**Base Offering Circular**

SUMITOMO MITSUI TRUST BANK

# Sumitomo Mitsui Trust Bank, Limited

## U.S.$30,000,000,000 Global Medium Term Notes Program

We are a joint stock company incorporated with limited liability under the laws of Japan. Under this U.S.$30,000,000,000 Global Medium Term Notes Program (the "Program"), we may issue from time to time notes (the "Notes") in one or more series with terms and conditions described in this base offering circular, including any applicable supplement thereto. The specific terms of each series of Notes will be set forth in a pricing term sheet. The maximum aggregate principal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$30,000,000,000.

The Notes may be offered in reliance on the exemption from registration provided by Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") in the United States only to qualified institutional buyers ("QIBs") within the meaning of Rule 144A. In addition, the Notes may be offered outside the United States to persons other than U.S. persons (as such term is defined in Rule 902 under the Securities Act) pursuant to Regulation S ("Regulation S") under the Securities Act. Notes offered pursuant to Rule 144A are referred to as Rule 144A Notes, and Notes offered pursuant to Regulation S are referred to as Regulation S Notes. You should read this base offering circular, including any applicable supplement thereto and any applicable pricing term sheet, carefully before you invest in any Notes offered under the Program.

The Notes of each series will be our direct, unconditional, unsubordinated and unsecured obligations and rank pari passu and without preference among themselves and with all of our other unsecured, unsubordinated obligations (except for statutorily preferred obligations) from time to time outstanding.

We may at our option redeem any series of the Notes in whole, but not in part, upon the occurrence of certain changes in Japanese tax law with respect to such series. See "Description of the Notes—Optional Tax Redemption." Except as described in the immediately preceding two sentences or in an applicable supplement or pricing term sheet, the Notes will not be redeemable prior to maturity or be subject to any sinking fund.

Unless otherwise specified in an applicable supplement or pricing term sheet, each series of Notes will be represented by one or more global certificates deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC"). Beneficial interests in these global certificates will be shown on, and transfers thereof will be effected through, records maintained by DTC and its direct and indirect participants, including Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Except as described in this base offering circular, including an applicable supplement or in an applicable pricing term sheet, notes in definitive certificated form will not be issued in exchange for global certificates.

Unless otherwise specified in an applicable supplement or pricing term sheet, application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to list a particular series of Notes on the SGX-ST issued pursuant to the Program and agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle received for the listing of such Notes on the SGX-ST is not to be taken as an indication of our merits or the merits of the Program or any Notes issued under the Program. Unlisted Notes may be issued under the Program. The relevant supplement or pricing term sheet in respect of any series of Notes will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that an application to the SGX-ST for the listing of the Notes of any series will be approved.

*See "Risk Factors" beginning on page 11 for factors relevant to an investment in the Notes and any risk factors that may be described in an applicable supplement or in any documents incorporated by reference herein or therein at a future date.*

---

**The Notes have not been, and will not be, registered under the U.S. Securities Act or with any securities authority of any state of the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.** Accordingly, the Notes are being offered and sold by the dealers, as set forth in "Plan of Distribution," only in the United States to persons reasonably believed to be QIBs, within the meaning of, and in reliance on, Rule 144A, and/or outside the United States to persons other than U.S. persons in offshore transactions in reliance on Regulation S. The Notes are subject to certain restrictions on transfer. See "Transfer Restrictions" and "Plan of Distribution."

---

The Notes will be offered under the Program, subject to the reservation by us of the right to sell Notes directly on our own behalf, through one or more of the dealers named in this base offering circular or through any other dealers named in an applicable supplement or pricing term sheet, each, a dealer and collectively, the dealers. One or more dealers may purchase Notes from us for resale to investors and other purchasers at a fixed offering price set forth in the relevant supplement or at varying prices reflecting prevailing market conditions. In addition, if agreed to by us and a dealer, such dealer may utilize reasonable efforts to place the Notes with investors on an agency basis.

---

*Co-Arrangers*

**Goldman Sachs & Co. LLC** **J.P. Morgan**

*Dealers*

**Goldman Sachs & Co. LLC** **J.P. Morgan**

---

Base Offering Circular dated March 3, 2021.

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY OF OR IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS BASE OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS BASE OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.**

This base offering circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Notes. Distribution of this base offering circular to any person other than the offeree and persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each person receiving this base offering circular acknowledges that: (i) such person has not relied on the dealers, any selling agent, the trustee, the paying agents, the transfer agents, the registrars or any of their affiliates in connection with its investigation of the accuracy of such information or its investment decision; and (ii) no person has been authorized to give any information or to make any representation concerning us or the Notes offered hereby other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the dealers, any selling agent, the trustee, the paying agents, the transfer agents, the registrars or any of their affiliates.

This base offering circular does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. No action has been, or will be, taken to permit a public offering of the Notes offered hereby in any jurisdiction where action would be required for that purpose. Accordingly, the Notes offered hereby may not be offered or sold, directly or indirectly, and this base offering circular may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this base offering circular nor any sale made hereunder shall, under any circumstances, imply that the information herein is correct as of any date subsequent to the date hereof.

We are furnishing this base offering circular in connection with an offering not registered under the U.S. Securities Act or the relevant laws of other jurisdictions, solely for the purpose of enabling prospective investors to consider the purchase of the Notes. The information contained in this base offering circular has been provided by us and other sources identified in this base offering circular. Any reproduction or distribution of this base offering circular, in whole or in part, and any disclosure of its contents or use of any information contained in it for any purpose other than considering an investment in the Notes offered hereby is prohibited. By accepting delivery of this base offering circular, you agree to the foregoing.

No representation or warranty, express or implied, is made by the dealers, the trustee, the registrars, the transfer agents or the paying agents as to the accuracy or completeness of the information contained in this base offering circular. This base offering circular does not contain all of the information that would be included in a prospectus for the offering of the Notes if the offering were registered under the U.S. Securities Act.

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons, except in certain transactions exemption from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes will not be offering or sold (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the completion of the distribution of an identifiable tranche of which the Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. Each dealer will send to each other dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

Outside the United States, the Notes will be offered and sold only to non-U.S. persons in offshore transactions in reliance on Regulation S. The Program Agreement provides that the relevant dealers or U.S. affiliates of the relevant dealers may arrange for the sale of a portion any Notes in the United States exclusively to persons reasonably believed by them to be QIBs in reliance on the exemption from registration provided by Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the U.S. Securities if such offer is made otherwise than pursuant to Rule 144A.

This Base Offering Circular has been prepared by the issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The issuer and the dealers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Base Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the dealers or its U.S. broker-dealer affiliate. Distribution of this Base Offering Circular by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorized and any disclosure without the prior written consent of the issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "FIEA"), and are subject to the Special Taxation Measures Act of Japan (Act No. 26 of 1957), as amended (the "Special Taxation Measures Act"). The Notes may not be offered or sold in Japan to any person resident in Japan, or to others for reoffering or resale directly or indirectly in Japan or to a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan (see "Plan of Distribution"). The Notes are not, as part of the distribution pursuant to the purchase agreement dated the date hereof by the dealers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with us as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a "specially-related person of the issuer") or (ii) a Japanese financial institution, designated in Article 6, Paragraph (9) of the Special Taxation Measures Act. **By subscribing for the Notes, an investor will be deemed to have represented that it qualifies as (i) or (ii) above.**

Interest payments on the Notes will be subject to Japanese withholding tax unless it is established that such Notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, (ii) a Japanese financial institution designated in Article 6, Paragraph (9) of the Special Taxation Measures Act, which complies with the requirement for tax exemption under that paragraph, or (iii) a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments business operator described in Article 3-3, Paragraph (6) of the Special Taxation Measures Act, which complies with the requirement for tax exemption under that paragraph.

Interest payments on the Notes to an individual resident of Japan, to a Japanese corporation (except as described in the preceding paragraph), or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer will be subject to deduction in respect of Japanese income tax at a rate of 15.315% (15% on or after January 1, 2038) of the amount of such interest. See "Taxation—Japanese Taxation."

Each prospective investor who places an order for the Notes consents to the disclosure by the dealers to us of the prospective investor's identity, the details of such order and the actual amount of Notes subscribed, if any.

The Notes which are subject to the offering contemplated by this base offering circular, as supplemented by any applicable supplement or pricing term sheet in relation thereto, may not be offered, sold or otherwise made available and will not be offered or sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor defined in Regulation (EU) 2017/1129.

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

The Notes which are the subject of the offering contemplated by this base offering circular, as supplemented by any applicable supplement or pricing term sheet in relation thereto, may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or

  (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the for Notes.

This base offering circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O. No advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

This base offering circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this base offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes may not be circulated or distributed, nor may the Notes be offered or sold, or made the subject of an invitation for

subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and of which each beneficiary is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Section 309B Notification: Unless otherwise specified in an applicable supplement or pricing term sheet, all Notes issued or to be issued under the Program are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

For a further description of restrictions on offers, sales or other transfers of the Notes, see "Transfer Restrictions" and "Plan of Distribution."

## Stabilization

In connection with the offering of a series of Notes, the dealer or dealers (if any) named as the stabilization manager named in the pricing term sheet, and/or any person acting on behalf thereof may purchase and sell the Notes in the open market and engage in other transactions, subject to applicable laws and regulations. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the stabilization manager and/or any person acting on behalf thereof of a greater principal amount of Notes than they are required to purchase from us in the offering. Stabilizing transactions consist of bids or purchases by the stabilization manager and/or any person acting on behalf thereof for the purpose of preventing or retarding a decline in the market price of Notes while the offering is in progress. These transactions may also include stabilizing transactions by the stabilization manager and/or any person acting on behalf thereof for the accounts of the relevant dealers.

In addition, the stabilization manager and/or any person acting on behalf thereof may impose a penalty bid. A penalty bid is an arrangement that permits the stabilization manager and/or any person acting on behalf thereof to reclaim a selling concession from a syndicate member in connection with an offering when Notes originally sold by the syndicate member are purchased in syndicate covering transactions.

These activities may stabilize, maintain or otherwise affect the market prices of Notes. As a result, the price of Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

## Available Information

During any period that any of the Notes offered in this offering remain outstanding and we are not subject to, and in compliance with, the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), nor exempt from the reporting requirement pursuant to Rule 12g3-2(b), we will furnish, upon request, to any holder of the Notes offered in this offering or any prospective purchaser designated by a holder of such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

## Enforceability of Civil Liabilities

We are a joint stock company incorporated with limited liability under the laws of Japan. All of our directors, executive officers and members of our audit and supervisory committee are non-residents of the United States, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or elsewhere outside Japan upon such corporations or persons or to enforce against such corporations or persons judgments obtained in U.S. courts or elsewhere in actions such as those predicated upon the civil liability provisions of U.S. federal or state securities laws or otherwise. We have been advised by our Japanese counsel, Nagashima Ohno & Tsunematsu, that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts, of civil liabilities predicated solely upon U.S. federal or state securities laws.

## Presentation of Financial and Other Information

In this base offering circular, all of our financial information is presented on a consolidated basis, unless stated otherwise. In this base offering circular, "SuMi TRUST Bank," "SuMi TRUST Bank Group," "we," "us" and "our" refer to Sumitomo Mitsui Trust Bank, Limited and, unless the context indicates otherwise, our consolidated subsidiaries. "SuMi TRUST Holdings" and "SuMi TRUST Group" refer to Sumitomo Mitsui Trust Holdings, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

In addition to our financial information on both a consolidated and non-consolidated basis, we also include financial information of SuMi TRUST Holdings and selected SuMi TRUST Group companies in this base offering circular to provide investors with a more comprehensive view of our business as a whole as our management is influenced by, and our business strategies are integrated with those of, SuMi TRUST Holdings. We are a wholly owned subsidiary of SuMi TRUST Holdings and the core company at the center of the management and financial strategies of the SuMi TRUST Group. As of and for the nine months ended December 31, 2020, our total assets and our net income, both on a non-consolidated basis, accounted for 96.7% and 76.0%, respectively, of the total assets and the net income attributable to owners of the parent of SuMi TRUST Holdings on a consolidated basis. As of and for the year ended March 31, 2020, our total assets and our net income, on a non-consolidated basis, accounted for 96.6% and 76.5%, respectively, of the total assets and the net income attributable to owners of the parent of SuMi TRUST Holdings on a consolidated basis. For additional information about our corporate structure, see "Summary."

We have included our financial information as of and for the nine months ended December 31, 2020 on a non-consolidated basis as we have not published consolidated financial information as of and for the nine months ended December 31, 2020. Our non-consolidated financial information as of and for the nine months ended December 31, 2020 is not required to be audited and is not necessarily indicative of our consolidated financial information as of and for the nine months ended December 31, 2020. We also present certain of our financial information only on a non-consolidated basis as it is not published on a consolidated basis for any period. There would be differences between the non-consolidated information presented and the equivalent consolidated information if it was available. Our consolidated financial condition and results of operations are largely comprised of our financial condition and results of operations on a non-consolidated basis. As of March 31, 2019 and 2020 and September 30, 2020, our non-consolidated total assets represented 97.0%, 97.0% and 97.0% of our consolidated total assets, respectively. For the years ended March 31, 2019 and 2020 and the six months ended September 30, 2020, our non-consolidated net income represented 92.0%, 84.7% and 85.6% of our consolidated net income attributable to owners of the parent, respectively.

We use the word "you" to refer to prospective investors in the Notes and the word "Noteholder" or "Noteholders" to refer to the holders of the Notes.

In this base offering circular, references to "$," "U.S.$" and "U.S. dollars" are to the lawful currency of the United States of America (the "United States" or the "U.S."), references to "yen," "¥" and "Japanese yen" are to the lawful currency of Japan and references to "euro" and "€" are to the lawful currency of the Eurozone. This base offering circular contains a translation of certain Japanese yen amounts into U.S. dollars solely for your convenience. However, these translations should not be construed as representations that the yen amounts have been, could have been or could be converted into U.S. dollars at that or any other rate or at all.

In this base offering circular, unless otherwise specified, all yen figures have been truncated to the figures shown except amounts of problem assets disclosed under the Financial Reconstruction Act of Japan (Act No. 132 of 1998, as amended) (the "Financial Reconstruction Act"), which have been rounded to the nearest tenth or hundredth, as the case may be. Percentages have also been rounded to the nearest tenth or hundredth, as the case may be. Accordingly, the total of each column of figures may not be equal to the total of the individual items.

This base offering circular contains our audited consolidated financial statements and notes thereto as of and for the fiscal years ended March 31, 2018, 2019 and 2020 and our unaudited interim consolidated financial statements and notes thereto as of September 30, 2020 and for the six months ended September 30, 2019 and 2020. Our financial statements included elsewhere in this base

offering circular are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain respects from accounting principles generally accepted in other countries, including accounting principles generally accepted in the United States ("U.S. GAAP") and International Financial Reporting Standards ("IFRS"). Potential investors should consult their own professional advisors for an understanding of the differences between Japanese GAAP and U.S. GAAP and IFRS and how those differences might affect their analysis of the financial information set forth in this base offering circular.

Our management uses gross business profit (*gyomu sorieki*) and net business profit before credit costs (*jisshitsu gyomu jun-eki*) as measurements of our performance. Although gross business profit is a tool for assessing financial performance, it is not a reliable indicator of our ability to generate cash to service our debt obligations. Accordingly, gross business profit and net business profit before credit costs should not be used to assess the risk involved in investing in the Notes and such measurements should be read in conjunction with our audited financial statements included elsewhere in this base offering circular. Gross business profit and net business profit before credit costs are non-Japanese GAAP measures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Results—Supplemental Financial Measures" for further discussion and reconciliation to net income prepared in accordance with Japanese GAAP.

## Documents Incorporated by Reference

We may incorporate by reference in this base offering circular or in an applicable supplement hereto certain information that we make publicly available, which means that we have disclosed important information to potential investors by referring them to those documents. Any information incorporated by reference will be an important part of this base offering circular.

This base offering circular (including any applicable supplement hereto) should be read and construed in conjunction with any documents incorporated herein by reference. The documents incorporated herein by reference are comprised of documents that are published by us and are specifically designated in this base offering circular or an applicable supplement or pricing term sheet to be incorporated by reference.

Any statement made herein or in any document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this base offering circular to the extent that a statement contained in any document subsequently incorporated by reference herein modifies or supersedes such statement. Any statement that is modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this base offering circular.

Any documents incorporated by reference will be available on our, SuMi TRUST Holdings' or any other website at the URL to be provided in the applicable supplement hereto. Unless otherwise explicitly incorporated by reference into this base offering circular as described above, the information contained on our or SuMi TRUST Holdings' website shall not be deemed incorporated by reference herein.

## Forward-looking Statements

We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in this base offering circular. This base offering circular contains forward-looking statements regarding the intent, belief, current expectations and targets of our management with respect to our financial condition and future results of operations. In many cases, but not all, we use such words as “aim,” “anticipate,” “believe,” “continue,” “endeavor,” “estimate,” “expect,” “initiate,” “intend,” “may,” “plan,” “probability,” “project,” “risk,” “seek,” “should,” “strive,” “target,” “will” and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Potential risks and uncertainties include, without limitation, those identified and discussed in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and elsewhere in this base offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this base offering circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this base offering circular to reflect future actual events or developments.

(This page is intentionally left blank)

## SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes to our financial statements, included elsewhere in this base offering circular. For a discussion of certain factors that should be considered by prospective investors in the Notes offered by this base offering circular, see "Risk Factors."*

We are a wholly owned subsidiary of SuMi TRUST Holdings and form the core of the SuMi TRUST Group. We are one of the largest Japanese trust banks in terms of trust account assets, with ¥236.8 trillion in total assets in our trust account as of December 31, 2020. We operate together with other SuMi TRUST Group companies in areas such as asset management, real estate and stock transfer agency services to offer a wide range of products and services integrating banking and trust businesses. The SuMi TRUST Group is an independent financial group specialized in trust banking. The SuMi TRUST Group was established on April 1, 2011 through a share exchange and management integration of Chuo Mitsui Trust Holdings, Inc. ("CMTH") and The Sumitomo Trust and Banking Co., Ltd. ("STB").

As of December 31, 2020, we had non-consolidated total assets of ¥58,706.9 billion and operated via 150 domestic branches and offices and 10 overseas branches and offices. For the nine months ended December 31, 2020, we had ordinary income of ¥542.4 billion and net income of ¥96.2 billion, both on a non-consolidated basis.

The SuMi TRUST Group operates, primarily through us, in six main business sections providing a comprehensive and wide range of products and services integrating banking and trust businesses. In addition to interest income from corporate and retail lending, due to our history as a trust bank, the SuMi TRUST Group has a high proportion of fee income when compared to Japan's largest commercial banking groups. We consider our diversified business model across a range of business areas as a strength and seek to position ourselves as "The Trust Bank" to further deepen our relationships with clients.

SuMi TRUST Holdings' and our businesses are organized into the following sections, which align with our business segments for reporting purposes:

- *Retail Total Solution Services*. We provide comprehensive services to meet the wide-ranging demands of individual clients, including asset management, inheritance and succession, administration of real estate and other property, and loans such as housing loans;
- *Wholesale Financial Services*, consisting of:
  - *Wholesale Total Solution Services*. We contribute to the expansion of clients' enterprise value and asset value and to their growth, by providing one-stop total solutions that only a trust bank group can offer through the integration of our various highly specialized functions, including banking, asset management and administration, and real estate, to meet the advanced and diverse needs of clients;
  - *Wholesale Asset Management*. We offer clients solutions unique to a trust bank for issues ranging from assets to liabilities, based on the diverse asset management and administration know-how that the SuMi TRUST Group has cultivated over the years;
- *Stock Transfer Agency Services*. We work as an "agent of record for listed companies" provided for in the Companies Act of Japan (Act No. 86 of 2005), as amended (the "Companies Act") and undertake stock-related services on behalf of clients. We offer shareholder list management services that allow our clients to increase their administrative efficiency and rationalize their administration, as well as various comprehensive consulting services;
- *Real Estate*. We have a large number of real estate specialists, such as real estate appraisers and first-class registered architects, that provide a full line of services from brokerage to securitization and investment management in response to the real estate-related needs of a wide range of clients, including corporations, investors and individuals in Japan and overseas;

- *Fiduciary Services (including Asset Management)*. SuMi TRUST Group companies provide client-oriented, high-value-added services ranging from design of pension systems to asset management and administration through three businesses: the pension business, the asset management business and the asset administration business; and
- *Global Markets*. We have a group of experts in the management of global financial market volatility that draws on our domestic and overseas networks to provide optimal solutions for our clients.

On October 1, 2018, for the purpose of strengthening the asset management business of the SuMi TRUST Group as a whole, we and SuMi TRUST Holdings effected a reorganization of the Group's asset management businesses whereby our former asset management function, which included asset management for institutional investor clients such as pension funds, was split off from us and integrated with the asset management business of, Sumitomo Mitsui Trust Asset Management Co., Ltd. ("Sumitomo Mitsui Trust Asset Management"), a wholly owned subsidiary of SuMi TRUST Holdings. The centralization of asset management functions separate from the main banking function (carried out by us) was part of an effort to strengthen and promote governance at the SuMi TRUST Group level.

In July 2019, we transferred all of the shares of Nikko Asset Management Co., Ltd. ("Nikko AM") held by us to SuMi TRUST Holdings as a dividend in kind to enable the SuMi TRUST Group to further solidify and enhance its asset management business and governance strength.

**Our Strengths**

We believe our primary competitive strength is our diversified business portfolio and operations, which allows us to leverage our synergistic business model. Our comprehensive financial services businesses, which are organized in six complementary sections, provide us with a strong operational base, allowing us to generate and retain customers by enhancing the financial products and services through the sharing of know-how across the SuMi TRUST Group and offering a variety of products and services.

Our fee income, which has been a source of stable earnings for us, is derived from two independent, yet mutually beneficial sources which are asset balance-based fee income and volume-based transactional fee income. Our asset balance-based fee income stems largely from our fiduciary business, where we have consistently maintained a leading position based on our scale of assets under management and assets under custody in Japan, and a reputable client base among stock transfer agents. This position in the fiduciary business provides us with a steady income stream and a comparatively resilient earnings structure. By applying the know-how and expertise we have built up through our institutional business, we have been able to improve the stability of our revenue base through increases of fee income in our retail-focused businesses. In addition, our volume-based transactional fee income, which is derived from the flow of business through our sales of investment trusts and insurance products and our real estate brokerage business, allows us to capture the benefits of operating in Japan, the world's third largest economy in terms of nominal gross domestic product in 2019.

We believe our high proportion of fee income relative to other major banking groups in Japan positions us to maintain quality control over our assets to minimize risk. We believe our ability to make selective risk assessments when deploying our balance sheet assets is due to steady sources of fee income that allow us to be less reliant on income generated by the commercial banking business.

Our disciplined risk management has enabled us to build a portfolio of high-quality assets with:

- a ratio of non-performing loans *(kinyu-saiseiho-kaiji-saiken)* ("NPLs") to total loan balance of 0.4% as of December 31, 2020, which is lower than that of Japan's three largest banking groups, as well as limited credit costs in recent years; and
- a relatively low dependence on Japanese government bonds ("JGBs") in our securities portfolio combined with a short JGB average duration.

**Our Business Strategies**

In May 2020, the SuMi TRUST Group announced its medium term management plan covering the three years ending March 31, 2023. The plan seeks to achieve balanced creation of both social value and economic value and defines our purpose as creating new value with the power of trusts to bring about a prosperous future for clients and for society. As a specialized trust bank group, we believe we are positioned to contribute to key social and macroeconomic issues facing our clients and society, including: Japan's low birthrate and aging population, continuation of ultra-low interest rates, increased focus on environment, society and governance ("ESG") management of companies, changes in the global economy, rapid digitalization and changes of social norms brought about by the COVID-19 pandemic.

To realize our goal of contributing to the sustainable development of society, as well as the sustainable and stable growth of the group, the SuMi TRUST Group has defined three basic policies to guide its strategies and business initiatives under the period covered by the new medium term management plan:

- *Strengthen our business portfolio as the foundation for sustainable and stable growth*. SuMi TRUST Group intends to develop opportunities to provide new products and services and total solutions to existing clients based on its long-term and all-encompassing trusted relationships. At the same time, SuMi TRUST Group intends to increase the number of new clients and promote the accumulation of assets under custody and assets under management, focusing on areas where SuMi TRUST Group has strengths and knowhow. For the creation of new growth areas, SuMi TRUST Group aims to leverage its traditional strengths in crossing and merging across business segments to create new business opportunities, which seek to address current social issues and anticipate new client needs. Specifically, SuMi TRUST Group intends to focus on initiatives in private banking; asset formation advisory services and employee benefit and asset management assistance to corporate clients; broad-based support to high-growth innovative firms across the corporate lifecycle; and asset management solutions to individual and corporate investors. In order to take advantage of SuMi TRUST Group's traditional strengths in crossing and integrating across business segments to create new business opportunities, SuMi TRUST Group intends to proceed with the ongoing reorganization of SuMi TRUST Bank and concentrate its resource allocation and risk taking. For the promotion of strategic resource mix, in order to strengthen its management structure and improve efficiency of SuMi TRUST Group, SuMi TRUST Group will promote optimal allocation of resources by combining diverse resources to the areas of strategic importance. SuMi TRUST Group will combine various management resources within SuMi TRUST Group, including the evolution of digital technology and the utilization of capital, with the aim of building a strong organization that balances optimal allocation and maximum utilization of resources.
- *Capital strategy, including balance sheet and efficient use of capital.* While maintaining a prudent level of capital adequacy, SuMi TRUST Group will implement a capital policy that balances soundness and capital efficiency by promoting a more proactive capital strategy, such as active strategic investment, management of strategic shareholdings and risk assets. While addressing the demand for new loans related to COVID-19, in relation to the control of risk-weighted assets, SuMi TRUST GROUP will continue to work to improve profitability of both retail and corporate credit portfolios by accelerating asset turnover and diversifying sources of foreign currency funding. See "—Our Capital Strategy" below.
- *Enhancement of business quality, including capability to support creation and strengthening of businesses*. As a specialized trust bank group, in order to strengthen "client focus" and "client satisfaction" as sources of differentiation, SuMi TRUST Group will further integrate its fiduciary and client service businesses in order to improve operational quality management capabilities and enhance the level of our marketing channels including better education of our risk culture. In addition, in light of changes in business environment, adherence to new regulations and the rising importance of group company strategies, SuMi TRUST Group will advance the sophistication of business management on a group basis in areas such as human resources, financial management and risk management.

