower ¥112. After that, however, mainly caused by heightened concern over an economic slowdown due to the COVID-19 pandemic, the dollar plunged to the lower ¥101 range, the lowest level in four years.

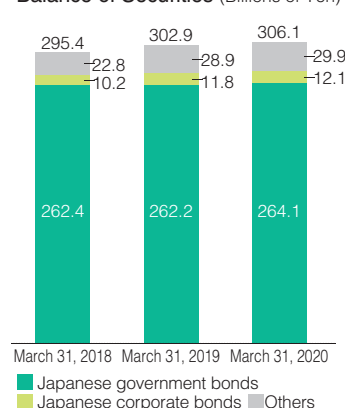
Income Analysis (Billions of Yen)



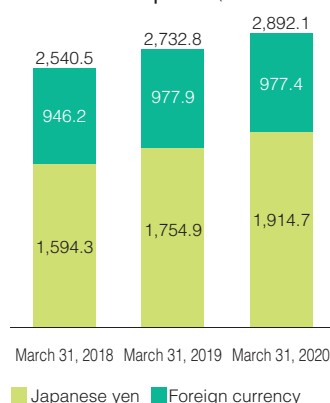
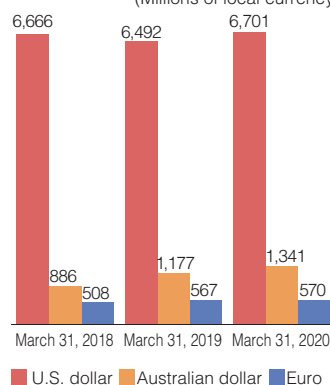
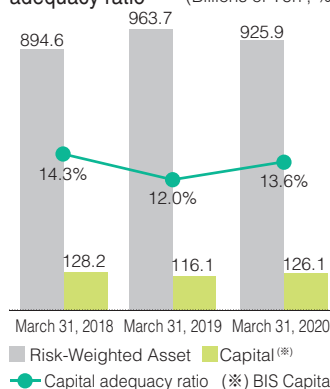
Balance of Loans and Bills Discounted (Billions of Yen)



Balance of Securities (Billions of Yen)



Balance of Deposits (Billions of Yen)

Balance of Deposits by currency
(Millions of local currency)Capital/Risk-weighted Asset/Capital
adequacy ratio (Billions of Yen, %)

Operating Results and Financial Position

Profits and losses

Gross banking profit came to ¥49.5 billion, down ¥300 million from a year ago due primarily to a decline in fees and commissions from financial instruments intermediary services, etc. despite rises in net interest income on domestic mortgage loans, overseas lending denominated in foreign currencies, and income from real estate businesses.

Operating expenses (excluding non-recurring expenses) stood at ¥48.6 billion, down ¥3 billion year-on-year reflecting lower personnel costs in line with our medium-term management plan and a reduction in non-personnel expenses made from various viewpoints.

As a result, SMBC Trust posted a net banking profit of ¥900 million, up ¥2.7 billion from a year earlier, and it successfully turned around into the black.

Following a suspension in economic activities around the world caused by the spread of COVID-19 and a reduction in U.S. rates in March 2020, however, we recorded an impairment loss on goodwill related to the PRESTIA business. And, taking a recurring profit and a corporate income tax into account, we reported a net loss of ¥32.8 billion, worsened by ¥29 billion from a year ago.

Loans and bills discounted

The balance of loans and bills discounted increased by ¥140.1 billion from the previous fiscal year-end to ¥1468.3 billion due to an increase in overseas lending in foreign currencies as well as domestic housing loans and loans to the Japanese public sector.

Securities

Securities holdings increased by ¥3.2 billion from the previous fiscal year end to ¥306.1 billion, consisting of ¥264.1 billion in Japanese government bonds, ¥12.1 billion in corporate bonds and ¥29.9 billion in other securities.

Deposits

Total deposits increased by ¥159.3 billion from the previous fiscal year-end to ¥2892.1 billion. Of that, yen deposits increased by ¥159.8 billion to ¥1914.7 billion. Although the volume of foreign currency deposits rose through promotion campaigns such as a free foreign exchange commission campaign for time deposits, the balance of yen-equivalent foreign currency deposits decreased by ¥0.5 billion from the previous fiscal year-end to ¥977.4 billion due to stronger yen.

Capital adequacy ratio

Stockholders' equity grew by ¥10 billion from the previous fiscal year-end to ¥126.1 billion due mainly to a fall in intangible fixed assets that must be deducted from the capital, despite a loss in net income. The risk-weighted assets declined by ¥37.8 billion to ¥925.9 billion primarily because of a diminished value in yen terms due to a rise in the yen.

As a result of the above, the capital adequacy ratio slightly improved by 1.6% from the previous fiscal year-end to 13.6%.

NOTE: The listed amounts are rounded to the nearest 100 million yen.

Corporate Governance System

Basic Approach

In line with management philosophy of SMBC Trust Bank Ltd. ("SMBC Trust") and Sumitomo Mitsui Financial Group ("SMFG"), SMBC Trust has considered the strengthening and enhancement of its corporate governance as one of its top management priorities, and has undertaken measures to improve the effectiveness of its corporate governance.

SMBC Trust, as a company with the Audit & Supervisory Board, has established the following system.

Board of Directors

The Board of Directors of SMBC Trust consists of 12 directors (one of them is an outside director). SMBC Trust appoints experts who are well versed in corporate governance as outside directors, and receives necessary and independent advice and recommendations from them to ensure the appropriateness of SMBC Trust's business. As a member of SMBC Group, SMBC Trust welcomes part-time directors from SMBC Group from the perspective of ensuring cooperation within the group for group-wide management purposes. The term of directors is one year so that they can flexibly respond to changes in the business environment and performance of execution of their duties can be evaluated on an annual basis. In fiscal 2018, SMBC Trust assessed the effectiveness of the Board of Directors (BOD) from the following viewpoints: (1) structure of the members; (2) roles and responsibilities; (3) operation, and (4) support for outside directors, in an attempt to enhance the quality of our BOD operation by securing enough time for active discussions and providing better support to outside directors.

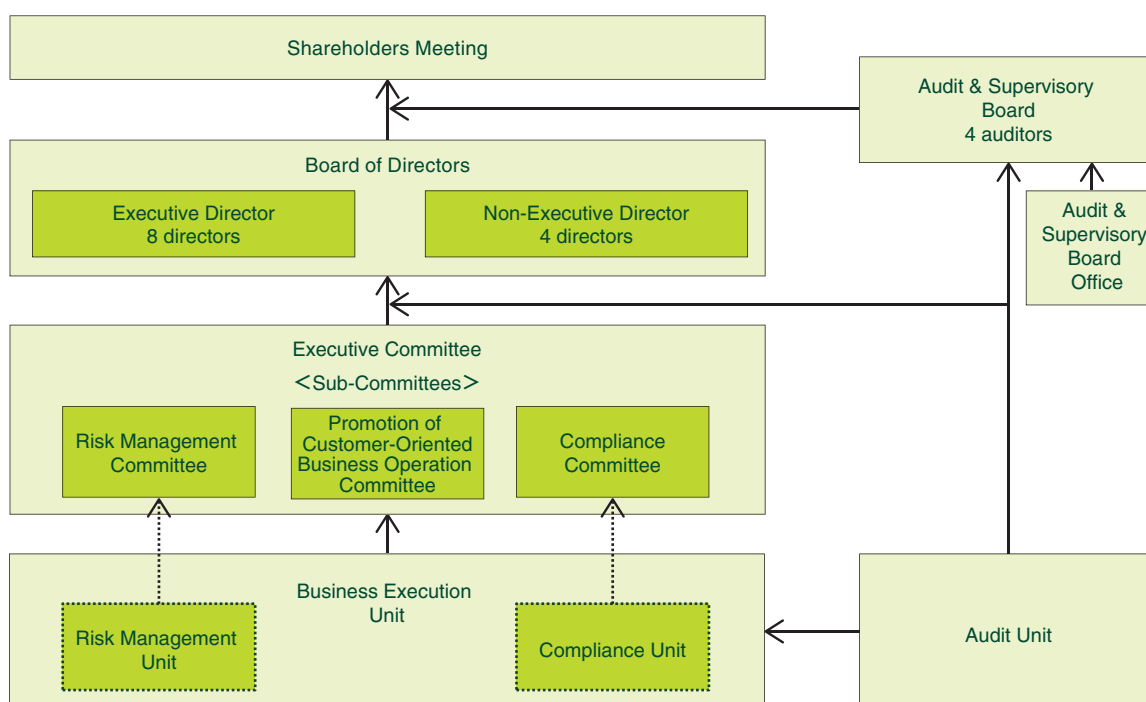
Audit & Supervisory Board and Its Members

The Audit & Supervisory Board of SMBC Trust (the "A&S") consists of four members, two whom are outside auditors.

Auditors are experts who have been engaged in taxes and asset management business for many years. SMBC Trust welcomes members of SMBC Group as A&S members. The A&S holds meetings regularly with representative directors to exchange opinions on, for example, challenges to be addressed by SMBC Trust, the status of establishing an environment for A&S members to perform audits, and important audit issues. The A&S also requests the representative directors to take measures if deemed necessary. A&S members perform audits on execution of duties by directors properly, fairly, and efficiently, and hence sufficiently fulfill its roles to supervise business operations of SMBC Trust.

Executive Committee

SMBC Trust has introduced an executive officer system and established an executive committee comprising of executive officers and those with other similar positions for the purpose of making decisions and reporting on business execution, internal control, and other matters. The Executive Committee (EXCO) is convened by Chief Executive Officer and held once a week in principle. EXCO determines a business operation policies as well as plans, budgets and other matters based on the basic management policies. Resolutions are determined by the Chief Executive Officer after deliberation at a meeting with a majority of the EXCO members present. In addition, EXCO has sub-committees for compliance, risk management, and the promotion of customer-oriented business practices. These sub-committees conduct researches, reporting, and proposals in their respective areas.



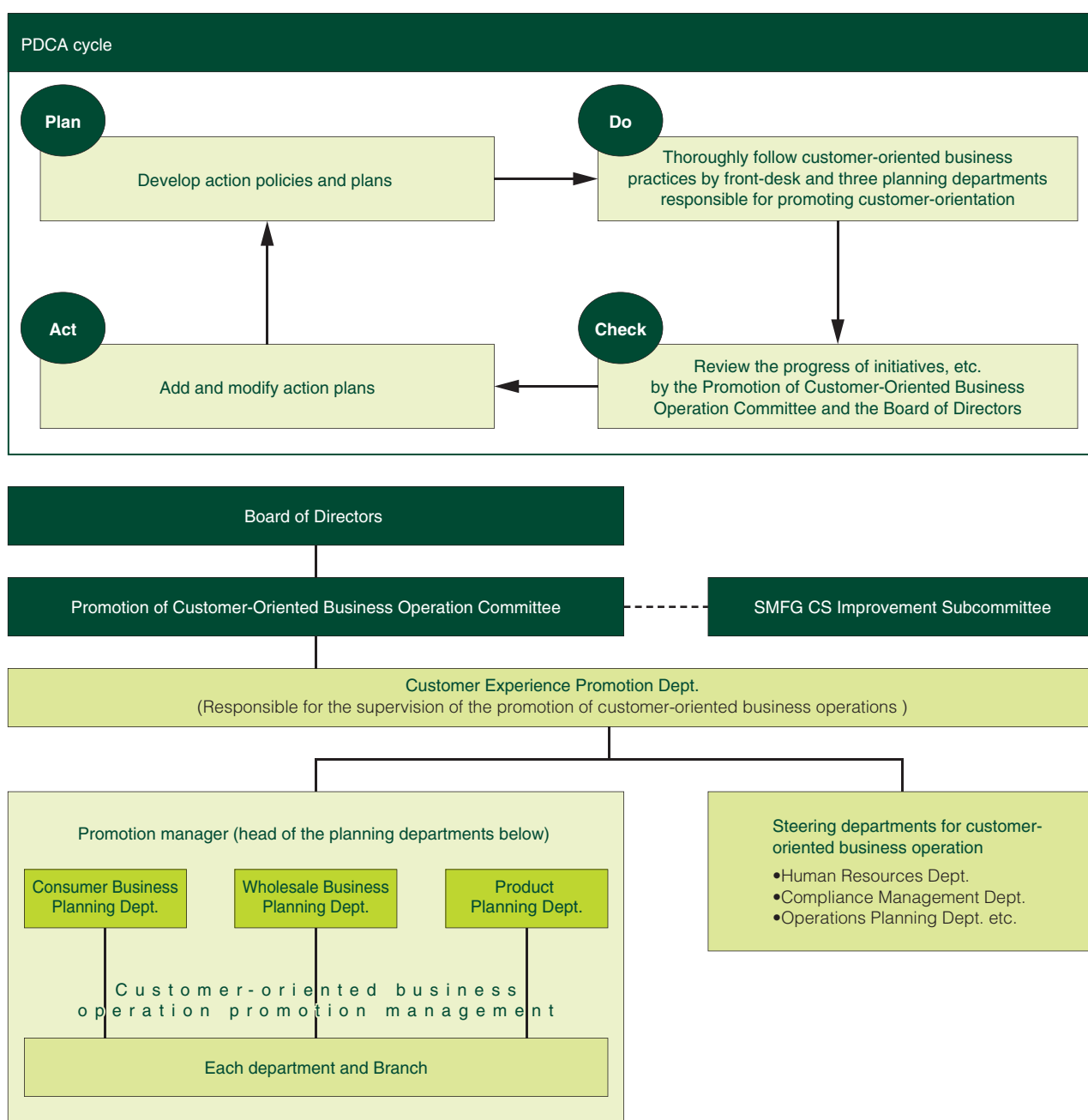
Customer-Oriented Business Operation

In addition to fulfilling its fiduciary duty in good faith as a trust bank, and also as a trust bank of SMBC Group, each group company has adopted the “Principles for Customer-Oriented Business Conduct” announced by the Financial Services Agency on March 30, 2017 and implemented the customer-oriented business operation in accordance with the “Basic Policy for Customer-Oriented Business Conduct” established by SMBC Group and the “Policy for Customer-Oriented Business Conduct” established by the SMBC Group’s Retail Business Unit.

These policies are published on the website of SMFG Group, which is the holding company of SMBC Group. In addition, we regularly review and assess the progress of our efforts to realize the customer-oriented business operation, and disclose the results.

In order to be a bank that is trusted and chosen by customers, SMBC Trust seeks to provide highly value added products and services by leveraging its expertise and consulting capabilities in a wide range of services, including commercial banking, asset management and administration and real estate.

Customer-Oriented Business Operation System

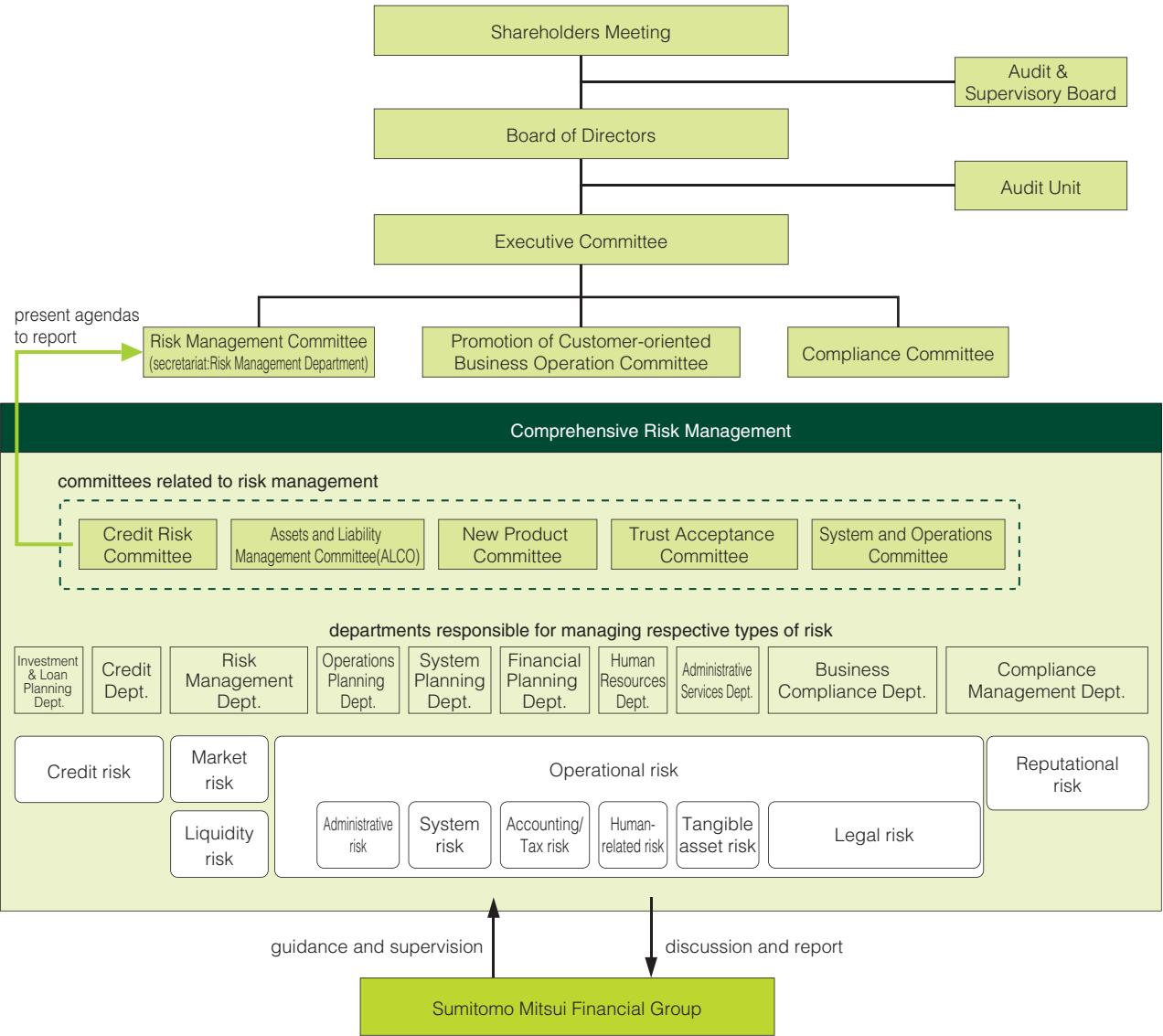


Risk Management System

Overview of Risk Management System

As the trust bank in SMBC Group providing various financial products and services including deposits and loans, SMBC Trust recognizes that risk management is one of the most important managerial challenges. As risks associated with business activities are becoming increasingly diverse and complex, we have developed the “Policy for Comprehensive Risk Management,” which sets forth basic matters pertaining to risk management, and established the Risk Management Committee, chaired by the senior officer responsible for the Risk Management Unit, as a subcommittee of the Executive Committee (EXCO), in order to capture and manage various risks in an integrated manner. The Risk Management Department serves as secretariat to the Risk Management Committee.

