

INTERIM FINANCIAL REPORT 2023

(April 1~September 30, 2023)



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INTERIM BALANCE SHEET

SMBC Trust's financial statements, comprising of the Interim Balance Sheets, Interim Statements of Income, Interim Statements of Changes in Net Assets and Interim Statements of Cash Flows are audited by KPMG AZSA LLC pursuant to 193-2-1 of the Financial Instruments and Exchange Law since September 30, 2023.

(Millions of Yen)

	As of September 30, 2022	As of September 30, 2023
(Assets)		
Cash and due from banks	1,657,903	1,955,109
Call loans	42,543	65,819
Monetary claims bought	5,533	-
Securities	181,925	267,568
Loans and bills discounted	2,085,962	2,065,648
Foreign exchanges	32,249	21,193
Other assets	65,080	73,696
Tangible fixed assets	1,463	1,470
Intangible fixed assets	5,921	8,883
Prepaid pension cost	1,424	1,347
Deferred tax assets	9,134	-
Customers' liabilities for acceptances and guarantees	448	-
Reserve for possible loan losses	(2,786)	(965)
Total assets	4,086,805	4,459,772
(Liabilities)		
Deposits	3,254,173	3,500,045
Call money	450,187	500,000
Payables under securities lending transactions	67,566	73,273
Foreign exchanges	1,655	1,961
Due to trust accounts	128,235	139,923
Other liabilities	49,635	71,135
Income taxes payable	3,114	4,131
Lease obligations	21	27
Asset retirement obligations	1,159	943
Other	45,340	66,034
Reserve for employee bonuses	922	1,122
Reserve for executive bonuses	72	70
Reserve for reimbursement of deposits	600	736
Deferred tax liabilities	-	221
Acceptances and guarantees	448	-
Total liabilities	3,953,497	4,288,491
(Net assets)		
Capital stock	87,550	87,550
Capital surplus	85,553	85,553
Legal capital surplus	83,350	83,350
Other capital surplus	2,203	2,203
Retained earnings	(37,766)	(14,274)
Legal retained earnings	80	80
Other retained earnings	(37,846)	(14,354)
Retained earnings brought forward	(37,846)	(14,354)
Total Shareholders' equity	135,336	158,828
Net unrealized gains (losses) on other securities	(1,345)	(2,462)
Net deferred gains (losses) on hedges	(683)	14,915
Total valuation and translation adjustments	(2,029)	12,452
Total net assets	133,307	171,280
Total liabilities and total net assets	4,086,805	4,459,772

INTERIM STATEMENTS OF INCOME

(Millions of Yen)

	from April 1, 2022 to September 30, 2022	from April 1, 2023 to September 30, 2023
Ordinary income	35,904	57,282
Trust fees	1,983	2,362
Interest income	18,432	34,213
Interest on loans and discounts	15,321	24,203
Interest and dividends on securities	444	455
Fees and commissions	11,755	14,020
Other operating income	2,464	5,535
Other income	1,267	1,150
Ordinary expenses	27,848	40,448
Interest expenses	6,006	16,809
Interest on deposits	1,968	14,088
Fees and commissions payments	3,793	3,833
Other operating expenses	-	22
General and administrative expenses	18,044	19,730
Other expenses	3	52
Ordinary profit (loss)	8,055	16,834
Extraordinary losses	0	70
Income (loss) before income taxes	8,055	19,763
Income taxes - current	2,839	3,698
Income taxes - deferred	(730)	726
Income taxes	2,109	4,424
Net income (loss)	5,946	12,339

INTERIM STATEMENTS OF CHANGES IN NET ASSETS

From April 1, 2022 to September 30, 2022

(Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the period	87,550	83,350	2,203	85,553	80	(43,792)	(43,712)	129,390
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-
Restated balance	87,550	83,350	2,203	85,553	80	(43,792)	(43,712)	129,390
Changes in the period								
Net income (Loss)						5,946	5,946	5,946
Net changes in items other than shareholders' equity in the period								
Net changes in the period	-	-	-	-	-	5,946	5,946	5,946
Balance at the end of the period	87,550	83,350	2,203	85,553	80	(37,846)	(37,766)	135,336