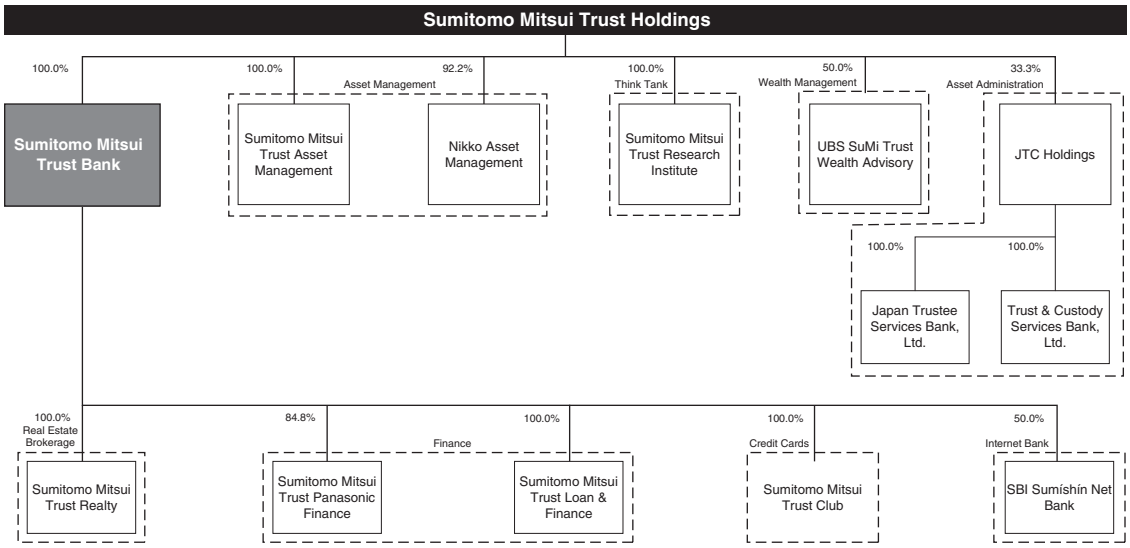
## Our Capital Strategy

As part of our capital strategy to capture potential opportunities for future growth and meet applicable Basel III capital requirements, we are working to build and maintain a sufficient capital buffer and also to further strengthen our financial foundation through prudent management of credit and market risks. In the year ended March 31, 2020, we continued to pursue a hedging strategy to reduce the price volatility risk of our strategic cross-shareholdings in addition to a gradual reduction of our strategic cross-shareholdings, in order to minimize fluctuations in our capital ratios. We intend to continue to pursue such hedging strategy as we continue to reduce our strategic cross-shareholdings going forward.

Under the Financial Services Agency (the "FSA") of Japan's fully phased in revised capital adequacy guidelines applicable from March 2019, our Common Equity Tier 1 capital ratio on a consolidated basis as of March 31, 2020 and December 31, 2020 was 11.08% and 10.60%, respectively, and SuMi TRUST Holdings' Common Equity Tier 1 capital ratio on a consolidated basis as of March 31, 2020 and December 31, 2020 was 12.62% and 12.11%, respectively. Our interpretation of these guidelines and the basis of our calculation of those measures may be different from those of other Japanese financial institutions. See "Supervision and Regulation—Japan—Capital Adequacy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Adequacy."

## Group Corporate Structure

The following chart summarizes the SuMi TRUST Group's corporate structure:




Note: Percentages indicate the percentage of voting rights held by SuMi TRUST Group companies based on the total number of voting rights of the outstanding shares as of December 31, 2020. Thereafter, on January 15, 2021, SuMi TRUST Group completed the purchase of the remaining 7.4% of shares held by DBS Bank, Ltd. in Nikko AM, as a result of which Nikko AM became SuMi TRUST Group's wholly owned subsidiary.

For information with respect to our principal subsidiaries and affiliates, see "Principal Subsidiaries and Affiliates."

## Recent Developments: COVID-19 Pandemic

The ongoing COVID-19 pandemic has put pressure on the global economy, including Japan. In response to the COVID-19 pandemic, SuMi TRUST Group recorded a special loan loss provision from a forward-looking perspective of approximately ¥25.0 billion for the fiscal year ended March 31, 2020, of which approximately ¥19.0 billion was recorded by SuMi TRUST Bank. However, for the nine months ended December 31, 2020, SuMi TRUST Group's credit costs were ¥1.9 billion, a

decrease of ¥3.1 billion, or 62.1%, from SuMi TRUST Group's credit costs for the same period in the prior year, and SuMi TRUST Bank's credit costs on a non-consolidated basis were ¥1.3 billion, a decrease of ¥0.6 billion, or 32.1%, from SuMi TRUST Bank's credit costs on a non-consolidated basis for the same period in the prior year, primarily due to a reversal in special loan loss provision of approximately ¥8.0 billion for SuMi TRUST Group, of which approximately ¥7.7 billion was a reversal recorded by SuMi TRUST Bank on a non-consolidated basis. For the nine months ended December 31, 2020, SuMi TRUST Group's net business profit before credit costs was ¥217.1 billion, a decrease of ¥4.0 billion from the same period for the previous fiscal year, and our non-consolidated net business profit before credit costs was ¥153.8 billion, a decrease of ¥9.1 billion from the same period for the previous fiscal year, as SuMi TRUST Group experienced decreasing impacts from the COVID-19 pandemic and sales of investment trust and real estate brokerage fees showed a recovering trend. Net business profit before credit costs is a non-Japanese GAAP measure—see "Selected Financial Data and Other Information." COVID-19-related credit extended by SuMi TRUST Bank to domestic corporate customers declined to ¥13.5 trillion for the three months ended December 31, 2020 (average figure of the balance at the end of each month in that period), down from a peak of ¥13.8 trillion outstanding for the three months ended June 30, 2020 (average figure of the balance at the end of each month in that period).

The impacts of the COVID-19 pandemic on our business and the businesses of our clients remain uncertain and we continue to assess such impacts as events relating to the COVID-19 pandemic unfold and new information becomes available. See "Risk Factors—The COVID-19 pandemic has severely affected global economic conditions and has had, and may continue to have, a significant negative impact on our business, results of operations and financial condition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments: COVID 19 Pandemic."

**Summary Risk Factors**

An investment in the Notes involves significant risks, and prospective investors are urged to carefully consider the matters discussed under "Risk Factors" prior to making an investment in our units. Such risks include, but are not limited to:

- the ongoing COVID-19 pandemic and its impacts on the global economy, including Japan;
- lack of sustained economic growth or successful monetary policy in Japan and overseas;
- a lapse in our compliance policies or a failure to conduct our business in accordance with the expectations of our clients;
- uncertainties regarding the future of LIBOR;
- interest rate fluctuations and other market risks, including those resulting from the Bank of Japan's negative interest rate policy and yield curve control measures;
- a decline in the share prices of Japanese equity securities;
- adverse changes in the financial condition of our borrowers or general economic conditions;
- a deterioration in certain sectors of the Japanese economy, including electronics manufacturing, finance, insurance, power utilities and real estate;
- our inability to refinance our indebtedness on favorable terms;
- a downgrade of our credit ratings or outlook;
- any inability on our or SuMi TRUST Holdings' part to maintain required capital adequacy ratios, including any requirements imposed on SuMi TRUST Holdings due to its status as a domestic systemically important bank ("D-SIB");
- adverse regulatory developments or changes in laws, regulations, codes of practice, or government fiscal or other policies;
- the highly competitive nature of the Japanese financial services industry in which we operate;
- our inability to successfully execute our business strategies generally;

- our exposure to new or increased risks as we expand the range of our products and services; and
- poor performance of the trust assets over which we have investment discretion or the assets managed by our asset management subsidiaries and affiliates.

**Corporate Information**

Our corporate headquarters are located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan. Our main telephone number is 81-3-3286-1111 and our corporate website is *http://www.smtb.jp*. The information on the website is not incorporated by reference into this base offering circular.

## The Program

*The following summarizes the terms of the Notes we may issue from time to time under the Program. The terms applicable to a particular series of Notes issued under the Program may differ from those described in the following summary, as specified in an applicable supplement or pricing term sheet. The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this base offering circular and, in relation to the terms and conditions of any particular series of Notes, an applicable supplement or pricing term sheet. For a further description of the terms and conditions of the Notes, see "Description of the Notes."*

| | |
|---|---|
| **Issuer** | Sumitomo Mitsui Trust Bank, Limited |
| **Description** | Global Medium Term Notes Program |
| **Co-Arrangers** | Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC |
| **Dealers** | Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC |
| **Program size** | Up to U.S.$30,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. |
| **Ranking of the Notes** | The Notes of each series will be our direct, unconditional, unsubordinated and unsecured obligations and rank *pari passu* and without preference among themselves and with all of our other unsecured, unsubordinated obligations (except for statutorily preferred obligations) from time to time outstanding. |
| **Maturities** | Subject to compliance with all relevant laws, regulations and directives, the Notes will have a maturity between seven days and 30 years. The maturity date for a series of Notes will be specified in the applicable supplement or pricing term sheet. |
| **Offering price** | The Notes may be issued at par or at a discount from, or premium over, par and either on a fully paid or partly paid basis. The Notes may be offered by dealers at a fixed price or at a price that varies depending on market conditions. |
| **Use of proceeds** | Unless otherwise indicated in an applicable supplement or pricing term sheet, we will use the net proceeds we receive from any offering of the Notes for general corporate purposes. |
| **Minimum denomination** | The Notes will be issued in fully registered form in denominations specified in the applicable supplement or pricing term sheet, and which are expected to be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (or the equivalent in other currencies at the date of issue). |
| **Listing and trading** | The SGX-ST or as otherwise specified in the applicable supplement or pricing term sheet. As specified in the applicable supplement or pricing term sheet, a series of Notes may be unlisted. Application will be made to the SGX-ST for permission to list a particular series of Notes on the SGX-ST issued pursuant to the Program and agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The relevant supplement or pricing term sheet in respect of any series of Notes will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. A separate application may be made to the SGX-ST for permission to list such Notes on the SGX-ST. |

| | |
|---|---|
| | For so long as a series of Notes is listed on the SGX-ST and the rules of the SGX-ST so require, a paying agent in Singapore shall be appointed and maintained, where the Notes of such series may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for Notes in definitive certificated form. In addition, in the event that a Global Note is exchanged for Notes in definitive certificated form, an announcement of such exchange shall be made by or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive certificated form, including details of the paying agent in Singapore.<br><br>If approval in-principle is received from the SGX-ST in relation to the Notes of any series to be listed on the SGX-ST, such Notes will be traded on the SGX-ST in a minimum board lot size of at least U.S.$200,000 (or as otherwise specified in an applicable supplement or pricing term sheet) following listing, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require. |
| **Fixed Rate Notes** . . . . . | Each series of Fixed Rate Notes will bear interest at the rate per annum specified in the applicable supplement or pricing term sheet from the issue date specified in the applicable supplement or pricing term sheet. Interest will be payable in arrears on the interest payment dates specified in the applicable supplement or pricing term sheet (each a fixed rate interest payment date), commencing on the first such date after the issue date, to the persons in whose names the Fixed Rate Notes are registered as of the close of business on the fifteenth calendar day preceding such interest payment date (whether or not it is a Business Day) (subject as provided below). Interest on each series of Fixed Rate Notes will accrue to but excluding the relevant fixed rate interest payment date.<br><br>The day count fraction for calculating interest on any series of Fixed Rate Notes will be specified in the applicable supplement or pricing term sheet, and in the case of a series of Notes denominated in U.S. dollars will be calculated on the basis of a 360-day year consisting of twelve 30-day months. See “Description of the Notes—Payments of Principal and Interest—Fixed Rate Notes.” |
| **Floating Rate Notes**. . . . . | Each series of Floating Rate Notes will bear interest at a floating rate per annum specified in the applicable supplement or pricing term sheet, from the issue date specified in the applicable supplement or pricing term sheet. The initial interest rate, interest basis and the applicable interest determination, calculation and payment dates will be set forth in the applicable supplement or pricing term sheet.<br><br>Unless otherwise specified in an applicable supplement or pricing term sheet, interest will be payable in arrears on the interest payment dates specified in the applicable supplement or pricing term sheet (subject to adjustment to make such date a Business Day) commencing on the first such date after the issue date, to the persons in whose names the Floating Rate Notes are registered as of the close of business on the fifteenth calendar day preceding such floating rate interest payment date |

| | |
|---|---|
| | (whether or not a Business Day) (subject as provided below). Interest on each series of Floating Rate Notes will accrue for each interest period to but excluding the relevant floating rate interest payment date. See “Description of the Notes—Payments of Principal and Interest—Floating Rate Notes.” |
| **Currencies** | Unless otherwise specified in an applicable supplement or pricing term sheet, the Notes will be denominated in, and payments in respect of an issue of Notes will be made in, U.S. dollars. |
| **Form of Notes** | Unless otherwise specified in an applicable supplement or pricing term sheet, the Notes will be issued in fully registered form, represented by one or more global certificates deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in these global certificates will be shown on, and transfers thereof will be effected through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except as described in this base offering circular or in an applicable supplement or pricing term sheet, notes in definitive certificated form will not be issued in exchange for global certificates. |
| **Rating** | It is expected that the Program will be rated A1 (in respect of Notes with original maturities of more than one year) and P-1 (in respect of Notes with original maturities of one year or less) by Moody’s Japan K.K. and A (in respect of Notes with original maturities of more than one year) and A-1 (in respect of Notes with original maturities of one year or less) by S&P Global Ratings Japan Inc. A series of Notes issued under the Program may be rated or unrated. If a series of Notes is rated, such rating may not necessarily be the same as the rating of the Program. The rating, if any, of certain series of Notes to be issued under the Program may be specified in an applicable supplement or pricing term sheet. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.<br><br>Neither the rating agency nor we are obligated to provide you with any notice of suspension, change or withdrawal of any rating. |
| **Redemption** | Unless otherwise specified in an applicable supplement or pricing term sheet, each series of Notes will only be redeemable at our option upon the occurrence of certain changes in tax law, as described further in “Description of the Notes—Optional Tax Redemption.” |
| **Method of distribution** | We may sell the Notes (i) to dealers, whether affiliated or unaffiliated, (ii) directly to one or more purchasers, (iii) through the dealers, or (iv) through a combination of any of these methods of sale.<br><br>Each pricing term sheet will explain the manner in which we intend to sell a specific issue of Notes, including the names of any underwriters, agents or dealers and details of the pricing of the issue of Notes, whether they will be offered in reliance on Rule 144A or pursuant to Regulation S. A pricing term sheet |

| | |
|---|---|
| | may also describe any commissions, concessions or discounts we are granting the underwriters, agents or dealers. |
| **Transfer restrictions** | The Notes have not been registered under the U.S. Securities Act or any state securities law. Accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. See "Transfer Restrictions" and "Plan of Distribution." |
| **Trustee** | The Bank of New York Mellon. |
| **DTC registrar, DTC transfer agent and DTC paying agent** | The Bank of New York Mellon. |
| **ICSD paying agent** | The Bank of New York Mellon, London Branch. |
| **ICSD transfer agent and ICSD registrar** | The Bank of New York Mellon SA/NV, Luxembourg Branch. |
| **Legal entity identifier** | 5493006GGLR4BTEL8O61 |
| **Governing law** | The Notes and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York. |

## RISK FACTORS

*Prior to making an investment decision, you should carefully consider the risks described below as well as all the other information in this base offering circular, including our consolidated financial statements and related notes and other financial information, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Financial Data and Other Information."*

Our business, financial condition and operating results could be materially adversely affected by the factors discussed below. This base offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this base offering circular. See "Forward-looking Statements."

### Risks Relating to Our Business

***The COVID-19 pandemic has severely affected global economic conditions and has had, and may continue to have, a significant negative impact on our business, results of operations and financial condition.***

The COVID-19 pandemic has had, and will likely continue to have, negative impacts on our and SuMi TRUST Group's businesses, revenues, expenses, credit costs and overall results of operations and financial condition, which could be material. The COVID-19 pandemic has impacted many countries resulting in the implementation of numerous measures to prevent the spread of COVID-19, such as restrictions on movement, including travel bans, quarantines, and shelter-in-place orders as well as non-binding "voluntary restraint" measures urging residents to stay at home, and closures of schools, businesses, factories and other public and private facilities. These measures have significantly affected people's lives and business activities, and have contributed to declines in consumer spending and stagnant business operations. Although restrictive measures were eased in certain countries and regions and certain economies experienced a rebound in economic activity in the second half of 2020, restrictive measures were re-introduced in many countries around the world, including Japan, as they grappled with sudden increases in the number of COVID-19 cases as well as the discovery of potentially more infectious strains of the virus. In particular, in January 2021, a new state of emergency was declared and remains in effect for certain parts of Japan including the Tokyo metropolitan area, although it was lifted for certain other prefectures at the beginning of March 2021. Furthermore, although vaccines have been approved for use in some countries, including Japan, the timing of widespread availability of such vaccines is highly uncertain, and there is no guarantee that such vaccines will be effective in stopping the spread of the COVID-19 pandemic.

Although governments around the world including Japan have undertaken, and may undertake in the future, various fiscal, monetary and other governmental actions in order to counteract the recessionary impacts of the COVID-19 pandemic and related measures to prevent the spread of COVID-19, the different types of government responses could vary in scale and duration across jurisdictions and regions and have varying degrees of effectiveness. Such measures may or may not be effective in mitigating the recessionary impacts of the COVID-19 pandemic, in encouraging a recovery in economic activity or in otherwise carrying out their goals.

Even if the COVID-19 pandemic is brought under control in many countries including Japan, its negative effects on global economic conditions may persist into the future. Even in countries that succeed in significantly reducing the number of COVID-19 cases, the level of economic activity may not fully recover in the short term or at all due to the impact of lives lost during the pandemic, the persistence of restrictions on activities such as travel, continued concerns about outbreaks of infectious diseases or other changes in lifestyle and business practices. Therefore, the Japanese and global economy may remain volatile or continue to deteriorate.

If the Japanese and global economy remain volatile or continue to deteriorate due to the COVID-19 pandemic and related government measures or other restrictions on economic activity, the balance of our impaired loans and credit-related costs may further increase due to deterioration in the financial condition of our customers. Additionally, disruption and volatility in financial markets may have an adverse effect on our funding activities and could subject our holdings of securities to impairment or valuation losses. Also, a decline in overall economic activity may cause us to miss business opportunities and have a negative impact on our fee business and this may adversely affect the

execution of our operating strategy and our results of operations. Furthermore, despite the ongoing COVID-19 pandemic, SuMi TRUST Group intends to maintain a full menu of operations as social infrastructure in both banking and trust businesses, and to contribute to the society and the economy. In carrying out that responsibility, we may continue to provide new and additional financing to customers, which may increase our risk-weighted assets and lead to lower capital ratios and to additional credit-related losses. From a business operational standpoint, if our efforts to prevent the spread of COVID-19 within our workforce, such as by promoting telework for employees and separating staff into two or more team rotations, are ineffective or lead to decreased productivity and many of our employees contract the virus, such circumstances could adversely affect the operation of our businesses or force us to temporarily suspend operations.

The extent of the continuing impact of the COVID-19 pandemic on our operational and financial performance remains uncertain and will depend on many factors beyond our control, including the duration of the pandemic and further spread of the virus and the effectiveness of government responses. To the extent that the ongoing COVID-19 pandemic and related measures adversely affects our business, results of operations and financial condition, it may also have the effect of increasing the likelihood and magnitude of the other risks described in this base offering circular.

Further, it is unclear how the macroeconomic business environment or societal norms may be impacted after the pandemic. The post-COVID-19 environment may undergo unexpected developments or changes in financial markets, the fiscal, tax and regulatory environments and customer and corporate client behavior. These developments and changes could have an adverse impact on SuMi TRUST Group's results of operations and financial condition. Ongoing business and regulatory uncertainties and changes may make SuMi TRUST Group's longer-term business, balance sheet and budget planning more difficult or costly. SuMi TRUST Group, its management and its businesses may also experience increased or different competitive and other challenges in this environment. To the extent that SuMi TRUST Group is not able to adapt or compete effectively, it could experience loss of business and its results of operations and financial condition could suffer.

***Our business, financial condition and results of operations may be adversely affected by deterioration in Japanese and global economic conditions and financial markets.***

Our financial condition and results of operations are materially affected by general economic conditions and financial markets in Japan and foreign countries, which are also influenced by changes in fiscal and monetary policy, laws and regulations. In Japan, factors include the Bank of Japan's monetary policies, including its implementation of a negative interest rate policy and yield curve control measures in 2016, stagnant or declining yields on JGBs, and the increase in the consumption tax from 8% to 10%, which took effect in October 2019. While market conditions, including stock prices, were on a general improvement trend since 2013 prior to the outbreak of the COVID-19 pandemic, the COVID-19 pandemic and related government measures, including the state of emergency declared by the Japanese government between April and May 2020, have resulted in significant declines in economic activity and, although the Japanese economy returned to growth during the second quarter of the fiscal year ending March 31, 2021, there remains considerable uncertainty regarding the continued recovery of the Japanese economy, including the impacts of a new state of emergency declared in January 2021 and remains in effect for certain parts of Japan including the Tokyo metropolitan area, although it was lifted for certain other prefectures at the beginning of March 2021. Particular concerns and uncertainties include the effectiveness and timing of widespread availability of a COVID-19 vaccine, the effectiveness of the Japanese government's fiscal stimulus measures in response to COVID-19 and the potential negative consequences of an increasing budget deficit, the Bank of Japan's quantitative easing program and negative interest policy, significant volatility of the yen against the U.S. dollar and euro, volatility in the prices of commodities and stagnating or decreasing consumer demand and related impact on the Japanese stock market.

Outside Japan, the COVID-19 pandemic continues to spread and dampen prospects for global economic activity and financial markets, particularly in the United States and Europe but also in parts of Asia and South America. Since the onset of the COVID-19 outbreak, national governments and central banks have taken extraordinary measures to restore stability to financial markets and stimulate economic growth, but the longer-term effectiveness of these actions remains uncertain.

Other concerns include geopolitical instability, including in Asia, Eastern Europe, the Middle East and North Africa and material changes in regional economic or political unions or associations between

countries, including, for example, implementation of the trade agreement or other future developments in the relationship between the United Kingdom and the European Union, as well as the uncertain impacts of the policies and priorities of the new presidential administration in the United States. Trade and security tensions particularly between the United States and China, or the potential effects of conflicts in the Middle East and terrorist actions in various countries, give rise to concerns about economic instability in those and other regions and could affect Japanese and global economic conditions. There is also uncertainty about the level of growth prospects of a number of emerging countries, and in particular with the ability of China to successfully rebalance its economy towards more consumption and less investment. In addition, the long-term trends of population aging and population decline faced by Japan are expected to continue to put downward pressure on demand in the businesses in which we operate, including, in particular, our retail consulting and home loan businesses.

If economic conditions continue to deteriorate, whether due to the COVID-19 pandemic or for other reasons, particularly in Japan, we could experience weakness in our trust banking business, real estate-related business and asset management business, as well as deterioration in the credit quality of our loan portfolio and a related increase in our credit costs and a decline in the prices of our assets, including declines from a lack of liquidity in the market, which could adversely affect our results of operations and financial condition. Downturns, volatility and other factors impacting global markets could also affect our growth prospects to the extent we are unable to expand internationally to offset decreases in net interest margin in our domestic lending businesses.

***A lapse in our compliance policies and procedures or a failure to conduct our business in accordance with the expectations of our clients could have a negative impact on our results of operations.***

We conduct business in many locations in and outside of Japan, and we are subject to various laws and regulations in our trust and banking businesses. We also provide a variety of products and services for which our clients demand a high standard of care in the way we conduct our business. Although we maintain compliance policies and procedures designed to ensure compliance with laws and regulations and to meet the expectations of our clients, such policies and procedures may not be successful in preventing all violations or lapses in the way we conduct our business, and we face the risk of litigation and regulatory proceedings in connection with our financial or business status as well as our operations.