The Risk Management Committee is tasked with identifying the status of comprehensive risk management, discussing necessary measures, and regularly reporting to EXCO. The Board of Directors oversees the operation of the Risk Management Committee while the Audit Unit independently verifies the effectiveness and appropriateness of the overall risk management system on an ongoing basis. With respect to major risks such as credit risk, market risk, liquidity risk, and operational risk, the department responsible for managing each risk develops policies and procedures for the risk. EXCO establishes subcommittees related to risk management such as the Credit Risk Committee and the ALM Committee, which discuss important matters pertaining to management of respective risks and report to the Risk Management Committee and EXCO.



Risks to be managed	Define
Credit Risk	Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, that causes an asset (including off-balance sheet transactions) to lose value or become worthless.
Market Risk	Market risk is the possibility that fluctuations in interest rates, foreign exchange rates or stock prices will change the market value of financial products, leading to a loss.
Liquidity Risk	Liquidity risk is the risk that there may be difficulties in raising funds needed for settlements, as a result of the mismatching of uses of funds and sources of funds or unexpected outflows of funds, which may make it necessary to raise funds at higher rates than normal.
Operational Risk	Operational risk is the possibility of losses arising from inadequate or failed internal processes, people, and systems or from external events. It primarily includes administrative risk, system risk, legal risk, accounting/tax risk, human-related risk and tangible asset risk.
Reputational risk	Reputational risk is the possibility of losses arising from damage or loss of reputation of the Company arising from any of the above events.

Risk Appetite Framework

Our Risk Appetite Framework (“RAF”) is a business and risk management framework which clarifies the types and levels of risks that we are willing to take on or are prepared to tolerate (risk appetite) in order to grow profits based on an appropriate understanding of environment and risks to incorporate into its business strategy. For each category, we define Risk Appetite Statement that expresses our attitudes toward our risk-taking and risk management, and for some categories, we set risk appetite indicators, etc. that quantitatively represent the risks to be taken, levels of risks and returns, etc.

Risk Appetite Composition



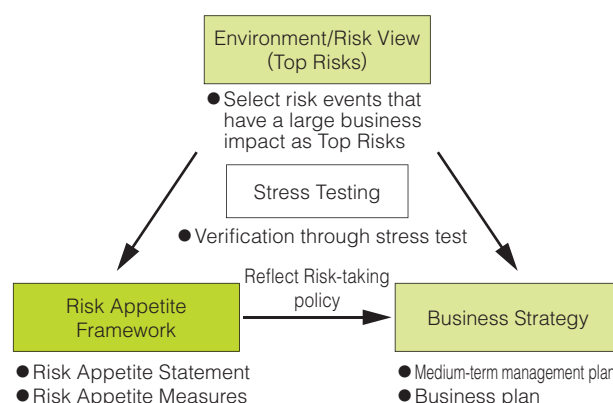
*1 Items related to compliance, administrative risk, IT system risk, and others

*2 Separately, measures are established for use in predicting change in Risk Appetite Measures and understanding the current risk situation. Monitoring is conducted based on these measures.

Operation of Risk Appetite Framework

The Risk Management Committee has selected particularly serious risks for Company management as “top risks” based on consideration of the current and future operating environment. We formulate business strategy plan and business management plan based on the results of risk analysis by stress testing and “top risks”.

Even during the business period, We continuously update the outlook for the operating environment and risks, including top risks, over the course of the year and monitor the risk appetite status. We also set three levels of management system for some risk appetite indicators, and monitor them accordingly.



Stress Testing

We use stress testing based on scenarios that assume a severe environment such as economic recession and financial market turmoil to measure the effects of changes in the macroeconomic environment on profits and losses in the period, equity capital, etc and to evaluate the degree of capital adequacy. In addition to the above verifications, we conduct stress testing on credit risk, liquidity risk and other risks timely, and uses them in formulating and reviewing risk-taking policies.

Three Lines of Defense

The Basel Committee on Banking Supervision’s “Corporate governance principles for banks” recommends “Three Lines of Defense” as a framework for risk management and governance. Based on this framework, we have defined our Three Lines of Defense with the aim of achieving more effective and stronger risk management systems through the clarification of roles and responsibilities.

1. First Line of Defense (Business Function)

The Business Function is responsible for autonomously managing potential risks resides in their business area. This function is also responsible for mitigating the risks, through structuring an adequate risk management framework and monitoring process, abiding by the laws in accordance with the risk management policies applicable to the entire Company.

2. Second Line of Defense (Internal Control Function and Risk Controllers)

The departments of the Internal Control Function and

Risk Controllers are responsible for developing and promoting policies on risk management at the Company. They are also required to monitor, measure, and evaluate the control activities undertaken by the First Line of Defense, and develop internal risk management rules concerning the relevant risk areas as necessary. Further, they are under obligation to provide training and advice to each department of the Company including the First Line of Defense, and supervise the risk management framework built by the First Line of Defense.

3. Third Line of Defense (Audit Function)

The Audit Function shall assess the activities of the above two functions, from the position of independence, based on the audit plans.

Comprehensive Risk Management

We classify the types of risk to manage into credit risk, market risk, liquidity risk, and operational risk, and manage them systematically through our risk appetite framework and our risk capital management framework.

Risk Capital Management

We have implemented a risk capital management system as part of its comprehensive risk management activities. The purpose of risk capital management is to maintain capital adequacy by quantifying risk exposure to manage based on capital, setting limits for each risk area, and managing the risks within the limits. SMBC Trust's basic framework is to: (a) determine limits for risk capital by taking into account sufficient buffers that stably exceed the regulatory minimum capital adequacy ratio; (b) quantify, as risk capital, risk exposure associated with credit risk, equity risk, market risk, and operational risk based on the characteristics of each risk, and to manage maximum risk capital for each risk area; and (c) allocate the risk capital to our organizational units and departments in an appropriate and effective manner within the limits of risk capital in accordance with our guidelines established.

Credit Risk Management

Credit risk refers to "risk of any losses the Company may incur due to reduction or loss of the value of assets (including off balance-sheet assets) arising from any credit events such as deterioration of borrowers' financial standing."

We have formulated the "Credit Policy" and the "Credit Risk Management Regulations" to set forth basic principles pertaining to comprehensive management of credit risk as well as quantitative and ongoing identification and management of credit risk of individual credits and the entire credit portfolio, and established and implemented a credit risk management system according to these policies. From the perspective of preventing credit concentration risk, the "Rule on Legal Lending Limit" has been established to limit risk-taking to the extent permissible relative to the level of capital. Furthermore, the Credit Risk

Committee has been established to discuss and consider various issues relating to credit risk and oversee credit risk-generating activities, including self-assessment of assets, through which the involvement of senior management is increased.

Credit Risk Management System

The Investment & Loan Planning Department manages our credit portfolio, plans and drafts operational policies, and seeks to create a highly effective credit risk management system, regularly reporting to EXCO, the Credit Risk Committee, and other management bodies on the status of credit risk management, while the Credit Department is responsible for reviewing individual loans and analyzing newly-originated loans at the application stage as well as assessing the quality of our loan assets based on our self-assessment standards on a periodic basis. The soundness of our asset portfolio is ensured through the verification by the Credit Department and by the Internal Audit Department.

Credit Risk Management Methodology

To appropriately manage risks associated with individual loans as well as our credit portfolio as a whole, we assess the credit risk of each borrower and loan based on the internal rating system and quantify it to manage. In addition to managing individual loans through the analysis at the application stage and obligor monitoring, we conduct the following credit risk management activities in order to maintain and improve the soundness and profitability of our credit portfolio in the medium term.

●Risk-taking within the scope of capital

To keep the credit risk exposure within a permissible level relative to our equity capital, we set a credit risk capital limit for internal control purposes and set a risk capital limit for some specific units and departments, and monitor the status of compliance with such limits on a regular basis.

●Controlling concentration risk

As our capital could be materially impaired in the event that credit concentration risk materializes, we periodically conduct post-lending monitoring about loans above the certain balance so as to prevent ourselves from lending excessively to one obligor, and report to Credit Risk Committee or EXCO.

●Preventing and reducing non-performing loans

We try to address non-performing loans at an early stage by, through regular reviews by the Credit Risk Committee, deciding approaches to deal with them and developing action plans to prevent loan assets from deteriorating, support obligors to upgrade their ratings, take loan recovery or other credit protection measures.

Market and Liquidity Risks Management

Market risk refers to "the risk of financial loss resulting from movements in interest rates, foreign exchange rates, stock prices, etc. in the respective

markets that lead to changes in market prices of financial instruments". Liquidity risk refers to "the risk of having difficulty meeting settlement obligations or having to raise capital at a significantly higher rate than usual due to the maturity mismatch between the capital source and the invested asset or an unexpected capital outflow". With respect to management of market and liquidity risks, we have formulated the "Basic Policy on Management of Market and Liquidity Risks" and "Rules on Management of Market and Liquidity Risks" that set forth the operating system, management framework and methods and other matters pertaining to market and liquidity risks, and based on these rules, we have established and now operates our market and liquidity risk management system. Our basic policy is to: (a) allow credit and market risks to the extent necessary for implementing our business plan but avoid trying to earn profits from market fluctuations and; (b) set and manage limits in tolerating market and liquidity risks.

Market and Liquidity Risks Management System

EXCO determines strategies, tolerance levels, appetite, management policies, and other important matters relating to market and liquidity risks and the Board of Directors gives approval to such matters, and the ALM Committee decides ALM operation policies based on the above matters and within the limits set by EXCO for market and liquidity risks. The Risk Management Department, which is independent of the business departments that conduct market transactions, monitors the status of market and liquidity risks and periodically reports to EXCO and other management bodies.

Market and Liquidity Risks Management Methodology

To appropriately manage market and liquidity risks, we set position limits and prepare loss guidelines for market risk and funding gap limits to mitigate liquidity risk. In addition, based on the risk capital management system, we set a market risk capital limit for internal control purposes and a risk capital limit for some specified units and departments in order to keep the market risk exposure within a permissible level relative to capital, and monitor the status of compliance with such limits on a regular basis.

Operational Risk Management

Operational risk refers to "The possibility of sustaining a loss due to improper internal procedures or human, IT system, or external factors".

We have formulated "Operational Risk Management Policy" and "Rules of Operational Risk Management" to appropriately manage operational risk according to the risk characteristics, including identification of risks to manage and impacts of the risks on our business operations. In addition, we have separately established management policies and rules for administrative and system risks which are managed in accordance with the policies and rules.

Operational Risk Management System

We have established the Risk Management Department for the overall operational risk management and developed an effective framework for identifying, assessing, controlling and monitoring significant operational risks. We also identify impacts of operational risk and manage them appropriately by taking risk characteristics into account.

Operational Risk Management Methodology

As operational risk inherent in financial services increase in diversity and complexity, we enhance our framework and strengthen the methodology for specifying, assessing, controlling and monitoring processes. Each department in charge continuously assesses the risks and risk mitigation processes in their own business area to improve them. We have also established an escalation flow to report to senior management.

Administrative Risk Management

Administrative risk is defined as the risk of losses arising from negligent processing by directors and employees in contravention of the "Administrative Risk Control Policy" or other internal rules or procedures, or from accidents or misconducts by them.

The Operations Planning Department, the department responsible for managing administrative risk, is working to raise the level of sophistication of our management of administrative risk on a risk basis by establishing an administrative risk management system, ensuring a self-inspection system in place, developing contingency plans to minimize losses in the event of administrative risk materialization, and carrying out the quantitative management of administrative risk as basic principles.

The Operations Planning Department also makes proposals for the important matters set out in the Basic Policy on Administrative Risk Management, which are decided by the System and Operations Committee and the Executive Committee, and then approved by the Board of Directors. The status of administrative risk management is reported to the System and Operations Committee regularly and when necessary. These and other steps are taken to ensure that we can provide customers with high quality administrative services.

System Risk Management

System risk is the risk of loss due to the breakdown, malfunction, defect or unauthorized use of computer systems.

We have the System Planning Department to comprehensively manage system risk. SMBC Trust seeks to establish and implement a system risk management framework by formulating various policies, rules and specific management standards including a security policy to minimize system risk, and developing contingency plans to minimize losses caused by the materialization of system risk. In addition, with cyber security becoming increasingly important in recent years, We have been working with SMBC Group to establish a cyber security framework and take strong technological measures.

Compliance System

Basic Policy

SMBC Trust aims to be a company trusted by its stakeholders including the broader society by placing importance on sound company management based on the spirit of legal compliance set forth in its management philosophy.

The Board of Directors is the supreme decision-making body for important compliance-related matters. The director responsible for the Compliance Unit is appointed by the Board of Directors. We have established the necessary internal rules and ensure that all employees are fully aware of the sprit of legal compliance through training, etc.

For the early detection and settlement of compliance issues, we have established a whistleblowing system with several contact points: within SMBC Trust, in SMFG Group, and outside the Group. The concerns reported will be forwarded to our director in charge of compliance as well as President. We have taken measures to protect whistleblowers from disadvantageous treatments in accordance with the Whistleblower Protection Act.

Compliance System

From a broader compliance perspective, we have redefined “compliance” as a vital concept of abiding by social ethics along with laws and regulations, our management philosophy and internal rules, and developed our compliance system accordingly.

(1) Roles and responsibilities of the Compliance Unit

Compliance Management Department	<ul style="list-style-type: none"> Overall supervision of the Compliance Unit Administration of Board of Directors, shareholders, and Compliance Committee meetings Ensuring information security and personal information protection
Business Compliance Department	<ul style="list-style-type: none"> Handling general compliance matters related to products and services Customer explanation management, conflicts of interest management, and advertising screening
Legal Department	<ul style="list-style-type: none"> General legal consultation Contract, litigation, and document management
AML & Financial Crime Prevention Department	<ul style="list-style-type: none"> Taking anti-money laundering measures Account transaction monitoring Financial crime investigation and management

(2) Roles and Responsibilities of Compliance Officers

Compliance officers at our branches and Head Office closely cooperate with the Compliance Unit to prevent any acts that could violate a law or regulation, and commit themselves to strengthening our compliance system by deepening awareness of compliance across officers and employees through training and other activities.

With the recognition that compliance is a critical element of each of the three lines of defense, the compliance officers at each department are responsible for identifying, managing, and mitigating the compliance risks inherent in, or attributable to, the activities of the department. The Compliance Unit regularly provides training sessions to the compliance officers to establish a high quality compliance system at SMBC Trust.

We assign at least one compliance officer, in principle, to each department. Taking into account the nature of their business activities, we assign a supervisory compliance officer to some departments.

(3) Efforts on Management of Conflicts of Interest

We have established the “Conflict of Interest Management Policy” and a system of conflict of interest management to appropriately prevent or control financial transactions that could unfairly damage our customers' interests.

When we conduct a transaction with SMBC Group company to proceed with a transaction with a customer, we will be careful about the transaction with the group company to be in line with the requirements of our “Policy on Customer-Oriented Business Operation.” For example, when we sell mutual funds provided by a company of SMBC Group, or when we outsource administration or investment of assets in our trust to a company of the group, we disclose material facts to the relevant customers and check the appropriateness of the selection of the mutual funds, sales commissions or trust fees.

In our real estate services, we may take more than one job, including brokerage, consulting, appraisal, and asset management along with real estate administration and disposal trust services. In such case, we manage a conflict of interests by verifying our disclosure of material facts to customers, the appropriateness of commissions, the neutrality of appraisal, etc.

Internal Audit System

(4) Efforts on Information Management

Recognizing the importance of information management, we have established a framework for appropriate information management in order to be a trustworthy trust bank that customers can have a reliable business relationship with. In particular, we have developed and published a policy for the appropriate protection and use of personal information (“SMBC Trust Bank Declaration of Protection of Personal Information”) in accordance with the Act on the Protection of Personal Information and, of course, we comply with the provisions set forth in this declaration. In addition, we review and improve our information management framework and our use of information on an ongoing basis to protect personal information on our customers, while appropriately responding to the significant progress of information technology in recent years.

Efforts on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

Based on the requests from international organizations such as FATF^{*1}, the requests such as OFAC^{*2}, regulations, from the countries concerned, and the laws and regulations in Japan and overseas, we have established internal rules from being used for money laundering or terrorist financing, which may cause serious damages to sound economic activities. we have established internal rules and reinforced our organizational structure to take preventive measures against any violations of laws and regulations regarding AML/CFT and also to maintain the soundness and suitability of business.

Specifically, we mitigate risks through strict verification of customer identity and transactions, continuous customer information management, and transaction monitoring, etc. in order to prevent our products and services from being used for money laundering or terrorist financing, which may cause serious damages to sound economic activities.

Please visit our website and read “Our Initiatives to Combat Money Laundering and Terrorist Financing” to find out our initiatives toward AML/CFT.