(Millions of Yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	(305)	(3,842)	(4,148)	125,241
Cumulative effects of changes in accounting policies	-	4,584	4,584	4,584
Restated balance	(305)	742	436	129,826
Changes in the period				
Net income (Loss)				5,946
Net changes in items other than shareholders' equity in the period	(1,039)	(1,425)	(2,465)	(2,465)
Net changes in the period	(1,039)	(1,425)	(2,465)	3,480
Balance at the end of the period	(1,345)	(683)	(2,029)	133,307

From April 1, 2023 to September 30, 2023

(Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the period	87,550	83,350	2,203	85,553	80	(26,694)	(26,614)	146,488
Changes in the period								
Net income (Loss)						12,339	12,339	12,339
Net changes in items other than shareholders' equity in the period								
Net changes in the period	—	—	—	—	—	12,339	12,339	12,339
Balance at the end of the period	87,550	83,350	2,203	85,553	80	(14,354)	(14,274)	158,828

(Millions of Yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	(1,617)	(1,475)	(3,093)	143,395
Changes in the period				
Net income (Loss)				12,339
Net changes in items other than shareholders' equity in the period	(845)	16,391	15,546	15,546
Net changes in the period	(845)	16,391	15,546	27,885
Balance at the end of the period	(2,462)	14,915	12,452	171,280

INTERIM STATEMENTS OF CASH FLOWS

(Millions of Yen)

	from April 1, 2022 to September 30, 2022	from April 1, 2023 to September 30, 2023
Cash flows from operating activities:		
Income before income taxes	8,055	16,763
Depreciation	825	1,091
Net change in reserve for possible loan losses	(1,262)	(1,137)
Net change in reserve for employee bonuses	(807)	(608)
Net change in reserve for executive bonuses	(27)	(73)
Net change in reserve for reimbursement of deposits	(192)	(110)
Net change in Prepaid pension cost	12	242
Interest income	(18,432)	(34,213)
Interest expenses	6,006	16,809
Net (gains) losses on securities	(828)	(28)
Net exchange (gains) losses	(112)	(109)
Net (gains) losses from disposal of tangible fixed assets	0	1
Net (gains) losses from disposal of intangible fixed assets	-	68
Net change in loans and bills discounted	(49,114)	(23,593)
Net change in deposits	(149,928)	219,967
Net change in deposits with banks	25,670	(91,135)
Net change in call loans and others	98,348	(3,847)
Net change in call money and others	450,187	49,821
Net change in monetary claims bought	(3,776)	2,170
Net change in payables under securities lending	67,566	5,692
Net change in foreign exchanges (assets)	(4,066)	(3,687)
Net change in foreign exchanges (liabilities)	469	743
Net change in accrued trust fees	(760)	(834)
Net change in due to trust account	6,062	3,505
Interest received	15,621	31,132
Interest paid	(3,678)	(8,318)
Other, net	(7,503)	28,037
Subtotal	438,335	208,350
Income taxes paid	(33)	(4,435)
Income taxes refunded	3,192	580
Net cash provided by (used in) operating activities	441,494	204,495
Cash flows from investing activities:		
Purchases of securities	(92,806)	(46,590)
Proceeds from redemption of securities	9,165	3,536
Purchases of tangible fixed assets	(175)	(84)
Purchases of intangible fixed assets	(1,649)	(2,386)
Payments for fulfillment of asset retirement obligations	(93)	(14)
Net cash provided by (used in) investing activities	(85,560)	(45,540)
Cash flows from financing activities:		
Repayment of lease obligations	12	(4)
Net cash provided by (used in) financing activities	12	(4)
Effect of exchange rate changes on cash and cash equivalents	112	109
Net change in cash and cash equivalents	356,058	159,059
Cash and cash equivalents at the beginning of the period	1,135,216	1,514,936
Cash and cash equivalents at the end of the period	1,491,274	1,673,996

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. Available-for-sales securities are carried at their market prices (cost of securities sold is calculated using primarily the moving-average method) except for those without market prices, such as investments in partnership, etc. 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.

The fair value of Derivatives is calculated based on net assets or liabilities after offsetting financial assets and financial liabilities with respect to specific market risk or specific credit risk.

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: 3 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 (mainly 5 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 interim 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 (“Bankrupt borrowers”) or borrowers that are regarded as substantially in the same situation (“Effectively bankrupt borrowers”), 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 (“Potentially bankrupt borrowers”), 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).