For instance, on September 18, 2020, we announced a review of the “forward processing” procedures used by Japan Stockholders Data Service Company, Limited (“JSDSC”), a fifty-fifty joint venture with Mizuho Trust & Banking Co., Ltd. (“Mizuho Trust”) which has been entrusted with back-office operations relating to stock transfer agency services, to tally shareholder votes during months where general shareholders’ meetings of Japanese companies are concentrated. Such procedures were found to have excluded valid votes from the vote tally for the general shareholders’ meetings where such procedures were used. We thereafter announced that the “forward processing” procedures would no longer be used by JSDSC, as well as a series of other remedial measures designed to prevent recurrence of such issues. To date, we have not experienced any claims for potential compensation from our customers in connection with this incident, however we cannot guarantee that such claims may not be brought in the future, which may expose us to civil liability or reputational harm or otherwise have an adverse effect on our results of operations and financial condition.

A lapse in our compliance policies and procedures or a failure to conduct our business in accordance with the expectations of our clients could result in a violation of law or regulations, legal or regulatory proceedings, fines or other penalties, or otherwise harm our reputation, all of which could have a negative impact on our financial condition or results of operations.

***Uncertainties regarding the future of LIBOR as an interest rate benchmark and any successor thereto subjects us to various risks.***

Many of our products and services refer to benchmark interest rates such as the London Interbank Offered Rate (“LIBOR”) in many currencies, including the U.S. dollar. We also utilize such benchmark interest rates for our own evaluation of financial instruments and various other internal management purposes.

In light of the LIBOR manipulation scandal that surfaced in 2012, many financial authorities around the world have commented on a transition to risk-free rates as part of wider benchmark interest rate reform to improve reliability and transparency. In addition, in July 2017, the Financial Conduct Authority of the United Kingdom, which regulates LIBOR, announced that it will no longer persuade or compel banks to present rates for the calculation of the LIBOR benchmark after 2021, indicating that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In November 2020, the administrator of LIBOR, ICE Benchmark Administration Limited (the "IBA"), announced that it would consult on its intention to cease the publication of various LIBOR settings, including Japanese yen and Euro LIBOR settings, after December 31, 2021. In December 2020, the IBA also announced that that it would consult on its intention to cease publication of one-, three-, six- and twelve-month U.S. dollar LIBOR after June 30, 2023. However, even if the IBA's consultations result in the continued publication of certain U.S. dollar LIBOR settings until as late as June 30, 2023, there continues to be regulatory pressure to transition away from the use of such benchmarks as early as possible.

We have taken measures to prepare us for the suspension of the publication of LIBOR and the shift to successor interest rate benchmarks, including the formation of a LIBOR Replacement Project Team in April 2019 to ensure appropriate oversight of our LIBOR preparation at management level. However, many issues and uncertainties remain, such as the selection of successor benchmarks, the timing of their introduction and the transition of a particular benchmark to a replacement rate could result in wide spread dislocation in the financial markets, engendering volatility in the pricing of securities, derivatives and other instruments, and suppressing capital markets activities. As a result, the transition could, for example, cause hedging accounting items to be derecognized and increase litigation risks regarding our existing products and services, which could adversely impact our profitability. Furthermore, depending on the successor benchmark interest rate and related valuation methods, we may incur losses relating to our financial assets or liabilities that reference LIBOR, we may be restricted in our ability to provide certain products and services and we may incur costs relating to the development of information technology systems relating to the successor benchmark interest rate, all of which could have a material adverse effect on our financial condition and results of operations.

***Our trading and investment activities expose us to interest rate fluctuations and other market risks.***

We undertake trading and investment activities involving financial instruments, including securities, derivatives and other instruments. Our income from these activities and the value of our assets are subject to market-related risks, including, among other things, changes in interest rates, bond credit ratings, foreign currency exchange rates and market prices for securities.

We have investments in yen-denominated debt securities, principally fixed-rate bonds. As of December 31, 2020, we had ¥2,283 billion of available-for-sale domestic debt securities (including unrealized profits and losses) on a non-consolidated basis. Of our total available-for-sale domestic debt securities, ¥1,510 billion were JGBs, equal to 2.6% of our total assets on a non-consolidated basis. An increase in market interest rates could substantially decrease the value of our fixed-income portfolio, and any unexpected change or volatility in market interest rates could adversely affect our bond and interest rate derivative positions. The average duration of our yen-denominated bond portfolio on a non-consolidated basis was 2.7 years as of December 31, 2020, as compared to 2.2 years as of March 31, 2020 and 4.5 years as of March 31, 2019. In general, the longer the average duration of our yen-denominated bond portfolio is, the greater the likelihood such portfolio will be exposed to downward price pressure in the event of future increases in interest rates.

We also face risks with respect to our holdings of foreign bonds and other available-for-sale securities. As of December 31, 2020, we had ¥1,412 billion of available-for-sale foreign bonds (including unrealized profits and losses) on a non-consolidated basis, primarily consisting of U.S. Treasury notes, corporate bonds and mortgage-backed securities issued by government-sponsored enterprises. Increases in market interest rates, adverse changes in currency exchange rates or the widening of credit spreads could substantially decrease the value of our foreign bonds. Significant declines in market prices for foreign securities could negatively affect the value of other available-for-sale securities, such as foreign investment trusts. In addition, due to limited liquidity, market prices for some securities we hold may be volatile.

***Changes in interest rates could adversely affect our financial condition and results of operations.***

Our profitability is dependent to a significant extent upon net interest income, which is the difference between interest earned on loans, securities and other interest-earning assets and interest paid on deposits, borrowings and other interest-bearing liabilities. Because of the differences in maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Accordingly, changes in interest rates could have adverse effects on our profitability in addition to those described under "—Our trading and investment activities expose us to interest rate fluctuations and other market risks." For example, if interest rates change as a result of changes in Japanese or U.S. monetary policy or otherwise, unless the change generates a net positive effect on our interest-earning assets and interest-bearing liabilities, our financial condition and results of operations could be adversely affected. The implementation of a negative interest rate policy by the Bank of Japan has had and will have negative effects on our net interest income, including further compression on our domestic loan-deposit spreads and yields on JGBs in our portfolio, and may also have unforeseen side effects on the overall functioning of Japan's financial markets. Prolonged monetary easing by the Bank of Japan may continue to depress or further lower domestic interest spreads. In April 2019, the Bank of Japan stated that it expected to maintain the current level of extremely low interest rates at least until spring 2020, and expressed its commitment to these policies until the time that "price stability target" of 2% is achieved and maintained. Thereafter, on March 16, 2020, the Bank of Japan announced "enhancement of monetary easing in light of the impact of the outbreak of COVID-19," and on April 27, 2020 and May 22, 2020, the Bank of Japan decided to further enhance monetary easing taking into account the negative impact of the COVID-19 pandemic on Japanese economic conditions. On December 18, 2020, the Bank of Japan announced that such measures would be extended for an additional six months, and the Bank of Japan continues to closely monitor the impact of COVID-19. For further details, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Factors Affecting Results of Operations—Operating Environment."

In addition, any increases in interest rates may lead to increases in our non-performing claims, as some of our borrowers may not be able to meet increased interest payment requirements, or to a decrease in demand for housing loans, an important element of our lending activities. Any of these situations could adversely affect our results of operations and financial condition.

***Our equity investment portfolio exposes us to the risk of losses if share prices decline.***

We hold substantial investments in marketable equity securities, mainly common stock of Japanese listed companies, which includes strategic cross-shareholdings with corporate clients. Declines in market prices for Japanese stocks may reduce the value of our equity securities portfolio and, with respect to our strategic cross-shareholdings in particular, we have less flexibility to adjust our holdings due to ongoing business relationships and alliances. As of December 31, 2020, we had ¥1,367 billion in available-for-sale domestic equity securities (including unrealized profits and losses) on a non-consolidated basis, as compared to ¥1,108 billion as of March 31, 2020 and ¥1,369 billion as of March 31, 2019.

The market values of equity securities are inherently volatile and a significant decline in market prices for Japanese stocks generally, or significant declines in individual holdings, could cause us to recognize losses. For example, for the nine months ended December 31, 2020 and the year ended March 31, 2020, on a non-consolidated basis we recorded losses on devaluation of stocks of ¥2.2 billion and ¥35.2 billion, respectively. In addition, net unrealized gains and losses on such investments are taken into account when calculating the amount of capital for purposes of the calculation of our capital adequacy ratios, and, as a result, a decline in the value of such investments would negatively affect such ratios, to the extent the impact of the decline in value is not offset to some extent by investments we use to hedge the price fluctuations of such investments. We continue to pursue a hedging strategy to reduce the price volatility risk of our strategic cross-shareholdings in addition to a gradual reduction of our strategic cross-shareholdings, in order to minimize fluctuations in our capital ratios. However, such hedging strategy is unlikely to fully offset a decline in the value of equity securities.

***Credit costs related to problem loans could increase if there are adverse changes in the financial condition of our borrowers or general economic conditions, including real estate prices, or our allowances are inadequate.***

In prior years, there were a number of corporate bankruptcies and increased use of business revitalization alternative dispute resolution procedures implemented by the Japanese government, in particular by companies directly affected by declines in real estate prices, low consumer demand and the lingering effects of the worldwide financial and economic crisis. In prior periods, economic difficulties in Japan have affected companies in sectors other than the financial sector, such as the real estate, construction, electronics, wholesale and retail industries. Because we have significant credit exposure to Japanese corporate and individual borrowers, any reemergence of these trends may adversely affect our credit costs. Furthermore, in the year ended March 31, 2020, SuMi Trust GROUP recorded a special loan loss provision of approximately ¥25.0 billion in response to the COVID-19 pandemic, which is ongoing, of which approximately ¥19.0 billion was recorded by SuMi TRUST Bank, although SuMi TRUST Group subsequently recorded a reversal of approximately ¥8.0 billion of this amount during the nine months ended December 31, 2020, of which approximately ¥7.7 billion was a reversal recorded by SuMi TRUST Bank. The special loan loss provision and subsequent reversal thereof were based on management's judgments and expectations, including the incorporation of forward-looking information about economic performance. If the negative effects of COVID-19 on our customers' financial conditions or general economic conditions are greater than anticipated, we may be required to record increases in our special loan loss provision as a result.

As of December 31, 2020, our non-consolidated problem assets under the Financial Reconstruction Act totaled ¥108.6 billion out of a total loan balance of ¥30,702.7 billion.

Our problem loans and credit costs could increase if:

- current restructuring plans of borrowers are not successfully implemented;
- borrowers, particularly large borrowers, become insolvent or are forced to restructure, including as a result of a decision by us or any other lender to withdraw support from any such borrower;
- we decide to write off certain loans or extend additional credit support or other financial support to borrowers who have defaulted on loans from us;
- the Japanese government's economic stimulus measures are ineffective or are ended before the economy fully recovers;
- economic conditions in Japan, either generally or in specific industries in which large borrowers operate, deteriorate or the global economic environment deteriorates generally;
- the value of collateral we hold declines; or
- real estate prices or stock prices in Japan decline.

By industry classification, loans to borrowers in the Japanese real estate sector, the financial and insurance sector and manufacturing sector represented 13.8%, 8.2% and 11.5%, respectively, of total domestic loans in our banking account and principal guaranteed trust account on a non-consolidated basis as of December 31, 2020.

Our allowance for loan losses on claims in our banking account is based on our past experience of credit losses and assumptions and estimates about our loan portfolio, the value of collateral and guarantees, general business and economic conditions and other pertinent indicators. As of December 31, 2020, we had a coverage ratio of 76.5% in relation to our non-consolidated problem assets of ¥108.4 billion in our banking account. Our actual loan losses in our banking account could prove to be materially different from our estimates, including due to factors noted above, and could materially exceed our allowance.

***Refinancing risk could negatively affect our results of operations and financial condition.***

We depend on our ability to continue to attract deposits and to refinance our debt obligations at commercially acceptable rates. We may encounter difficulty obtaining financing on reasonable terms, or at all, if:

- our balance of deposits significantly decreases;

- our financial condition worsens or our results of operations decline;
- our credit ratings are downgraded;
- we suffer damage to our reputation; or
- there is a general downturn in economic conditions or a decline in liquidity, particularly in the Japanese financial markets.

Similarly, during periods of unstable market conditions, we may need to find alternative sources of financing as traditional credit sources become constrained and the prices of our investment assets may decline. Funding may not be available on acceptable terms or at all. Failure to refinance our obligations, or increased refinancing costs, could materially adversely affect our results of operations and financial condition.

***A significant downgrade of our credit ratings could have a negative impact on our business.***

We obtain credit ratings from the major credit rating agencies for us and certain of our subsidiaries and equity-method affiliates, including Sumitomo Mitsui Trust Bank (U.S.A.) Limited ("SuMiTBUSA"), Sumitomo Mitsui Trust Panasonic Finance Co. Ltd. ("Sumitomo Mitsui Trust Panasonic Finance") and SBI Sumishin Net Bank, Ltd. The credit ratings are based on information furnished by us or obtained by the credit rating agencies from independent sources and are also influenced by credit ratings of JGBs and general views regarding the Japanese financial system as a whole. In particular, in May 2019, Moody's Japan K.K. changed its outlook for Japan's banking system to negative from stable to reflect its assessment that the overall creditworthiness of Japanese banks would deteriorate in the next 12 to 18 months. Further, in December 2019, Moody's Japan K.K. stated that its outlook for Japanese banks for 2020 was negative and in May 2020, Moody's Japan K.K. stated that an upgrade of our ratings is unlikely and that our ratings could be downgraded in case of a downgrade of Japan's sovereign rating or the tangible common equity ratio of our parent, SuMi TRUST Holdings, remaining below 9% on a sustained basis. Reduction of any of our credit ratings by one or more credit rating agencies could increase our financing costs and have a negative impact on our treasury operations, procurement of funds and other aspects of our business and could result in damage to our reputation. Any downgrade may also:

- result in us having to accept less favorable terms in transactions, including financing transactions, or prevent us from entering into certain types of transactions;
- cause existing agreements or transactions to be cancelled;
- lead clients to withdraw some or all of their funds from their accounts with us; or
- require that we provide additional collateral in connection with derivatives transactions.

The occurrence of any of the above events could adversely affect our results of operations and financial condition.

***We may not be able to maintain capital adequacy ratios above the minimum required levels, which could result in the suspension of some or all of our operations.***

We and our parent holding company, SuMi TRUST Holdings, are required to maintain capital adequacy ratios at or above the levels specified in the capital adequacy guidelines of the FSA. These guidelines provide for minimum target ratios of capital to risk-weighted assets on a consolidated basis for Japanese banks and bank holding companies and on a non-consolidated basis for Japanese banks. The phase in of new regulations implementing Basel III has increased the stringency of certain capital requirements applicable to us, including the calculation of our capital adequacy ratios, and future regulation could further increase such standards.

In March 2012, the FSA published revisions to its capital adequacy guidelines, which generally reflect guidelines set forth in the Basel III rules text published by the Basel Committee on Banking Supervision ("BCBS") in December 2010. The FSA's implementation in Japan of the principal risk-weighted capital measures of the Basel III rule text was phased in from March 2013 to March 2019.

Under the FSA's revised capital adequacy guidelines, since March 31, 2015, we and SuMi Trust Holdings have been required to maintain a minimum Common Equity Tier 1 capital ratio of 4.5%, a

Tier 1 capital ratio of 6.0% and a total capital ratio of 8.0%. In addition, in November 2015, the FSA published revised capital adequacy guidelines and related ordinances to introduce Basel III capital buffer rules, which consist of a capital conservation buffer and a countercyclical buffer, and additional loss absorbency requirements for Global Systemically Important Banks ("G-SIBs") and D-SIBs. The FSA's revised guidelines requires SuMi TRUST Holdings to hold a capital conservation buffer to withstand future periods of stress, which was phased in from March 2016, and became fully effective at 2.5% in March 2019. The countercyclical buffer, which was phased in from March 2016 and became fully effective in March 2019, is intended to reduce the buildup of systemic risk in periods and locations of excessive credit growth and is calculated as the weighted average of the buffers in effect in the jurisdictions to which SuMi TRUST Holdings has credit exposure, with a maximum of 2.5%.

Furthermore, SuMi TRUST Holdings has been designated as a D-SIB by the FSA since December 2015. The additional loss absorption capacity requirement applied to SuMi TRUST Holdings was phased in from March 2016 and became fully effective at 0.50% in March 2019.

As a result, the fully phased in minimum Common Equity Tier 1 capital ratio and minimum total risk-weighted capital ratio requirements applicable to SuMi TRUST Holdings, including the capital conservation buffer and additional loss absorption capacity requirement but excluding the countercyclical buffer, were 7.50% and 11.00%, respectively, from March 2019.

In addition, in December 2017, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (the "GHOS"), endorsed the outstanding Basel III post-crisis regulatory reforms, which included changes to the calculation of risk-weighted assets by imposing an output floor on banks that use the internal ratings based ("IRB") approach to calculate credit risk. These rules, other than revisions to the capital floor, were expected to mainly come into effect in January 2022. The revisions to the capital floor were expected to be phased in from January 2022, initially with an output floor of 50% of the risk-weighted assets as calculated under the standardized approach, gradually rising to 72.5% by January 2027 when the transitional period ends. However, in March 2020, GHOS announced a deferral of the implementation date of the finalized Basel III reform by one year to increase operational capacity of banks and supervisors to respond to COVID-19. Following this announcement, the FSA announced that the finalized Basel III reform is scheduled to be implemented in Japan from March 2023.

As of December 31, 2020, our consolidated Common Equity Tier 1 capital ratio and Tier 1 capital ratio under the FSA's current guidelines were 10.60% and 12.02%, respectively, and our consolidated total capital ratio was 14.71%. As of December 31, 2020, SuMi TRUST Holdings' consolidated Common Equity Tier 1 capital ratio and Tier 1 capital ratio under the FSA's current guidelines were 12.11% and 13.51%, respectively, and its consolidated total capital ratio was 16.15%.

Our and SuMi TRUST Holdings' capital adequacy ratios could decline as a result of a number of factors, including:

- increases in our risk-weighted assets or those of SuMi TRUST Holdings;
- declines in the value of securities held by us or SuMi TRUST Holdings;
- changes in accounting rules;
- regulatory reforms, including the Basel III regulatory reforms, the outstanding part of which was endorsed by the GHOS in December 2017 as stated above;
- potential downgrades of borrowers under the advanced IRB approach to credit risk, potential increases in estimates of probability of borrower default and potential increases in operational risk; and
- other potential adverse developments discussed in these risk factors.

In addition, while capital instruments under the FSA's previous capital adequacy guidelines that do not meet the revised capital adequacy guidelines will eventually no longer qualify as Tier 1 capital or Tier 2 capital under the revised guidelines, if those capital instruments meet the requirements for transitional arrangements set forth in such guidelines, they can qualify as Additional Tier 1 capital or Tier 2 capital during the phase-out period beginning March 31, 2013 and ending March 31, 2022 by increments of 10% each year. Our and SuMi TRUST Holdings' existing preferred securities and

subordinated debt issued on or before March 31, 2013 do not meet the revised capital adequacy guidelines but certain amounts of these securities are still included within Additional Tier 1 capital or Tier 2 capital subject to such phase-out arrangements. Therefore, if we or SuMi TRUST Holdings do not refinance or replace such preferred securities or subordinated debt with those that qualify under the revised capital adequacy guidelines, our or SuMi TRUST Holdings' capital adequacy ratio will decline.

If our or SuMi TRUST Holdings' capital adequacy ratios fall below specified levels, the FSA could require us or SuMi TRUST Holdings, as the case may be, to implement various corrective measures, including, depending on the level of deficiency, restrictions on our or SuMi TRUST Holdings' capital distributions or suspension of all or part of our or SuMi TRUST Holdings' business operations, which may affect our and SuMi TRUST Holdings' ability to fulfill contractual obligations or may result in restrictions on our or SuMi TRUST Holdings' businesses.

For a discussion of our and SuMi TRUST Holdings' capital adequacy ratios and the related regulatory guidelines, see "Supervision and Regulation—Japan—Regulation Regarding Capital Adequacy and Liquidity" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Funding and Liquidity."

***We are subject to significant regulation, and adverse regulatory developments or changes in laws, regulations, codes of practice or government fiscal or other policies and they could have a negative impact on our results of operations.***

We are subject to significant regulation and regulatory supervision as a financial institution. We conduct our businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and judicial interpretations in Japan and the other markets in which we operate. Future changes in regulations or fiscal or other policies and their effects on us and our subsidiaries are unpredictable and beyond our control.

Changes in the regulatory environment in Japan and in foreign jurisdictions may adversely affect our business operations, financial condition and results of operations such as restricting the provision of certain products or forcing us to implement new risk control systems. In recent years the Japanese financial services industry has been the subject of a number of significant regulatory initiatives and revisions to capital adequacy guidelines, in particular in relation to quality of capital and accounting standards, which could adversely affect our capital ratios separately from what is contemplated by the implementation of Basel III. In addition, changes to current regulations or the implementation of new regulations in the future by Japanese or foreign regulatory authorities could impact our capital ratios and business operations.

The FSA and other regulatory authorities also have the authority to inspect our operations generally and our classifications of loans and receivables. The FSA may encourage us to apply stricter evaluation standards in the future, which could result in an increase in impaired loans and receivables and credit costs. The FSA may also encourage us to support individual or small- and medium-sized enterprise ("SME") borrowers and facilitate financing to those clients.

The Securities and Exchange Surveillance Committee also has the authority to inspect at any time us and our asset management subsidiaries. Any failure of ours or of our asset management subsidiaries to comply with applicable laws and regulations could result in a business improvement order or other administrative sanctions and could harm our reputation.

In Japan and other foreign jurisdictions where we operate, a major focus of the regulation of financial institutions has been aimed at preventing money laundering and terrorist financing. The FSA and other regulatory authorities hold financial institutions such as us to a high standard to develop monitoring, detection and prevention capabilities. Failures or defects in our financial crime risk management controls may subject us to regulatory sanctions or penalties, which could have a material impact on our reputation, financial condition or results of operations.

For a discussion of regulations applicable to us, see "Supervision and Regulation."

***The financial services industry in which we operate is highly competitive.***

Deregulation, consolidation among financial institutions, including the consolidation of rival trust banks into Japan's major banking groups, diversification of financial institutions and the expanded presence of foreign financial institutions and investors have made the Japanese market for financial services highly competitive. Moreover, competition in overseas markets has intensified owing to global consolidation, convergence and alliances among financial institutions. In addition, as a result of advances in financial technology, commonly called "FinTech," an increasing number of companies have recently been crossing industry lines and entering the field of finance, contributing to a further intensification of the competitive environment surrounding us.

We compete with various types of financial service providers, including:

- banking groups, including Japan's other major banking groups;
- regional banking institutions;
- Japan Post Bank Co., Ltd. ("Japan Post Bank") and other government-controlled and government-affiliated entities;
- major investment banks;
- non-bank finance companies;
- asset management companies; and
- other financial service providers, including those utilizing FinTech.

Government actions, such as those taken to stabilize the market and to alter the regulatory framework, may affect our competitive position. In response to financial difficulties, the Japanese government has adopted, and may adopt, additional policies, including providing fiscal stimulus or extending credit support to other Japanese financial institutions, that adversely affect our competitive position. Internationally, various forms of financial support provided by foreign governments to foreign banks and other financial institutions may reduce the cost of capital to those institutions and otherwise give them competitive advantages.

We expect that competition across our business lines will continue to intensify, including as a result of additional business combinations and alliances among our competitors and deregulation. See "Japanese Banking and Trust Banking Industry."

Moreover, competitors may seek to match our service offerings, making it more difficult for customers to differentiate between our products and services and those of our competitors, particularly in the current negative or extremely low interest rate environment as competitors seek to diversify away from their core deposit-taking businesses. Competition from FinTech companies also raises new challenges. Although we have been exploring FinTech opportunities as part of the SuMi TRUST Group's digital strategy, new entrants and new technological developments may create additional pressure on us to adapt our services to compete, but we may not be able to match the experience, technical resources or pricing of our competitors. In addition, we may be unsuccessful in anticipating threats to our current businesses, or opportunities for new businesses, from technological innovation.

If we are unable to compete effectively in this increasingly deregulated and competitive business environment, our business, results of operations and financial condition will be adversely affected.