<https://www.smbctb.co.jp/en/aml/>

*1 FATF: The Financial Action Task Force

*2 OFAC: The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury

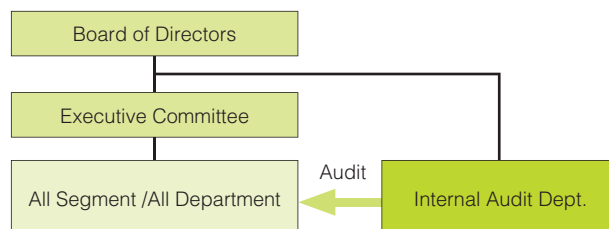
The Internal Audit Department, as an independent department from other business departments, verifies the appropriateness and effectiveness of our internal control system, as well as the effectiveness and efficiency of business activities, compliance and risk management, and the soundness of asset quality.

The Internal Audit Department develops an audit plan by taking into account the frequency and depth, depending on the types and extent of risks, on an annual basis, and performs effective internal audits.

The Internal Audit Department performs theme audits to make cross-divisional assessments focusing on specific activities and themes.

In addition, the Internal Audit Department conducts department-level audits to verify the appropriateness of the overall internal control system in place at each department, along with credit reviews on self-assessment results and write-off and provisioning.

Results of internal audits are reported to audited departments, and recommendations and guidance are provided as necessary. In addition, the results of internal audits and the progress of follow-up of remedial actions by the audited departments that have received recommendations are reported directly to the Board of Directors and other bodies.



Designated Dispute Resolution Institutions

The following are the designated dispute resolution institutions with which the SMBC Trust has entered into a contract.

The Japanese Bankers Association

JBA Customer Relations Center
Telephone number
0570-017109 or 03-5252-3772

Trust Companies Association of Japan

The Trust Consultation Center
Telephone number
0120-817335 or 03-6206-3988

Human Resource Strategy

Principles

We promote strategic human resources development and work to create an environment in which diverse human resources can play active roles to achieve its corporate management philosophy, guiding principles, and strategy.

Human resource management policy

We have developed our human resource management policy including personnel exchange programs and dual career ladders to build an ideal organization and develop exemplary staff members. By defining our human resource management policy for recruitment, development, evaluation, treatment and

Human resource development policy

- Develop human resources with wide-ranging knowledge and experience for sound business management
- Develop senior management candidates with leadership capabilities
- Develop trustworthy personnel who can provide the best products, services and solutions

assignment, we will try to be a “distinctive organization” that provides unique products and excellent services as the “trust bank of SMBC Group,” and that seeks the best trust from customers and pursue new horizons. For junior staff members, we give support by encouraging “dialogue” between them and their supervisors.

Human resource management policy

Recruitment

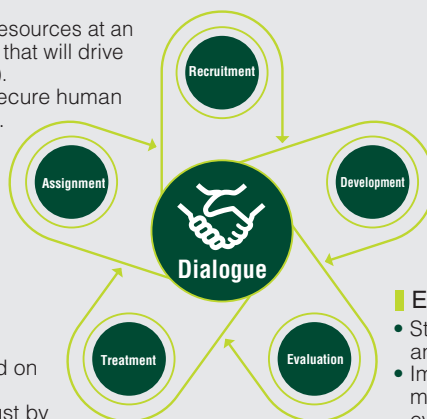
- Recruit new graduates to secure excellent human resources at an early stage and develop them as human resources that will drive SMBC Trust's company-wide businesses (services).
- Recruit personnel from outside the company to secure human resources with (the potential for) competitiveness.

Assignment

- Use job rotation that contributes to the activation of staff exchange and the development of individual persons.
- Transfer and assign employees flexibly based on their career goals and organizational conditions.

Treatment

- Support personnel growth by fair treatment based on job responsibilities and evaluations.
- Strengthen awareness as a member of SMBC Trust by linking bonuses with company-wide performance.



Development

- Clarify individual growth paths by showing multiple career opportunities in professional and management jobs, which start from a staff job.

Evaluation

- Standardize the way to a clear-cut and performance-based evaluation.
- Improve evaluation skills of managers and establish an evaluation framework which leads to employee development.

●Support employees' self career-planning

For employees' career planning, we have a job level system which clearly shows multiple career paths to be in line with employees' expertise, e.g., starting with a staff job and moving up to a management job or a professional job. Employees also create a career development plan with their medium-to-long-term goals, which help them plan their own medium-to-long-term career.

Moreover, we have in-house job forums and provide an annual job entry program to give employees opportunities to know business activities of other departments.

We also utilize a job entry program within SMBC Group to provide career opportunities outside the Company.

●Support for skill development

From the perspective of securing and developing human resources who support our business strategies on a medium-to long-term basis, We provide various programs to support employees to acquire professional qualifications and business skills, including training for each position level and personnel exchange opportunities as well as videos distribution on our intranet to know business operations and colleagues of other departments.

We also continuously works on the development of global-minded human resources by transferring employees to overseas offices of SMBC Group.



Diversity and Health Management

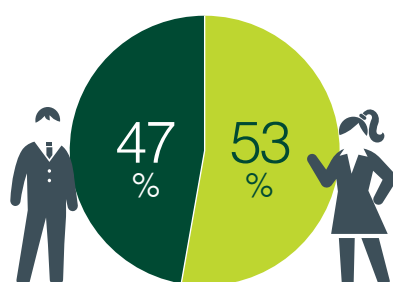
●Diversity and Inclusion

We promote the creation of an organization where employees can play their roles actively, promotion led by the Diversity & Inclusion Promotion Committee set up for further enhancement of our corporate competitiveness as a company traditionally having strength in the area of diversity. We made our nursing care leave a paid-leave system, and established a short-term childcare leave system primarily for male employees, and a family-care leave system for our employees to be able to take care of their family members who are sick, etc. and need some care. As such, we have been working on building a workplace culture of understanding and supporting work-life balance as well as on

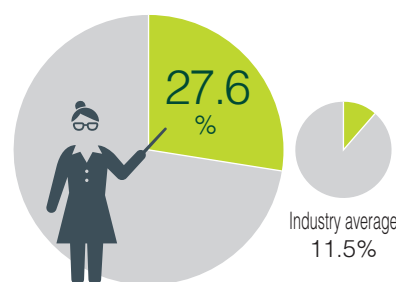
enriching the system so that all employees can continue to work without worrying about the balance between work and private life. Our ratio of female representation in management positions is much higher than the industry average. We have been certified by the Minister of Health, Labor and Welfare as a "company with excellent initiatives" under the Act on Promotion of Women's Participation and Advancement in the Workplace, and have been awarded the "Eruboshi" status with the highest of the three levels of certification.



"Eruboshi" status : the highest of three levels under the Act on Promotion of Women's Participation and Advancement in the Workplace



Male-Female proportion of total employees
(As of March, 2020)



The ratio of women in managerial positions
(As of March 2020)

●Employment of Persons with Disabilities

As part of our corporate social responsibility commitments, we hire people with handicaps. Through various efforts on the business developments and the creation of work-friendly environments, each one of them has been working for us by making full use of their skills and aptitudes. In addition, SMBC Trust supports the Japan Goalball Association, which works on spreading and improving the performance of goalball, one of the Paralympic sports. Our employee is actually a goalball athlete.

●Work style reform and flexible work style

We encourage telework, staggered working hours to promote diversified working styles across the Company. We have been working to enhance work-life balancing through implementation of a measure encouraging all employees to take 100% of annual paid leave. Moreover, we have been promoting productivity enhancement using IT, and working on the improvement of operational efficiency using robotics process automation. We will continue to make efforts to enhance employees engagement and create a rewarding workplace by promoting the improvement of work-life balancing and operational efficiency.

●Health management

According to the Work Style Reform Law, we introduced an interval-based work system to encourage employees to take a rest period between the end of a workday and the start of the following day, setting 11-hours as the minimum length of the interval rest. As such, we take various measures to create a work environment where all employees can work in good health and with a positive mindset so that they can continue to provide customers with high value.



Towards Sustainable Development of Society

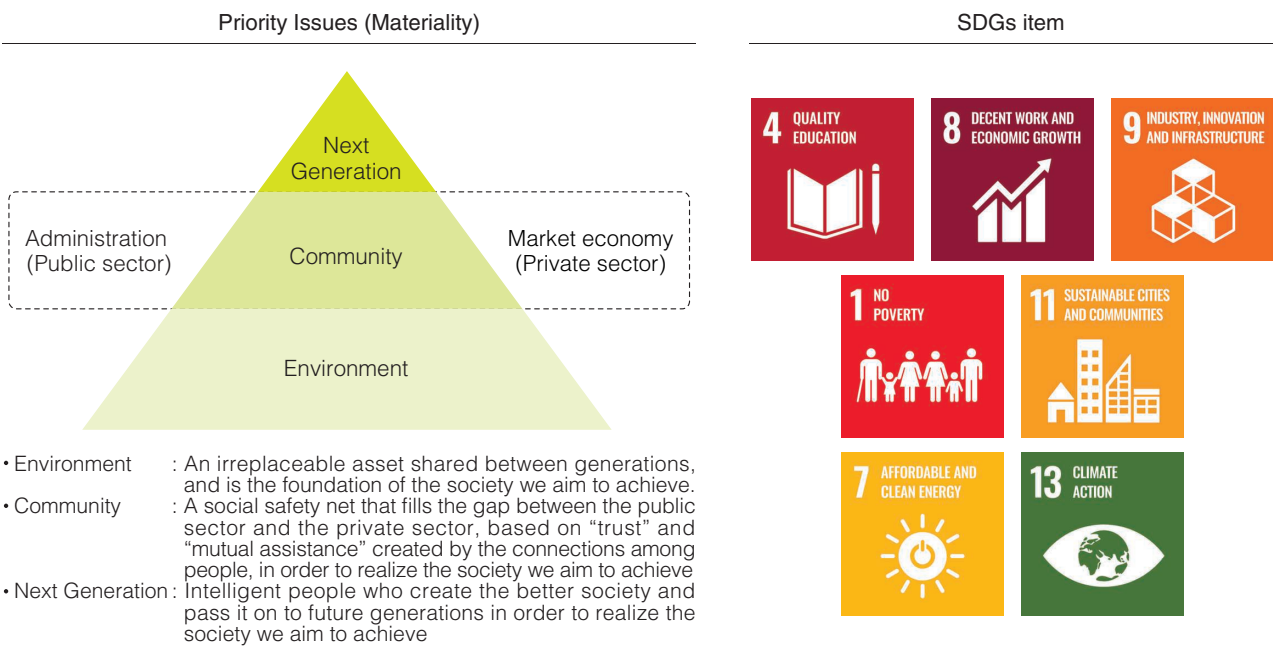
To clarify SMBC Trust Bank’s role in contributing to the sound development of society more than ever, we have added a new statement, “we contribute to a sustainable society by addressing environmental and social issues”, to our Management Philosophy. Based on our newly established “SMBC Group Sustainability Declaration” and “SMBC Group GREEN × GLOBE 2030” which is the Group’s 10-year plan, we will strive to realize a sustainable society.

(*) “SMBC Group Sustainability Declaration” “SMBC Group GREEN × GLOBE 2030”
https://www.smfg.co.jp/sustainability/group_sustainability/

Priority issues for the SMBC Group (Materiality)

SMBC Group is committed to respond to requests from stakeholders and contribute to solve social issues by focusing on the “environment”, “community” and “next generation” which are set as priority issues. In addition, looking ahead to 2030, the target year for the SDGs, we have clarified the items and issues that need to be addressed and are working on them.

We will utilize the three functions of “foreign currency” “real estate” and “trusts” and promote initiatives unique to us, through collaboration with SMBC Group companies.



Main activities

Environment

●Renewable energy business

We receive entrustment of the right to use solar power generation facilities and land (ownership, leasehold or surface rights), manage the trust property, and distribute the proceeds from the sale of power to beneficiaries.



●Community cleanup activities by employees

In collaboration with SMBC Group companies, we hold clean-up events for employees tp participate. We promote the conservation of marine resource, which is one of the major environmental issues, through clean-up activities at Suma Coast in Kobe City.



Community



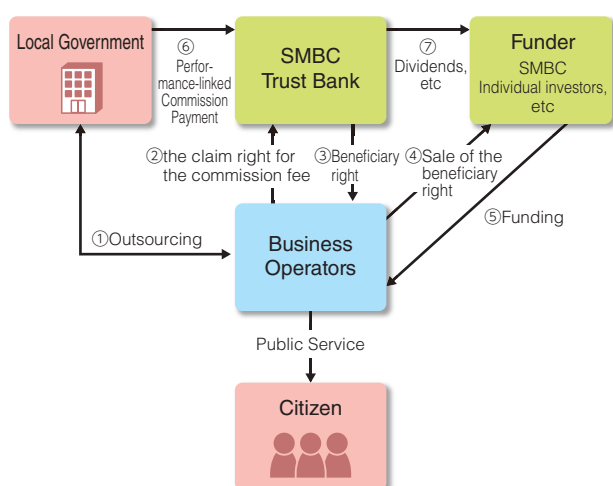
●Social Impact Bonds

In cooperation with Sumitomo Mitsui Banking Corporation, we are promoting the “Social Impact Bond”(SIB), a public-private structure aimed at solving social issues.

In July 2017, in Kobe City, we have arranged SIB for the “Program for the Prevention of aggravation of Diabetic Nephropathy” and in September 2019, in Toyonaka City, we have also arranged SIB for “smoking cessation business”, both of them are the first social impact bond initiative in Japan.

Through our trust functions, we support private companies to procure funds, which is necessary for them to provide services to local government.

This initiative was selected as [“the characteristic initiatives” in financial institution for regional revitalization for the year 2019] and received an award from the Minister of State for Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan(Regional Revitalization Minister).



●Supporting sports for the disabled

As part of supporting sports for the disabled, we serve as a supporter of the Japan Goalball Association.

We encourage the spread and development of sports for people with handicaps through holding experience sessions and dispatching employee volunteers to competitions.



●Regional Revitalization

Shikoku Aquarium (Utazu-cho, Kagawa Prefecture) opened in April 2020 as a regional revitalization project.

We have been entrusted with the land of the aquarium, building, as the property of trust and support the aquarium asset management. We will continue to promote initiatives for regional revitalization.



●Supporting developing countries in cooperation with international cooperation organizations

In cooperation with “Shapla Neer”, which is an international cooperation organization, we held the “Fair trade merchandise sales exhibition” at our Head Office and the Higashi-Shinjuku Office. In order to address issues such as poverty and gender issues in Nepal and Bangladesh, we contributed to resolve issues facing the international community through the purchase of locally produced handicrafts, household goods and foodstuffs, as well as donations from employees.



Next Generation

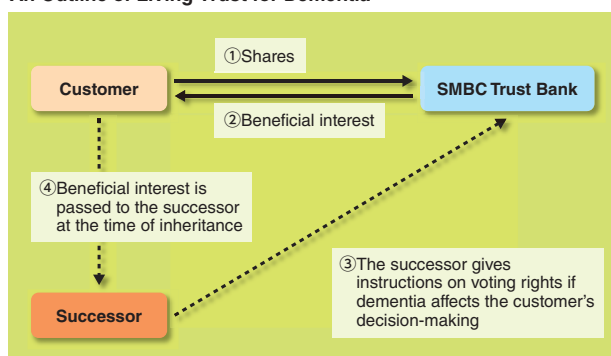
●A Trust for Business Succession in Preparation for Dementia



With the advancement of the aging society, we have had more opportunities to hear our customers say about their need to set the course to pass their company shares to the next generation or to manage the risk of not being able to exercise their voting rights due to dementia, etc.

As a financial solution to address social issues expected in a 100-year life, we offer Living Trust for Dementia.

An Outline of Living Trust for Dementia



●Quality Education for the Next Generation



We co-sponsor economic education program “Shinagawa Student City” for fifth graders, which is co-managed by economic education group Junior Achievement and Shinagawa Ward. Student City created using empty classrooms in a junior high school in Shinagawa Ward, Tokyo, is a fictional town where banks, convenience stores, newspaper companies, and other companies from various industries have booths that mimic actual stores. We dispatch employees as volunteer staff and support children who will lead the next generation. In addition, we have the financial education class for Kyoto Women's University and we entered into an agreement with Shiga University for collaboration in the field of education and research related to data science for Society 5.0. As such, we are engaged in support for education for the next generation through industry- collaboration academia.



Lecture at Shiga University

●Personnel development training “PRESTIA College”



In April 2019, we launched a new Training program “Prestia College” to strengthen our consulting sales capabilities. The program provides each trainee with customized contents in order to strengthen our capability to respond to diversified customer needs and offer various solutions in preparation for the upcoming era of 100-year life.



●Supporting young artists



As part of our support activities for young artists, we support students who aspire to the arts by exhibiting works from Joshibi University of Art and Design and Osaka University of Arts at our Head Office and Higashi-Shinjuku.



Financial Information

Financial Data

- Financial Statements
- Indicator of Major Business
- Indicator related to Profits and Losses
- Indicator related to Deposits
- Indicator related to Loans
- Indicator related to Securities
- Indicator related to Fair value of Securities
- Indicator related to Derivative transactions
- Indicator related to Trust Business
- Matters to be Disclosed Concerning Compensation

Disclosure Items based on Pillar III of Basel III

- Composition of Capital Disclosure
- Qualitative Disclosure
- Quantitative Disclosure

Financial Statements

SMBC Trust's financial statements, comprising of the balance sheets, statements of income, statements of changes in net assets, and notes to non-consolidated financial statements, are audited by KPMG AZSA LLC pursuant to Article 436(2)(i) of the Companies Act.