In addition, in light of the latest economic situation and risk factors, for potential losses for specific portfolios that are based on the future prospects with high probability, but cannot be reflected in actual loan losses in the past and in any individual borrower's classification, a reserve is provided in the amount deemed necessary based on an overall assessment.

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.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amounts of write-off for the years ended September 30, 2023 were 349 million yen, respectively.

(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 prior service cost : Amortized on a straight-line basis, over a certain period (11 years) within the employees' average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) : Amortized on a straight-line basis over a certain period (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 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. Standard for revenue recognition

(1) Method of revenue recognition

Revenue from contracts with customers (excludes earnings based on ASBJ Statement No.10 "Accounting Standards for Financial Instruments.") is recognized based on satisfaction of performance obligation for each contract depending on transaction conditions.

(2) Revenue recognition of main transaction

As revenue from the contracts with customers, the main transactions of each services and when satisfied performance obligations are as follows:

Trust Fees, mainly included commissions for property management and investment service, recognized when a trust established or existed.

Exchange service fees, mainly included commissions for domestic remittance and foreign remittance, recognized when exchange service performed.

Revenue related investment trust, mainly included commissions for investment trust sales and

administrative processes as management of transaction records, recognized when make an investment trust contract with customer or the contract is existed.

Revenue related life-insurance and non-life-insurance, mainly included agency fees for sales insurances, recognized when make an insurance contract with customer or the contract is existed.

Revenue related real estate services, mainly included commissions for real estate brokerage, recognized in principle when make sale-contract of real estate.

7. 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 on March 17, 2022). 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.

8. Application of Group Tax Sharing System

SMBC Trust applies Group Tax Sharing System with Sumitomo Mitsui Financial Group, Inc. for the parent company.

9. Scope of “Cash and cash equivalents” on interim statements of cash flows:

For the purposes of presenting the interim statements of cash flows, “Cash and cash equivalents” are cash on hand, non-interest earning deposits with banks and deposits with the Bank of Japan.

Notes

(Notes to interim balance sheet)

1. Problem Assets based on “Financial Reconstruction Act” and “Banking Act” are as follows:

Bonds include Japanese corporate bonds in Securities (Limited to Guarantee for all or part of redemption of principal and payment of interest and the issuance of such bonds is by private placement of securities (Financial Instruments and Exchange Act No.2-3), Loans and bills discounted, Foreign exchanges, Accrued interest and Suspense payments in Other assets and Customers' liabilities for acceptances and guarantees in the interim balance sheet and the Securities in the case of a loan of the securities noted in the notes.

(Limited to rental or lease agreement).

Bankrupt and quasi-bankrupt assets	— million yen
Doubtful assets	214
Substandard loans	—
Past due loans (3 months or more)	—
Restructured loans	—
Subtotal	214
Normal assets	2,090,929
Total	2,091,144 million yen

“Bankrupt and quasi-bankrupt assets” are credits to borrowers undergoing bankruptcy, corporate reorganization, and rehabilitation proceedings, as well as claims of a similar nature.

“Doubtful assets” are 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.

“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 and quasi-bankrupt assets” and “Doubtful assets”

“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 and quasi-bankrupt assets” “Doubtful assets” and “Past due loans (3 months or more).”

“Normal assets” are credits to borrowers with good business performance and in financial standing without identified problems and not classified into the 3 categories above.

The amounts of above are the amounts before deduction of reserve for possible loan losses.

2. The net amount of Loan participation in participation principal amount accounted loan for original obligor based on “accounting politics of loan-participations (report of accounting system committee of Japan Certified Accountants Association No.3 on November 28, 2014) on the interim balance sheet was Loans and bills discounted of 297,220 million yen.

3. Assets offered for collateral are as follows.

Assets offered for collateral

Securities 73,560 million yen

Liabilities secured by the collateral

Payables under securities lending transactions 73,273 million yen

Loans, Securities and Cash and due from banks pledged as collateral for the settlement of foreign exchange transactions were 95,372million yen, 4,995million yen and 10 million yen respectively at September 30, 2023. Other assets include Cash collateral paid for financial instruments of 11,796 million yen and security deposits of 1,795 million yen.

4. 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 228,735 million yen at September 30, 2023. The outstanding of 204,923 million yen is for amounts whose original contract terms are within 1 year or unconditionally cancelable at any time.

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.