***We may be unable to successfully execute the SuMi TRUST Group's medium term management plan or our business strategies generally.***

The SuMi TRUST Group's current medium term management plan, which was announced in May 2020, covers the three years ending March 31, 2023. Under the plan, we seek to actively adapt to the changes in social structure and rapid digitalization and aim to solve new social issues related to clients' assets utilizing the functions and strengths of SuMi TRUST Group. The plan has three basic policies relating to strengthening our business portfolio, capital strategy and enhancement of business quality. In connection with the plan, we have established various goals for the year ending March 31, 2021, including net business profit and return on equity, among others. However, there can be no assurance that we, as the core member of the SuMi TRUST Group, will be able to achieve our quantitative or

qualitative goals, or that we will be able to achieve other anticipated positive effects of the plan. In addition, there are various risks that could adversely impact our ability to execute our and the SuMi TRUST Group's business strategies, including the following:

- we may be unable to sell or cross-sell products and services as effectively as anticipated, and new products and services we introduce may not gain acceptance among customers;
- we may be unable to reduce costs and enhance efficiency as anticipated;
- we may have difficulty coordinating the operations of our subsidiaries and affiliates, including those that are overseas;
- expansion into new fields and integration of our services and management systems could present problems which we do not anticipate or with which we have no experience;
- changes in the business environment in which we operate, such as deterioration of economic or market conditions and increased competition, could pose new challenges;
- our business alliances and any future acquisitions may not produce the expected benefits, alliance partners may decide to terminate their arrangements with us, such alliances could give rise to conflicts of interest and unanticipated integration or transaction costs and we may have difficulty divesting our investments or terminating these relationships on favorable terms; and
- we may not fully realize the anticipated benefits of internal reorganizations of businesses within the SuMi TRUST Group.

Our results of operations and financial condition may be adversely affected if we fail to execute our and the SuMi TRUST Group's business strategies.

***Failure of our acquisitions and investments in affiliates and other business alliance partners could negatively affect our financial condition and results of operations, including impairment losses on goodwill or investments.***

We have made and may undertake acquisition of subsidiaries and investments in affiliates and other business alliance partners. It is uncertain whether we will receive the expected benefits from those business strategies, due to any adverse regulatory changes, worsening of economic conditions, increased competition or other factors, including the COVID-19 pandemic, that may negatively affect the related business activities or there might be unrecognized contingent liabilities.

Our business alliances and any future acquisitions may not produce the expected benefits, alliance partners may decide to terminate their arrangements with us, such alliances could give rise to conflicts of interest and unanticipated integration or transaction costs, including contingent liabilities, and we may have difficulty divesting our investments or terminating these relationships on favorable terms. Adverse regulatory changes, worsening of economic conditions and increased competition may negatively affect the related business activities and cause our business alliances or acquisitions to be less successful than anticipated.

When we acquire a subsidiary, we may recognize goodwill and intangible assets. Impairment losses on goodwill or intangible assets in connection with acquisitions must be recognized when the recoverable amount of goodwill or intangible assets of the business is lower than the carrying amount at the time of impairment testing, which is performed annually or whenever there is an indication that the goodwill or intangible assets may be impaired.

We account for some of our investments in affiliates under the equity method. Therefore, net losses incurred by equity method investees may cause us to record our share of the net losses. Furthermore, we may lose the capital that we have invested in business alliances or may incur impairment losses on securities acquired in such alliances. We may also be required under contractual or other arrangements to provide financial support, including credit support and equity investments, to business alliance partners in the future, which could cause us to incur credit costs from credit exposure to such partners.

***We will be exposed to new or increased risks as we expand the range of our products and services.***

We offer a broad range of financial services, including banking, trust, asset management and other services. As the needs of our customers become more sophisticated and broader in scope, and as the

Japanese financial industry continues to be deregulated, we have been entering into various new areas of business, including through acquisitions and business and equity alliances, which expose us to new risks. We have also expanded our overseas lending. While we have developed and intend to maintain risk management policies that we believe are appropriate to address such risks, if a risk materializes in a manner or to a degree outside of our expectations, our business, financial condition and results of operations could be materially and adversely affected.

***Poor performance of the trust assets over which we have investment discretion or the assets managed by our asset management subsidiaries could materially adversely affect our businesses.***

Success in our asset management business will depend in part on favorable investment performance relative to portfolio benchmarks, including the Nikkei Stock Average and the Tokyo Stock Price Index, and competing investment products. Poor investment performance relative to such benchmarks or to competing products could cause clients to withdraw assets in favor of better-performing investment products or could diminish our ability to attract new clients, adversely affecting our operating results and financial condition.

***Fees and commissions representing a significant portion of our business are significantly influenced by current Japanese governmental or policy initiatives and changes to those initiatives could adversely affect our financial results.***

Fees and commissions, which include fees related to sales of investment trusts, insurance products and real estate brokerage commissions, had benefited from the strength in the Japanese stock market and general recovery of business market conditions in Japan seen in recent years, which coincided with a number of governmental initiatives, including quantitative easing by the Bank of Japan and the allocation of more funds to equities, primarily domestic, by the Government Pension Investment Fund of Japan. On the other hand, the COVID-19 pandemic, together with the resulting volatility in financial markets and deterioration in the macroeconomic environment, has resulted in, and we expect will continue to result in, downward pressure on fee and commission income. In general, declines in the performance of Japanese equities, declines in the market prices of real estate or changes to any of these positive governmental or policy initiatives, or diminished effectiveness of such governmental initiatives, could adversely affect our fee and commission income and, as a result, our results of operations and financial condition.

***Our obligations to compensate certain customers for the loss of principal could adversely affect our financial results.***

As part of our business, we guarantee the payment of the principal of some of the trusts over which we have investment discretion, including certain of our money trusts. As of December 31, 2020, the principal balance of such "guaranteed trusts" on a non-consolidated basis was ¥3,601.9 billion. Funds in these trusts are generally invested in loans, either to third parties or to the banking account, or in securities. We have generally incurred minimal credit costs relating to such principal guaranteed trust accounts, however there is no guarantee that we will not incur material credit costs in the future. In addition, even with respect to trust products that do not feature a principal guarantee, we may be required to bear certain debts and expenses in our capacity as a trust bank if we are found not to have fulfilled our fiduciary duties. If we incur material credit costs relating to our principal guaranteed trust accounts or are required to bear certain debts and expenses in our capacity as a trust bank, our results of operations and financial condition could be adversely affected.

***Pension plan losses or declines in returns on plan assets may negatively affect our results of operations and financial condition.***

Our pension-related costs and projected benefit obligations are calculated based on assumptions regarding projected returns on pension plan assets and various actuarial assumptions relating to the plans. Our pension costs may increase as a result of revised actuarial assumptions on which the calculations of the projected pension obligations are based, revised accounting standards or other changes in our pension plans. Further, if actual results differ from our assumptions or if we revise our assumptions in the future, owing to changes in the stock markets, interest rate environment or for other reasons, then our pension-related costs and projected benefit obligations could increase. In addition,

any future changes to our pension plans could also lead to increases in our pension-related costs, projected benefit obligations and give rise to previously unrecognized past service liability. Any of the above factors could adversely affect our results of operations and financial condition.

***Changes in projected income may adversely affect our deferred tax assets.***

We calculate and record deferred tax assets based on a reasonable estimation of future taxable income over the next five years based on our revenue projections for each of those years and in accordance with applicable accounting standards. Our financial condition, results of operations and amount of regulatory capital could be materially and adversely affected if our deferred tax assets decline due to a change in our estimation of future taxable income, a change in tax rates as a result of revisions to the Japanese tax system or other factors.

***We could be required to recognize impairment losses on our intangible assets.***

As of March 31, 2020, we had ¥100.9 billion of intangible fixed assets, including ¥75.9 billion of software and ¥21.3 billion of goodwill, on a consolidated basis. We are required to evaluate periodically whether such intangible fixed assets have become impaired. For example, a noticeable deterioration in the profitability of an acquired business or a reduction in the estimated useful life of software could result in the carrying amount of intangible assets exceeding the higher of the amount we could recover in a sale or their value in use. If the value of such assets is determined to be impaired, we would be required to recognize an impairment loss that would adversely affect our results of operations and financial condition.

***Our risk management policies and procedures may not adequately address unidentified or unanticipated risks.***

We have devoted significant resources to developing and strengthening our risk management policies and procedures and we expect to continue to do so in the future. Nevertheless, the policies and procedures that we utilize to identify, monitor and manage risks are based on past experience and historical market behavior and may not fully account for risks which materialize in the future. Such policies and procedures may not be fully effective as a result of any of the following factors, among others:

- fast-paced expansion into new areas of business may pose new risks not contemplated by our existing policies and procedures; and
- unanticipated changes in our business environment could reduce the effectiveness of our risk management framework.

As a result of any of the above factors, these policies and procedures may not accurately predict future risk exposures, which could be significantly greater than the historical measures indicate.

We are exposed to day-to-day operational, legal and regulatory risks throughout our organization. Management of these risks requires, among other things, policies and procedures to properly record and verify large numbers of transactions and events. Operational risk is inherent in our businesses and can manifest itself in various ways, including malfunctioning or inappropriate internal processes, human errors and employee misconduct. The policies and procedures adopted by us, our subsidiaries and our equity-method affiliates may not be effective in preventing losses related to day-to-day operational and other risks that we face in our businesses.

***Our reputation and business could be harmed by negative rumors about us or the industries in which we operate.***

Rumors about us, services such as trust management and asset management that we offer to retail customers or the financial industry in general have the potential to undermine the confidence of clients, regardless of whether or not they are true. Such rumors can be created or spread through the mass media, social media posting or other means. While we strive to respond to unfounded rumors or reports in a timely and appropriate manner, if we are unable to do so effectively, such rumors have the potential to negatively affect our reputation and business.

***A failure or disruption of information technology or business systems or a cyberattack could harm our relationships with our clients, expose us to administrative actions or otherwise adversely affect our operations.***

The capacity and reliability of our information technology and business systems are critical to our day-to-day operations. In addition to our own internal information systems, we also provide our clients with access to our services and products through the Internet and through our telephone banking system. Our hardware and software may be subject to damage or incapacitation due to human error, natural disasters, power loss, sabotage, hacking, product defects, computer viruses, malware, phishing schemes, cyberattacks and similar threats. Cyberattacks in particular have increased in frequency and sophistication in recent years, and we consider cybersecurity risk to be a top priority for our group. Although we are continuing to implement measures to protect our information technology systems from cyberattacks and other threats, such measures may be inadequate to prevent security breaches or other system breakdowns, which could result in disruptions of service, leakage of confidential information and destruction or compromise of data. To date, we have not experienced widespread disruption of service to clients, but there can be no assurance that we or our service providers will not encounter disruptions in the future due to substantially increased numbers of clients and transactions or for other reasons. Furthermore, in response to the COVID-19 pandemic, we continue to promote telework for our employees to reduce risk of infection, and we maintain active use of telework and team rotations for our employees. The use of such telework and remote working technologies may increase our cybersecurity risk.

As is the case for many other Japan-based companies, our main information technology centers, which are located in Tokyo and Osaka, are subject to earthquake risk. Although our information technology systems are designed to incorporate redundancy at all levels, including the capability to recover data and functionality, and although we have information storage and technology backup facilities, these measures may not be sufficient to avoid a material disruption of our operations. In addition, our continuity of business plans may not address all contingencies that could arise in the event of a major disruption of services.

***We rely extensively on third-party service providers, including with respect to our information technology systems and other important aspects of our businesses, and the failure of third-party service providers to perform as expected could adversely affect our operations.***

We rely on third-party service providers for significant elements of our information technology systems, including telephone, Internet and data transport services. For example, we entrust back-office operations relating to stock transfer agency services to JSDSC, a fifty-fifty joint venture with Mizuho Trust. Also, we entrust administrative services related to corporate pension plans, such as membership management and corporate pension benefit payments, to Japan Pension Operation Service, Ltd. (“JPOS”), a joint venture established with Mizuho Trust. Because Japan Stockholders Data Service and JPOS are equity-method affiliates and not majority-owned subsidiaries, we do not fully control the administration and back-office operations that we entrust to them. Any third-party technology failure or cyberattacks could adversely affect our ability to execute transactions or deliver services to our clients effectively, or could result in leakage of confidential information or comprise of sensitive data. Vulnerabilities in third-party technology systems may be exploited in ways that increase the risk that our information technology systems are exposed to cyberattacks.

Although we exercise care in selecting and monitoring our third-party service providers, any problems with or interruptions in the services they provide could expose us to lawsuits or administrative sanctions, harm our client relationships or our reputation or otherwise have an adverse effect on our results of operations and financial condition.

***We must hire and retain qualified employees to succeed in implementing our business strategy.***

Our success in executing our business strategy depends in part on our ability to attract and retain employees with professional experience and specialized product knowledge in many areas. We face competition in hiring highly skilled business, technical and other personnel from not only other trust banks and asset management companies but also commercial banks, investment banks, other financial service providers, tech companies and other companies more generally. We may not succeed in continuing to attract, integrate and retain appropriately qualified personnel as a result of these factors, which in turn could adversely affect our business and results of operations.

***Employee or client fraud and other misconduct could subject us to losses and regulatory sanctions.***

We are exposed to potential losses resulting from fraud, negligence and other misconduct by our employees and clients. For example, in 2012 we paid an administrative monetary penalty in connection with alleged violations in 2010 of insider trading regulations under the FIEA by Chuo Mitsui Asset Trust and Banking Company Limited, one of our predecessor trust banks. In addition, employees may bind us to transactions that exceed authorized limits or present unacceptable risks, hide from us and our clients unauthorized or unsuccessful activities, improperly use confidential information or otherwise abuse client confidences. Employees or clients may engage in fraudulent activities, including fraudulent use of client accounts or the use of false identities to open accounts for money laundering, tax evasion or other illegal purposes. Others could use stolen or forged ATM cards or engage in credit card fraud, in which case we may be required to indemnify our clients for the resulting losses. Because of the broad range of businesses that we engage in and our large number of employees and clients, such fraud and other misconduct is difficult to completely prevent or detect, and we may not be able to establish sufficient internal control systems to prevent such activities or recover the losses caused by such activities. As a result of these risks, we could be subject to regulatory sanctions, civil liability and significant damage to our reputation.

***Our business operations are exposed to risks of natural disasters, terrorism, pandemic and calamities.***

Despite any preparations we take, our business operations, technology infrastructure, employees and physical assets are subject to the risks of earthquakes and typhoons or other natural disasters, fires, blackouts, terrorism, pandemic (including COVID-19) and other calamities. Additionally, massive natural disasters such as the March 2011 Great East Japan Earthquake may have various adverse effects, including a deterioration in economic conditions, declines in the business performance of our corporate customers and declines in stock prices. An occurrence of these events could impair our business operations and adversely affect our operations and financial condition.

***We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information.***

In recent years, there have been many cases of personal information and records in the possession of corporations and institutions being leaked or improperly accessed. Although we strive, including pursuant to the BCBS's standard number 239 which seeks to strengthen banks' risk data aggregation capabilities and internal risk reporting practices, to ensure the soundness of our information protection policies and procedures and provide extensive education on this subject to our personnel, there can be no assurance that our efforts will be fully effective. If personal information in our possession is leaked or improperly accessed, whether due to employee inattention, malfeasance or other factors, and subsequently misused, we could be subject to liability and regulatory action.

The requirements under the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003), as amended (the "Act on the Protection of Personal Information"), that apply to us in our handling of the personal information of our clients are stringent. See "Supervision and Regulation—Japan—Protection of Personal Information." Any material unauthorized disclosure of personal information or other failure to protect or properly control personal information could adversely affect our businesses in a number of ways. For example, we could be subject to complaints and lawsuits for damages from clients and could become subject to administrative actions or sanctions or could incur additional expenses associated with changing our security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives. In addition, such incidents could create a negative public perception of our operations or brand, which may in turn decrease client and market confidence in us and materially and adversely affect our businesses, operating results and financial condition.

***Our businesses may be adversely affected by negative developments with respect to other Japanese financial institutions, both directly and through the effects such developments may have on the overall Japanese banking environment and on our borrowers.***

Some Japanese financial institutions, including banks, non-bank lending and credit institutions, affiliates of securities companies and insurance companies, experienced declining asset quality and

capital adequacy and other financial problems during the period from the mid-1990s to the first half of the 2000s, resulting in the liquidation and government control of some of the affected institutions, and again during the financial crisis in the late 2000s. If Japanese financial institutions experience similar declines in asset quality or capital adequacy or encounter other financial problems in the future, this could cause severe liquidity and solvency problems and could again result in the liquidation or governmental control of some of the affected institutions. Financial difficulties of other financial institutions could adversely affect us because:

- we may have extended loans or given other credit to troubled banks and financial institutions;
- we may own shares of troubled banks and financial institutions;
- troubled banks and financial institutions may discontinue or decrease their credit support to troubled borrowers to whom we are also a lender, resulting in significant failures of those borrowers and/or a deterioration in the quality of our loan portfolio;
- we may be required to provide assistance or support to troubled banks or financial institutions;
- financial institutions may become majority owned, controlled or subsidized by the Japanese government, which could disrupt our competitive environment;
- deposit insurance premiums that we are obligated to pay to the Deposit Insurance Corporation of Japan (the "DIC") could rise if deposit insurance funds held by the DIC prove to be inadequate; and
- repeated or large-scale bankruptcies, or government support or control of financial institutions, could generally undermine depositor confidence or adversely affect the overall banking environment.

***Our business is exposed to risks associated with climate change, including the physical risk of climate change and risk from the transition to a low-carbon society.***

Risks associated with climate change are subject to increasing societal, regulatory and political focus in Japan and globally, including as a result of the Paris Agreement, adopted by almost all nations around the world on December 12, 2015, whose goal is to keep the increase in global average temperature to well below 2 °C above pre-industrial levels. These risks include the physical risk of climate change and risk from the transition to a low-carbon society.

Physical risks of climate change include damage to the natural environment, social infrastructure and the physical assets of our customers as a result of specific weather events, such as large-scale typhoons, and other climate-related phenomena in the mid- to long-term. Despite our preparation of operation manuals and other backup measures and procedures, a large-scale disaster due to extreme weather conditions damages our employees and branches, interfering with our business continuity. Large-scale disasters could also adversely affect the financial conditions of our customers or the value of properties pledged as collateral, resulting in an increase in our credit costs. In addition, our operating income and values of assets held may decrease due to instability in financial markets, which could also adversely affect our ability to raise financing.

There are also risks from the transition to a low-carbon society. For example, due to changes in climate change policies, tightening of environmental regulations and technological innovation to address climate change, our customers or companies whose securities we hold that operate in sectors that are deemed to contribute significantly to climate change may experience declines in the value of their assets (i.e., asset stranding). In addition, our customers' and such companies' financial condition and performance could suffer from increasing costs associated with climate change response measures, which could result in an increase in our credit costs or a decline in our investment assets.

Furthermore, financial institutions, including Japanese financial institutions, have been facing increasing pressure from investors, non-profit organizations and other interested parties to reduce their exposure to financing of projects that are inconsistent with the goals of the Paris Agreement. SuMi TRUST Group continues to proactively address issues relating to climate change, including by stepping up its services in the areas of positive impact finance and ESG/integrated report consulting and by contributing to the spread of renewable energy through project financing for wind power generation and mega-solar power in Japan and abroad, and SuMi TRUST Bank has set targets to

reduce our exposure to financing for coal-fired power generation. See “Business—Sustainability.” However, continued pressure from investors, non-profit organizations or other interested parties and our future responses thereto may have potential adverse effects on our reputation or may require changes to our business, which could adversely affect our results of operation.

**Risks Relating to the Notes**

***The Notes are unsecured obligations.***

The Notes are unsecured obligations and payments due on the Notes may be compromised if:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in payment under our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, our assets may not be sufficient to pay amounts due on the Notes.

***The Notes are subject to transfer restrictions.***

The Notes will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to persons reasonably believed to be QIBs in reliance on the exemption provided by Rule 144A, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with applicable state securities laws. In addition, subject to the conditions set forth herein and in the Indenture, the Notes may be transferred only if the principal amount of the Notes transferred is at least U.S.$200,000. For a further discussion of the transfer restrictions applicable to the Notes, see “Transfer Restrictions.”

***The Indenture and the Notes contain very limited restrictive covenants and provide no protection in the event of a change in control.***

The Indenture and the Notes do not contain any financial covenants or other restrictions on our ability to securitize our loan assets, or sell or otherwise dispose of substantially all of our assets, pay dividends on our shares of common stock, incur indebtedness or issue new securities or repurchase our outstanding securities. In addition, there are only limited restrictions on our ability to pledge assets or to secure other indebtedness. These or other actions by us could adversely affect our ability to pay amounts due on the Notes. In addition, the Indenture and the Notes do not contain any covenants or other provisions that prevent a change in control or require us to repurchase the Notes in the event of a change in control. See “Description of the Notes.”

***There is no prior market for the Notes and, if a market develops, it may not be liquid.***

Whether or not a series of Notes will be approved for listing on the SGX-ST or any other securities exchange, there can be no assurance that any active trading market for the Notes will ever develop or be maintained. The dealers have advised us that they currently intend to make a market in the Notes that they distribute. However, the dealers have no obligation to make a market in the Notes and they may stop at any time. Furthermore, there can be no assurance as to the liquidity of any market that may develop for the Notes or the prices at which you will be able to sell your Notes, if at all.

Future trading prices of the Notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the Notes;
- the market for similar securities; and
- general economic conditions.

Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including the time remaining to the maturity of the Notes; the outstanding amount of the Notes; and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining any listing of one or more series of Notes on the SGX-ST or another securities exchange become unduly burdensome, we may be entitled to, and may decide to, delist such Notes from such exchange and, if required by the terms thereof, seek an alternate listing for such Notes on another securities exchange.

***The ratings on the Program or a particular series of Notes issued under the Program could be lowered, suspended or withdrawn, and our credit ratings may not reflect all risks of an investment in the Notes.***

The Program and Notes issued under the Program may be rated by one or more rating agencies, as indicated in an applicable supplement or pricing term sheet. Any ratings will be limited in scope, and will not address all material risks relating to the Program or an investment in the Notes, but reflect only the view of each rating agency at the time the rating is issued. However, real or anticipated changes in our credit ratings will generally affect the market value of any series of Notes. In May 2019, Moody's Japan K.K. changed its outlook for Japan's banking system to negative from stable to reflect its assessment that the overall creditworthiness of Japanese banks would deteriorate in the next 12 to 18 months. Further, in December 2019, Moody's Japan K.K. stated that its outlook for Japanese banks for 2020 was negative and in May 2020, Moody's Japan K.K. stated that an upgrade of our ratings is unlikely and that our ratings could be downgraded in case of a downgrade of Japan's sovereign rating or the tangible common equity ratio of our parent, SuMi TRUST Holdings, remaining below 9% on a sustained basis.

There is no assurance that any credit ratings on the Program or a series of Notes will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors in the Notes and adversely affect the prices and liquidity of the Notes. A security rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Such an event, or a similar development with respect to the ratings assigned to us, our subsidiaries or any of our respective securities could reduce the scope of potential investors in any series of Notes and adversely affect the price and liquidity of such Notes. We have no obligation to inform holders of any series of Notes of any such downgrade, suspension, reduction or withdrawal.

## USE OF PROCEEDS

Unless otherwise indicated in an applicable supplement or pricing term sheet, we will use the net proceeds we receive from any offering of the Notes for general corporate purposes.

## CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated capitalization and indebtedness as of September 30, 2020. This table should be read in conjunction with our unaudited interim consolidated financial statements and related notes and other financial information included elsewhere in this base offering circular. The table has not been adjusted to give effect to any issuance of any Notes.

| | As of September 30, 2020 (billions of yen) |
|---|---|
| **Indebtedness:** | |
| Bonds and notes (excluding short-term bonds and subordinated debt)(1) | ¥ 356.4 |
| Subordinated debt: | |
| Bonds and notes | 240.5 |
| Borrowed money | 740.0 |
| Total subordinated debt | 980.5 |
| Total indebtedness | ¥1,337.0 |
| **Net assets:** | |
| Capital stock | ¥ 342.0 |
| **Common stock:** | |
| Authorized 3,000,000,000 shares; issued 1,674,537,008 shares | |
| **Preferred stock:** | |
| Authorized 400,000,000 shares; issued 0 shares | |
| Capital surplus | 342.8 |
| Retained earnings | 1,315.6 |
| Total shareholders' equity | 2,000.5 |
| Valuation differences on available-for-sale securities | 360.7 |
| Deferred losses on hedges | (58.3) |
| Revaluation reserve for land | (3.9) |
| Foreign currency translation adjustments | (3.5) |
| Remeasurement of defined benefit plans | (65.1) |
| Total accumulated other comprehensive income | 229.8 |
| Non-controlling interests | 27.1 |
| Total net assets | 2,257.5 |
| Total capitalization and indebtedness | ¥3,594.6 |

Note:

(1) On October 15, 2020, we issued €850 million of covered bonds due 2027 under our covered bond programme, on November 5, 2020, we issued ¥30 billion of domestic senior bonds and on January 27, 2021 we issued ¥20 billion of domestic senior bonds.

Except as stated above, there has been no material change in our capitalization and indebtedness since September 30, 2020.

We regularly issue securities in different currencies and markets. We also analyze market opportunities for the issuance of other types of securities. The above table does not account for potential future securities issuances.

## SELECTED FINANCIAL DATA AND OTHER INFORMATION

The tables below set forth our selected consolidated financial data as of and for the years ended March 31, 2018, 2019 and 2020, derived from our audited consolidated financial statements, and as of and for the six months ended September 30, 2019 and 2020, derived from our unaudited interim consolidated financial statements. The audited consolidated financial statements and their notes as of and for the fiscal years ended March 31, 2018, 2019 and 2020 and the unaudited interim consolidated financial statements and their notes as of and for the six months ended September 30, 2019 and 2020 are contained elsewhere in this base offering circular. Our results of operations for the six months ended September 30, 2020 are not necessarily indicative of our results of operations for the fiscal year ending March 31, 2021 or for any other period. We have not published consolidated financial information as of or for the nine months ended December 31, 2020. For additional information as of and for the nine months ended December 31, 2020, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Financial Highlights."