Balance Sheet

(Millions of Yen)

	March 31, 2019	March 31, 2020		March 31, 2019	March 31, 2020
Assets			Liabilities		
Cash and due from banks	1,246,076	1,369,915	Deposits	2,732,801	2,892,071
Cash	7,177	7,944	Current deposits	231,060	313,127
Due from banks	1,238,898	1,361,971	Ordinary deposits	1,302,310	1,344,001
Call loans	251,487	171,745	Time deposits	138,374	166,363
Securities	302,949	306,080	Other deposits	1,061,055	1,068,578
Japanese government bonds	262,244	264,080	Call money	–	343
Japanese corporate bonds	11,837	12,107	Payables under securities	261,138	258,633
Other	28,868	29,892	lending transactions	787	958
Loans and bills discounted	1,328,175	1,468,320	Foreign exchanges	–	0
Loans on bills	11,517	14,341	Foreign bills sold	787	958
Loans on deeds	1,196,257	1,314,415	Due to trust account	60,074	75,465
Overdrafts	120,400	139,563	Other liabilities	26,944	32,702
Foreign exchanges	12,832	14,861	Domestic exchange	1,035	367
Due from foreign banks (our	12,798	14,847	settlement accounts, credit	468	564
accounts)	33	13	Income taxes payable	5,019	4,582
Foreign bills bought	44,701	52,259	Accrued expenses	1	1
Other assets	335	238	Unearned revenue	15,361	21,610
Domestic exchange	1,167	1,016	Derivatives liabilities	33	225
settlement account,debit	5,780	6,497	Cash collateral received for	4	1
Prepaid expenses	12,468	23,406	financial instruments	2,700	2,680
Accrued income	13,653	12,783	Lease obligations	2,321	2,668
Derivatives assets	11,295	8,317	Asset retirement obligations	1,357	1,330
Cash collateral paid for	7,160	3,750	Other	60	52
financial instruments	4,682	2,155	Reserve for retirement benefits	88	91
Other	3	0	Reserve for executive	13	–
Tangible fixed assets	5	2	retirement benefits	511	786
Buildings	2,467	1,591	Reserve for reimbursement of	4,004	4
Lease assets	73,334	30,914	Acceptances and guarantees		
Construction in progress	30,812	30,914	Total liabilities	3,087,781	3,262,441
Other tangible fixed assets	12,003	–	Net assets		
Intangible fixed assets	30,519	–	Capital stock	87,550	87,550
Software	2,137	2,609	Capital surplus	130,553	130,553
Goodwill	2,662	4,614	Legal capital surplus	83,350	83,350
Other intangible fixed assets	4,004	4	Other capital surplus	47,203	47,203
Prepaid pension cost	(1,895)	(1,690)	Retained earnings	(31,474)	(64,250)
Deferred tax assets			Legal retained earnings	80	80
Customers' liabilities for			Other retained earnings	(31,554)	(64,330)
acceptances and guarantees			Retained earnings	(31,554)	(64,330)
Reserve for possible loan			brought forward	186,628	153,852
losses			Total shareholders' equity	274	776
			Net unrealized gains (losses)	(1,058)	6,313
			on other securities		
			Net deferred gains (losses) on		
			hedges	(783)	7,090
			Total valuation and translation		
			adjustments	185,844	160,942
			Total net assets	3,273,625	3,423,384
Total assets	3,273,625	3,423,384	Total liabilities and total net		
			assets		

Statement of Income

(Millions of Yen)

	from April 1, 2018 to March 31, 2019	from April 1, 2019 to March 31, 2020
Ordinary income	61,984	61,063
Trust Fees	2,291	2,591
Interest Income	36,562	35,409
Interest on loans and discounts	25,749	26,632
Interest and dividends on securities	1,236	1,206
Interest on call loans	4,354	3,999
Interest on deposits with banks	5,195	3,570
Other interest income	25	(0)
Fees and commissions	18,337	17,883
Fees and commissions for remittance	361	368
Other fees and commissions	17,976	17,515
Other operating income	4,264	3,817
Gains on foreign exchange transactions	4,136	3,652
Gains on sales of bonds	–	7
Other	128	157
Other income	528	1,361
Gains on allowance for doubtful accounts	–	202
Other	528	1,158
Ordinary expenses	64,442	60,025
Interest expenses	7,859	5,699
Interest on deposits	5,554	4,657
Interest on call money	(31)	(149)
Interest on payables under securities lending transactions	25	26
Interest on borrowed money	0	4
Interest on swaps	2,175	1,001
Other interest expenses	135	159
Fees and commissions payments	3,639	4,369
Fees and commissions for remittance	246	278
Other fees and commissions	3,392	4,090
Other operating expenses	156	158
Other	156	158
General and administrative expenses	52,193	49,296
Other expenses	594	501
Provision for reserve for possible loan losses	324	–
Write-off of claims	–	6
Losses on devaluation of stocks and other securities	10	25
Other	258	469
Ordinary profit (loss)	(2,457)	1,037
Extraordinary gains	60	5
Gain on disposal of fixed assets	60	5
Extraordinary losses	2,362	43,112
Losses on disposal of fixed assets	2,018	8
Losses on impairment of fixed assets	344	43,104
Income (loss) before income taxes	(4,760)	(42,069)
Income taxes-current	(5,669)	(4,046)
Income taxes-deferred	4,675	(5,247)
Income taxes	(993)	(9,293)
Net Income (loss)	(3,766)	(32,775)

Statements of Changes in Net Assets

from April 1, 2018 to March 31, 2019

(Millions of Yen)

	Shareholders' equity								Valuation and translation adjustments			Total net assets
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	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	255	(4,179)	(3,924)	184,373
Changes in the fiscal year												
Net income (Loss)						(3,766)	(3,766)	(3,766)				(3,766)
Increase by corporate division			2,203	2,203		(106)	(106)	2,096				2,096
Net changes in items other than shareholders' equity in the fiscal year									19	3,120	3,140	3,140
Net changes in the fiscal year	—	—	2,203	2,203	—	(3,872)	(3,872)	(1,669)	19	3,120	3,140	1,470
Balance at the end of the fiscal year	87,550	83,350	47,203	130,553	80	(31,554)	(31,474)	186,628	274	(1,058)	(783)	185,844

from April 1, 2019 to March 31, 2020

(Millions of Yen)

	Shareholders' equity								Valuation and translation adjustments			Total net assets
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings					
						Retained earnings brought forward						
Balance at the beginning of the fiscal year	87,550	83,350	47,203	130,553	80	(31,554)	(31,474)	186,628	274	(1,058)	(783)	185,844
Changes in the fiscal year												
Net income (Loss)						(32,775)	(32,775)	(32,775)				(32,775)
Increase by corporate division												—
Net changes in items other than shareholders' equity in the fiscal year									502	7,372	7,874	7,874
Net changes in the fiscal year	—	—	—	—	—	(32,775)	(32,775)	(32,775)	502	7,372	7,874	(24,901)
Balance at the end of the fiscal year	87,550	83,350	47,203	130,553	80	(64,330)	(64,250)	153,852	776	6,313	7,090	160,942

Notes to the financial statements

The 35th (From April 1, 2019 through March 31, 2020)

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 the other claims, a reserve is provided based primarily on the expected amount of loss during one year or three years from the reported date. The expected amount of loss is calculated by computing the rate of loss based on the average loan-loss ratio or average bankruptcy ratio derived from the actual loan-loss amount or actual bankruptcies for the one year or three years, and adding other necessary factors (e.g. expected economic conditions).

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 Internal Audit Department audits the assessment results.

¥6.0 million, representing uncollectable loans subject to individual loan-loss reserves, is removed from our loan portfolio.

(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 11 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 from this fiscal year.

10. Treatment of Tax Effect Accounting for the Transfer from the Consolidated Taxation System to the Group Tax Sharing System

Of the items subject to the transfer to the Group Tax Sharing System created by the Act Partially Amending the Income Tax Act (Act No. 8, 2020) and the items under the non-consolidated tax payment system being reviewed for the application of the Group Tax Sharing System, SMBC Trust used the pre-amendment law for the calculations of the amount of deferred tax assets and deferred tax liabilities. SMBC Trust, therefore, did not follow Paragraph 44 of the Implementation Guideline on Tax Effect Accounting (ASBJ Guidance No. 28 of February 16, 2020) by applying Paragraph 3 of the Treatment of Tax Effect Accounting for the Transfer from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Solutions No.39 of March 31, 2020).

Notes

(Notes to the balance sheet)

- Bankrupt loans and non-accrual loans as at March 31, 2020 were nil and 931 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.

- Past due loans (3 months or more) at March 31, 2020 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."
- Restructured loans at March 31, 2020 were 1 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)."
- The total amount of bankrupt loans, non-accrual loans, past due loans (3 months or more) and restructured loans at March 31, 2020 were 933 million yen.

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

- 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 378,343 million yen at March 31, 2020.
- Assets offered for collateral are as follows:
Assets offered for collateral
Securities 258,078 million yen
Liabilities secured by the collateral
Payables under securities lending transactions 258,633 million yen

Loans and Cash and due from banks pledged as collateral for the settlement of foreign exchange transactions were 10,350 million yen and 10 million yen respectively at March 31, 2020. Other in Other assets includes security deposits of 3,053 million yen.

- 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 123,310 million yen at March 31, 2020. The outstanding of 112,635 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.

- Accumulated depreciation on tangible fixed assets was 3,062 million yen.
- Total amount of monetary claim against directors through deals 120 million yen
- Total amount of monetary claim against affiliates 336,590 million yen
- Total amount of monetary liabilities from affiliates 289,719 million yen
- SMBC Trust is restricted to pay dividend from retained earnings due to article 18 of the Banking Act.

(Notes to Income Statement)

- Earnings from the transaction with affiliates
Total earnings from investment transactions 6,100 million yen
Total earnings from fee and commission 598 million yen
Total earnings from other transactions 0 million yen
Expenses from the transaction with affiliates
Total expenses from funding transactions 1,134 million yen
Total expenses from fee and commission 2,829 million yen
Total expense from other transactions 1,330 million yen
- In this fiscal year, losses on impairment of fixed assets are realized as extraordinary losses for following assets with the difference between recoverable value and book value.

(Millions of yen)

place	usage	Items	Realized loss amount
Metropolitan area	branch	Building and other fixed assets	2,077
Kinki area	branch	Building and other fixed assets	613
Others	branch	Building and other fixed assets	455
-	-	Goodwill and other intangible fixed assets	39,958

SMBC Trust applies to each branch as minimum unit for grouping which is controlled and monitored profitability continuously. Buildings where corporate sector, operation and system segments are located, are treated, in general, as shared asset of the company. Unemployed capitals are grouped by objects. Goodwill and other intangible fixed assets are grouped based on the acquired business segments.

This fiscal year, the values of buildings for branches have been reduced until recoverable value and realized an extraordinary loss with respect to the reduction amount when SMBC trust is not able to recover the investment amount (including the decision of branch relocation).

The recoverable value is derived from the utility value.

For the fiscal year ended March 31, 2020, we revised our future cash flow expectations based on the changes in near-term economic conditions, and concluded that the book value of the goodwill, tangible and intangible fixed assets related to PRESTIA would not be recovered. We, therefore, reported all the unamortized balance of the goodwill, tangible and intangible fixed assets at the end of the fiscal year ended March 31, 2020 as "extraordinary losses."

The recoverable amount is calculated as the value in use, based on our future cash flows, using a discount rate of 6%.

(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)

1. Status of financial instruments

(1) Policies on financial instruments

SMBC Trust engages in the financial services such as deposit taking and lending services, general trust services, and real estate brokerage. Its banking services primarily include deposit taking, lending, domestic exchange services and foreign exchange service, and its trust services include money trust, pension trust, investment trust, trust of money other than money trust, trust of securities, and other trust services including comprehensive trust. SMBC Trust also undertakes real estate brokerage, real estate consulting, real estate appraisal, real estate asset management, as registered financial institution business, financial instruments brokerage, offering of trust funds beneficiary rights and handling of private placement, management of securities.

SMBC Trust holds financial assets such as deposits with banks, loans, and bonds, and raises funds through deposits, etc. Furthermore, it carries out derivatives transactions for purposes of responding to customers' hedging needs, and also for purpose of controlling market risk related to deposit and lending operations.

(2) Nature of financial instruments and associated risk

① Financial assets

The main financial assets held by SMBC Trust include deposits with foreign and domestic financial institutions, call loans, loans and securities. These assets expose SMBC Trust to credit risk, market risk and liquidity risk. Credit risk is the possibility of a reduction or loss in the value of assets due to factors such as deterioration in the financial conditions of deposit-taking institutions, issuers or borrowers. Market risk is the possibility of incurring losses arising from fluctuations in interest rates and exchange rates, etc. Liquidity risk is the possibilities of arising from difficulty in executing transactions in necessary quantities at appropriate prices due to liquidity reduce than normal. As stated in "(3) Risk Management System for Financial Instruments" below, we control and manage these risks appropriately.

② Financial liabilities

Financial liabilities of SMBC Trust are primarily deposits. Deposits mainly comprise of deposits of domestic individuals and domestic companies. Alike financial assets, financial liabilities also expose SMBC Trust to not only market risk but also funding liquidity risk which is the risk of SMBC Trust not being able to raise funds due to market turmoil, deterioration in its creditworthiness or other factors. As stated in "(3) Risk Management System for Financial Instruments" below, we control and manage these risks appropriately.

③ Derivative transactions

Derivatives transactions carried out by SMBC Trust include interest rate swaps, foreign currency swaps, foreign currency options and structured deposits, structured bonds embedded with derivatives. Structured deposits are designed to hedge for avoiding direct effects of fluctuations in interest rates and exchange rates in the market by (cover) transactions such as deposits and bonds with other financial institutions embedded with derivatives. Furthermore, SMBC Trust applies hedge accounting in which interest rate risk associated with deposits with banks and loans are designated as a hedged item and interest rate swap transactions as a hedging instrument. The hedge effectiveness of these transactions is assessed on a periodic basis.

Major risks related to derivative transactions are credit risks, market liquidity risks, etc. As stated in "(3) Risk Management System for Financial Instruments" below, SMBC Trust controls and manages these risks appropriately.

(3) Risk Management System for Financial Instruments

SMBC Trust established "comprehensive risk management basic guideline" to cover risk management basic matters, and, have organized operational system for risk monitoring based on it. The board of directors manages to run and monitor comprehensive risk control organization by executive committee, and the executive committee organizes the Risk management committee as committee to manage the comprehensive risk control. Furthermore, there is the Risk management committee for the purpose of discussion and decision of material issues related to credit risk, and also there is ALM committee to decide the direction with respect to assets and liabilities control.

① Credit risk management

SMBC Trust defines credit risk as "bank's risk to decrease or lose the value of Asset (including off balance sheet asset) due to the credit event (matter of credit) of borrower's worse financial situation etc.", and in accordance with the credit policy and related various control guidelines, organizes to control credit portfolios of loans to make effort to control appropriate level of credit risks.

(a) Organization of credit risk control

In SMBC Trust, Investment and Loan planning dept. is the organization to control credit portfolios, planning of policy for operation and making efforts to establish highly effective credit risk control, and organized to report the credit risk control status to executive committee and credit risk committee periodically. Credit dept. takes role of assessment of specific credit items and the Internal audit department audits the accuracy of borrowers' credit ratings and assessment results of borrowers, the appropriateness of credit risk controls etc.

(b) Method of credit risk control

SMBC Trust, for the purpose of controlling specific credit items or overall credit portfolio adequately, comprehends and controls credit risks quantitatively to execute the quantification of credit risks as well as evaluating credit risk of borrowers or credit related transactions appropriately by internal credit ratings. And, in addition to credit assessment and the control of specific credit items by monitoring of borrowers, following adequate credit risk controls are performed for the purpose of soundness and profitability of credit portfolios for maintenance and improvement of midterm.

● Adequate control within the capital

SMBC Trust sets maximum limit of credit exposure against capital for maximum frame of internal control of credit risk, and set maximum number of risk capital by sections, and organize to monitor the status periodically for the purpose to maintain credit risks within the allowable range against capital.

●Control not to concentrate credit risk

As the concentration of credit risk is possible to damage significantly of banking capital when it becomes revealed, for the purpose of avoiding concentration of credit risk to specific counterparty, SMBC Trust maintains certain credit outstanding limitation to each borrower, and organize to monitor them after the loan execution periodically.

●Reduction and restriction of problematic loans occurrence

With regard of problematic loans, SMBC Trust clarifies the guideline and the action plan through periodic review by credit risk committee, then, makes effort to take speedy action to protect from the degradation and to support normalization of them and execution of loan collection and enrichment of collaterals etc.

② Control of market risk and liquidity risk

SMBC Trust defines market risk as “the risk of loss by financial instruments market value fluctuation due to interest rate, foreign exchange rate and stock price movement”, and control by loss amount limitation from the position due to such fluctuation, and defines liquidity risk as “the risk of difficulties of funding money for transaction cash settlement or being enforced SMBC Trust forced to make funding with unreasonably higher rate than usual due to the situation of investment and funding tenor mismatch or unexpected large fund withdrawal”, and SMBC Trust controls it by defining gap of funding and investment. SMBC Trust allows market risk and liquidity risk within the range of necessity for the execution of company business plan, however, does not aim to make profit from market fluctuations, and has a basic guideline to set and maintain limitation of market risk and liquidity risk allowance.

(a) Organization of market risk and liquidity risk

SMBC Trust, risk management dept., independent from market transaction execution, monitors market risk and liquidity risk, and also report to the board of directors and executive committee etc. periodically.

(b) Control method of market risk and liquidity risk

●Control of market risk

SMBC Trust controls quantitatively to set up with position limit and loss limit guideline for market risk monitoring and also with funding gap limit for liquidity risk. It is organized, for the purpose of controlling market risk within the allowable range against capital, to set up maximum usage of market risk capital for internal control and allocate it with the maximum usage to each section or department who needs to utilize it to be monitored periodically

●Quantitative information with respect to market risk

In SMBC Trust, main financial instruments affected by interest rate fluctuation as a material risk parameter, are placements, loans, securities, deposits and interest rate swaps among financial derivatives. In SMBC Trust, as a quantitative indicator for interest rate risk control, interest rate revenue or loss impact is utilized assuming from 1 basis point (1bp) interest rate fluctuation. For the purpose of estimation of such impact against PL, the scope of assets and liabilities separated by each interest rate tenors, are analyzed to apply certain interest rate fluctuation by tenors under the assumption that all risk parameter is constant other than interest rate. The affected amount of current whole portfolio under the above mentioned assumption is 15 million yen as of March 31, 2020. This affected amount is based on the case where risk parameters are constant except for interest rate, and not considered the correlation between interest rate and other risk parameters. And, there is possibility of having impact beyond estimation when interest rate is fluctuated more than 1 basis point (1bp).