5. Accumulated depreciation on tangible fixed assets was 1,941 million yen.

(Notes to interim statements of income)

1. “Other income” included the following:

Gains on allowance for doubtful accounts 1,137 million yen

2. “Depreciation amount of Fixed Asset” were as following:

Tangible fixed assets	127 million yen
Intangible fixed assets	963 million yen

(Notes to interim statements of changes in net assets)

Type and the number of shares issued

(Shares in thousands)

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

(Notes to interim statements of cash flows)

The reconciliation of balance of “Cash and cash equivalents” at the end of the period and the amounts of items stated on the interim balance sheets.

(Millions of yen)

	September 30, 2023
Cash and due from banks	1,955,109
Interest earning deposits with banks (excluding the deposit with the Bank of Japan)	(281,112)
Cash and cash equivalents	1,673,996

(Notes to lease transactions)

1. Finance leases

(1) Lessee side

① Lease assets

(a) Tangible fixed assets

Lease assets are vehicles.

② Depreciation method of lease assets

Depreciation method of lease assets is reported in “Significant accounting policies for preparing financial statements³, Depreciation of fixed assets Accounting policies.”

2. Operating leases

(1) Lessee side

Future minimum lease payments on operating leases which were not cancelable were as follows:

(Millions of yen)

	September 30, 2023
Due within 1 year	61
Due after 1 year	147
Total	208

(Notes to financial instruments)

Disclosures Regarding the Fair Value of Financial Instruments and Other Items by Level within the Fair Value Hierarchy

According to observability and significance of inputs used by calculating fair values, fair values for these financial instruments are classified into the following three-level hierarchy.

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Observable inputs other than Level 1 prices that are either directly or indirectly observable for the financial instrument.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instruments.

If multiple inputs which have a significant impact on market value calculation are used, a financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(1) Financial assets and liabilities which fair values are equal to interim balance sheet amounts are as follows.

(Millions of yen)

Classification	Interim balance sheet amount			
	Level 1	Level 2	Level 3	Total
Securities				
Other securities	40,907	35,630	—	76,538
Total assets	40,907	35,630	—	76,538
Derivatives transactions (*1)				
Related to Interest Rates(*2)	—	29,358	—	29,358
Related to Currencies	—	346	(*3) 0	346
Total	—	29,705	0	29,705

(*1) 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 ().

(*2) Hedge accounting method. Such transactions are interest-rate swaps, etc., designated to fix the cash flows from loans subject to hedging, and deferred hedge accounting is mainly used. And the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No. 40 of March 17, 2022) applies to these hedging relationships between the derivatives transactions and hedging items.

(*3) SMBC Trust has derivative transactions classified as level 3, however, the net amount is 0 yen as they are covered with other financial institutions.

(2) Financial assets and liabilities which fair values are not equal to interim balance sheet amounts are as follows

Call Loans, Foreign exchanges, Call money, Payables under securities lending transactions and Due from trust accounts are omitted because these instruments are settled in a short period and then their fair values would approximate their carrying values.

(Millions of yen)

Classification	Fair value				Interim balance sheet amount	Net unrealized gains (losses)
	Level 1	Level 2	Level 3	Total		
Cash and due from banks (*)	1,845,921	102,652	—	1,948,574	1,955,103	(6,529)
Securities						
Bonds classified as held-to-maturity	183,842	4,964	—	188,806	189,894	(1,088)
Loans and bills discounted	—	—	—	—	2,065,648	
Reserve for possible loan losses (*)	—	—	—	—	(946)	
	—	—	2,035,410	2,035,410	2,064,702	(29,291)
Total assets	2,029,764	107,616	2,035,410	4,172,791	4,209,700	(36,908)
Deposits	—	3,499,058	—	3,499,058	3,500,045	(987)
Total liabilities	—	3,499,058	—	3,499,058	3,500,045	(987)

(*) Fair value amount are made after deducting general reserve for possible loan losses and specific reserve for possible loan losses. The reserve against cash and due from banks and monetary claims bought are deducted directly from the interim balance sheet amount due to insignificance.

(Note 1) Calculation Methods and Inputs for the Fair Value of Financial Instruments are as follows:

Assets

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.

Cash and due from BOJ are classified into Level 1 of the fair value hierarchy, other due from banks are classified into Level 2 of the fair value hierarchy.

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. These are classified into Level 2 of the fair value hierarchy.