Some statistical information, including problem loan classifications data, is primarily reported by Japanese banks on a non-consolidated basis and is presented as such in this base offering circular. You should read the selected financial information presented below together with the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes thereto and other financial information, included elsewhere in this base offering circular. The information presented below is qualified in its entirety by reference to that information.

| | For the year ended March 31, | | | For the six months ended September 30, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | (billions of yen) | | | | |
| **Statement of income data:** | | | | | |
| Interest income | ¥431.5 | ¥511.5 | ¥491.7 | ¥253.9 | ¥183.7 |
| Interest expense | 246.2 | 372.0 | 362.0 | 193.9 | 80.9 |
| Net interest income | 185.3 | 139.4 | 129.7 | 59.9 | 102.7 |
| Trust fees | 94.6 | 100.3 | 99.8 | 49.0 | 50.2 |
| Fees and commissions | 380.1 | 383.4 | 313.8 | 168.1 | 124.1 |
| Fees and commissions payments | 104.7 | 109.2 | 90.6 | 48.4 | 42.1 |
| Net fees and commissions | 275.3 | 274.1 | 223.1 | 119.6 | 81.9 |
| Trading income | 10.0 | 27.9 | 102.1 | 42.8 | 17.5 |
| Trading expenses | — | — | — | 0.1 | — |
| Net trading income | 10.0 | 27.9 | 102.1 | 42.7 | 17.5 |
| Other ordinary income | 306.7 | 357.0 | 348.6 | 181.7 | 173.4 |
| Other ordinary expenses | 230.4 | 250.6 | 281.2 | 126.7 | 134.9 |
| Net other ordinary income (expenses) | 76.2 | 106.3 | 67.3 | 55.0 | 38.4 |
| General and administrative expenses | 419.1 | 407.4 | 385.1 | 195.7 | 181.0 |
| Other income | 127.7 | 71.5 | 93.5 | 21.2 | 23.8 |
| Other expenses | 115.5 | 76.8 | 115.2 | 14.4 | 31.9 |
| Income before income taxes | 234.7 | 235.5 | 215.3 | 137.5 | 101.8 |
| Income taxes—current | 55.7 | 64.8 | 74.6 | 35.6 | 25.5 |
| Income taxes—deferred | 15.5 | 5.1 | (6.9) | 4.0 | 2.6 |
| Net income attributable to non-controlling interests | 7.5 | 4.0 | 0.4 | 0.7 | 0.4 |
| Net income attributable to owners of the parent | ¥155.8 | ¥161.5 | ¥147.1 | ¥ 97.1 | ¥ 73.2 |

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | | (billions of yen) | | |
| **Balance sheet data:** | | | | |
| Cash and due from banks | ¥15,661.9 | ¥16,042.8 | ¥13,087.8 | ¥17,445.2 |
| Loans and bills discounted | 28,000.6 | 29,022.7 | 29,703.3 | 30,140.3 |
| Securities | 5,523.1 | 5,692.5 | 6,343.1 | 6,641.4 |
| Allowance for loan losses | (102.9) | (99.7) | (127.2) | (124.8) |
| Other | 5,727.9 | 6,283.1 | 7,281.8 | 5,530.6 |
| Total assets | 54,810.8 | 56,941.6 | 56,288.8 | 59,632.7 |
| Deposits and negotiable certificates of deposit | 36,153.4 | 38,359.3 | 36,706.3 | 41,217.6 |
| Borrowed money from trust account | 5,172.4 | 5,408.0 | 4,750.2 | 3,517.4 |
| Other | 10,767.2 | 10,674.4 | 12,619.7 | 12,640.1 |
| Total liabilities | 52,093.2 | 54,441.7 | 54,076.4 | 57,375.2 |
| Non-controlling interests | 143.4 | 34.3 | 26.7 | 27.1 |
| Total net assets | 2,717.5 | 2,499.8 | 2,212.4 | 2,257.5 |
| Total liabilities and net assets | ¥54,810.8 | ¥56,941.6 | ¥56,288.8 | ¥59,632.7 |

The following table sets forth our non-consolidated balance sheet data as of March 31, 2018, 2019 and 2020 and as of December 31, 2020:

| | As of March 31, | | | As of December 31, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | | (billions of yen) | | |
| **Balance sheet data:** | | | | |
| Cash and due from banks | ¥15,408.1 | ¥15,831.2 | ¥12,916.0 | ¥16,614.1 |
| Loans and bills discounted | 28,259.0 | 29,404.1 | 29,953.5 | 30,187.6 |
| Securities | 5,972.3 | 6,091.8 | 6,625.0 | 6,976.7 |
| Allowance for loan losses | (77.1) | (75.2) | (98.1) | (95.8) |
| Other | 3,599.0 | 3,971.6 | 5,200.3 | 5,024.2 |
| Total assets | 53,161.4 | 55,223.7 | 54,596.7 | 58,706.9 |
| Deposits and negotiable certificates of deposit | 36,151.1 | 38,290.4 | 36,650.4 | 41,103.8 |
| Borrowed money from trust account | 5,172.4 | 5,408.0 | 4,750.2 | 3,849.2 |
| Other | 9,465.5 | 9,253.5 | 11,178.5 | 11,746.0 |
| Total liabilities | 50,789.1 | 52,951.9 | 52,579.3 | 56,699.1 |
| Total net assets | 2,372.2 | 2,271.8 | 2,017.4 | 2,007.8 |
| Total liabilities and net assets | ¥53,161.4 | ¥55,223.7 | ¥54,596.7 | ¥58,706.9 |

The following tables set forth certain of our supplemental non-consolidated financial information as of and for the years ended March 31, 2018, 2019 and 2020, and as of and for the nine months ended December 31, 2019 and 2020:

| | As of and for the year ended March 31, | | | As of and for the nine months ended December 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | (billions of yen, except percentages) | | | | |
| **Problem asset information:** | | | | | |
| Balance of NPLs | ¥ 56.7 | ¥ 84.2 | ¥ 86.8 | ¥ 94.7 | ¥108.6 |
| Bankrupt and practically bankrupt | 12.0 | 10.5 | 9.5 | 9.6 | 21.3 |
| Doubtful | 27.0 | 55.2 | 39.2 | 60.3 | 43.0 |
| Substandard | 17.7 | 18.5 | 38.1 | 24.8 | 44.4 |
| Ratio of NPLs to total loan balance | 0.2% | 0.3% | 0.3% | 0.3% | 0.4% |
| Total credit costs | ¥ (7.0) | ¥ (2.0) | ¥ 34.8 | ¥ 1.9 | ¥ 1.3 |
| **Sales volume:** | | | | | |
| Investment trust sales | ¥1,241.5 | ¥773.8 | ¥952.0 | ¥722.8 | ¥421.3 |
| Fund wrap, separately managed account sales | 248.0 | 191.8 | 127.4 | 93.6 | 61.0 |
| Insurance sales | 247.3 | 304.4 | 176.0 | 141.1 | 44.4 |

| | As of and for the year ended March 31, | | | As of and for the nine months ended December 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | (billions of yen, except percentages) | | | | |
| General and administrative expenses | ¥ 254.2 | ¥239.6 | ¥252.5 | ¥184.8 | ¥190.4 |
| Less: Amortization of net actuarial losses and retirement benefit | 17.2 | 3.8 | 6.1 | 4.4 | 9.3 |
| Adjusted general and administrative expenses[(1)] | 237.0 | 235.8 | 246.4 | 180.3 | 181.1 |
| Personnel | 109.5 | 107.2 | 108.4 | 79.6 | 79.3 |
| Non-personnel | 114.8 | 116.1 | 124.3 | 90.7 | 91.4 |
| Miscellaneous taxes | 12.6 | 12.4 | 13.7 | 9.9 | 10.2 |
| Adjusted overhead ratio[(2)] | 55.5% | 50.5% | 54.4% | 52.5% | 54.1% |
| Gross business profit (*gyomu sorieki*)[(3)] | ¥ 426.8 | ¥467.3 | ¥453.2 | ¥343.3 | ¥334.9 |
| Net business profit before credit costs (*jisshitsu gyomu jun-eki*)[(4)] | 189.7 | 231.4 | 206.8 | 162.9 | 153.8 |
| Loans-to-deposits ratio[(5)] | 78.2% | 76.8% | 81.7% | 79.9% | 73.4% |
| JGB holding ratio[(6)] | 0.7 | 0.8 | 2.7 | 1.1 | 2.8 |

Notes:

(1) Adjusted general and administrative expenses is a non-Japanese GAAP measure calculated as general and administrative expenses under Japanese GAAP minus amortization of net actuarial losses, prior service costs and retirement benefit.

(2) Adjusted overhead ratio is a non-Japanese GAAP measure calculated as adjusted general and administrative expenses divided by gross business profit.

(3) Gross business profit is the total of trust fees, net interest income, net fees and commissions, net trading income and net other ordinary income (gains or losses on sales of bonds, net gains or losses on foreign exchange transactions, net income or expenses on derivatives other than trading or hedging, etc.). Gross business profit is a non-Japanese GAAP measure. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Results—Supplemental Financial Measures" for further discussion and reconciliation to net income prepared in accordance with Japanese GAAP.

(4) Net business profit before credit costs is net business profit plus credit costs for principal guaranteed trusts and transfer to general allowance for loan losses. Net business profit is gross business profit, less adjusted general and administrative expenses and transfer to general allowance for loan losses. Net business profit before credit costs and net business profit are non-Japanese GAAP measures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Results—Supplemental Financial Measures" for further discussion and reconciliation to net income prepared in accordance with Japanese GAAP.

(5) Loans-to-deposits ratio is equal to:

$$\left( \frac{\text{Loans and bills discounted}}{\text{Deposits + negotiable certificates of deposit}} \right) \times 100$$

(6) JGB holding ratio is equal to: (total Japanese government bonds holdings/total assets) x 100

Our domestic loan-deposit margin (measured by subtracting the average yield on our domestic deposits from the average yield on our domestic loans and bills discounted) for our banking account on a non-consolidated basis was 0.58% as of December 31, 2020, as compared to 0.58% as of March 31, 2020 and 0.58% as of December 31, 2019. Our international loan-deposit margin (measured by subtracting the average yield on our foreign deposits from the average yield on our foreign loans and bills discounted) for our banking account on a non-consolidated basis was 1.11% as of December 31, 2020, as compared to 1.07% as of March 31, 2020 and 1.03% as of December 31, 2019.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Prospective investors should read the following discussion of our financial condition and results of operations together with "Additional Financial Information" and the financial statements and related notes included elsewhere in this base offering circular. This section contains forward-looking statements. Unless otherwise indicated, all financial information is presented on a consolidated basis. Certain problem loan figures and other data are presented on a non-consolidated basis.*

### Overview

The SuMi TRUST Group is an independent financial group specializing in trust banking established on April 1, 2011 through a share exchange between CMTH and STB. To further the SuMi TRUST Group's integration, we were created when SuMi TRUST Holdings merged its three trust bank subsidiaries on April 1, 2012. We are a wholly owned subsidiary of SuMi TRUST Holdings and form the core of the SuMi TRUST Group. We are one of the largest Japanese trust banks in terms of trust account assets, with ¥236.8 trillion in total assets in our trust account as of December 31, 2020.

SuMi TRUST Holdings operates its main businesses primarily through us, as the main operating subsidiary of the SuMi TRUST Group. We organize our business into the following reportable segments:

- *Retail Total Solution Services;*
- *Wholesale Financial Services* (consisting of *Wholesale Total Solution Services* and *Wholesale Asset Management*);
- *Stock Transfer Agency Services;*
- *Real Estate;*
- *Fiduciary Services;* and
- *Global Markets.*

### Sources of Income

Our three principal sources of operating income are net interest income, net fees and commissions and trust fees.

*Net interest income*, or the difference between our interest income and interest expenses, is a function of the amount of interest-earning assets and interest-bearing liabilities, the spread (the difference between the rate of the interest earned on average interest-earning assets and the rate of interest paid on average interest-bearing liabilities), the general level of interest rates and the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity. Our principal interest-earning assets are loans and bills discounted and, to a lesser extent, securities. Our principal interest-bearing liabilities are deposits. Our interest expenses also include interest paid on loans from the trust account, which are recorded on the balance sheet of the banking account as borrowed money from trust account.

*Net fees and commissions* are the fees earned on the provision of general services. Our fees and commissions consist of items such as:

- investment trust and insurance sales fees;
- discretionary investment fees;
- real estate brokerage fees;
- stock transfer agency fees; and
- syndicated loan fees.

Factors affecting our fees and commissions are the demand for the services we provide and fees charged by competitors for similar services. The volume of services we provide also affects profitability,

as some of our fee businesses, such as our stock transfer agency business, have significant economies of scale. We are seeking to grow our fees and commissions by redeploying staff from headquarters to our sales force and improving business efficiency within business segments.

*Trust fees* are the fees we receive for controlling and managing trust assets held under trust agreements. Trust fees are generally calculated based on the value of assets in trust and major types of fees include:

- pension trust fees;
- individually operated designated money trust fees;
- investment trust and specified money trust fees;
- asset securitization-related trust fees; and
- securitized real estate trust fees.

Trust fees received in connection with jointly operated money trusts ("JOMTs") have business attributes similar to our banking business and therefore are generally excluded from trust fee revenues and are included in net interest income and related profit.

In addition to the above, gains and losses related to our investments in bonds, principally JGBs, are reflected in net other ordinary income and may have a substantial impact on our operating results.

**Recent Developments: COVID-19 Pandemic**

The ongoing COVID-19 pandemic has put pressure on the global economy, including Japan. In response to the COVID-19 pandemic, SuMi TRUST Group recorded a special loan loss provision from a forward-looking perspective of approximately ¥25.0 billion for the fiscal year ended March 31, 2020, of which approximately ¥19.0 billion was recorded by SuMi TRUST Bank. However, for the nine months ended December 31, 2020, SuMi TRUST Group's credit costs were ¥1.9 billion, a decrease of ¥3.1 billion, or 62.1%, from SuMi TRUST Group's credit costs for the same period in the prior year, and SuMi TRUST Bank's credit costs on a non-consolidated basis were ¥1.3 billion, a decrease of ¥0.6 billion, or 32.1%, from SuMi TRUST Bank's credit costs on a non-consolidated basis for the same period in the prior year, primarily due to a reversal in special loan loss provision of approximately ¥8.0 billion for SuMi TRUST Group, of which approximately ¥7.7 billion was a reversal recorded by SuMi TRUST Bank on a non-consolidated basis. For the nine months ended December 31, 2020, SuMi TRUST Group's net business profit before credit costs was ¥217.1 billion, a decrease of ¥4.0 billion from the same period for the previous fiscal year, and our non-consolidated net business profit before credit costs was ¥153.8 billion, a decrease of ¥9.1 billion from the same period for the previous fiscal year, as SuMi TRUST Group experienced decreasing impacts from the COVID-19 pandemic and sales of investment trust and real estate brokerage fees showed a recovering trend. Net business profit is a non-Japanese GAAP measure—see "Selected Financial Data and Other Information." COVID-19-related credit extended by SuMi TRUST Bank to domestic corporate customers declined to ¥13.5 trillion for the three months ended December 31, 2020 (average figure of the balance at the end of each month in that period), down from a peak of ¥13.8 trillion outstanding for the three months ended June 30, 2020 (average figure of the balance at the end of each month in that period).

As a result of the COVID-19 pandemic, the number of face-to-face contacts with our individual clients has decreased for the nine months ended December 31, 2020 as compared to the same period in the previous fiscal year, whereas the number of non-face-to-face contacts, both calls and online, remained relatively the same as compared to the same period in the previous fiscal year. To reduce the risk of infection, plexiglass screens have been installed in our branches.

We also continue to promote telework for our employees to reduce risk of infection, and we maintain active use of telework and team rotations for our employees. Although SuMi TRUST Group's medium term management plan had included targeted cost reductions of ¥10.0 billion, such cost reduction targets were increased by an additional ¥4.0 billion in response to the impacts of the COVID-19 pandemic, including efforts such as reduction of branch floor space, reduction of office floor space through increased remote working and decreasing of travel costs relating to sales activities.

The impacts of the COVID-19 pandemic on our business and the businesses of our clients remain uncertain and we continue to assess such impacts as events relating to the COVID-19 pandemic unfold and new information becomes available. See “Risk Factors—The COVID-19 pandemic has severely affected global economic conditions and has had, and may continue to have, a significant negative impact on our business, results of operations and financial condition.”

**Recent Financial Highlights**

Regarding recent developments relating to COVID-19, please see “Recent Developments: COVID-19 Pandemic.”

***Results of Operations for the Nine Months Ended December 31, 2019 and 2020 (Non-consolidated basis)***

The table below sets forth our selected non-consolidated financial data for the nine months ended December 31, 2019 and 2020. Our results of operations for the nine months ended December 31, 2020 are not necessarily indicative of our operating results for the year ending March 31, 2021 or for any other period.

| | For the nine months ended December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| Ordinary income | ¥754.6 | ¥542.4 |
| Trust fees | 73.6 | 75.8 |
| Interest income | 364.0 | 255.1 |
| Interest on loans and discounts | 256.1 | 191.4 |
| Interest and dividends on securities | 75.0 | 55.1 |
| Fees and commissions | 135.9 | 123.7 |
| Trading income | 47.5 | 10.4 |
| Other ordinary income | 103.4 | 54.4 |
| Other income | 29.9 | 22.7 |
| Ordinary expenses | 586.5 | 410.8 |
| Interest expenses | 284.9 | 107.4 |
| Interest on deposits | 97.1 | 35.6 |
| Fees and commissions payments | 71.3 | 74.1 |
| Trading expenses | 0.3 | 0.1 |
| Other ordinary expenses | 24.7 | 2.9 |
| General and administrative expenses | 184.8 | 190.4 |
| Other expenses | 20.3 | 35.7 |
| Ordinary profit | 168.0 | 131.5 |
| Extraordinary income | 3.1 | 0.0 |
| Extraordinary losses | 0.8 | 0.8 |
| Income before income taxes | 170.3 | 130.7 |
| Income taxes—current | 38.0 | 31.4 |
| Income taxes—deferred | 7.2 | 3.1 |
| Income taxes | 45.3 | 34.5 |
| Net income | ¥125.0 | ¥ 96.2 |

| | As of and for the nine months ended December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen, except percentages) | |
| **Other information:** | | |
| Total credit costs | ¥ (1.9) | ¥ (1.3) |
| Investment trust sales | 722.8 | 421.3 |
| Insurance sales | 141.1 | 44.4 |
| Loans-to-deposits ratio | 79.9% | 73.4% |

For the nine months ended December 31, 2020, our non-consolidated ordinary income was ¥542.4 billion, a decrease of ¥212.2 billion compared to the same period in the prior year. We recorded interest income of ¥255.1 billion, a decrease of ¥108.8 billion compared to the same period in the prior year, primarily due to decreases in interest on overseas loans, in interest on deposits and interest and dividends on securities. We also experienced a decrease of ¥12.1 billion in fees and commissions compared to the same period in the prior year primarily resulting from decreases in investment management consulting-related fees and in real estate in trust-related fees.

Our non-consolidated ordinary expenses decreased by ¥175.7 billion to ¥410.8 billion for the nine months ended December 31, 2020 compared to the same period in the prior year. We recorded interest expenses of ¥107.4 billion, a decrease of ¥177.5 billion compared to the same period in the prior year due primarily to decreases in interest on deposits, in interest on negotiable certificates of deposit and in interest on repurchase transactions. In addition, other ordinary expenses decreased by ¥21.8 billion to ¥2.9 billion compared to the same period in the prior year, primarily due to decreases in derivatives expenses and in losses on domestic bond transactions.

As a result of the foregoing, our non-consolidated ordinary profit was ¥131.5 billion for the nine months ended December 31, 2020, a decrease of ¥36.5 billion compared to ¥168.0 billion for the same period in the prior year. We recorded non-consolidated net income of ¥96.2 billion, a decrease of ¥28.8 billion compared to the same period in the prior year.

Total credit costs were ¥1.3 billion, as compared to ¥1.9 billion for the same period in the prior year.

Our domestic loan-deposit margin for the banking account was 0.58% for the nine months ended December 31, 2020, as compared to 0.58% for the nine months ended December 31, 2019 primarily due to a decrease in both interest rates on loans and interest rates on deposits.

***Financial Condition as of March 31, 2020 and December 31, 2020 (Non-consolidated basis)***

Our balance of NPLs was ¥108.6 billion as of December 31, 2020, compared to ¥86.8 billion as of March 31, 2020, and our ratio of NPLs to total loan balance was 0.4% as of December 31, 2020, compared to 0.3% as of March 31, 2020. Total net unrealized gains or losses on marketable available-for-sale securities in our banking account were ¥440.2 billion of net gains as of December 31, 2020, compared to ¥520.0 billion of net gains as of March 31, 2020. This decrease of net unrealized gains was mainly due to an increase of net unrealized losses in other securities (investment trust, etc. owning for hedging of strategic shareholdings) offset partially by an increase of net unrealized gains in Japanese stocks.

The table below sets forth a breakdown of our credit portfolio as of March 31, 2020 and December 31, 2020:

| | As of March 31, 2020 | As of December 31, 2020 |
|---|---|---|
| | (trillions of yen)[1] | |
| Loans to individuals | ¥10.44 | ¥10.67 |
| Product related (foreign currency) | 2.86 | 2.72 |
| Product related (yen) | 3.11 | 3.22 |
| Corporate loans (foreign currency) | 3.54 | 3.03 |
| Corporate loans (yen) | 11.36 | 11.89 |
| Total | ¥31.33 | ¥31.55 |

Note:

(1) Amounts for loans and products denominated in foreign currencies were translated into yen at the exchange rates prevailing at March 31, 2020 and December 31, 2020, respectively.

The table below sets forth a breakdown of our loans by industry as of December 31, 2020 in our banking account and trust account on a non-consolidated basis:

| | As of December 31, 2020 | |
|---|---|---|
| | (billions of yen, except percentages) | |
| Manufacturing | ¥ 3,025.0 | 10.0% |
| Agriculture, forestry, fisheries, mining, etc. | 60.5 | 0.2 |
| Construction | 212.8 | 0.7 |
| Electric, gas, heat supply and water | 1,204.8 | 4.0 |
| Information and communications | 332.2 | 1.1 |
| Transport and postal activities | 1,289.8 | 4.3 |
| Wholesale and retail trade | 1,227.2 | 4.1 |
| Finance and insurance | 2,156.9 | 7.1 |
| Real estate | 3,627.0 | 12.0 |
| Goods rental and leasing | 1,255.7 | 4.2 |
| Others | 11,932.9 | 39.5 |
| Overseas branches and offshore | 3,878.9 | 12.8 |
| Total | ¥30,204.3 | 100.0% |

See “Additional Financial Information—Loans.”

***Capital Ratios as of March 31, 2020 and December 31, 2020***

The table below presents our risk-weighted capital ratios, capital, and risk-weighted assets as of March 31, 2020 and December 31, 2020 on a consolidated basis, based on the Basel III rules:

| | SuMi TRUST Bank | |
|---|---|---|
| | As of March 31, 2020 | As of December 31, 2020 |
| | (billions of yen, except percentages) | |
| Common Equity Tier 1 capital ratio | 11.08% | 10.60% |
| Tier 1 capital ratio | 12.97 | 12.02 |
| Total capital ratio | 15.78 | 14.71 |
| Treasury stock (directly issued) | ¥ — | ¥ — |
| Directly issued qualifying common share capital plus related capital surplus and retained earnings | 1,927.2 | 2,015.4 |
| Accumulated other comprehensive income | 236.7 | 186.5 |
| Instruments and reserves | 2,163.9 | 2,201.9 |
| Regulatory adjustments | (95.3) | (105.1) |
| Common Equity Tier 1 capital | 2,068.6 | 2,096.8 |
| Additional Tier 1 capital | 351.7 | 281.3 |
| Tier 1 capital | 2,420.4 | 2,378.1 |
| Tier 2 capital | 524.5 | 531.7 |
| Total capital | ¥ 2,944.9 | ¥ 2,909.9 |
| Amount of credit risk-weighted assets | ¥16,471.5 | ¥17,308.7 |
| Amount of market risk equivalents | 1,325.3 | 1,592.8 |
| Amount of operational risk equivalents | 860.7 | 878.4 |
| Total risk-weighted assets[1] | ¥18,657.6 | ¥19,780.0 |

Note:

(1) After applying scaling factor. Individual subitems do not sum to total.