●Control of liquidity risk

In SMBC Trust, liquidity risk is controlled in the framework of “control of funding gap range”, “stress test”, “establishment of contingency plan” etc.

Funding gap is required amount of funding occurred from the mismatch between investment period and funding period, hence, the purpose is to avoid overreliance of short term funding, Risk Management Department monitors it as the control function for liquidity risk, and report the status to executive committee and ALM committee periodically. We conduct stress tests, in developing and implementing a business plan, to determine the “survival period” under the chosen liquidity risk scenario. We then assess the impact of the stress event of the scenario on our funding cash flows and come up with an action plan before such risk would materializes. Also, the action plan for emergency, assuming huge deposit amount is withdrawn, is also arranged as a contingency plan, due to deterioration of market condition, lower credibility of financial institutions, system trouble, reputation risk and other internal and external reasons. Other than the above mentioned control by monitoring, for complimentary method, SMBC Trust bank has funding limit from Sumitomo Mitsui Banking Corporation, Ltd as a parent company.

(4) Supplementary explanation with respect to financial instruments evaluation by market price

The evaluation of financial instruments contains the revaluation amount based on the market price, and also reasonably calculated amount when the market price is not available. Because the certain condition is applied for the calculation of the revaluation amount, the value might be different when it is calculated based on the different preconditions.

2. Fair value of financial instruments

The balance sheet amount, fair value and net unrealized gains (losses) of financial instruments as of March 31, 2020 are as follows. This sheet does not contain fair value of 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)	1,369,897	1,370,967	1,069
(2) Call loans	171,745	171,745	—
(3) Securities			
Bonds classified as held-to-maturity	260,079	260,286	206
Other securities	44,791	44,791	—
(4) Loans and bills discounted	1,468,320		
Reserve for possible loan losses (*1)	(1,602)		
	1,466,717	1,465,941	(776)
(5) Foreign exchanges(*1)	14,860	14,860	—
Total assets	3,328,091	3,328,591	500
(1) Deposits	2,892,071	2,892,347	275
(2) Call money	343	343	—
(3) Payables under securities lending transactions	258,633	258,633	—
(4) Foreign exchanges	958	958	—
(5) Due to trust accounts	75,465	75,465	—
Total liabilities	3,227,473	3,227,749	275
Derivatives transactions (*2)			
Hedge accounting not applied	(7,312)	(7,312)	—
Hedge accounting applied	9,108	9,108	—
Total	1,796	1,796	—

(*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

For call loans and Foreign exchanges, the carrying amount is used as fair value as their transaction 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) Call money, (3) Payables under securities lending transactions and (4) Foreign exchanges

The carrying amount is used as fair value as the contract tenor 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.

Derivative 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".

(unit : Millions of yen)

Classification	Balance sheet amount
Securities	
Partners' subscription certificate, etc	1,209
Total	1,209

(Note 3) Expected redemption amount from monetary assets and securities with maturity date after balance sheet date

(Millions of yen)

	Within 1 yr	More than 1 yr Less than 3yr	More than 3yr Less than 5yr	More than 5yr Less than 10yr	More than 10yr
Due from banks	1,274,538	71,337	9,774	5,413	906
Call loans	171,745	—	—	—	—
Securities	264,598	8,948	9,034	14,000	7,087
Bonds classified as held-to-maturity	260,000	—	—	—	—
Other securities	4,598	8,948	9,034	14,000	7,087
Loans and bills discounted (*)	147,334	285,519	476,677	245,249	173,358
Foreign exchanges	14,861	—	—	—	—
Total	1,873,078	365,805	495,487	264,663	181,351

(*) Among loans and bills discounts, 931 million yen for financial claims to the bankrupt borrower, effectively bankrupt borrower and potentially bankrupt borrower and 139,416 million yen with no maturity date specified are not included.

(Note 4) Deposits scheduled payment amount after balance sheet date

(Millions of yen)

	Within 1 yr	More than 1 yr Less than 3yr	More than 3yr Less than 5yr	More than 5yr Less than 10yr	More than 10yr
Deposits (*)	2,830,037	18,661	22,900	14,513	5,959
Call money	343	—	—	—	—
Payables under securities lending transactions	258,633	—	—	—	—
Foreign exchanges	958	—	—	—	—
Due from Trust account	75,465	—	—	—	—
Total	3,165,438	18,661	22,900	14,513	5,959

(*) Among deposits, demand deposits are included in "within 1yr".

(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)	3,957	million yen
Fair value earnings from consolidated tax payment	7,106	
Other	3,867	
Subtotal	14,930	
Valuation allowance for tax loss brought forward	(3,957)	
Valuation allowance for total future tax consequence of temporally differences	(1,989)	
Valuation allowance subtotal	(5,946)	
Total deferred tax assets	8,984	
Deferred tax liabilities		
Net deferred gain (losses) on hedges	(2,795)	
Other	(1,574)	
Total deferred tax liabilities	(4,369)	
Net deferred tax asset (liabilities)	4,614	

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

as of March 31, 2020 (unit : 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)	—	—	—	—	—	3,957	3,957
Valuation allowance	—	—	—	—	—	(3,957)	(3,957)
Deferred tax assets	—	—	—	—	—	—	—

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

(Per share data)

Net assets per share 37,272.56 yen

Net loss per share 7,590.49 yen

(Transactions with affiliates)

Parent company and major shareholder companies

type	Name of the company	Possession ratio voting right (%)	Relationship of affiliates	Transaction (*1)	Transaction amount (million yen)	account	Balance (million yen)
Parent company	Sumitomo Mitsui Banking Corporation	(possessed) Direct 100%	Loans	Due from banks	116,849	Due from banks	137,646
			Borrowed money	Interest receivable from due	2,101	Interest earned not collected	29
			Directors	Call loans	238,829	Call loans	171,745
			Secondment	Interest receivable from call loan	3,999	Interest earned not collected	50
				Deposits	235,454	Deposits	279,770
				Interest payable for deposit	117	Reserve for Interest	22
				Call money	129,176	Call money	343
				Interest payable from call money	(27)	Reserve for Interest	12
				Derivatives (*2)	—	Derivatives assets	9,244
						Derivatives liabilities	7,934
Subsidiaries of Parent company	SMBC Aviation Capital Limited	Not applicable		Purchase of financial claims	585,636	—	—
			Loans	Loans	212,805	Loans	248,938
			Interest receivable from Loan	10,434	Interest earned not collected	1,126	

(*1) Transaction amount shows the average balance during the period for Due from Banks, Call Loans, Deposits and Loans. Conditions of transactions are reasonably decided by market interest rate, etc.

(*2) Transaction amount is not shown because derivatives are recurring, large market transactions.

Indicator of Major Business

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income	20,590	39,954	50,688	61,984	61,063
Gross banking profit	16,200	34,873	44,180	49,801	49,474
General and Administrative Expenses (Excludes non-recurring expenses)	23,047	50,249	50,153	51,616	48,568
Banking profit	- 7,136	- 15,629	- 6,230	- 2,150	906
Banking profit (before provision for general reserve for possible loan losses)	- 6,847	- 15,376	- 5,973	- 1,814	906
Core Banking Profit	- 6,847	- 15,376	- 5,973	- 1,814	899
Core Banking Profit (excluding gains (losses) on cancellation of investment trusts)	- 6,847	- 15,376	- 5,973	- 1,814	899
Ordinary profit (loss)	- 9,547	- 15,869	- 7,189	- 2,457	1,037
Net Income (loss)	- 10,892	- 4,141	- 5,793	- 3,766	- 32,775
Capital stock	27,550	87,550	87,550	87,550	87,550
Total number of shares issued					
Common stock (in thousands)	1,018	3,418	3,418	3,418	3,418
Non-voting stock (in thousands)	900	900	900	900	900
Total net assets	78,763	192,012	184,373	185,844	160,942
Total assets	2,517,267	2,710,842	3,064,414	3,273,625	3,423,384
Deposits	2,373,585	2,467,806	2,540,534	2,732,801	2,892,071
Loans and bills discounted	266,214	610,097	1,002,388	1,328,175	1,468,320
Securities	264,128	281,762	295,418	302,949	306,080
Capital adequacy ratio (Domestic standard)(%)	9.43	21.84	14.32	12.05	13.62
Dividend payout ratio	-	-	-	-	-
Number of employees	1,733	2,064	1,988	2,091	2,112
Trust fees	998	1,586	1,730	2,291	2,591
Loans and bills discounted in the trust assets and liabilities	- (-)	- (-)	- (-)	- (-)	53 (53)
Securities in the trust assets and liabilities	118,353 (118,353)	122,285 (122,285)	457,949 (457,949)	431,242 (431,242)	466,741 (466,741)
Trust assets and liabilities	412,836 (412,836)	6,013,203 (6,018,485)	9,047,485 (9,065,002)	9,385,062 (9,417,900)	9,992,793 (10,040,832)

Notes: 1. "Number of employees" has been reported on the basis of full-time workers and includes accepted transfer employees.

2. Figures in brackets () indicate the amount of "Loans and bills discounted in the trust assets and liabilities", "Securities in the trust assets and liabilities" and "Trust assets and liabilities" including "Trust Assets under the Service-Shared Co-Trustee".

3. Banking profit (before provision for general reserve for possible loan losses)=Banking profit+Provision for general reserve for possible loan losses+Disposal of non-performing loans in the trust assets and liabilities

4. Core Banking Profit=Banking profit (before provision for general reserve for possible loan losses)-Gain and Loss on sales of bonds

Indicator related to Profits and Losses

Gross Banking Profit, Classified by Domestic and International Operations

(Millions of Yen)

Classification	Year ended March 31, 2019			Year ended March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Net interest income	2,578	26,125	28,703	3,139	26,569	29,709
Interest income	3,785	(89)	36,562	3,986	(33)	35,409
Interest expenses	(89)	32,866		(33)	31,455	
	1,207	6,740	7,859	847	4,885	5,699
Trust fees	1,988	302	2,291	2,301	290	2,591
Net fees and commissions	11,165	3,533	14,698	10,198	3,315	13,514
Fees and commissions	12,631	5,706	18,337	11,689	6,194	17,883
Fees and commissions payments	1,465	2,173	3,639	1,490	2,878	4,369
Net other operating income	- 27	4,136	4,108	7	3,651	3,658
Other operating income	128	4,136	4,264	164	3,652	3,817
Other operating expenses	156	-	156	156	1	158
Gross banking profit	15,704	34,097	49,801	15,647	33,827	49,474
Gross banking profit ratio (%)	0.74	3.25	1.59	0.61	3.20	1.38

Notes: 1. Domestic operations include yen-denominated transactions, while international operations include foreign-currency-denominated transactions. Yen-denominated nonresident transactions are included in international operations.

2. Figures in brackets () indicate interest payments between domestic and international operations.

3. There are no corresponding transactions for Net trading income.

4. Gross banking profit ratio = Gross banking profit / Average balance of interest-earning assets × 100.

Income Ratio

(%)

Classification	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary profit to total assets	- 0.07	0.02
Ordinary profit to stockholders' equity	- 1.32	0.59
Net income to total assets	- 0.11	- 0.88
Net income to stockholders' equity	- 2.03	- 18.90

Notes: 1. Ordinary profit to total assets = Ordinary profit / Average balance of total assets excluding customers' liabilities for acceptances and guarantees × 100

2. Ordinary profit to stockholders' equity = Ordinary profit / (Net assets at the beginning of the fiscal year + Net assets at the end of the fiscal year) divided by 2 × 100

3. Net income to total assets = Net income / Average balance of total assets excluding customers' liabilities for acceptances and guarantees × 100

4. Net income to stockholders' equity = Net income / (Net assets at the beginning of the fiscal year + Net assets at the end of the fiscal year) divided by 2 × 100

Average Balance, Interest and Average Rate of Interest-Earning Assets and Interest-Bearing Liabilities

(Millions of Yen)

		Year ended March 31, 2019			Year ended March 31, 2020		
		Domestic operations	International operations	Total	Domestic operations	International operations	Total
Interest-earning assets	Average balance	2,118,260	(39,743) 1,046,728	3,125,245	2,550,838	(37,836) 1,056,814	3,569,817
	Interest	3,785	(89) 32,866	36,562	3,986	(33) 31,455	35,409
	Average rate (%)	0.17	3.13	1.16	0.15	2.97	0.99
	Loans and bills discounted	Average balance	527,722	565,131	836,967	598,850	1,435,818
		Interest	2,150	23,599	2,462	24,169	26,632
		Average rate (%)	0.40	4.17	0.29	4.03	1.85
	Securities	Average balance	272,584	24,981	273,742	29,949	303,691
		Interest	523	713	456	749	1,206
		Average rate (%)	0.19	2.85	0.16	2.50	0.39
	Call loans	Average balance	—	278,253	—	238,829	238,829
		Interest	—	4,354	—	3,999	3,999
		Average rate (%)	—	1.56	—	1.67	1.67
	Deposits with banks (Exclude noninterest-earning deposits)	Average balance	1,305,452	125,517	1,428,436	136,993	1,565,429
		Interest	1,088	4,107	1,067	2,503	3,570
		Average rate (%)	0.08	3.27	0.07	1.82	0.22
Interest-bearing liabilities	Average balance	(39,743) 2,036,526	1,042,735	3,039,518	(37,836) 2,453,366	1,061,300	3,476,830
	Interest	(89) 1,207	6,740	7,859	(33) 847	4,885	5,699
	Average rate (%)	0.05	0.64	0.25	0.03	0.46	0.16
	Deposits	Average balance	1,627,952	1,042,128	1,739,996	1,059,910	2,799,906
		Interest	1,031	4,522	837	3,820	4,657
		Average rate (%)	0.06	0.43	0.04	0.36	0.16
	Call money	Average balance	58,136	8	349,887	385	350,272
		Interest	— 33	1	— 180	31	— 149
		Average rate (%)	— 0.05	23.71	— 0.05	8.11	— 0.04
	Payables under securities lending transactions	Average balance	254,862	—	259,845	—	259,845
		Interest	25	—	26	—	26
		Average rate (%)	0.00	—	0.01	—	0.01

Note: Figures in brackets () indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.

Net yield/Interest Rate

(%)

	Year ended March 31, 2019			Year ended March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Yield on interest-earning assets	0.17	3.13	1.16	0.15	2.97	0.99
Yield on interest-bearing liabilities including general expenses	2.58	0.66	1.95	2.00	0.47	1.56
Net yield / Interest rate	— 2.41	2.47	— 0.79	— 1.85	2.50	— 0.57

Notes: 1. Yield on interest-earning assets = Interest income / Average balance of Interest-earning assets × 100
 2. Yield on interest-bearing liabilities including general expenses = Interest expenses + General and Administrative Expenses (Excludes non-recurring expenses) / Average balance of Interest-bearing liabilities × 100
 3. Net yield / Interest rate = Yield on interest-earning assets - Yield on interest-bearing liabilities including general expenses

Breakdown of Interest Income and Interest Expenses

(Millions of Yen)

		Year ended March 31, 2019			Year ended March 31, 2020		
		Domestic operations	International operations	Total	Domestic operations	International operations	Total
Interest income	Volume-related increase (decrease)	507	1,364	3,341	675	299	4,409
	Rate-related increase (decrease)	237	9,429	8,287	- 474	- 1,710	- 5,562
	Net increase (decrease)	745	10,794	11,628	201	- 1,410	- 1,153
	Loans and bills discounted	Volume-related increase (decrease)	601	6,623	6,871	910	1,360
		Rate-related increase (decrease)	- 121	5,019	5,251	- 597	- 790
		Net increase (decrease)	479	11,643	12,123	312	570
	Securities	Volume-related increase (decrease)	1	243	26	2	124
		Rate-related increase (decrease)	221	8	447	- 68	- 87
		Net increase (decrease)	222	251	474	- 66	36
	Call loans	Volume-related increase (decrease)	-	184	184	-	- 616
		Rate-related increase (decrease)	-	2,041	2,041	-	261
		Net increase (decrease)	-	2,226	2,226	-	- 354
	Deposits with banks (Exclude noninterest-earning deposits)	Volume-related increase (decrease)	110	- 4,214	- 205	91	209
		Rate-related increase (decrease)	- 92	973	- 3,017	- 112	- 1,813
		Net increase (decrease)	18	- 3,241	- 3,222	- 21	- 1,604
Interest expenses	Volume-related increase (decrease)	176	96	486	144	85	715
	Rate-related increase (decrease)	- 730	4,757	3,902	- 505	- 1,940	- 2,875
	Net increase (decrease)	- 553	4,853	4,388	- 360	- 1,855	- 2,159
	Deposits	Volume-related increase (decrease)	66	81	198	53	64
		Rate-related increase (decrease)	- 573	2,826	2,202	- 247	- 765
		Net increase (decrease)	- 507	2,908	2,400	- 194	- 701
	Call money	Volume-related increase (decrease)	- 19	- 0	- 18	- 151	30
		Rate-related increase (decrease)	7	1	7	3	- 1
		Net increase (decrease)	- 12	1	- 10	- 147	29
	Payables under securities lending transactions	Volume-related increase (decrease)	12	-	12	0	-
		Rate-related increase (decrease)	-	-	-	0	-
		Net increase (decrease)	12	-	12	0	-

Note: Volume/rate variance is prorated according to changes in volume and rate.

General and Administrative Expenses

(Millions of Yen)

Classification	Year ended March 31, 2019	Year ended March 31, 2020
Salaries and related expenses	20,314	19,390
Retirement benefit cost	1,974	1,847
Welfare expenses	2,899	2,897
Depreciation	4,180	5,446
Rent and lease expenses	5,270	4,942
Building and maintenance expenses	73	31
Supplies expenses	496	257
Water, lighting, and heating expenses	199	174
Traveling expenses	254	207
Communication expenses	952	792
Publicity and advertising expenses	1,781	1,052
Membership fees, Contribution and Entertainment expenses	224	187
Taxes, other than income taxes	1,200	1,476
Business consignment expenses	7,196	5,609
Deposit insurance	500	494
Others	4,671	4,488
Total	52,193	49,296

Note: Includes non-recurring expenses.