Securities

For securities, the value calculated based on prevailing market prices as at the interim balance sheet date is used as their fair value. Japanese government bonds and Local government bonds are classified into Level 1 of the fair value hierarchy, other securities are classified into Level 2 of the fair value hierarchy.

In regards to the securities whose market price is unavailable, 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. and are classified into Level 2 of the fair value hierarchy. With respect to the mutual funds whose market price is unavailable, the fair value is calculated based on the net asset value and classified into Level 2 of the fair value hierarchy.

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 interim 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. All of Loans and Bills Discounted are classified into Level 3 of the fair value hierarchy since significant inputs for the assets are unobservable.

Liabilities

Deposits

For demand deposits, given characteristics of this type of transaction, the amount of payment (i.e. the carrying amount) demanded on the interim 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.

All of Deposits Discounted are classified into Level 2 of the fair value hierarchy since significant inputs for the assets are unobservable.

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.

Further, the fair value for derivative instruments such as Swap and others is reflected on the price adjustment based on credit risk of counter parties. Where unobservable inputs are not adopted or their impact is not significant on the fair value for Derivative instruments, such derivative instruments are classified into Level 2 of the fair value hierarchy. Derivatives that are evaluated using valuation techniques with significant unobservable inputs are classified into Level 3 of the fair value hierarchy.

(Note 2) The Fair value of Level 3 for financial instruments recorded at fair value on the interim balance sheet is as follows:

(1) Quantitative Information of Significant Unobservable Inputs about Level 3 Fair Value Measurements

Classification	Valuation Method	Significant Unobservable Inputs	Range
Derivative Transactions			
Currency derivatives	Option pricing model	FX volatility	10.39% – 41.75%

(2) Balance movement from the beginning to the end of the current period, and valuation gain/loss recognized in current period

Not described as net balance of assets and liabilities by the derivative transactions are zero.

(3) Explanation of Market Value Evaluation Process

The Fair Value Calculation and Supervisory Division of our bank have established policies and procedures for calculating fair value, and Fair Value Measurement Department calculates fair value in compliance with these guidelines and procedures. Assessment Department, which is independent from Fair Value Measurement Department, examines the appropriateness of the fair value evaluation model and input used to calculate the fair value, and the appropriateness of the classification of the fair value level.

As for fair value measurement, the Bank used observable data as much as possible. In addition, when using the market value obtained from a third party, the bank compares fair value with the result of our recalculation using the input used for market value evaluation to verify the validity of the price.

(4) Explanation of fair value influence against the fluctuation of significant unobservable input
Volatility

Volatility is the indicator that the market price or inputs is expected to move after certain period. Volatility is estimated based on the actual value in the past or provided information from third party or other analysis methods, and mainly used to estimate fair value of derivatives referring to implied volatility of interest rate or foreign exchange rate. Generally, significant raise (descent) of volatility causes significant raise (descent) of fair value.

(Note 3) The following table lists interim balance sheet amount of Partners` subscription certificate, etc. with no market prices as of September 30, 2023: and those amounts are not included in the interim balance sheet amount of “Securities” in “(1) Financial assets and liabilities which fair values are equal to interim balance sheet amounts” of “Disclosures Regarding the Fair Value of Financial Instruments and Other Items by Level within the Fair Value Hierarchy”.

(Millions of yen)

	Interim balance sheet amount
Partners` subscription certificate, etc.	1,135

(Notes to stock options)

Not applicable.

(Notes to Equity Gains (Losses) of Affiliated Companies)

Not applicable.

(Notes to business combination)

Not applicable.

(Notes to asset retirement obligations)

There was no information to be disclosed since the total amount of asset retirement obligations was immaterial.

(Notes to real estate for rent)
Not applicable.

(Notes to revenue recognition)

Information that breaks down the revenue from contacts with customers.

(Millions of yen)

Classification	from April 1,2023 through September 30,2023
Ordinary income	57,282
Trust Fees	2,362
Fees and commissions	14,020
Foreign exchange business	143
Investment trust-related business	3,572
Life insurance-related business	1,120
Real estate-related business	8,346
Other (Note)	836

(Note) Other includes earnings based on ASBJ Statement No.10 “Accounting Standards for Financial Instruments.”

(Notes to segment and other related information)

Segment information

1. Summary of reportable segment

Reportable segment is defined as an operating segment for which discrete financial information is available and reviewed by the Board of Directors and the Executive Committee regularly in order to make decisions about resources to be allocated to the segment and assess its performance.