The table below presents SuMi TRUST Holdings' risk-weighted capital ratios, capital, and risk-weighted assets as of March 31, 2020 and December 31, 2020 on a consolidated basis, based on the Basel III rules:

| | SuMi TRUST Holdings | |
|---|---|---|
| | As of March 31, 2020 | As of December 31, 2020 |
| | (billions of yen, except percentages) | |
| Common Equity Tier 1 capital ratio | 12.62% | 12.11% |
| Tier 1 capital ratio | 14.47 | 13.51 |
| Total capital ratio | 17.23 | 16.15 |
| Treasury stock (directly issued) | ¥ (2.8) | ¥ (2.8) |
| Directly issued qualifying common share capital plus related capital surplus and retained earnings | 2,306.2 | 2,404.4 |
| Accumulated other comprehensive income | 220.8 | 174.7 |
| Instruments and reserves | 2,528.2 | 2,580.2 |
| Regulatory adjustments | (123.3) | (131.2) |
| Common Equity Tier 1 capital | 2,404.8 | 2,449.0 |
| Additional Tier 1 capital | 353.3 | 282.9 |
| Tier 1 capital | 2,758.1 | 2,731.9 |
| Tier 2 capital | 524.9 | 532.1 |
| Total capital | ¥ 3,283.1 | ¥ 3,264.0 |
| Amount of credit risk-weighted assets | ¥16,778.2 | ¥17,620.8 |
| Amount of market risk equivalents | 1,334.5 | 1,601.6 |
| Amount of operational risk equivalents | 941.2 | 987.2 |
| Total risk-weighted assets[(1)] | ¥19,053.9 | ¥20,209.7 |

Note:
(1) After applying scaling factor. Individual subitems do not sum to total.

**Factors Affecting Results of Operations**

***Operating Environment***

Our results of operations and financial condition are significantly affected by developments in Japan as well as the global economy.

For the first half of the fiscal year ended March 31, 2020, the Japanese economy continued to recover gradually, primarily due to the recovery of private consumption reflecting the good employment and improvement trend in the income situations, although exports of goods and services, and industrial production were weak reflecting the slowdown of certain foreign economies, notably China. However, for the second half of the fiscal year ended March 31, 2020, the Japanese economy turned worse, reflecting the impact of natural disasters such as typhoons, the consumption tax increase in October 2019, and the spread of COVID-19 near the end of the fiscal year. During the first quarter of the fiscal year ending March 31, 2021, the Japanese economy experienced a sharp contraction, which reflects the impact of the COVID-19 pandemic, including the effects of the state of emergency declared by the Japanese government between April and May 2020, as well as other factors such as restrictions on international travel and the broader global economic slowdown. The decline in Japan's GDP for the quarter was driven primarily by decreases in private consumption and net exports. During the second quarter of the fiscal year ending March 31, 2021, the Japanese economy returned to growth, showing signs of recovery despite the ongoing COVID-19 pandemic. However, since the beginning of December 2020, Japan has been experiencing an increase in the number of COVID-19 cases and a new state of emergency declared in January 2021 and remains in effect for certain parts of Japan including the Tokyo metropolitan area, although it was lifted for certain other prefectures at the beginning of March 2021. The outlook for the Japanese economy remains uncertain and is dependent on the future trajectory of the COVID-19 pandemic, as well as factors such as consumption and capital investments.

In recent years, the yen has experienced substantial volatility against the U.S. dollar. After fluctuating in a narrow range against the U.S. dollar during the calendar year 2017, the yen once again

began to strengthen against the U.S. dollar beginning in January 2018, appreciating slightly against the U.S. dollar at the end of calendar year 2018. The yen continued to strengthen against the U.S. dollar through much of 2019 before reversing trend from the end of 2019 and through 2020. In mid-March 2020, the COVID-19 pandemic triggered a short period of significant volatility in foreign exchange markets, which caused the yen to sharply rise, and then fall, against the U.S. dollar. Since April 2020, the yen has strengthened considerably against the U.S. dollar with intermittent periods of fluctuation.

Economic conditions in Japan are also significantly influenced by monetary policy measures implemented by the Bank of Japan. In February 2016, the Bank of Japan began implementing a negative interest rate policy, applying a rate of negative 0.1% to certain excess reserves that financial institutions hold at the bank. In September 2016, the Bank of Japan announced a new policy framework of quantitative and qualitative monetary easing with yield curve control, which included the introduction of an interest-rate target for 10-year JGBs. The policy framework consists of two major components: yield curve control for short-term and long-term interest rates and a commitment by the Bank of Japan to expand the monetary base until the year-on-year rate of increase in the consumer price index exceeds 2 percent and stays above it in a stable manner. In July 2018, the Bank of Japan decided to introduce forward guidance for policy rates with a view to persistently continuing with powerful monetary easing. Further, on October 31, 2019, the Bank of Japan amended its forward guidance to indicate that it expects short- and long-term interest rates to remain at or below their present levels so long as the Bank of Japan believes it is necessary to pay close attention to the possibility of a loss in momentum toward achieving its 2% price stability target. Under such circumstances, the uncollateralized overnight call rate, which is the benchmark short-term interest rate, remained negative for the fiscal year ended March 31, 2020. The yield on newly issued JGBs with a maturity of 10 years, which is the benchmark long-term interest rate, also remained in negative territory for the fiscal year ended March 31, 2020, except for a temporary increase to the 0.1% level in March 2020 primarily due to an increasing demand for funds caused by the spread of COVID-19. Since then the yield on newly issued JGBs with a maturity of 10 years has hovered around zero, before showing a slight uptick in February of 2021.

In response to the COVID-19 pandemic, on March 16, 2020, the Bank of Japan announced "enhancement of monetary easing in light of the impact of the outbreak of COVID-19." The Bank of Japan stated in this announcement that it decided to enhance monetary easing with a view to doing its utmost to ensure smooth corporate financing and maintaining stability in financial markets, thereby preventing firms' and households' sentiment from deteriorating. Thereafter, on April 27, 2020 and May 22, 2020, the Bank of Japan decided to further expand and enhance monetary easing taking into account the negative impact of the COVID-19 pandemic on Japanese economic conditions. In policy statements issued on June 16, 2020 and July 15, 2020, the Bank of Japan confirmed its intention to maintain the course of its easing policy and large-scale asset purchases, while continuing to monitor the impact of COVID-19, and stated its expectation that short- and long-term policy interest rates would remain at their present or lower levels. On December 18, 2020, the Bank of Japan announced that such measures would be extended for an additional six months, and the Bank of Japan continues to closely monitor the impact of COVID-19. The prolonged adoption of the Bank of Japan's negative interest rate policy and policy of monetary easing has negatively impacted domestic interest spread and interest income for Japanese banks and may have unforeseen side effects on the functioning of Japan's financial markets and competition in the banking industry.

Outside of Japan, prior to the COVID-19 pandemic, the global economy as a whole expanded moderately during calendar years 2018 and 2019 although European and certain Asian economies were weak. Specifically, the U.S. economy gradually expanded, supported by robust private consumption reflecting the strong employment and income situation. However, there was a downturn in business confidence in the U.S. manufacturing sector primarily due to technological and trade frictions with China. Economic growth in Europe, notably Germany, slowed down during this period, and there is continuing uncertainty about implementation of the trade agreement or other future developments in the relationship between the United Kingdom and the European Union. In Asia, the Chinese economy continued to slow, mainly from the impact of technological and trade frictions with the United States and, in early 2020, due to the outbreak of COVID-19 which caused disruptions to manufacturing and global supply chains, while restricting the movement of people as well as goods and supplies. As the COVID-19 pandemic unfolded, it created significant disruptions to global financial, foreign exchange, commodity and energy markets. Since March 2020, the imposition of lockdowns, business shutdowns and other countermeasures, such as quarantines, travel restrictions and social distancing measures,

have contributed to a sharp decline in global economic activity, resulting in high rates of unemployment in many countries. Although restrictive measures were eased in certain countries and regions and certain economies experienced a rebound in economic activity in the second half of 2020, restrictive measures were re-introduced in many countries around the world, including Japan, as they grappled with sudden increases in the number of COVID-19 cases as well as the discovery of potentially more infectious strains of the virus. Although vaccines have been approved for use in some countries, including Japan, the continued spread of COVID-19 and restrictive measures declared in response are likely to continue to depress economic activity in the near future and there remains significant uncertainty about the timing of any broad recovery in macroeconomic conditions. Projections released by the International Monetary Fund in January 2021 project that the global economy will grow 5.5% in 2021, following a severe collapse in 2020 due to the impacts of the COVID-19 pandemic. However, renewed waves of COVID-19 infections and new variants of the virus pose concerns for such outlook.

Macroeconomic policy and central bank actions outside of Japan have also contributed to changes in the global economic outlook in recent years. In response to the financial instability and risks of a prolonged economic slowdown due to the COVID-19 pandemic, central banks, including the Federal Reserve, Bank of England and European Central Bank (as well as the Bank of Japan as discussed above), have cut policy rates and/or announced stimulus measures while national governments around the world, including in Japan, the United States and Europe, have adopted major economic stimulus packages, some of which are unprecedented in size. However, it remains unclear whether such monetary and fiscal policy measures will have the intended effects.

Recent financial indicators include:

- The Nikkei Stock Average was 21,454.30 as of March 31, 2018 and decreased by 1.2% to 21,205.81 as of March 31, 2019. It then decreased to 18,917.01 as of March 31, 2020 and increased to 28,966.01 as of February 26, 2021.
- The Tokyo Stock Exchange Real Estate Investment Trust Index, a weighted aggregate market price index for all Japanese real estate investment trusts ("J-REITs") listed on the Tokyo Stock Exchange, was 1,688.66 on March 31, 2018 and increased to 1,907.36 as of March 31, 2019. It then decreased to 1,595.19 as of March 31, 2020 and increased to 1,929.15 as of February 26, 2021.
- The Japanese yen to U.S. dollar central spot exchange rate, according to the Bank of Japan, was ¥106.19 to U.S.$1.00 as of March 31, 2018 and weakened to ¥110.92 to U.S.$1.00 as of March 31, 2019. It strengthened to ¥108.70 to U.S. $1.00 as of March 31, 2020 and then further strengthened to ¥106.23 to U.S. $1.00 as of February 26, 2021.

It is uncertain how these recent Bank of Japan and other governments' policy measures, market and foreign exchange trends will affect our results of operations going forward. While improved performance of Japanese equities leads to increases in the value of our assets under management and reductions in impairments in our equity portfolio along with increased gains on sales of stocks and other securities, declines in the performance of Japanese equities would reverse some of those gains.

Low interest rates resulting from the Bank of Japan's quantitative easing policies, including its negative interest rate policy and bond-buying program, have negatively affected our net interest income. In principle, an increase in interest rates in the Japanese market over the longer term would create opportunities for us to increase the spread between the rates we pay on interest-bearing liabilities and those we earn on interest-bearing assets. Sharp increases in rates, however, could cause impairment losses with respect to our holdings of domestic fixed rate bonds and might take time for us to reflect in the rates we charge our borrowers.

We expect the current low or negative interest rate policy in Japan together with the continuation of other market conditions described above to continue to affect our results of operations in the near-to-medium term.

***Trust Business***

Our trust bank charter enables us to accept money and other assets in trust. Trust fees, which amounted to ¥50.2 billion for the six months ended September 30, 2020, are one of our principal sources of revenue. Some of our trusts lend entrusted funds to our banking account. Entrusted funds loaned to the banking account, recorded as borrowed money from trust account on our balance sheets, amounted to ¥3,517.4 billion as of September 30, 2020.

### *Trust Account*

Under the Trust Act of Japan (Act No. 108 of 2006), as amended (the "Trust Act"), the Act on Engagement in Trust Business Activities by Financial Institutions of Japan (Act No. 43 of 1943), as amended (the "Concurrent Operations Act"), and the Trust Business Act of Japan (Act No. 154 of 2004), as amended (the "Trust Business Act"), assets accepted in trust by a trust bank must be segregated from other assets of the trust bank. These assets are not available to depositors or other creditors of the trust bank. Accordingly, our financial statements do not reflect assets accepted in trust, which we record separately under our trust account balance sheet. The trust account balance sheet, which is not audited and which presents trust account data on a non-consolidated basis, also reflects the assets and liabilities of trusts for which we have guaranteed the principal.

### *Guaranteed Trusts and Problem Claims in the Trust Account*

We guarantee the principal of some of the trusts over which we have investment discretion, specifically, certain of our money trusts. As of December 31, 2020, the aggregate principal amount of such guaranteed trusts on a non-consolidated basis was ¥3,601.9 billion.

We have invested a portion of the assets entrusted into our guaranteed trusts in loans to third-party borrowers. To protect against the possibility of credit losses and other losses that would impair our ability to pay the principal on our guaranteed trusts, we provide an allowance for the impairment of guaranteed trust principal in our trust account, the total amount of which was ¥0.0 billion as of December 31, 2020. We provide disclosure on problem claims in our trust account that is comparable to our disclosure of problem claims in our banking account. Unless otherwise indicated, however, data on the balance of problem claims in our trust account, including the percentage of trust account claims that are problem claims, reflects claims extended by guaranteed trusts, which represent most, but not all, of the claims in our trust account.

Deterioration in the credit quality of the loans in our banking account and in our guaranteed trust account affects our net income in our banking account and trust account differently because of differences in our allowance and write-off policies between our banking account and guaranteed trust account. One principal difference in the allowance and write-off policies is that, while we provide a general allowance for loan losses on claims classified as doubtful or better in our banking account, we neither establish an allowance nor write off such claims in our guaranteed trust account. See "—Loan Losses and Problem Loans."

### *Equity Securities Portfolio*

We and our predecessors, like other Japanese banks, maintained large holdings of equity securities, including cross-shareholdings with corporate clients. As of March 31, 2020 and September 30, 2020, our marketable available-for-sale Japanese equity securities totaled ¥537.1 billion and ¥530.5 billion on an acquisition cost basis. Our portfolio of marketable available-for-sale securities comprises substantially all of such holdings for the SuMi TRUST Group.

## Critical Accounting Policies

### *General*

The preparation of our financial statements requires management to make estimates and judgments, which are based on various assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to the valuation of assets and liabilities.

Although actual results may differ from these estimates, we have used the best information available at the time to make our estimates. A summary of significant accounting policies is provided in Note 4 in "Significant Accounting Policies and Practices" in the notes to our audited consolidated financial statements as of and for the fiscal years ended March 31, 2018, 2019 and 2020 and our unaudited interim consolidated financial statements as of September 30, 2020 and for the six months ended September 30, 2019 and 2020 included elsewhere in this base offering circular.

We believe the following are our critical accounting policies. We consider these policies critical because:

- the estimates require us to make assumptions about matters that are highly uncertain at the time the estimates are made; and
- changes in the estimates that are reasonably likely to occur from period to period would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

***Allowance for Loan Losses***

The allowance for possible loan losses is management's estimate of the credit losses in the lending portfolio and is discussed in further detail in "—Loan Losses and Problem Loans." We establish a specific allowance and a general allowance.

A specific allowance is provided for specific claims against possible bankruptcy, virtual bankruptcy and legal bankruptcy borrowers, as classified under our self-assessment guidelines.

For claims against borrowers that have initiated special liquidation proceedings or other bankruptcy proceedings ("legal bankruptcy") and against borrowers that are in a substantially similar adverse condition ("virtual bankruptcy"), the allowance is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees. For claims against borrowers that have not yet initiated bankruptcy proceedings, but are very likely to become bankrupt in the future ("possible bankruptcy"), an allowance is provided for the amount deemed necessary based on the overall assessment of the borrowers' solvency, after deducting the amount expected to be collected through the disposal of collateral or execution of guarantees from the claims.

For claims against large borrowers with certain credit risks and credit amounts that are classified as possible bankruptcy borrowers, restructured loan borrowers, or close-observation borrowers, if future cash flows from the collection of the principal and interest can be reasonably estimated, the allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate prior to the loan restructuring and the carrying amount of the claim (the "estimated cash flow method").

For claims that are classified as other than those above, the allowance is primarily provided based on the estimated loan losses over the next one to three years, which are calculated based on the average historical loan-loss ratios during a certain period on the basis of historical loan losses over the past one to three years.

All claims are assessed at branches and credit supervision departments based on the criteria for self-assessment of asset quality. The Risk Management Department, which is independent from operating sections, monitors the results of such assessments.

As for the other consolidated subsidiaries, the allowance for loan losses for general claims is provided based on the historical loan-loss ratios, and the allowance for loan losses for specific claims, such as possible uncollectible claims, is provided based on the estimate of unrecoverable amount for each claim.

For claims against borrowers who are legally bankrupt or virtually bankrupt with collateral or guarantees, claims against borrowers in legal or virtual bankruptcy, net of amounts expected to be collected through the disposal of collateral or through the execution of guarantees, are directly deducted from the original amount of claims.

For the fiscal year ended March 31, 2020, SuMi TRUST Bank and some of its consolidated subsidiaries made necessary modifications to their historical loan-loss ratios, to incorporate the impact of the spread of COVID-19 on borrowers.

In particular, SuMi TRUST Bank and some of its consolidated subsidiaries identified industries and products (collectively the "Industries and Others") that may be affected by a downturn in business

performance due to the spread of COVID-19. Therefore, they recorded an additional allowance for loan losses for anticipated future credit losses, assuming that internal ratings of certain credits of the Industries and Others will be downgraded to some extent. There is no significant change to this assumption for the six-month period ended September 30, 2020.

***Valuation of Deferred Tax Assets***

We record deferred tax assets for deductible temporary differences and tax losses carried forward and evaluate them in accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Statement No. 26 of February 16, 2018). Under this guidance for the valuation of deferred tax assets, each company must be classified in a certain category based on its financial condition, prior results of operations and other factors. Based on this classification and a forecast of future operations, future taxable income and tax planning strategies, a company may recognize deferred tax assets within the period allowed for each category.

In accordance with these guidelines, we have evaluated the available evidence, both positive and negative, concerning our future taxable income and other possible sources of realization of deferred tax assets, and have concluded that it would be appropriate to recognize deferred tax assets that are realizable based on a reasonable estimate of future taxable income. As a result, we have recorded a valuation allowance to reduce deferred tax assets.

***Retirement Benefits***

Our employee retirement benefits consist principally of a defined benefit corporate pension plan, a defined contribution pension plan and a lump-sum retirement benefit plan. We set up employee retirement benefit trusts as part of our pension plan assets. Some of our consolidated subsidiaries also have entered into multiple employer pension plans. We account for the liability for employees' retirement benefits based on projected benefit obligation and the fair value of the plan assets at the balance sheet date. We estimate the amount of projected benefit obligations and the amount of plan assets using actuarial assumptions such as the discount rate and the expected rate of return on plan assets.

Changes in these assumptions inherent in the valuation are reasonably likely to occur from period to period. These changes in assumptions may lead to changes in related employee retirement and severance benefit obligations.

***Valuation of Financial Instruments Measured at Fair Value***

We have various types of financial instruments in our trading and banking accounts. In accordance with Japanese GAAP, we record some of our financial instruments at their fair values, which are measured based on market prices or third-party quotes or, if both are unavailable, our internal valuation models.

*Impairment in Value of Debt and Equity Securities*

For securities with readily determinable fair values, except those classified as trading securities, if the fair value of a security at a measurement date has declined by more than 50% of its cost, we recognize an impairment loss in the carrying amount of the security since the decline in fair value is deemed to be other than temporary. If the fair value of the security has declined by an amount ranging from 30% to 50% of its cost, we must evaluate the probability of recovery of fair value in order to determine whether an other-than-temporary impairment has occurred. The judgment of the likelihood and magnitude of a future recovery in fair value relies on management's subjective views concerning market uncertainties, the categories of the issuers of the securities classified by our self-assessment processes and various other factors.

For securities that do not have a readily determinable fair value, we recognize impairment in accordance with our self-assessment guidelines. Impairment charges are required if triggering events occur, such as worsening financial conditions or downgrades in credit ratings and breaches of covenants in the case of debt securities, suggesting the deterioration in an investment's future economic benefit. Judgment plays a significant role in determining the amount of impairment.

*Derivative Financial Instruments*

We have certain types of listed or unlisted derivative financial instruments in our trading and banking accounts and record them at their fair values, except those used for hedging purposes. Since unlisted derivative financial instruments do not have readily obtainable market prices or quotes, we estimate their fair values using our internal valuation models that are subject to assumptions, including assumptions relating to scenarios, interest rates and volatility. Although we strive to follow market standards in making assumptions and determining scenarios necessary for these valuation models, the outcomes of our models could differ from those used by other companies.

***Derivatives and Hedging Activities***

We follow guidelines issued by the Japanese Institute of Certified Public Accountants (the "JICPA") regarding the application of hedge accounting to derivative financial instruments. Derivative financial instruments are classified and accounted for as follows:

- except as discussed below, all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income; and
- for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, certain domestic consolidated subsidiaries use the deferral hedge method or the fair value hedge method.

Over the entire life of an effective hedging instrument, changes in the fair value or cash flows of the hedged item can be expected to be almost fully offset by changes in the fair value or cash flows of the hedging instrument, making the net impact on profit over time relatively small. However, if the item to be hedged is one that would normally not be recorded at fair value (for instance if it is held at cost less impairment) but the hedging instrument is a type that would normally be accounted for at fair value, there could be substantial differences in the profit and loss effect for the two items during specific accounting periods, although over the whole life of the instrument these differences would be expected to balance out. Applying hedge accounting means that changes in the fair values of designated hedging instruments affect net income in a period based on the economic effectiveness of each hedge.

We believe that not applying hedge accounting could lead to misinterpretations of our results and financial position since hedging transactions could have a material impact on net income in a particular period, although over the total life of a hedge the net effect of the two treatments is identical.

**Recent Accounting Changes**

See "Changes in Accounting Policies" in the notes to our audited consolidated financial statements as of and for the fiscal year ended March 31, 2020 included elsewhere in this base offering circular. There are no significant changes in accounting policies expected for the fiscal year ending March 31, 2021.

## Operating Results

### *Six Months Ended September 30, 2020 Compared with the Six Months Ended September 30, 2019*

The following table sets forth an overview of our key operating results for the six months ended September 30, 2019 and 2020:

| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| Interest income | ¥253.9 | ¥183.7 |
| Interest expenses | 193.9 | 80.9 |
| Net interest income | 59.9 | 102.7 |
| Trust fees | 49.0 | 50.2 |
| Fees and commissions | 168.1 | 124.1 |
| Fees and commissions payments | 48.4 | 42.1 |
| Net fees and commissions | 119.6 | 81.9 |
| Trading income | 42.8 | 17.5 |
| Trading expenses | 0.1 | — |
| Net trading income | 42.7 | 17.5 |
| Other ordinary income | 181.7 | 173.4 |
| Other ordinary expenses | 126.7 | 134.9 |
| Net other ordinary income | 55.0 | 38.4 |
| General and administrative expenses | 195.7 | 181.0 |
| Other income | 21.2 | 23.8 |
| Other expenses | 14.4 | 31.9 |
| Income before income taxes | 137.5 | 101.8 |
| Income taxes—current | 35.6 | 25.5 |
| Income taxes—deferred | 4.0 | 2.6 |
| Net income attributable to non-controlling interests | 0.7 | 0.4 |
| Net income attributable to owners of the parent | ¥ 97.1 | ¥ 73.2 |

*Net Interest Income*. The following table shows our average asset balances, interest and average interest rates of the interest-earning assets and the interest-bearing liabilities for the six months ended September 30, 2019 and 2020:

| | For the six months ended September 30, 2019 | | | For the six months ended September 30, 2020 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest | Average rate | Average balance | Interest | Average rate |
| | (billions of yen, except percentages) | | | | | |
| Interest income[1] | ¥50,498.0 | ¥253.9 | 1.00% | ¥53,234.3 | ¥183.7 | 0.68% |
| Interest on loans and discounts | 28,557.8 | 181.4 | 1.27 | 30,343.7 | 140.8 | 0.92 |
| Interest and dividends on securities | 5,321.9 | 45.4 | 1.70 | 5,876.0 | 33.5 | 1.14 |
| Interest on call loans and bills bought | 61.4 | 0.7 | 2.44 | 248.5 | 0.2 | 0.22 |
| Interest on receivables under resale agreements | 177.2 | 0.3 | 0.35 | 681.9 | 0.0 | 0.00 |
| Interest on receivables under securities borrowing transactions | 744.3 | — | — | 794.1 | — | — |
| Interest on deposits with banks | 13,956.4 | 20.4 | 0.29 | 13,557.9 | 6.0 | 0.08 |
| Interest expenses[2] | 50,375.4 | 193.9[3] | 0.77 | 53,390.1 | 80.9[3] | 0.30 |
| Interest on deposits | 30,587.6 | 65.6 | 0.42 | 32,057.2 | 27.0 | 0.16 |
| Interest on negotiable certificates of deposit | 6,889.1 | 46.4 | 1.34 | 6,287.4 | 10.6 | 0.33 |
| Interest on call money and bills sold | 919.9 | 0.4 | 0.10 | 1,113.6 | 0.1 | 0.03 |
| Interest on payables under repurchase agreements | 1,538.9 | 17.5 | 2.27 | 1,506.2 | 2.3 | 0.30 |
| Interest on payables under securities lending transactions | 120.9 | 1.5 | 2.62 | — | — | — |
| Interest on borrowings | 4,600.2 | 11.1 | 0.48 | 6,088.7 | 8.8 | 0.28 |
| Net interest income | | 59.9[3] | | | 102.7[3] | |

Notes:
(1) Interest income also includes ¥5.5 billion yen and ¥2.9 billion yen of other interest income for the six months ended September 30, 2019 and 2020, respectively.
(2) Interest expenses also includes ¥14.1 billion and ¥3.6 billion of interest on short-term borrowings, ¥5.4 billion and ¥2.5 billion of interest on bonds and ¥31.4 billion and ¥25.7 billion of other interest expenses for the six months ended September 30, 2019 and 2020, respectively.
(3) Includes deduction of assumed costs of funding from money held in trust.