Indicator related to Deposits

Balance of Deposits by Type

(Millions of Yen)

	March 31, 2019			March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Liquid deposits	1,533,370	–	1,533,370	1,657,129	–	1,657,129
Fixed-term deposits	138,374	–	138,374	166,363	–	166,363
Negotiable certificates of deposit	–	–	–	–	–	–
Others	7,700	1,053,355	1,061,055	15,256	1,053,321	1,068,578
Total	1,679,445	1,053,355	2,732,801	1,838,749	1,053,321	2,892,071

Notes: 1. Liquid deposits = Current deposits + Ordinary deposits

2. Fixed-term deposits = Time deposits

Average Balance of Deposits by Type

(Millions of Yen)

	Year ended March 31, 2019			Year ended March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Liquid deposits	1,483,572	–	1,483,572	1,581,375	–	1,581,375
Fixed-term deposits	138,562	–	138,562	151,997	–	151,997
Negotiable certificates of deposit	–	–	–	–	–	–
Others	5,816	1,042,128	1,047,945	6,623	1,059,910	1,066,534
Total	1,627,952	1,042,128	2,670,080	1,739,996	1,059,910	2,799,906

Notes: 1. Liquid deposits = Current deposits + Ordinary deposits

2. Fixed-term deposits = Time deposits

Balance of Time deposits, Classified by Maturity

(Millions of Yen)

	March 31, 2019						
	Three months or less	More than three months through six months	More than six months through one year	More than one year through three years	More than three years through five years	More than five years	Total
Fixed interest rate time deposits	73,249	15,943	12,888	2,748	15,403	18,140	138,374
Floating interest rate time deposits	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–
Total	73,249	15,943	12,888	2,748	15,403	18,140	138,374

(Millions of Yen)

	March 31, 2020						
	Three months or less	More than three months through six months	More than six months through one year	More than one year through three years	More than three years through five years	More than five years	Total
Fixed interest rate time deposits	100,871	14,799	14,921	7,376	14,087	14,306	166,363
Floating interest rate time deposits	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–
Total	100,871	14,799	14,921	7,376	14,087	14,306	166,363

Indicator related to Loans

Balance of Loans and Bills Discounted by Type

(Millions of Yen)

	March 31, 2019			March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Loans on bills	11,517	–	11,517	14,341	–	14,341
Loans on deeds	598,311	597,946	1,196,257	673,355	641,059	1,314,415
Overdrafts	114,540	5,859	120,400	134,153	5,409	139,563
Bills discounted	–	–	–	–	–	–
Total	724,368	603,806	1,328,175	821,850	646,469	1,468,320

Average Balance of Loans and Bills Discounted by Type

(Millions of Yen)

	Year ended March 31, 2019			Year ended March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Loans on bills	11,415	–	11,415	13,156	99	13,256
Loans on deeds	412,349	558,683	971,033	696,237	593,473	1,289,710
Overdrafts	103,957	6,447	110,405	127,573	5,277	132,851
Bills discounted	–	–	–	–	–	–
Total	527,722	565,131	1,092,853	836,967	598,850	1,435,818

Balance of Loans and Bills Discounted, Classified by Maturity

(Millions of Yen)

	March 31, 2019						
	One year or less	More than one year through three years	More than three years through five years	More than five years through seven years	More than seven years	No fixed maturity	Total
Loans and bills discounted	248,332	228,869	356,249	38,474	335,848	120,400	1,328,175
Fixed interest rates		124,566	194,124	800	63,729	–	383,221
Floating interest rates		104,303	162,124	37,673	272,119	120,400	696,621

(Millions of Yen)

	March 31, 2020						
	One year or less	More than one year through three years	More than three years through five years	More than five years through seven years	More than seven years	No fixed maturity	Total
Loans and bills discounted	140,192	270,309	463,961	63,653	390,638	139,563	1,468,320
Fixed interest rates		149,210	329,477	5,509	66,365	–	550,563
Floating interest rates		121,099	134,484	58,144	324,273	139,563	777,564

Notes: Loans with a maturity of one year or less are not classified by floating or fixed interest rates.

Balance of Loans and Bills Discounted, Classified by Collateral

(Millions of Yen)

	March 31, 2019	March 31, 2020
Deposits	240,378	323,921
Securities	63,752	74,002
Commercial claims	61,328	55,728
Commercial goods	113	114
Real estate	176,623	208,585
Others	103,315	81,820
Subtotal	645,513	744,173
Guaranteed	119,995	127,255
Unsecured	562,666	596,891
Total	1,328,175	1,468,320

Breakdown of Collateral for Customers' Liabilities for Acceptances and Guarantees

(Millions of Yen)

	March 31, 2019	March 31, 2020
Deposits	—	—
Securities	—	—
Commercial claims	—	—
Commercial goods	—	—
Real estate	4,000	—
Others	—	—
Subtotal	4,000	—
Guaranteed	4	4
Unsecured	—	—
Total	4,004	4

Balance of Loans and Bills Discounted, Classified by Purpose

(Millions of Yen)

	March 31, 2019	March 31, 2020
Funds for capital investment	440,898	532,776
Funds for working capital	887,276	935,543
Total	1,328,175	1,468,320

Notes: 1. Funds for capital investment include Housing Loan and Second house Loan.

2. Funds for working capital include investment capital.

Balance of Loan Portfolio, Classified by Industry

(Millions of Yen)

	March 31, 2019		March 31, 2020	
	Amount	Component Ratio	Amount	Component Ratio
Domestic		%		%
Manufacturing	—	—	—	—
Agriculture, forestry, fisheries and mining	—	—	—	—
Construction	—	—	—	—
Transportation, communications and public enterprises	31,827	2.39	34,736	2.36
Wholesale and retail	304	0.02	339	0.02
Finance and insurance	7,300	0.54	26,110	1.77
Real estate, goods rental and leasing	5,000	0.37	5,000	0.34
Services	51,046	3.84	56,934	3.87
Municipalities	—	—	—	—
Others	426,650	32.12	467,365	31.82
Individuals	208,092	15.66	244,780	16.67
Subtotal	730,223	54.97	835,265	56.88
Overseas	597,951	45.02	633,055	43.11
Total	1,328,175	100.00	1,468,320	100.00

Notes: 1. Others are loans to Public sector.

2. Overseas include loan extended overseas.

Loans to Small and Medium-Sized Enterprises

(Millions of Yen)

	March 31, 2019	March 31, 2020
Total domestic loans(A)	730,223	835,265
Loans to small and medium-sized enterprises(B)	286,243	349,556
Ratio (B)/(A)	39.19%	41.84%

Notes: 1. The figures above exclude the loans extended overseas.

2. Small and medium-sized enterprises are individuals or companies with capital stock of ¥300 million or less, or an operating staff of 300 or fewer employees.(Exceptions to these capital stock and staff restrictions include wholesalers: ¥100 million, 100 employees; retailers: ¥50 million, 50 employees; and service industry companies: ¥50 million, 100 employees.)

Specific Overseas Loans

Not applicable

Loan-Deposit Ratio

(%)

	Year ended March 31, 2019			Year ended March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Year-End Balance	43.13	57.32	48.60	44.69	61.37	50.77
Average Balance	32.41	54.22	40.92	48.10	56.50	51.28

Breakdown of Reserve for Possible Loan Losses

(Millions of Yen)

	Year ended March 31, 2019				Year ended March 31, 2020			
	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at end of the fiscal year	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at end of the fiscal year
General reserve for possible loan losses	1,005	1,341	1,005	1,341	1,341	1,191	1,341	1,191
Specific reserve for possible loan losses	564	553	564	553	553	498	553	498
Loan loss reserve for specific overseas countries	—	—	—	—	—	—	—	—
Total	1,570	1,895	1,570	1,895	1,895	1,690	1,895	1,690

Note: Each provision was made after a partial write-off. We wrote off 6 million yen in fiscal 2019.

Write-Off of Claims

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Write-off of claims	—	6

Risk-Monitored Loans(Bankrupt loans, Non-accrual loans, Past due loans (3 months or more), Restructured loans)

(Millions of Yen)

	March 31, 2019	March 31, 2020
Bankrupt loans	2	—
Non-accrual loans	1,190	931
Past due loans (3 months or more)	—	—
Restructured loans	3	1
Total	1,196	933

Notes: 1. Bankrupt loans : loans, after write-off, to legally bankrupt borrowers to which the events defined in "Order for Enforcement of the Corporation Tax Act" 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.

2. Non-accrual loans : 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.

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

4. Restructured loans : 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)."

Problem Assets Based on the Financial Reconstruction Act

(Millions of Yen)

	March 31, 2019	March 31, 2020
Bankrupt and quasi-bankrupt assets	638	697
Doubtful assets	554	235
Substandard loans	3	1
Subtotal(A)	1,196	935
Normal assets	1,333,112	1,484,198
Total(B)	1,334,308	1,485,134
Disclosure loan ratio (A)/(B)	0.08%	0.06%

Notes: 1. Bankrupt and quasi-bankrupt assets: Credits to borrowers undergoing bankruptcy, corporate reorganization, and rehabilitation proceedings, as well as claims of a similar nature.

2. Doubtful assets: Credits for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower.

3. Substandard loans: Past due loans (3 months or more) and restructured loans.

4. Normal assets: Credits to borrowers with good business performance and in financial standing without identified problems and not classified into the 3 categories above.

Indicator related to Securities

Year-End Balance and Average Balance of Trading account securities

Not applicable.

Balance of Securities by Type

(Millions of Yen)

	March 31, 2019			March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Japanese government bonds	262,244	—	262,244	264,080	—	264,080
Japanese local government bonds	—	—	—	—	—	—
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	11,837	—	11,837	12,107	—	12,107
Japanese stocks	—	—	—	—	—	—
Others	608	28,259	28,868	1,209	28,682	29,892
Foreign bonds	—	28,259	28,259	—	28,682	28,682
Foreign stocks	—	—	—	—	—	—
Total	274,689	28,259	302,949	277,397	28,682	306,080

Average Balance of Securities by Type

(Millions of Yen)

	Year ended March 31, 2019			Year ended March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Japanese government bonds	261,367	—	261,367	261,881	—	261,881
Japanese local government bonds	—	—	—	—	—	—
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	10,903	—	10,903	10,957	—	10,957
Japanese stocks	—	—	—	—	—	—
Others	314	24,981	25,295	902	29,949	30,852
Foreign bonds	—	24,981	24,981	—	29,949	29,949
Foreign stocks	—	—	—	—	—	—
Total	272,584	24,981	297,566	273,742	29,949	303,691

Securities-Deposit Ratio

(%)

	Year ended March 31, 2019			Year ended March 31, 2020		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Year-End Balance	16.35	2.68	11.08	15.08	2.72	10.58
Average Balance	16.74	2.39	11.14	15.73	2.82	10.84

Balance of Securities Held, Classified by Maturity

(Millions of Yen)

	March 31, 2019					
	One year or less	More than one year through five years	More than five years through ten years	More than ten years	No designated term	Total
Japanese government bonds	2,000	260,243	—	—	—	262,244
Japanese local government bonds	—	—	—	—	—	—
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	—	5,029	4,880	1,927	—	11,837
Japanese stocks	—	—	—	—	—	—
Others	—	11,897	11,500	5,470	—	28,868
Foreign bonds	—	11,897	11,241	5,120	—	28,259
Foreign stocks	—	—	—	—	—	—
Total	2,000	277,169	16,381	7,398	—	302,949

(Millions of Yen)

	March 31, 2020					
	One year or less	More than one year through five years	More than five years through ten years	More than ten years	No designated term	Total
Japanese government bonds	264,080	—	—	—	—	264,080
Japanese local government bonds	—	—	—	—	—	—
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	—	5,015	5,056	2,035	—	12,107
Japanese stocks	—	—	—	—	—	—
Others	776	13,658	10,201	5,255	—	29,892
Foreign bonds	776	13,323	9,327	5,255	—	28,682
Foreign stocks	—	—	—	—	—	—
Total	264,856	18,673	15,258	7,290	—	306,080

Indicator related to Fair value of Securities

Bonds classified as held-to-maturity

(Millions of Yen)

	Type	March 31, 2019			March 31, 2020		
		Balance sheet amount	Fair value	Net unrealized gains (losses)	Balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with unrealized gains	Japanese government bonds	260,243	261,066	822	260,079	260,286	206
	Subtotal	260,243	261,066	822	260,079	260,286	206
Bonds with unrealized losses	Japanese government bonds	—	—	—	—	—	—
	Subtotal	—	—	—	—	—	—
Total		260,243	261,066	822	260,079	260,286	206

Other securities

(Millions of Yen)

	Type	March 31, 2019			March 31, 2020		
		Balance sheet amount	Acquisition cost or depreciable cost	Net unrealized gains (losses)	Balance sheet amount	Acquisition cost or depreciable cost	Net unrealized gains (losses)
The carrying amount is beyond the acquisition cost or depreciable cost	Bonds	8,957	8,917	39	12,107	12,034	72
	Government bond	2,000	2,000	0	—	—	—
	Corporate bond	6,956	6,917	39	12,107	12,034	72
	Others	23,896	23,378	517	21,175	20,054	1,120
	Foreign bonds	23,896	23,378	517	21,175	20,054	1,120
	Subtotal	32,853	32,296	556	33,282	32,089	1,193
The carrying amount is below the acquisition cost or depreciable cost	Bonds	4,880	5,000	– 119	4,001	4,001	– 0
	Government bond	—	—	—	4,001	4,001	– 0
	Corporate bond	4,880	5,000	– 119	—	—	—
	Others	4,363	4,404	– 41	7,507	7,580	– 72
	Foreign bonds	4,363	4,404	– 41	7,507	7,580	– 72
	Subtotal	9,244	9,404	– 160	11,508	11,581	– 73
Total		42,097	41,701	396	44,791	43,671	1,119

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

(Millions of Yen)

	March 31, 2019	March 31, 2020
	Balance sheet amount	Balance sheet amount
Other Securities	608	1,209
Total	608	1,209

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

Indicator related to Derivative transactions

Derivative transactions to which the hedge accounting method is not applied

Currency derivatives

(Millions of Yen)

Classification	Type of derivative		March 31, 2019				March 31, 2020			
			Contract amount		Fair value	Valuation gains (losses)	Contract amount		Fair value	Valuation gains (losses)
				Over one year				Over one year		
Over-the-counter	Forward rate agreements	Sold	130,159	–	– 235	– 235	157,094	–	– 916	– 916
		Bought	128,543	–	– 1,314	– 1,314	150,187	–	– 6,393	– 6,393
	Currency options	Sold	51,640	–	– 320	138	69,289	986	– 878	– 304
		Bought	51,640	–	316	14	69,289	986	875	486
Total					– 1,554	– 1,396			– 7,312	– 7,128

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the statements of income.
2. Fair value of transactions is based on the value calculated using the discounted present value and option valuation models, etc.

Derivative transactions to which the hedge accounting method is applied

Interest rate derivatives

(Millions of Yen)

Hedge accounting Method	Type of derivative		March 31, 2019				March 31, 2020			
			Principal items hedged	Contract amount		Fair value	Principal items hedged	Contract amount		Fair value
					Over one year				Over one year	
Deferral hedge method	Interest rate swaps	Receive Fixed/Pay Floating	Interest-earning/ bearing financial assets such as time deposits from banks and loans	261,368	210,059	– 1,236	Interest-earning/ bearing financial assets such as time deposits from banks and loans	282,534	211,466	9,213
		Receive Float/Pay Fixed	Other securities	5,000	5,000	– 101	Other securities	5,000	5,000	– 104
Special treatment for interest rate swaps	Interest rate swaps	Receive Float/Pay Fixed	Loans	4,318	4,318	Note 2	Loans	17,694	17,694	Note 2
Total						– 1,338				9,108

Notes: 1. SMBC Trust Bank mainly 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 Report No. 24 February 13.2002).
2. Interest rate swap amounts measured by the special treatment for interest rate swaps are treated with the loan that are subject to the hedge. Therefore, such fair value is included in the fair value of the relevant hedged items such as loans disclosed in "Notes to financial statements, Financial instruments, 2.Fair value of financial instruments."

Indicator related to Trust Business

Statement of Trust Assets and Liabilities

(Millions of Yen)

Assets	March 31, 2019	March 31, 2020
Loans and bills discounted	–	53
Loans on deeds	–	53
Securities	431,242	466,741
Japanese government bonds	5,944	5,482
Japanese corporate bonds	1,917	3,017
Japanese stocks	302,850	303,529
Foreign securities	116,713	150,159
Other	3,816	4,553
Trust beneficiary right	1,142,888	1,189,846
Entrusted securities	429,312	596,633
Monetary claims	6,549,234	6,520,400
Monetary claims for housing loans	6,547,829	6,518,937
Other monetary claims	1,405	1,462
Tangible fixed assets	673,728	1,062,352
Intangible fixed assets	295	1,999
Other claims	28,122	30,832
Due from banking account	60,074	75,465
Cash and due from banks	70,165	48,468
Deposits with banks	70,165	48,468
Total	9,385,062	9,992,793

(Millions of Yen)

Liabilities	March 31, 2019	March 31, 2020
Money trusts	181,085	122,694
Investment trusts	1,018,142	1,001,831
Money in trusts other than money trusts	142,640	200,807
Securities in trusts	429,794	597,285
Monetary claims trusts	6,547,834	6,519,000
Composite trusts	1,065,445	1,551,122
Other trusts	119	51
Total	9,385,062	9,992,793

Notes:

- Trust assets under the co-operative trusts under other trust bank's administration are as described below:
as of March 31, 2019 32,837 million yen
as of March 31, 2020 48,039 million yen
- There are no corresponding transactions in the principal guaranteed trust account.