The businesses operated by each business unit are as follows:

Retail Business Unit: Business to deal with mainly domestic individual customers

Wholesale Business Unit: Business for real estate, stock transfer agency business etc.

to deal with mainly domestic corporate customers

Other Head Office: Business other than businesses above

2. Method of calculating profit and loss amount by reportable segment

Accounting methods applied to the reported business segment are the same as those described in “Significant accounting policies.” SMBC Trust does not assess assets by business segment.

3. Information on profit and loss amount by reportable segment
from April 1,2023 through September 30,2023

(Millions of yen)

	Retail Business Unit	Wholesale Business Unit	Other Head Offic	Total
Gross banking profit	23,378	8,857	3,231	35,466
General and administrative expenses	(6,805)	(2,975)	(9,594)	(19,376)
Banking profit	16,572	5,881	(6,363)	16,090

4. Difference between total amount of net business profit by reportable segment and ordinary profit on
interim statements of income (adjustment of difference)
from April 1,2023 through September 30,2023

(Millions of yen)

Profit	Amount
Banking profit	16,090
Amortization of unrecognized retirement benefit obligation	(329)
Credit-related expenses	1,137
Other	(64)
Ordinary profit on interim statements of income	16,834

Related information: from April 1,2023 through September 30,2023

1. Information on each service

There was no information to be disclosed since information on each service was similar to the segment information.

2. Geographic information

(1) Ordinary income

There was no information to be disclosed since SMBC Trust does not have any overseas offices.

(2) Tangible fixed assets

There was no information to be disclosed since SMBC Trust does not have any overseas offices.

3. Information on major customers

There were no major customers individually accounting for 10% or more of ordinary income reported on the interim statements of income

Information on impairment loss for fixed assets by reportable segment.

There were no corresponding transactions

Information on amortization of goodwill and unamortized balance by reportable segment

There were no corresponding transactions

Information on gains on negative goodwill by reportable segment

There were no corresponding transactions

(Per Share Data)

1. Net assets per share and the calculation method.

Millions of yen, except per share data and number of shares

	September 30, 2023
Net assets per share	39,666.71
[The calculation method]	
Net assets	171,280
Amounts excluded from net assets	—
Net assets attributable to common stock at the end of the period	171,280
Number of common stock at the end of the period used for the calculation of net assets per share (in thousands)	4,318

2. Earnings per share and each calculation method

Millions of yen, except per share data and number of shares

	September 30, 2023
Earnings per share	2,857.68
[The calculation method]	
Interim net income	12,339
Amount not attributable to common stockholders	—
Interim net income of attributable to common stock	12,339
Average number of common stock during the period (in thousands)	4,318

(Note) Interim net incomes per share (diluted) is not stated since there are no share (diluted).

(Significant subsequent events)

There was no significant information to be disclosed.

Disclosure Items Based on Pillar III of Basel III

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

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

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

Composition of Capital Disclosure

(Millions of Yen)		
Items	As of September 30, 2022	As of September 30, 2023
Core Capital Basic Components (1)		
Directly issued qualifying common share or mandatory convertible preference share plus related capital surplus and retained earnings	135,336	158,828
of which : capital and capital surplus	173,103	173,103
of which : retained earnings	(37,766)	(14,274)
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	2,779	960
of which : general reserve for possible loan losses	2,779	960
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)	138,116	159,788
Core Capital Adjustments (2)		
Total intangible assets (excluding those relating to mortgage servicing rights)	4,108	6,163
of which : goodwill (including those equivalent)	—	—
of which : other intangible assets other than goodwill and mortgage servicing rights (net of related tax liability)	4,108	6,163

Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—
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(Millions of Yen)

Items	As of September 30, 2022	As of September 30, 2023
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	988	935
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	—	—
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 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)	5,096	7,098
Capital		
Capital amount ((A) - (B)) (C)	133,019	152,689
Risk weighted assets (3)		
Credit risk weighted assets	824,283	834,078
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%	86,792	103,437
Credit risk weighted assets adjustments	—	—
Operational risk weighted assets adjustments	—	—
Total amount of Risk weighted assets (D)	911,075	937,516
Capital Adequacy Ratio		
Total Capital Adequacy Ratio ((C) / (D))	14.60%	16.28%



SMBC TRUST BANK