We recorded interest income of ¥183.7 billion for the six months ended September 30, 2020, a decrease of ¥70.2 billion, or 27.7%, compared to ¥253.9 billion for the same period in the prior year. The decrease was due primarily to decreases in interest on overseas loans, in interest on deposits and in interest and dividends on securities.

Interest expenses decreased by ¥112.9 billion, or 58.2%, to ¥80.9 billion for the six months ended September 30, 2020, compared to ¥193.9 billion for the same period in the prior year. The decrease was mainly due to decreases in interest on deposits, in interest on negotiable certificates of deposit and in interest on repurchase transactions.

As a result of the foregoing, we recorded net interest income of ¥102.7 billion for the six months ended September 30, 2020, an increase of ¥42.7 billion, or 71.3%, from ¥59.9 billion recorded for the same period in the prior year.

The average rates on interest-earning assets and interest-bearing liabilities and net interest margin for the years ended September 30, 2019 and 2020 were as set forth in the following table:

| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (percentages) | |
| **Net interest margin:** | | |
| Average rate on interest-earning assets (A) | 1.00% | 0.68% |
| Average rate on interest-bearing liabilities (B) | 0.77 | 0.30 |
| Net interest margin ((A) – (B)) | 0.23 | 0.38 |

*Trust Fees*. Trust fees increased to ¥50.2 billion for the six months ended September 30, 2020, compared with ¥49.0 billion for the same period in the prior year.

*Net Fees and Commissions*. The table below sets forth the principal components of our net fees and commissions for the six months ended September 30, 2019 and 2020.

| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **Fees and commissions:** | | |
| Trust-related business | ¥ 53.6 | ¥ 41.8 |
| Deposits and lending business | 22.8 | 24.0 |
| Foreign exchange | 0.7 | 0.7 |
| Securities-related business | 13.8 | 11.0 |
| Agency business | 17.2 | 14.2 |
| Safe custody and safety deposit box business | 0.4 | 0.4 |
| Guarantee business | 5.1 | 4.5 |
| Other | 54.1 | 27.0 |
| Total fees and commissions | 168.1 | 124.1 |
| **Fees and commissions payments:** | | |
| Foreign exchange | 0.3 | 0.3 |
| Other | 48.0 | 41.7 |
| Total fees and commissions payments | 48.4 | 42.1 |
| Net fees and commissions | ¥119.6 | ¥ 81.9 |

Fees and commissions decreased by ¥44.0 billion, or 26.2%, to ¥124.1 billion for the six months ended September 30, 2020 compared to for the same period in the prior year. The change was mainly due to decreases in real estate in trust-related fees, investment consulting fees and fees at subsidiaries.

Fees and commissions payments decreased by ¥6.2 billion, or 13.0%, to ¥42.1 billion for the six months ended September 30, 2020. The change was primarily due to the same reasons as the above.

As a result of the foregoing, net fees and commissions decreased by ¥37.7 billion, or 31.5%, to ¥81.9 billion during the six months ended September 30, 2020, as compared to the same period in the prior year.

*Net Trading Income*. Our net trading income decreased by ¥25.1 billion, or 58.9%, to ¥17.5 billion in the six months ended September 30, 2020, compared to ¥42.7 billion for the same period in the prior year. The decrease was due primarily to a decrease in income from trading-related financial derivatives.

*Net Other Ordinary Income*. The table below sets forth the principal components of our net other ordinary income for the six months ended September 30, 2019 and 2020:

| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **Other ordinary income:** | | |
| Net gains on foreign exchange transactions | ¥ 41.6 | ¥ 9.3 |
| Gains on sales and redemption of bonds | 24.5 | 13.9 |
| Others | 115.6[1] | 150.1[1] |
| Total other ordinary income | 181.7 | 173.4 |
| **Other ordinary expenses:** | | |
| Losses on sales and redemption of bonds | 5.0 | 0.4 |
| Losses on derivatives other than for trading or hedging | 17.9 | — |
| Others | 103.7[2] | 134.5[2] |
| Total other ordinary expenses | 126.7 | 134.9 |
| Net other ordinary income | ¥ 55.0 | ¥ 38.4 |

Notes:
(1) Mainly lease income recognized by our consolidated subsidiaries.
(2) Mainly lease expense recognized by our consolidated subsidiaries.

We recorded other ordinary income of ¥173.4 billion for the six months ended September 30, 2020, a decrease of ¥8.3 billion, or 4.6%, compared to ¥181.7 billion for the same period in the prior year. The decrease was due primarily to decreases in gains on foreign exchange transactions and in gains on domestic bond transactions, partially offset by an increase in lease income.

Other ordinary expenses increased by ¥8.2 billion, or 6.5%, to ¥134.9 billion for the six months ended September 30, 2020. The primary cause of the increase was an increase in lease costs, partially offset by decreases in derivatives expenses and in losses on domestic bond transactions.

As a result of the foregoing, we recorded net other ordinary income of ¥38.4 billion in the six months ended September 30, 2020, a ¥16.5 billion decrease compared to net other ordinary income of ¥55.0 billion for the same period in the prior year.

*General and Administrative Expenses*. The table below sets forth the principal components of our general and administrative expenses for the six months ended September 30, 2019 and 2020:

| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| Taxes other than income taxes | ¥ 8.3 | ¥ 8.2 |
| Personnel expenses | 87.9 | 85.1 |
| Others | 99.4 | 87.6 |
| Total general and administrative expenses | ¥195.7 | ¥181.0 |

General and administrative expenses decreased by ¥14.7 billion, or 7.5%, to ¥181.0 billion for the six months ended September 30, 2020, due primarily to decreases in personnel expenses and in cost of equipment.

*Other Income and Expenses*. The following table sets forth other income and expenses for the six months ended September 30, 2019 and 2020:

| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **Other income:** | | |
| Gains on sales of stocks and other securities | ¥ 8.9 | ¥17.0 |
| Gains on money held in trust | 0.0 | 0.0 |
| Recoveries of written-off claims | 0.3 | 0.3 |
| Equity in earnings of affiliated companies | 3.7 | 3.8 |
| Gains on disposal of fixed assets | 0.6 | 0.0 |
| Others | 7.4 | 2.4 |
| Total other income | 21.2 | 23.8 |
| **Other expenses:** | | |
| Allowance for loan losses | 1.0 | — |
| Write-off of loans | 0.4 | 1.7 |
| Losses on sales of stocks and other securities | 0.4 | 3.8 |
| Losses on impairment of stocks and other securities | 6.2 | 0.5 |
| Losses on disposal of fixed assets | 0.3 | 0.3 |
| Losses on impairment of fixed assets | 0.1 | 0.1 |
| Expenses on stock-related derivatives | — | 11.5 |
| Others | 5.7 | 13.6 |
| Total other expenses | 14.4 | 31.9 |
| Net other income (expenses) | ¥ 6.8 | ¥ (8.0) |

We recorded other income of ¥23.8 billion for the six months ended September 30, 2020, an increase of ¥2.6 billion, or 12.3%, compared to ¥21.2 billion for the same period in the prior year. The increase was due primarily to an increase in gains on sales of stock, partially offset by decreases in reversal of contingent loss reserves, in gains on equity-related derivatives and in gains on disposal of fixed assets.

Other expenses for the six months ended September 30, 2020 increased by ¥17.5 billion, or 121.1%, to ¥31.9 billion, compared to ¥14.4 billion in the prior year. The increase was due primarily to increases in equity-related derivative expenses and in losses on sales of stocks and other securities.

*Income before Income Taxes*. As a result of the foregoing, our income before income taxes decreased by ¥35.7 billion, or 26.0%, to ¥101.8 billion for the six months ended September 30, 2020, compared to ¥137.5 billion for the six months ended September 30, 2019.

*Income Taxes*. Income taxes for the six months ended September 30, 2019 and 2020 were as follows:

| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen, except percentages) | |
| **Income taxes:** | | |
| Current | ¥ 35.6 | ¥ 25.5 |
| Deferred | 4.0 | 2.6 |
| Total | ¥ 39.6 | ¥ 28.1 |
| Effective income tax rate | 28.82% | 27.60% |

Current income taxes decreased by ¥10.0 billion to ¥25.5 billion for the six months ended September 30, 2020 compared to the same period in the prior year. Deferred income taxes decreased by ¥1.4 billion to ¥2.6 billion for the six months ended September 30, 2020.

*Net Income Attributable to Non-controlling Interests*. Net income attributable to non-controlling interests was ¥0.4 billion for the six months ended September 30, 2020, compared to ¥0.7 billion for the six months ended September 30, 2019.

*Net Income Attributable to Owners of the Parent*. As a result of the foregoing, net income attributable to owners of the parent decreased by ¥23.8 billion, or 24.6%, to ¥73.2 billion for the six months ended September 30, 2020, compared to ¥97.1 billion for the same period in the prior year.

***Year Ended March 31, 2020 Compared with the Year Ended March 31, 2019***

The following table sets forth an overview of our key operating results for the years ended March 31, 2019 and 2020:

| | For the year ended March 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| Interest income | ¥511.5 | ¥491.7 |
| Interest expenses | 372.0 | 362.0 |
| Net interest income | 139.4 | 129.7 |
| Trust fees | 100.3 | 99.8 |
| Fees and commissions | 383.4 | 313.8 |
| Fees and commissions payments | 109.2 | 90.6 |
| Net fees and commissions | 274.1 | 223.1 |
| Trading income | 27.9 | 102.1 |
| Trading expenses | — | — |
| Net trading income | 27.9 | 102.1 |
| Other ordinary income | 357.0 | 348.6 |
| Other ordinary expenses | 250.6 | 281.2 |
| Net other ordinary income | 106.3 | 67.3 |
| General and administrative expenses | 407.4 | 385.1 |
| Other income | 71.5 | 93.5 |
| Other expenses | 76.8 | 115.2 |
| Income before income taxes | 235.5 | 215.3 |
| Income taxes—current | 64.8 | 74.6 |
| Income taxes—deferred | 5.1 | (6.9) |
| Net income attributable to non-controlling interests | 4.0 | 0.4 |
| Net income attributable to owners of the parent | ¥161.5 | ¥147.1 |

*Net Interest Income*. The following table shows our average asset balances, interest and average interest rates of the interest-earning assets and the interest-bearing liabilities for the years ended March 31, 2019 and 2020:

| | For the year ended March 31, 2019 | | | For the year ended March 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest | Average rate | Average balance | Interest | Average rate |
| | (billions of yen, except percentages) | | | | | |
| Interest income[1] | ¥50,690.5 | ¥511.5 | 1.00% | ¥50,618.5 | ¥491.7 | 0.97% |
| Interest on loans and discounts | 28,045.6 | 363.2 | 1.29 | 28,830.8 | 349.8 | 1.21 |
| Interest and dividends on securities | 5,457.9 | 92.6 | 1.69 | 5,443.9 | 93.7 | 1.72 |
| Interest on call loans and bills bought | 205.8 | 1.5 | 0.73 | 58.2 | 1.4 | 2.45 |
| Interest on receivables under resale agreements | 123.8 | 0.9 | 0.74 | 192.6 | 0.5 | 0.29 |
| Interest on receivables under securities borrowing transactions | 737.4 | 0.0 | 0.00 | 747.8 | 0.0 | 0.00 |
| Interest on deposits with banks | 14,566.9 | 44.7 | 0.30 | 13,656.1 | 36.5 | 0.26 |
| Interest expenses[2] | 50,580.6 | 372.0[3] | 0.73 | 50,523.5 | 362.0[3] | 0.71 |
| Interest on deposits | 30,222.6 | 128.7 | 0.42 | 30,498.2 | 125.9 | 0.41 |
| Interest on negotiable certificates of deposit | 6,692.8 | 81.2 | 1.21 | 6,639.7 | 81.0 | 1.22 |
| Interest on call money and bills sold | 776.0 | 2.2 | 0.28 | 1,083.5 | 1.2 | 0.11 |
| Interest on payables under repurchase agreements | 1,671.9 | 35.6 | 2.13 | 1,663.8 | 31.7 | 1.90 |
| Interest on payables under securities lending transactions | 107.7 | 2.6 | 2.44 | 93.5 | 2.3 | 2.46 |
| Interest on borrowings | 4,795.7 | 23.2 | 0.48 | 4,720.1 | 21.2 | 0.45 |
| Net interest income | | 139.4[3] | | | 129.7[3] | |

Notes:
(1) Interest income also includes ¥8.3 billion and ¥9.6 billion of other interest income for the years ended March 31, 2019 and 2020, respectively.
(2) Interest expenses also includes ¥23.3 billion and ¥29.0 billion of interest on short-term borrowings, ¥16.4 billion and ¥8.2 billion of interest on bonds and ¥58.4 billion and ¥61.1 billion of other interest expenses for the years ended March 31, 2019 and 2020, respectively.
(3) Includes deduction of assumed costs of funding from money held in trust.

We recorded interest income of ¥491.7 billion in the year ended March 31, 2020, a decrease of ¥19.7 billion, or 3.9%, compared to ¥511.5 billion in the prior year. The decrease was due primarily to a decrease of ¥13.4 billion in interest on loans and discounts and a decrease of ¥8.1 billion in interest on deposits with banks, partially offset by an increase of ¥1.0 billion in interest and dividends on securities.

Interest expenses decreased by ¥10.0 billion, or 2.7%, to ¥362.0 billion in the year ended March 31, 2020, compared to ¥372.0 billion in the prior year. The decrease was mainly due to a decrease of ¥2.7 billion in interest on deposits, a decrease of ¥3.9 billion in interest on payables under repurchase agreements and a decrease of ¥8.2 billion in interest on bonds, partially offset by an increase of ¥6.2 billion in interest on interest rate swaps.

As a result of the foregoing, we recorded net interest income of ¥129.7 billion for the year ended March 31, 2020, a decrease of ¥9.7 billion, or 7.0%, from ¥139.4 billion recorded for the prior year.

The average rates on interest-earning assets and interest-bearing liabilities and net interest margin for the years ended March 31, 2019 and 2020 were as set forth in the following table:

| | For the year ended March 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (percentages) | |
| **Net interest margin:** | | |
| Average rate on interest-earning assets (A) | 1.00% | 0.97% |
| Average rate on interest-bearing liabilities (B) | 0.73 | 0.71 |
| Net interest margin ((A) – (B)) | 0.27 | 0.26 |

*Trust Fees*. Trust fees decreased to ¥99.8 billion for the year ended March 31, 2020, compared with ¥100.3 billion for the prior year.

*Net Fees and Commissions*. The table below sets forth the principal components of our net fees and commissions for the years ended March 31, 2019 and 2020.

| | For the year ended March 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **Fees and commissions:** | | |
| Trust-related business | ¥104.5 | ¥105.6 |
| Deposits and lending business | 46.2 | 46.3 |
| Foreign exchange | 1.3 | 1.4 |
| Securities-related business | 33.9 | 28.8 |
| Agency business | 34.9 | 34.7 |
| Safe custody and safety deposit box business | 0.5 | 0.4 |
| Guarantee business | 11.0 | 10.0 |
| Other | 150.8 | 86.2 |
| Total fees and commissions | 383.4 | 313.8 |
| **Fees and commissions payments:** | | |
| Foreign exchange | 0.8 | 0.7 |
| Other | 108.3 | 89.9 |
| Total fees and commissions payments | 109.2 | 90.6 |
| Net fees and commissions | ¥274.1 | ¥223.1 |

Fees and commissions decreased by ¥69.6 billion, or 18.2%, to ¥313.8 billion for the year ended March 31, 2020 compared to the prior year. The change was mainly due to a decrease of ¥74.1 billion in fees and commissions due to the corporate reorganization of the asset management business.

Fees and commissions payments decreased by ¥18.5 billion, or 17.0%, to ¥90.6 billion for the year ended March 31, 2020. The change was primarily due to a decrease of ¥25.3 billion in fees and commission payments due to the corporate reorganization of the asset management business.

As a result of the foregoing, net fees and commissions decreased by ¥51.0 billion, or 18.6%, year-on-year to ¥223.1 billion for the year ended March 31, 2020.

*Net Trading Income*. Our net trading income increased by ¥74.2 billion, or 265.9%, to ¥102.1 billion in the year ended March 31, 2020, compared to ¥27.9 billion in the prior year. The increase was due primarily to an increase of ¥73.4 billion in income from trading-related financial derivatives transactions.

*Net Other Ordinary Income*. The table below sets forth the principal components of our net other ordinary income for the years ended March 31, 2019 and 2020:

| | For the year ended March 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **Other ordinary income:** | | |
| Net gains on foreign exchange transactions | ¥ 96.5 | ¥ 49.9 |
| Gains on sales and redemption of bonds | 19.6 | 45.7 |
| Others | 240.8[1] | 253.0[1] |
| Total other ordinary income | 357.0 | 348.6 |
| **Other ordinary expenses:** | | |
| Losses on sales and redemption of bonds | 23.0 | 11.2 |
| Others | 227.6[2] | 269.9[2] |
| Total other ordinary expenses | 250.6 | 281.2 |
| Net other ordinary income | ¥106.3 | ¥ 67.3 |

Notes:
(1) Mainly lease income recognized by our consolidated subsidiaries.
(2) Mainly lease expense recognized by our consolidated subsidiaries.

We recorded other ordinary income of ¥348.6 billion for the year ended March 31, 2020, a decrease of ¥8.4 billion, or 2.4%, compared to ¥357.0 billion for the prior year. The decrease was due primarily to a decrease in net gains on foreign exchange transactions of ¥46.6 billion, partially offset by an increase in gains on sales and redemptions of bonds of ¥26.0 billion and an increase in income on lease fees of ¥13.6 billion.

Other ordinary expenses increased by ¥30.5 billion, or 12.2%, to ¥281.2 billion for the year ended March 31, 2020. The primary cause of the increase was an increase in financial derivatives costs of ¥28.7 billion and an increase in operating lease costs of ¥13.5 billion, partially offset by a decrease in losses on sales and redemptions of bonds of ¥11.3 billion.

As a result of the foregoing, we recorded net other ordinary income of ¥67.3 billion in the year ended March 31, 2020, a ¥39.0 billion decrease compared to net other ordinary income of ¥106.3 billion in the prior year.

*General and Administrative Expenses*. The table below sets forth the principal components of our general and administrative expenses for the years ended March 31, 2019 and 2020:

| | For the year ended March 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| Taxes other than income taxes | ¥ 15.7 | ¥ 17.0 |
| Personnel expenses | 183.0 | 171.9 |
| Others | 208.6 | 196.2 |
| Total general and administrative expenses | ¥407.4 | ¥385.1 |

General and administrative expenses decreased by ¥22.3 billion, or 5.5%, to ¥385.1 billion for the year ended March 31, 2020, due primarily to a decrease in personnel expenses of ¥11.1 billion and a decrease in costs of equipment of ¥12.4 billion.

*Other Income and Expenses*. The following table sets forth other income and expenses for the years ended March 31, 2019 and 2020:

| | For the year ended March 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **Other income:** | | |
| Gains on sales of stocks and other securities | ¥44.2 | ¥ 64.9 |
| Gains on money held in trust | 0.0 | 0.0 |
| Recoveries of written-off claims | 1.9 | 1.1 |
| Equity in earnings of affiliated companies | 5.9 | 8.6 |
| Gains on disposal of fixed assets | 1.5 | 3.1 |
| Others | 17.7 | 15.5 |
| Total other income | 71.5 | 93.5 |
| **Other expenses:** | | |
| Allowance for loan losses | 0.2 | 39.9 |
| Losses on sales of loans | 0.0 | 0.9 |
| Write-off of loans | 4.3 | 3.4 |
| Losses on sales of stocks and other securities | 30.6 | 13.0 |
| Losses on impairment of stocks and other securities | 1.2 | 16.7 |
| Losses on disposal of fixed assets | 0.5 | 0.7 |
| Losses on impairment of fixed assets | 16.8 | 19.3 |
| Losses on investments in partnerships | 2.8 | 2.3 |
| Others | 19.9 | 18.6 |
| Total other expenses | 76.8 | 115.2 |
| Net other income (expenses) | ¥ (5.2) | ¥ (21.7) |

We recorded other income of ¥93.5 billion for the year ended March 31, 2020, an increase of ¥21.9 billion, or 30.7%, compared to ¥71.5 billion for the prior year. The increase was due primarily to an increase in gains on sales of stocks and other securities of ¥20.7 billion and an increase in equity in earnings of affiliated companies of ¥2.6 billion.

Other expenses for the year ended March 31, 2020 increased by ¥38.4 billion, or 50.1%, to ¥115.2 billion, compared to ¥76.8 billion in the prior year. The increase was due primarily to an increase in provisions for allowance on doubtful accounts of ¥39.7 billion, an increase in charge-offs on equity securities of ¥15.4 billion, partially offset by a decrease in losses on sales of stocks and other equity securities of ¥17.5 billion.

*Income before Income Taxes*. As a result of the foregoing, our income before income taxes decreased by ¥20.1 billion, or 8.6%, year-on-year to ¥215.3 billion for the year ended March 31, 2020, compared to ¥235.5 billion for the year ended March 31, 2019.

*Income Taxes*. Income taxes for the years ended March 31, 2019 and 2020 were as follows:

| | For the year ended March 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen, except percentages) | |
| **Income taxes:** | | |
| Current | ¥ 64.8 | ¥ 74.6 |
| Deferred | 5.1 | (6.9) |
| Total | ¥ 69.9 | ¥ 67.6 |
| Effective income tax rate | 29.70% | 31.43% |

Current income taxes increased by ¥9.7 billion to ¥74.6 billion for the year ended March 31, 2020 compared to the prior year. Deferred income taxes decreased by ¥12.0 billion year-on-year to ¥(6.9) billion for the year ended March 31, 2020.

*Net Income Attributable to Non-controlling Interests*. Net income attributable to non-controlling interests was ¥0.4 billion for the year ended March 31, 2020, compared to ¥4.0 billion for the year ended March 31, 2019.

*Net Income Attributable to Owners of the Parent*. As a result of the foregoing, net income attributable to owners of the parent decreased by ¥14.3 billion, or 8.9%, to ¥147.1 billion for the year ended March 31, 2020, compared to ¥161.5 billion for the prior year.

***Year Ended March 31, 2019 Compared with the Year Ended March 31, 2018***

The following table sets forth an overview of our key operating results for the years ended March 31, 2018 and 2019:

| | For the year ended March 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (billions of yen) | |
| Interest income | ¥431.5 | ¥511.5 |
| Interest expenses | 246.2 | 372.0 |
| Net interest income | 185.3 | 139.4 |
| Trust fees | 94.6 | 100.3 |
| Fees and commissions | 380.1 | 383.4 |
| Fees and commissions payments | 104.7 | 109.2 |
| Net fees and commissions | 275.3 | 274.1 |
| Trading income | 10.0 | 27.9 |
| Trading expenses | — | — |
| Net trading income | 10.0 | 27.9 |
| Other ordinary income | 306.7 | 357.0 |
| Other ordinary expenses | 230.4 | 250.6 |
| Net other ordinary income (expenses) | 76.2 | 106.3 |
| General and administrative expenses | 419.1 | 407.4 |
| Other income | 127.7 | 71.5 |
| Other expenses | 115.5 | 76.8 |
| Income before income taxes | 234.7 | 235.5 |
| Income taxes—current | 55.7 | 64.8 |
| Income taxes—deferred | 15.5 | 5.1 |
| Net income attributable to non-controlling interests | 7.5 | 4.0 |
| Net income attributable to owners of the parent | ¥155.8 | ¥161.5 |

*Net Interest Income*. The following table shows our average asset balances, interest and average interest rates of the interest-earning assets and the interest-bearing liabilities for the years ended March 31, 2018 and 2019:

| | For the year ended March 31, 2018 | | | For the year ended March 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest | Average rate | Average balance | Interest | Average rate |
| | (billions of yen, except percentages) | | | | | |
| Interest income[1] | ¥47,636.2 | ¥431.5 | 0.90% | ¥50,690.5 | ¥511.5 | 1.00% |
| Interest on loans and discounts | 27,619.5 | 310.0 | 1.12 | 28,045.6 | 363.2 | 1.29 |
| Interest and dividends on securities | 4,634.8 | 82.5 | 1.78 | 5,457.9 | 92.6 | 1.69 |
| Interest on call loans and bills bought | 104.4 | 1.9 | 1.81 | 205.8 | 1.5 | 0.73 |
| Interest on receivables under resale agreements | 72.2 | 1.2 | 1.79 | 123.8 | 0.9 | 0.74 |
| Interest on receivables under securities borrowing transactions | 647.4 | 0.0 | 0.00 | 737.4 | 0.0 | 0.00 |
| Interest on deposits with banks | 13,096.8 | 29.3 | 0.22 | 14,566.9 | 44.7 | 0.30 |
| Interest expenses[2] | ¥47,477.7 | ¥246.2[3] | 0.51% | ¥50,580.6 | ¥372.0[3] | 0.73% |
| Interest on deposits | 28,398.9 | 95.7 | 0.33 | 30,222.6 | 128.7 | 0.42 |
| Interest on negotiable certificates of deposit | 6,575.8 | 42.3 | 0.64 | 6,692.8 | 81.2 | 1.21 |
| Interest on call money and bills sold | 1,722.3 | 1.2 | 0.07 | 776.0 | 2.2 | 0.28 |
| Interest on payables under repurchase agreements | 1,343.1 | 16.4 | 1.22 | 1,671.9 | 35.6 | 2.13 |
| Interest on payables under securities lending transactions | 18.6 | 0.2 | 1.25 | 107.7 | 2.6 | 2.44 |
| Interest on borrowings | 4,675.3 | 20.1 | 0.43 | 4,795.7 | 23.2 | 0.48 |
| Net interest income | | 185.3[3] | | | 139.4[3] | |

Notes:
(1) Interest income also includes ¥6.4 billion and ¥8.3 billion of other interest income for the years ended March 31, 2018 and 2019, respectively.
(2) Interest expenses also includes ¥4.8 billion and ¥23.3 billion of interest on short-term borrowings, ¥16.8 billion and ¥16.4 billion of interest on bonds and ¥48.3 billion and ¥58.4 billion of other interest expenses for the years ended March 31, 2018 and 2019, respectively.
(3) Includes deduction of assumed costs of funding from money held in trust.