(Reference)

The amount of “the co-operative trusts under other trust bank's administration” referred to in the above Note 1 include those trust assets entrusted to SMBC Trust Bank and Sumitomo Mitsui Trust Bank, Limited under the service-shared co-trustee (“Trust Assets under the Service-Shared Co-Trustee”) at the amount of 32,837 million yen for March 31, 2019 and 48,039 million yen for March 31, 2020, respectively.

An aggregate of the balance of trust assets and liabilities under the Service-Shared Co-Trustee is as shown in the table below.

Statement of Trust Assets and Liabilities (Trust Assets and Liabilities including the balance of Service-Shared Co-Trustee)

(Millions of Yen)

Assets	March 31, 2019	March 31, 2020
Loans and bills discounted	–	53
Loans on deeds	–	53
Securities	431,242	466,741
Japanese government bonds	5,944	5,482
Japanese corporate bonds	1,917	3,017
Japanese stocks	302,850	303,529
Foreign securities	116,713	150,159
Other	3,816	4,553
Trust beneficiary right	1,175,697	1,237,883
Entrusted securities	429,312	596,633
Monetary claims	6,549,234	6,520,400
Monetary claims for housing loans	6,547,829	6,518,937
Other monetary claims	1,405	1,462
Tangible fixed assets	673,728	1,062,352
Intangible fixed assets	295	1,999
Other claims	28,122	30,832
Due from banking account	60,074	75,465
Cash and due from banks	70,165	48,468
Deposits with banks	70,165	48,468
Other	28	1
Total	9,417,900	10,040,832

(Millions of Yen)

Liabilities	March 31, 2019	March 31, 2020
Money trusts	213,923	170,734
Investment trusts	1,018,142	1,001,831
Money in trusts other than money trusts	142,640	200,807
Securities in trusts	429,794	597,285
Monetary claims trusts	6,547,834	6,519,000
Composite trusts	1,065,445	1,551,122
Other trusts	119	51
Total	9,417,900	10,040,832

Principal guaranteed trust account

Not applicable.

Balance of Money Trusts

(Millions of Yen)

	March 31, 2019	March 31, 2020
Money trusts	181,085	122,694
Designated money trusts	600	—
Specified money trusts	180,485	122,694
Total	181,085	122,694

Notes: 1. There are no corresponding transactions for Pension trusts, Property formation benefit trusts and Loan trusts.
2. An aggregate of the balance of trust assets under the Service-Shared Co-Trustee is as shown in the table below.

(Millions of Yen)

	March 31, 2019	March 31, 2020
Money trusts	213,923	170,734
Designated money trusts	600	—
Specified money trusts	213,322	170,734
Total	213,923	170,734

Balance of Principal of Money Trusts by Trust Period

(Millions of Yen)

	March 31, 2019			March 31, 2020		
	Designated money trusts		Specified money trusts	Designated money trusts		Specified money trusts
	Jointly Operated	Individually operated		Jointly Operated	Individually operated	
less than one year	—	—	—	—	—	0
One year or more	—	—	—	—	—	—
less than two years	—	—	—	—	—	—
Two years or more	—	498	35,818	—	—	5,333
less than five years	—	—	154,438	—	—	126,600
Five years or more	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	—	498	190,256	—	—	131,935

Note: There are no corresponding transactions for Loan trusts.

Balance of Money Trusts by Type

(Millions of Yen)

	Designated money trusts		Specified money trusts	
	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020
Securities	532	—	5,162	5,199

Notes: 1. There are no corresponding transactions for Pension trusts, Property formation benefit trusts and Loan trusts.
2. There are no corresponding transactions for Loans and bills discounted.
3. An aggregate of the balance of trust assets under the Service-Shared Co-Trustee is the same as above.

Balance of Securities held in Money Trusts by Type

(Millions of Yen)

	Designated money trusts		Specified money trusts	
	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020
Japanese government bonds	—	—	5,041	5,041
Japanese local government bonds	—	—	—	—
Japanese short-term corporate bonds	—	—	—	—
Japanese corporate bonds	—	—	—	—
Japanese stocks	532	—	—	—
Other	—	—	121	158
Total	532	—	5,162	5,199

Notes: 1. There are no corresponding transactions for Pension trusts, Property formation benefit trusts and Loan trusts.
2. An aggregate of the balance of trust assets under the Service-Shared Co-Trustee is the same as above.

Matters to be Disclosed Concerning Compensation

1. Compensation Framework of SMBC Trust

(1) Scope of Officers and Employees

The scope of officers, employees and others whose compensation is subject to disclosure under the revised Cabinet Office on Disclosure of Corporate Affairs, etc. and other ordinances are as described below.

① Scope of Officers

Officers subject to compensation disclosure are directors and Audit & Supervisory Board members of SMBC Trust (excluding outside directors and auditors).

② Scope of Employees and Others

Of employees of SMBC Trust other than officers, those employees and others who are highly compensated and have a material influence on the business management or the assets of SMBC Trust are subject to compensation disclosure.

(a) Scope of major consolidated subsidiaries

Not applicable.

(b) Scope of highly compensated persons

A highly compensated person is an individual whose compensation is higher than the average amount of compensation paid to the officers (excluding officers appointed or retired during the fiscal year in question) which is derived by dividing the total amount of compensation paid to the officers during the fiscal year by the number of officers during the same period.

(c) Material influence on the business management or assets of SMBC Trust

A person has a material influence on the business management or assets of SMBC Trust if his /her regular transactions or regular matters managed by him/her have a substantial impact on the business management of SMBC Trust, or losses incurred through such actions have a significant impact on the financial situation of SMBC Trust.

(2) Determination of Compensation

① For Officers

The (maximum) total amount of compensation for directors and Audit & Supervisory Board members is respectively determined at a general meeting of shareholders as executive compensation. The Board of Directors has the sole discretion to determine the allocation of compensation to individual directors while the Audit & Supervisory Board determines the allocation of compensation to individual Audit & Supervisory Board members.

③ For Employees and Others

The Human Resources Department designs the system and pays compensation to employees in accordance with the basic policy.

2. Assessment of Design and Operation of Compensation Structure

(1) Compensation Policy for Officers

The compensation of officers consists of base salary and is determined by taking into account their job responsibilities, character evaluation, business performance, and other factors.

(2) Impact of Overall Level of Compensation for Officers on Shareholders' Equity

The Board of Directors has compared the total amount of executive compensation paid during the current fiscal year with the level of income and internal reserves for the

current fiscal year and has confirmed that it does not have a material impact on the capital adequacy ratio.

(3) Compensation Policy for Employees and Others

Core principles are documented in policies and procedures, determined by the Board of Directors of SMBC Trust, and reported to the Human Resources Department of Sumitomo Mitsui Financial Group, Inc.

3. Consistency between Compensation Structure and Risk Management and Link between Compensation and Performance

In determining the compensation for officers, the total amount of compensation for all officers is resolved and determined at a general meeting of shareholders. On the other hand, in determining the compensation for employees and others, related in consideration of SMBC Trust's financial conditions and other factors.

4. Type, Total Amount Paid, and Payment Method of Compensation for Officers, Employees and Others of SMBC Trust

(1) Compensation Allocated to the Current Fiscal Year

(From April 1, 2019 to March 31, 2020)

In number of people, millions of yen

		Subject officers	Subject employees
Fixed Compensation	Number of subject officers and employees	13	4
	Fixed compensation total	267	95
	Cash compensation	267	95
	Deferment	—	—
Variable Compensation	Number of subject officers and employees	10	4
	Variable compensation total	61	20
	Cash compensation	57	20
	Deferment	—	—
	Stock compensation or stock-linked compensation	3	—
	Deferment	—	—
Retirement allowance	Number of subject officers and employees	1	—
	Retirement allowance total	13	—
	Deferment	—	—
Other compensation	Number of subject officers and employees	10	4
	Other compensation total	2	0
	Deferment	—	—
Compensation total		344	116

Note: Other compensation is commutation allowance.

(2) Special compensation etc.

Not applicable

(3) Deferred compensation etc.

Not applicable

5. Other Information Regarding Compensation Structure of SMBC Trust

Not applicable

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).

Composition of Capital Disclosure

(Millions of Yen)

Items	As of March 31, 2019	As of March 31, 2020
Core Capital Basic Components (1)		
Directly issued qualifying common share or mandatory convertible preference share plus related capital surplus and retained earnings	186,628	153,852
of which : capital and capital surplus	218,103	218,103
of which : retained earnings	(31,474)	(64,250)
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	1,341	1,191
of which : general reserve for possible loan losses	1,341	1,191
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	-	-
Amount of Core Capital Basic Components (A)	187,969	155,044
Core Capital Adjustments (2)		
Total intangible assets (excluding those relating to mortgage servicing rights)	56,525	21,448
of which : goodwill (including those equivalent)	12,003	-
of which : other intangible assets other than goodwill and mortgage servicing rights (net of related tax liability)	44,522	21,448
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	1,483	1,810
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	13,818	5,637
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)	13,818	5,637
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)	71,827	28,896

(to be continued on Page 68)

Items	As of March 31, 2019	As of March 31, 2020
Capital		
Capital amount ((A) - (B)) (C)	116,142	126,147
Risk weighted assets (3)		
Credit risk weighted assets	882,774	835,797
of which : total of items in risk weighted assets subject to transitional arrangements	-	-
of which : investments in the capital of banking, financial and insurance entities	-	-
of which : other than the above	-	-
Total amount of Market Risk equivalent divided by 8%	-	-
Total amount of Operational Risk equivalent divided by 8%	80,882	90,077
Credit risk weighted assets adjustments	-	-
Operational risk weighted assets adjustments	-	-
Total amount of Risk weighted assets (D)	963,657	925,874
Capital Adequacy Ratio		
Total Capital Adequacy Ratio ((C) / (D))	12.05%	13.62%

Qualitative Disclosure

Overview of Capital Instruments

SMBC Trust's capital consists of capital, capital surplus, and retained earnings. The following table summarizes its capital instruments.

(Millions of yen)

Types	Amount included in basic items of core capital	
	As of March 31, 2019	As of March 31, 2020
Common stock	170,900	170,900
Non-voting stock	45,000	45,000

Outline of the SMBC Trust's Capital Adequacy Assessment Method

With respect to capital adequacy, SMBC Trust periodically reports to management the capital adequacy ratio calculated based on risk-weighted assets and capital as prescribed by the FSA's "Notification on Criteria for Determining Whether the Level of Capital Adequacy is Appropriate in Light of Assets, etc. Held by Banks Based on Article 14-2 of the Banking Act (FSA Notification No. 19 of 2006; the "FSA Notification"). In addition, in order to assess its capital adequacy reflecting those risks that are not covered by the regulations, SMBC Trust periodically ensure that its capital exceeds risk exposures constantly and sufficiently regardless of the regulatory minimum capital adequacy ratio by conducting risk capital management. Going forward, SMBC Trust intends to maintain an appropriate level of capital adequacy ratio based on the capital plan formulated based on the management plan.

Matters Relating to Credit Risk

1. Outline of Risk Management Policy and Procedures

SMBC Trust has established "Credit Policy" and "Credit Risk Management Regulations" for the comprehensive management and a quantitative and on-going grasp and management of credit risk in the bank's entire credit portfolio.

For the purpose of appropriate management of risks inherent in individual credits or the bank's entire loan portfolio, we use an internal rating system and assess credit risk for each borrower or loan. We also weigh credit risk for a quantitative grasp and management. Further, for the medium-term maintenance and improvement of the soundness and profitability of the loan portfolio, we use credit risk controls to mitigate credit-concentration risk and reduce problem loans.

The Investment & Loan Planning Department manages credit portfolios and plans and drafts operational policies, and seeks to realize a highly effective credit risk management system, and regularly reports to the Executive Committee, the Credit Risk Committee and other bodies on the status of credit risk management.

The Credit Department is responsible for reviewing individual loans and analyzing loans newly originated at an application stage and assessing the actual status of individual assets based on self-assessment standards on a periodic basis. The soundness of assets is ensured through verification of their appropriateness by the Credit Department and auditing by the Internal Audit Department.

SMBC Trust applies the standardized approach to calculate the amount of risk-weighted assets for credit risk under Basel III framework, and meets calculation requirements provided in FSA notices, such as risk weights for securitization exposures.

2. Matters Relating to Portfolios to Which the Standardized Approach is Applied

(1) Qualified external rating agencies, etc. used for risk-weighting purpose

SMBC Trust references ratings assigned by S&P Global Ratings ("S&P"), Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings Limited ("Fitch"), Rating and Investment Information, Inc. ("R&I"), Japan Credit Rating Agency, Ltd. ("JCR"), and the Organization for Economic Co-operation and Development.

SMBC Trust references the rating assigned by Fitch for those foreign obligors who are not assigned ratings by S&P and Moody's.

- (2) Qualified external rating agencies, etc. used for risk-weighting by exposure type
SMBC Trust uses the same credit rating agencies as those described in (1) above.

Outline of Risk Management Policies and Procedures for Credit Risk Mitigation

1. Policy on Credit Risk Mitigation
As a bank applying the standardized approach, SMBC Trust uses a simplified method for credit risk mitigation purposes. Under this method, SMBC Trust calculates exposures in accordance with the FSA Notification and applies risk weights prescribed therein when calculating the amount of credit risk-weighted assets to determine the capital adequacy ratio.
2. Management of Overall Credit Risk Mitigation
SMBC Trust reviews the line of credit at least on an annual basis and re-evaluates collateral value and other items on a periodic basis for credit protection purposes.
3. Types of Credit Risk Mitigation
 - (1) Eligible financial collateral (simplified method)
Assets that satisfy conditions set forth in Article 89 of the FSA Notification
 - (2) Netting loans and own bank deposits
SMBC Trust offsets loans and own bank deposits which meet conditions set forth in Article 117 of the FSA Notification and uses the resulting amount as the amount of exposures to calculate the capital adequacy ratio.
 - (3) Guarantees and credit derivatives
Guarantees satisfying conditions set forth in Articles 118, 119, and 122 of the FSA Notification. SMBC Trust currently does not use credit derivatives as a credit risk mitigation in calculating the capital adequacy ratio.

Outline of Risk Management Policies and Procedures for Derivatives Transactions and Long Settlement Transactions

1. Counterparty Risk
The amount of counterparty credit risk associated with derivatives transactions is determined by the current exposure method in accordance with the FSA Notification.
2. Management of Lines of Credit
The line of credit offered to counterparties in connection with derivatives transactions, etc. is managed based on the total amount of lines of credit, aggregating it with the lines of credit for all on-balance transactions and other items. SMBC Trust does not engage in any transaction that falls under the category of a long settlement transaction.

Matters Relating to Securitization Exposures

1. Outline of Risk Management Policy and Risk Characteristics
 - (1) Risk management policy
The definition of securitization exposures is clarified in order to ensure that risks associated with securitization products are identified, measured, evaluated, and reported, and the risk management department independent of sales departments

centrally manages risks, from recognizing securitization exposures to measuring, evaluating, and reporting risks.

- (2) Outline of risk characteristics
SMBC Trust is exposed to credit risk and interest rate risk associated with securitization exposures held as an investor. These risks are basically the same as those arising from transactions such as loans and securities.
Liquidity risk associated with underlying assets of securitization exposures held (i.e. liquidity risk assumed until normal operations can be resumed in the event of the originator's default) and other risks are inherent.
2. Outline of Establishment and Implementation of a System Stipulated in Article 248, paragraph (1), item (i) through (iv) of the FSA's Notification Concerning the Capital Adequacy Ratio
In order to assess the status of risk and performance of securitization products that are deemed as securitization exposures, SMBC Trust has established a system whereby information on the conditions of underlying assets and other relevant matters are continuously monitored and monitoring results are compiled by, and reported to, the risk management department on a periodic basis.
3. Policy Applied When Using Securitization Transactions as a Credit Risk Mitigation
There is no applicable information to be disclosed.
4. Approach Used to Calculate the Amount of Credit Risk-Weighted Assets Relating to Securitization Exposures
SMBC Trust uses the "external ratings-based approach" to calculate the amount of credit risk-weighted assets relating to securitization exposures to which external ratings are assigned. For unrated exposures, SMBC Trust applies the maximum risk weight as stipulated in Article 267 of the FSA Notification, or applies 1250% risk weight.
5. Approach Used to Calculate Capital Requirements for Market Risk Related to Securitization Exposures
There is no applicable information to be disclosed.
6. Type of Securitization Conduit Used in Securitization Transactions
Associated with Third Party Assets, if a Bank Engages in Such Transactions, and Status of the Bank's Holdings of Securitization Exposures Related to Such Transactions
There is no applicable information to be disclosed.
7. Names of a Bank's Subsidiaries and Affiliated Companies Holding Securitization Exposures Related to Securitization Transactions Conducted by the Bank
There is no applicable information to be disclosed.
8. Accounting Policy on Securitization Transactions
SMBC Trust is engaged in securitization transactions as an investor and accounts for such transactions in accordance with the "Accounting Standard for Financial Instruments".
9. Qualified External Rating Agencies Used for Risk-Weighting by Securitization Exposure Type
SMBC Trust references ratings assigned by S&P Global Ratings ("S&P"), Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings Limited ("Fitch"), Organization for Economic Cooperation and Development, Rating and Investment Information, Inc. ("R&I"), and Japan Credit Rating Agency, Ltd. ("JCR").
SMBC Trust references the rating assigned by Fitch for those foreign obligors who are not assigned ratings by S&P and Moody's.

10. Outline of the Internal Assessment Approach, if Used
There is no applicable information to be disclosed.
11. Significant Changes to Quantitative Information, if Any
There is no applicable information to be disclosed.

Matters Relating to Market Risk

There is no applicable information to be disclosed because SMBC Trust applies the special treatment to exclude market risk from the calculation of capital requirements.

Matters Relating to Operational Risk

1. Outline of Risk Management Policies and Procedures
SMBC Trust has formulated "Operational Risk Management Policy" as a comprehensive management policy for operational risk, and works on the establishment and enhancement of approaches and frameworks for appropriately identifying, assessing, monitoring, and controlling various operational risks arising from increasingly diversified and complex financial services.
SMBC Trust also categorizes the risks constituting its operational risk, and the departments managing respective risks develop rules and management setups to monitor the risks they are in charge of, and periodically assess potential risks inherent in their own departments, continuously improve their controls, and regularly report their control statuses to the Risk Management Committee and the Executive Committee.
2. Method Used to Calculate Capital Requirements for Operational Risk
SMBC Trust uses the basic indicator approach.

Matters Relating to Interest Rate Risk in Banking Book

1. Outline of Risk Management Policy and Procedures
Interest rate risk in the banking book (IRRBB) is the risk that arises from fluctuations in interest rates. Specifically, it is the risk of fluctuations in value (present value) of an asset or a liability held or of fluctuations in future income (interest income) obtained from the spread between funding and lending rates. SMBC Trust perceives and manages interest rate risk as a material risk to its business. For measuring the IRRBB, SMBC Trust uses Basis Point Value (BPV), which represents the change in the value of an asset caused by a change of one basis point (0.01%) in the interest rate. SMBC Trust also establishes a limit on the BPV within its financial strength in accordance with its business plan, and monitors the BPV level on a daily basis. SMBC Trust controls BPV levels not only by adjusting asset and liability balances and term structures but also by using interest-rate swaps.
2. Outline of Method to Measure Interest Rate Risk
SMBC Trust measures the IRRBB by estimating future cash flows from the assets and liabilities it holds. Since the IRRBB significantly changes according to the maturity assumptions for liquid deposits (deposits that allow depositors withdraw on demand, such as current deposits and ordinary deposits), SMBC Trust makes the following assumptions about liquid deposits denominated in Japanese yen and U.S. dollars in measuring the IRRBB:

Of the liquid deposits, SMBC Trust treats the amounts expected to remain undrawn up to five years (longest maturity of 5 years with the average remaining period of 2.5 years) as core deposits, with the upper limit being 90% of the smallest of the following three: i) the smallest balance of deposits over the last five years; ii) the balance left after the maximum annual outflow of deposits has been subtracted from the current balance of deposits, and; iii) the amount equivalent to 50% of the current balance of deposits.

For the entire liquid deposits, SMBC Trust calculates the IRRBB on the assumption of the average remaining term of 0.9 years with the longest maturity of 5 years.

SMBC Trust does not consider customer behavioral optionality such as repayment of housing loans and withdrawals of time deposits before maturity.

3. Interest Rate Risk

For the management of the IRRBB, SMBC Trust computes the impact of interest rate shocks on its economic value of equity (Δ EVE) and net interest income (Δ NII). Based on Pillar 2 of the Basel capital framework (Supervisory Review Process), the Financial Services Agency of Japan (FSA) uses "materiality test" to identify banks that take excessive interest rate risk. The test is to identify banks' Δ EVE using a set of scenarios specified by the FSA as a percentage of their equity capital, which is monitored by the regulator. SMBC Trust's measurement indicates that its economic value of equity falls when interest rates rise with the largest change in the equity under the parallel shock up scenario. SMBC Trust has passed the test with the Δ EVE of 1.306%, which is well under the threshold of 20% for additional capital holding.

Our net interest income falls when interest rates fall and vice versa.

The measurements are on a non-consolidated basis, and both Δ EVE and Δ NII are calculated by simply adding the decreases in economic value of the assets with interest rate risk that SMBC Trust holds in Japanese yen and U.S. dollars, the major currencies comprising 5% or more of the total assets and liabilities (in Japanese yen).

Δ EVE represents the fall in economic value against an interest rate shock, and credit spreads are not taken into consideration in the calculation. Incidentally, the falls are shown as positive numbers.

Quantitative Disclosure

Capital Adequacy

1. Required Capital for Credit Risk

(Millions of Yen)

	As of March 31, 2019		As of March 31, 2020	
	Credit Risk Assets	Required Capital	Credit Risk Assets	Required Capital
On balance sheet assets				
Cash	—	—	—	—
Japanese government and central bank	—	—	—	—
Foreign government and central bank	—	—	—	—
Bank for International Settlements	—	—	—	—
Japanese local public entities	—	—	—	—
Overseas public sectors other than central government	—	—	—	—
Multilateral Development Banks (MDBs)	—	—	—	—
Japan Finance Organization for Municipalities (JFM)	300	12	1,380	55
Japan Government-affiliated organizations	3,340	133	4,240	169
Land Development Public Corporations, Local Housing Public Corporations, Local Road Public Corporations	—	—	—	—
Financial institutions and Regulated securities companies	83,883	3,355	75,406	3,016
Corporates	429,149	17,165	407,854	16,314
SMEs and individuals	—	—	—	—
Residential mortgage loans	39,130	1,565	46,657	1,866
Projects including acquisition of real estate properties	59,039	2,361	58,571	2,342
Past due exposures for three months or more	268	10	182	7
Bills before collection	—	—	—	—
Exposures secured by the Japan Federation of Credit Guarantee Corporation	—	—	—	—
Exposures secured by the Regional Economy Vitalization Corporation of Japan	—	—	—	—
Investments in Equity Instruments	—	—	—	—
Securitization	136,892	5,475	141,771	5,670
Resecuritization	—	—	—	—
Exposures which credit RWA under Article 76-5 of the Notification is applied	—	—	—	—
Others	76,105	3,044	73,938	2,957
On balance sheet assets total	828,109	33,124	810,003	32,400
Off balance sheet assets				
Derivative transactions	2,237	89	4,619	184
Others	49,070	1,962	14,244	569
Off balance sheet assets total	51,308	2,052	18,864	754
CVA risk	3,356	134	6,929	277
Total	882,774	35,310	835,797	33,431

2. Required Capital for Operational Risk

(Millions of Yen)

	As of March 31, 2019		As of March 31, 2020	
	Operational Risk equivalent divided by 8%	Required Capital	Operational Risk equivalent divided by 8%	Required Capital
Basic Indicator Approach	80,882	3,235	90,077	3,603

3. Non-consolidated Total Required Capital

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Risk Weighted Assets		
Credit risk weighted assets	882,774	835,797
Total amount of Market risk equivalent divided by 8%	–	–
Total amount of Operational risk equivalent divided by 8%	80,882	90,077
Total (A)	963,657	925,874
Non-consolidated Total Required Capital (Total (A) × 4%)	38,546	37,034

Credit Risk

1. Exposure Balance

(by Geographic Region, Industry and Counterparty)

(Millions of yen)

	As of March 31, 2019				
	Loans etc.	Bonds	Derivatives	Others	Total
Domestic					
Manufacturing	–	–	–	–	–
Agriculture, Forestry, Fishery and Mining	–	–	–	–	–
Construction	–	–	–	–	–
Transportation, Information, and Public utilities	31,827	–	–	7	31,834
Wholesale and Retail	304	–	–	0	304
Finance and Insurance	1,258,996	22,293	6,694	530,476	1,818,462
Real estate, Goods rental and leasing	5,000	10,000	–	4,017	19,017
Services	51,046	–	–	14	51,060
National and local governments	426,650	264,161	–	8	690,820
Other industries	–	5,489	317	37,355	43,163
Individuals	208,092	–	835	893	209,821
Subtotal	1,981,920	301,944	7,847	572,773	2,864,486
Overseas	597,951	–	–	16,233	614,185
Total	2,579,871	301,944	7,847	589,007	3,478,671

(Millions of yen)

	As of March 31, 2020				
	Loans etc.	Bonds	Derivatives	Others	Total
Domestic					
Manufacturing	–	–	–	–	–
Agriculture, Forestry, Fishery and Mining	–	–	–	–	–
Construction	–	–	–	–	–
Transportation, Information, and Public utilities	34,736	–	–	7	34,743
Wholesale and Retail	339	–	–	0	339
Finance and Insurance	1,402,929	21,410	15,504	453,373	1,893,216
Real estate, Goods rental and leasing	5,000	10,000	–	6	15,006
Services	56,934	–	–	30	56,964
National and local governments	467,365	266,115	–	8	733,489
Other industries	–	6,224	357	34,516	41,098
Individuals	244,780	–	1,447	1,511	247,739
Subtotal	2,212,084	303,750	17,309	489,453	3,022,597
Overseas	633,055	–	–	13,704	646,759
Total	2,845,139	303,750	17,309	503,158	3,669,357

(by Residual Term)

(Millions of yen)

	As of March 31, 2019				
	Loans etc.	Bonds	Derivatives	Others	Total
Up to 1 year	1,384,293	2,000	2,123	536,884	1,925,301
Over 1 to 3 years	323,637	266,062	790	2,975	593,466
Over 3 to 5 years	367,110	10,856	2,835	4,198	385,001
Over 5 to 10 years	157,523	16,043	1,634	6,206	181,406
Over 10 years	226,906	6,981	464	464	234,816
No fixed maturity	120,400	—	—	38,278	158,679
Total	2,579,871	301,944	7,847	589,007	3,478,671

(Millions of yen)

	As of March 31, 2020				
	Loans etc.	Bonds	Derivatives	Others	Total
Up to 1 year	1,429,578	264,679	3,725	451,946	2,149,930
Over 1 to 3 years	341,647	8,948	4,132	9,731	364,459
Over 3 to 5 years	473,736	9,034	7,672	8,007	498,451
Over 5 to 10 years	227,557	14,000	1,331	2,206	245,096
Over 10 years	233,055	7,087	446	446	241,036
No fixed maturity	139,563	—	—	30,819	170,382
Total	2,845,139	303,750	17,309	503,158	3,669,357

2. Term-End Balance of Exposures Past Due 3 Months or More or Defaulted and Their Breakdown

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Domestic		
Corporate	—	—
Individual	439	331
Subtotal	439	331
Overseas	—	—
Total	439	331

3. Reserve for Loan Losses and their Changes during the Fiscal Year

(Millions of Yen)

	As of March 31, 2019		As of March 31, 2020	
	Balance	Change	Balance	Change
Specific reserve for possible loan losses	553	(11)	498	(55)
Corporate	182	(25)	122	(60)
Individual	370	14	376	5
Others	—	—	—	—
General reserve for possible loan losses	1,341	336	1,191	(149)
Loan loss reserve for specific overseas countries	—	—	—	—

Note: All specific reserve for possible loan losses occurred in domestic region.

4. Amount of write-off of loans

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Corporate	—	—
Individual	—	—
Others	—	6
Total	—	6

5. Balances of Exposures by Risk Weight Segment, to which Standardized Approach is applied, after taking into account the effect of Credit Risk Mitigation Techniques

(Millions of yen)

Risk Weight	As of March 31, 2019		As of March 31, 2020	
	With external rating	Without external rating	With external rating	Without external rating
0%	1,806,190	295,109	1,932,226	303,072
10%	—	18,430	—	38,250
20%	633,355	29,733	670,679	35,943
30%	—	5,990	—	5,984
35%	—	111,801	—	133,305
40%	—	—	8,018	—
50%	15,006	74	15,006	65
70%	10,724	—	6,510	—
100%	3,142	114,651	—	132,091
120%	153,960	192,060	114,357	208,252
150%	—	114	—	15
170%	8,233	294	5,229	224
250%	—	14,196	—	13,178
1250%	—	608	—	1,209
Others	11,873	49,868	5,724	36,571
Total	2,642,486	832,933	2,757,753	908,166

(Notes) 1. "Others" include balances of securitization exposures without external ratings, using the weighted average risk weights of individual underlying assets.

2. The weighted average risk weight of assets included in "Others" is 113.47% as of March, 31 2020(162.67% as of March, 31 2019).

Credit Risk Mitigation Techniques

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Eligible financial collateral		
Cash and deposits	51,664	67,772
Bonds	—	—
Stocks	—	—
Others	—	—
Subtotal	51,664	67,772
Offset loans with deposits	3,251	3,437
Guarantees and Credit Derivatives		
Guarantees	192,516	260,594
Credit Derivatives	—	—
Subtotal	192,516	260,594
Total	247,432	331,804

Counterparty Risk in Derivative Transactions and Long Settlement Transactions

1. Derivative Transactions

(1) Method used to calculate Credit Equivalent Amount

Credit equivalent amounts are calculated by applying the Current Exposure Method.

(2) Gross Replacement Cost and Credit Equivalent Amount

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Gross replacement cost	1,722	10,638
Gross add-on amount	6,124	6,671
Credit equivalent amount (before taking into account the credit risk mitigation effect of collateral)	7,847	17,309
Foreign exchange related transactions	5,444	6,771
Interest rate related transactions	2,403	10,537
Collateral amount	–	–
Credit equivalent amount (after taking into account the credit risk mitigation effect of collateral)	7,847	17,309

(3) Amount of Collateral by Type

Not applicable.

(4) Credit Equivalent Amount after the Application of Credit Risk Mitigation Technique by Collateral

Since the application of credit risk mitigation technique by collateral is not applicable, the credit equivalent amount is the same before and after considering collateral.

(5) Amount of Notional Principal of Credit Derivatives used for the Credit Equivalent Calculation, classified by Type of Credit Derivatives and by Protection Purchased or Provided

Not applicable.

(6) Notional Principal of Credit Derivatives applied for Credit Risk Mitigation Technique

Not applicable.

2. Long Settlement Transactions

Not applicable.

Securitization Exposures

1. Securitization Exposures subject to the Calculation of Credit Risk Weighted Assets as an Originator

Not applicable.

2. Securitization Exposures subject to the Calculation of Credit Risk Weighted Assets as an Investor

(1) Securitization Exposures by Type of Underlying Assets

(Millions of Yen)

Type of Underlying Assets	As of March 31, 2019			As of March 31, 2020		
	Total	On-balance sheet assets	Off-balance sheet assets	Total	On-balance sheet assets	Off-balance sheet assets
Real estate, Real estate trust beneficiary rights	35,670	31,670	4,000	49,413	49,413	–
Claims for corporates	56,089	56,089	–	42,521	42,521	–
Others	21,728	21,728	–	25,225	25,225	–
Total	113,488	109,488	4,000	117,159	117,159	–

Note: No re-securitization exposures as of March 31, 2019 and 2020.

(2) Securitization Exposures by Risk Weight and Required Capital

(Millions of Yen)

Risk Weight	As of March 31, 2019				As of March 31, 2020			
	Total	On-balance sheet assets	Off-balance sheet assets	Required Capital	Total	On-balance sheet assets	Off-balance sheet assets	Required Capital
To 20%	–	–	–	–	–	–	–	–
Over 20% to 50%	7,861	7,861	–	120	13,743	13,743	–	214
Over 50% to 100%	3,142	3,142	–	125	17,145	17,145	–	685
Over 100% to 250%	97,864	97,864	–	4,921	85,060	85,060	–	4,166
Over 250% to 350%	–	–	–	–	–	–	–	–
Over 350% to 1250%	4,620	620	4,000	1,563	1,209	1,209	–	604
Total	113,488	109,488	4,000	6,730	117,159	117,159	–	5,670

Note: No re-securitization exposures as of March 31, 2019 and 2020.

(3) Securitization Exposures by Type of Underlying Assets to which 1250% Risk Weight should be applied in accordance with Article 248 and Article 248-4, Paragraph (1), Item (i) and Item (ii) of FSA Notice No.19

(Millions of Yen)

Type of Underlying Assets	As of March 31, 2019			As of March 31, 2020		
	Total	On-balance sheet assets	Off-balance sheet assets	Total	On-balance sheet assets	Off-balance sheet assets
Real estate, Real estate trust beneficiary rights	608	608	–	1,209	1,209	–
Claims for corporates	–	–	–	–	–	–
Others	–	–	–	–	–	–
Total	608	608	–	1,209	1,209	–

Note: No re-securitization exposures as of March 31, 2019 and 2020.

(4) Application of Credit Risk Mitigation Techniques to Re-securitization Exposures and their Breakdown by Guarantor or Risk Weight applied to Guarantor

Not applicable.

3. Securitization Exposures as an Originator subject to the Calculation of Market Risk Equivalent Amount

Not applicable.

4. Securitization Exposures as an Investor subject to the Calculation of Market Risk Equivalent Amount

Not applicable.

Interest Rate Risk

(Millions of Yen)

IRRBB1: Interest rate risk					
Item No.		a	b	c	d
		△ EVE		△ NII	
		As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	As of March 31, 2019
1	Parallel up	1,648	735	(5,434)	
2	Parallel down	–	69	5,434	
3	Steepener	–	0		
4	Flattener				
5	Short rate up				
6	Short rate down				
7	Maximum	1,648	735	5,434	
		e		f	
		As of March 31, 2020		As of March 31, 2019	
8	Capital amount	126,147		116,142	

Confirmation

June 30, 2020

SMBC Trust Bank Ltd.
Kozo Ogino President & CEO

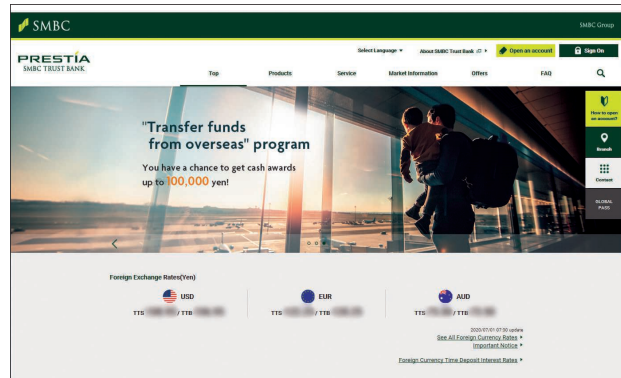
As the representative of SMBC Trust Bank Ltd., I have confirmed the appropriateness of the financial statements for the 35th fiscal year from April 1, 2019 to March 31, 2020 and the effectiveness of internal audit performed for the preparation of the financial statements, based on "Clarification of Management's Responsibility over The Accuracy of Financial Statements and The Effectiveness of Internal Audit (Request)" (Financial Supervisory Agency No. 2835, October 7, 2005).

Website

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