We recorded interest income of ¥511.5 billion in the year ended March 31, 2019, an increase of ¥79.9 billion, or 18.5%, compared to ¥431.5 billion in the prior year. The increase was due primarily to a ¥82.6 billion, or 39.6%, increase in interest income from our international operations.

Interest expenses increased by ¥125.8 billion, or 51.1%, to ¥372.0 billion in the year ended March 31, 2019, compared to ¥246.2 billion in the prior year. The increase was mainly due to a ¥120.4 billion increase in interest expenses for our international operations.

As a result of the foregoing, we recorded net interest income of ¥139.4 billion for the year ended March 31, 2019, a decrease of ¥45.8 billion, or 24.8%, from ¥185.3 billion recorded for the prior year. The average rates on interest-earning assets and interest-bearing liabilities and net interest margin for the years ended March 31, 2018 and 2019 were as set forth in the following table:

| | For the year ended March 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (percentages) | |
| **Net interest margin:** | | |
| Average rate on interest-earning assets (A) | 0.90% | 1.00% |
| Average rate on interest-bearing liabilities (B) | 0.51 | 0.73 |
| Net interest margin ((A) – (B)) | 0.39 | 0.27 |

*Trust Fees*. Trust fees increased to ¥100.3 billion for the year ended March 31, 2019, compared with ¥94.6 billion for the prior year.

*Net Fees and Commissions*. The table below sets forth the principal components of our net fees and commissions for the years ended March 31, 2018 and 2019:

| | For the year ended March 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (billions of yen) | |
| **Fees and commissions:** | | |
| Trust-related business | ¥101.5 | ¥104.5 |
| Deposits and lending business | 44.4 | 46.2 |
| Foreign exchange | 1.4 | 1.3 |
| Securities-related business | 43.3 | 33.9 |
| Agency business | 29.2 | 34.9 |
| Safe custody and safety deposit box business | 0.5 | 0.5 |
| Guarantee business | 11.6 | 11.0 |
| Other | 147.9 | 150.8 |
| Total fees and commissions | 380.1 | 383.4 |
| **Fees and commissions payments:** | | |
| Foreign exchange | 0.8 | 0.8 |
| Other | 103.9 | 108.3 |
| Total fees and commissions payments | 104.7 | 109.2 |
| Net fees and commissions | ¥275.3 | ¥274.1 |

Fees and commissions increased by ¥3.3 billion, or 0.9%, to ¥383.4 billion for the year ended March 31, 2019 compared to the prior year. The change was mainly due to an increase in fees and commissions in the agency business, partially offset by a decrease of ¥6.0 billion in fees and commissions due to the corporate reorganization of the asset management business.

Fees and commissions payments increased by ¥4.4 billion, or 4.3%, to ¥109.2 billion for the year ended March 31, 2019. The primary cause of the change was an increase in other fees and commissions payments.

As a result of the foregoing, net fees and commissions decreased by ¥1.1 billion, or 0.4%, year-on-year to ¥274.1 billion for the year ended March 31, 2019.

*Net Trading Income*. Our net trading income increased by ¥17.8 billion, or 178.3%, to ¥27.9 billion in the year ended March 31, 2019, compared to ¥10.0 billion in the prior year. The increase was due primarily to a ¥17.1 billion increase in income from trading-related financial derivatives transactions.

*Net Other Ordinary Income*. The table below sets forth the principal components of our net other ordinary income for the years ended March 31, 2018 and 2019:

| | For the year ended March 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (billions of yen) | |
| **Other ordinary income:** | | |
| Net gains on foreign exchange transactions | ¥ 46.6 | ¥ 96.5 |
| Gains on sales and redemption of bonds | 23.4 | 19.6 |
| Net income from derivatives other than for trading or hedging | 9.1 | — |
| Others | 227.4[(1)] | 240.8[(1)] |
| Total other ordinary income | 306.7 | 357.0 |
| **Other ordinary expenses:** | | |
| Losses on sales and redemption of bonds | 29.1 | 23.0 |
| Losses on derivatives other than for trading or hedging | — | 11.2 |
| Others | 201.3[(2)] | 216.3[(2)] |
| Total other ordinary expenses | 230.4 | 250.6 |
| Net other ordinary income (expenses) | ¥ 76.2 | ¥106.3 |

Notes:
(1) Mainly lease income recognized by our consolidated subsidiaries.
(2) Mainly lease expense recognized by our consolidated subsidiaries.

We recorded other ordinary income of ¥357.0 billion for the year ended March 31, 2019, an increase of ¥50.3 billion, or 16.4%, compared to ¥306.7 billion for the prior year. The increase was due primarily to an increase in net gains on foreign exchange transactions.

Other ordinary expenses increased ¥20.2 billion, or 8.8%, to ¥250.6 billion for the year ended March 31, 2019. The primary cause of the increase was an increase in "others" category in other ordinary expenses, primarily relating to a ¥14.8 billion, or 7.3%, increase in lease expense.

As a result of the foregoing, we recorded net other ordinary income of ¥106.3 billion in the year ended March 31, 2019, a ¥30.0 billion increase compared to net other ordinary income of ¥76.2 billion in the prior year.

*General and Administrative Expenses*. The table below sets forth the principal components of our general and administrative expenses for the years ended March 31, 2018 and 2019:

| | For the year ended March 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (billions of yen) | |
| Taxes other than income taxes | ¥ 17.1 | ¥ 15.7 |
| Personnel expenses | 202.6 | 183.0 |
| Others | 199.3 | 208.6 |
| Total general and administrative expenses | ¥419.1 | ¥407.4 |

General and administrative expenses decreased by ¥11.6 billion, or 2.8%, to ¥407.4 billion for the year ended March 31, 2019, due primarily to a ¥19.5 billion decrease in personnel expenses which was partially offset by a ¥4.1 billion increase in depreciation expense.

*Other Income and Expenses*. The following table sets forth other income and expenses for the years ended March 31, 2018 and 2019:

| | For the year ended March 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (billions of yen) | |
| **Other income:** | | |
| Gains on sales of stocks and other securities | ¥ 78.7 | ¥44.2 |
| Gains on money held in trust | 0.0 | 0.0 |
| Recoveries of written-off claims | 2.8 | 1.9 |
| Equity in earnings of affiliated companies | 5.7 | 5.9 |
| Gains on disposal of fixed assets | 17.3 | 1.5 |
| Gains on reversal of allowance for loan losses | 5.2 | — |
| Others | 17.6 | 17.7 |
| Total other income | 127.7 | 71.5 |
| **Other expenses:** | | |
| Allowance for loan losses | — | 0.2 |
| Losses on sales of loans | 0.4 | 0.0 |
| Write-off of loans | 4.5 | 4.3 |
| Losses on sales of stocks and other securities | 72.6 | 30.6 |
| Losses on impairment of stocks and other securities | 0.0 | 1.2 |
| Losses on money held in trust | 0.0 | — |
| Losses on disposal of fixed assets | 1.0 | 0.5 |
| Losses on impairment of fixed assets | 7.8 | 16.8 |
| Losses on investment in partnerships | 2.1 | 2.8 |
| Others | 26.7 | 19.9 |
| Total other expenses | 115.5 | 76.8 |
| Net other income (expense) | ¥ 12.2 | ¥ (5.2) |

We recorded other income of ¥71.5 billion for the year ended March 31, 2019, a decrease of ¥56.1 billion, or 44.0%, compared to ¥127.7 billion for the prior year. The decrease was due primarily to decreases in gains on sales of stocks and other securities and gains on disposal of fixed assets.

Other expenses for the year ended March 31, 2019 decreased by ¥38.6 billion, or 33.5%, to ¥76.8 billion, compared to ¥115.5 billion in the prior year. The decrease was due primarily to decreases in losses on sales of stocks and other securities and losses on impairment of fixed assets.

*Income before Income Taxes*. As a result of the foregoing, our income before income taxes increased by ¥0.7 billion, or 0.3%, year-on-year to ¥235.5 billion for the year ended March 31, 2019, compared to ¥234.7 billion for the year ended March 31, 2018.

*Income Taxes.* Income taxes for the years ended March 31, 2018 and 2019 were as follows:

| | For the year ended March 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (billions of yen, except percentages) | |
| **Income taxes:** | | |
| Current | ¥ 55.7 | ¥ 64.8 |
| Deferred | 15.5 | 5.1 |
| Total | ¥ 71.3 | ¥ 69.9 |
| Effective income tax rate | 30.38% | 29.70% |

Current income taxes increased by ¥9.1 billion to ¥64.8 billion for the year ended March 31, 2019 compared to the prior year. Deferred income taxes decreased by ¥10.4 billion year-on-year to ¥5.1 billion for the year ended March 31, 2019.

*Net Income Attributable to Non-controlling Interests*. Net income attributable to non-controlling interests was ¥4.0 billion for the year ended March 31, 2019, compared to ¥7.5 billion for the year ended March 31, 2018.

*Net Income Attributable to Owners of the Parent*. As a result of the foregoing, net income attributable to owners of the parent increased by ¥5.6 billion, or 3.6%, to ¥161.5 billion for the year ended March 31, 2019, compared to ¥155.8 billion for the prior year.

**Supplemental Financial Measures**

*Gross Business Profit and Related Measures*. In addition to the reporting items set forth in our consolidated financial statements, we also disclose gross business profit (*gyomu sorieki*) on a non-consolidated basis, as required for Japanese banks by the Banking Act of Japan (Act. No. 59 of 1981), as amended (the "Banking Act"). Furthermore, in the Japanese banking industry, net business profit before credit costs (*jisshitsu gyomu jun-eki*) has traditionally been used as a measure of the profitability of core banking operations. We review these non-Japanese GAAP performance measures on a non-consolidated basis in monitoring the results of our operations.

Gross business profit for trust banks is the sum of:

- net interest income, excluding net interest income on money held in trust;
- trust fees;
- net fees and commissions;
- net trading income; and
- net other ordinary income (gains or losses on sales of bonds, net gains or losses on foreign exchange transactions, net income or expenses on derivatives other than trading or hedging, etc.).

Net business profit (*gyomu jun-eki*) is a non-Japanese GAAP measure that is calculated as gross business profit (a non-Japanese GAAP measure), less general and administrative expenses (excluding certain amortization of net actuarial losses, prior service costs and retirement benefit), which we refer

to as adjusted general and administrative expenses (a non-Japanese GAAP measure, see "Selected Financial Data and Other Information"), and transfer to general allowance for loan losses. Net business profit before credit costs adds back to net business profit the transfer to general allowance for loan losses and credit costs for principal-guaranteed trusts.

Due to the adjustments made to certain line items, net business profit before credit costs is not readily calculable based on information presented in our financial statements. Net business profit before credit costs does not reflect certain income and expenses that are reflected in net income. Accordingly, net business profit before credit costs does not necessarily reflect changes to net earnings that affect our equity and regulatory capital.

While neither net business profit nor net business profit before credit costs should be viewed as a substitute for net income, management believes that they provide a meaningful way of comparing a number of the important components of our income and profitability from year to year.

The table below sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP on a non-consolidated basis for the years ended March 31, 2018, 2019 and 2020 and the nine months ended December 31, 2019 and 2020:

| | For the year ended March 31, | | | For the nine months ended December 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | (billions of yen) | | | | |
| Gross business profit (*gyomu sorieki*): | | | | | |
| Net interest income and related profit[1] | ¥176.5 | ¥172.7 | ¥134.1 | ¥ 90.7 | ¥ 160.8 |
| Net fees and commissions and related profit | 190.2 | 186.3 | 174.3 | 126.6 | 112.4 |
| Net trading profit | 10.4 | 27.9 | 102.1 | 47.2 | 10.2 |
| Net other operating profit (loss) | 49.5 | 80.3 | 42.5 | 78.7 | 51.4 |
| Net gains (losses) on foreign exchange transactions | 45.3 | 95.1 | 48.6 | 76.4 | 33.4 |
| Net gains (losses) on bonds | (5.7) | (3.8) | 33.9 | 18.0 | 13.4 |
| Net gains (losses) from derivatives other than for trading or hedging | 9.4 | (11.3) | (40.0) | (15.8) | 6.5 |
| Total gross business profit (*gyomu sorieki*) | 426.8 | 467.3 | 453.2 | 343.3 | 334.9 |
| Adjusted general and administrative expenses[2] | 237.0 | 235.8 | 246.4 | 180.3 | 181.1 |
| Provision of general allowance for loan losses | — | — | 33.5 | 2.5 | — |
| Principal guaranteed trust account credit costs | — | — | 0.0 | 0.0 | — |
| Net business profit (*gyomu jun-eki*)[3] | 189.7 | 231.4 | 173.2 | 160.4 | 153.8 |
| Net non-recurring profit (loss) | (16.7) | (22.3) | 3.2 | 7.6 | (22.2) |
| Banking account credit costs | 1.6 | 1.4 | 1.8 | (0.1) | 2.5 |
| Reversal of allowance for loan losses, etc. | 8.6 | 3.4 | 0.6 | 0.4 | 1.2 |
| Net gains (losses) on stocks | 5.9 | (12.0) | 16.6 | 16.3 | 13.1 |
| Others | (29.7) | (12.2) | (12.2) | (9.2) | (34.1) |
| Ordinary profit | 172.9 | 209.0 | 176.4 | 168.0 | 131.5 |
| Net extraordinary profit (loss) | (8.3) | (4.2) | 1.0 | 2.2 | (0.8) |
| Income before income taxes | 164.6 | 204.8 | 177.5 | 170.3 | 130.7 |
| Current income taxes | 36.2 | 45.9 | 59.1 | 38.0 | 31.4 |
| Deferred income taxes | 10.4 | 10.2 | (6.3) | 7.2 | 3.1 |
| Net income | 117.9 | 148.6 | 124.7 | 125.0 | 96.2 |
| Net business profit before credit costs (*jisshitsu gyomu jun-eki*)[4] | 189.7 | 231.4 | 206.8 | 162.9 | 153.8 |

Notes:

(1) Figures in the table are inclusive of certain dividends from our group companies aimed to improve capital efficiency, which we record in net interest income and related profit. Such dividends from group companies aimed to improve capital efficiency were for ¥34.6 billion and ¥6.7 billion for the years ended March 31, 2019 and 2020, respectively, and ¥6.7 billion for the nine month periods ended December 31, 2019. There were no dividends from group companies aimed to improve capital efficiency for the fiscal year ended March 31, 2018 or for the nine months ended December 31, 2020.

(2) Excludes non-recurring expenses, which comprise amortization of net actuarial losses and prior service costs and retirement benefit. See "Selected and Historical Financial Information."

(3) Net business profit = gross business profit, less adjusted general and administrative expenses and provision of general allowance for loan losses.

(4) Net business profit before credit costs = net business profit, plus provision of general allowance for loan losses and principal guaranteed trust account credit costs.

*Business Segment Information*

The SuMi TRUST Group's reportable segments are defined as operating segments for which discrete financial information is available. From the fiscal year ended March 31, 2019, in light of an effort within the SuMi TRUST Group to reform our business portfolio, we have revised our reportable segments to better reflect the components of services we provide.

The main activities of our reportable segments are as follows:

- *Retail Total Solution Services*: Provision of services to individual customers;
- *Wholesale Financial Services*: Provision of services to corporate customers;
- *Stock Transfer Agency Services*: Undertaking of stock-related services on behalf of customers;
- *Real Estate:* Provision of services related to the real estate business;
- *Fiduciary Services*: Operation of the pension business, the asset management business, and the asset administration business; and
- *Global Markets*: Marketing operations, market-making operations, investment operations, and financial management operations.

The following table sets forth the internal breakdown of total gross business profit by reportable business segment on a non-consolidated basis for the years ended March 31, 2018, 2019 and 2020 and the nine months ended December 31, 2019 and 2020:

| | For the year ended March 31, | | | For the nine months ended December 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | | | (billions of yen) | | |
| Retail total solution services | ¥132.8 | ¥138.0 | ¥130.4 | ¥ 96.7 | ¥ 87.8 |
| Wholesale financial services[(1)] | 128.6 | 137.2 | 147.0 | 108.3 | 105.7 |
| Stock transfer agency services | 20.1 | 21.4 | 21.3 | 17.6 | 19.1 |
| Real estate | 32.1 | 32.4 | 35.4 | 23.5 | 18.2 |
| Fiduciary services | 62.7 | 57.4[(2)] | 52.3 | 38.4 | 38.7 |
| Global markets | 54.4 | 45.6 | 72.5 | 59.9 | 55.8 |
| Others[(3)] | (4.1) | 35.0 | (6.1) | (1.2) | 9.4 |
| Total | ¥426.8 | ¥467.3 | ¥453.2 | ¥343.3 | ¥334.9 |

Notes:

(1) Represents combination of "Wholesale total solution services" and "Wholesale asset management" businesses.

(2) Excluding a dividend of ¥34.6 billion from group companies aimed at improving capital efficiency.

(3) Includes the costs of capital funding, dividends of shares for cross-shareholdings, general and administrative expenses of headquarters, etc. Others also includes dividends aimed to improve capital efficiency from group companies in the others segment. Such dividends from group companies were ¥34.6 billion and ¥6.7 billion for the years ended March 31, 2019 and 2020, respectively, and ¥6.7 billion for the nine month periods ended December 31, 2019. There were no dividends from group companies for the fiscal year ended March 31, 2018 or for the nine months ended December 31, 2020.

The following table sets forth the internal breakdown of net business profit, which is equal to gross business profit minus adjusted general and administrative expenses, by reportable business segment on a non-consolidated basis for the years ended March 31, 2018, 2019 and 2020 and the nine months ended December 31, 2019 and 2020:

| | For the year ended March 31, | | | For the nine months ended December 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | (billions of yen) | | | | |
| Retail total solution services | ¥ 11.1 | ¥ 15.3 | ¥ 7.3 | ¥ 4.7 | ¥ (4.1) |
| Wholesale financial services[1] | 89.1 | 95.3 | 102.8 | 75.2 | 71.1 |
| Stock transfer agency services | 16.7 | 17.7 | 17.6 | 14.8 | 16.3 |
| Real estate | 23.1 | 23.1 | 25.8 | 16.4 | 10.9 |
| Fiduciary services | 35.9 | 33.2 | 30.2 | 22.1 | 20.9 |
| Global markets | 39.3 | 30.3 | 57.5 | 48.9 | 44.4 |
| Others[2] | (25.7) | 16.4 | (34.7) | (19.4) | (5.8) |
| Total | ¥189.7 | ¥231.4 | ¥206.8 | ¥162.9 | ¥153.8 |

Notes:
(1) Represents combination of "Wholesale total solution services" and "Wholesale asset management" businesses.
(2) Includes the costs of capital funding, dividends of shares for cross-shareholdings, general and administrative expenses of headquarters, etc. Others also includes dividends aimed to improve capital efficiency from group companies in the others segment. Such dividends from group companies were for ¥34.6 billion and ¥6.7 billion for the years ended March 31, 2019 and 2020, respectively, and ¥6.7 billion for the nine month periods ended December 31, 2019. There were no dividends from group companies for the fiscal year ended March 31, 2018 or for the nine months ended December 31, 2020.

The following table contains a reconciliation of net business profit by reportable business segment to income before income taxes in our consolidated statement of income for the periods shown:

| | For the year ended March 31, | | | For the nine months ended December 31, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | (billions of yen) | | | | |
| Total profit or loss for reportable segment (Net business profit) | ¥ 189.7 | ¥231.4 | ¥ 206.8 | ¥162.9 | ¥153.8 |
| Net business profit of consolidated subsidiaries that are excluded from the reportable segments and others[1] | 78.9 | 46.1 | 60.0 | / | / |
| Other income | 127.7 | 71.5 | 93.5 | / | / |
| Other expenses | (115.5) | (76.8) | (115.2) | / | / |
| Other adjustments | (46.1) | (36.8) | (29.7) | / | / |
| Income before income taxes | ¥ 234.7 | ¥235.5 | ¥ 215.3 | ¥170.3 | ¥130.7 |

Note:
(1) Amounts include elimination of internal transactions.

## Financial Condition

### *Total Assets and Total Liabilities*

As of September 30, 2020, we had total assets of ¥59,632.7 billion, representing an increase of ¥3,343.8 billion, or 5.9%, from total assets of ¥56,288.8 billion as of March 31, 2020. The increase was due primarily to an increase in cash and deposits partially offset by a decrease in receivables under resale agreements.

Total liabilities as of September 30, 2020 were ¥57,375.2 billion, an increase of ¥3,298.8 billion, or 6.1%, from total liabilities of ¥54,076.4 billion as of March 31, 2020. The change was due primarily to increases in deposits and negotiable deposits, partially offset by a decreases in money held in trust.

### *Monetary Claims and Securities*

As of September 30, 2020, we held ¥6,641.4 billion of securities, representing an increase of ¥298.3 billion, or 4.7%, from ¥6,343.1 billion of securities as of March 31, 2020. The increase was due primarily to increases in government bonds and stocks, partially offset by a decrease in other securities.

The following table sets forth a redemption schedule of monetary claims and securities as of March 31, 2020:

| | As of March 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year | 1 to 3 years | 3 to 5 years | 5 to 7 years | 7 to 10 years | More than 10 years |
| | (billions of yen) | | | | | |
| Due from banks | ¥13,005.1 | ¥ 1.7 | ¥ — | ¥ — | ¥ — | ¥ — |
| Call loans and bills bought | 71.2 | — | — | — | — | — |
| Receivables under resale agreements | 1,220.7 | — | — | — | — | — |
| Receivables under securities borrowing transactions | 740.6 | — | — | — | — | — |
| Monetary claims bought | 793.0 | 104.6 | 33.4 | 19.2 | 14.9 | 33.4 |
| Money held in trust | — | — | 1.4 | — | — | — |
| Securities | 1,214.7 | 1,084.0 | 939.4 | 537.8 | 265.9 | 769.3 |
| Held-to-maturity debt securities | 2.6 | — | 0.0 | 4.0 | 60.0 | 195.0 |
| Government bonds | — | — | 0.0 | — | 60.0 | 55.0 |
| Corporate bonds | — | — | — | — | — | 33.2 |
| Available-for-sale securities with maturity | 1,212.1 | 1,084.0 | 939.4 | 533.8 | 205.9 | 574.3 |
| Government bonds | 838.1 | 260.3 | 225.0 | — | 25.0 | 10.0 |
| Local government bonds | 1.2 | — | 4.5 | 2.9 | 6.0 | — |
| Corporate bonds | 21.1 | 186.0 | 133.0 | 196.6 | 43.2 | 56.5 |
| Loans and bills discounted | 4,179.6 | 5,463.8 | 4,520.9 | 2,848.7 | 2,473.2 | 7,592.9 |
| Lease receivables and investment assets | 163.4 | 239.0 | 127.6 | 65.4 | 50.9 | 10.7 |
| Total | ¥21,388.6 | ¥6,893.3 | ¥5,622.9 | ¥3,471.3 | ¥2,805.1 | ¥8,406.5 |

As of March 31, 2020 and September 30, 2020, our consolidated investment securities portfolio did not contain any individual issuer's securities exceeding 10% of our consolidated equity other than JGBs and U.S. government and agency bonds. As of March 30, 2020, our marketable available-for-sale JGBs on a fair value basis comprised 2.4% of our total assets. See "Additional Financial Information—Securities Portfolio."

**Loan Portfolio**

As of September 30, 2020, we had ¥30,181.1 billion in loans and bills discounted in our banking account on a non-consolidated basis, representing 52.2% of non-consolidated total assets in our banking account and an increase of ¥227.6 billion, or 0.8%, compared to March 31, 2020.

As of September 30, 2020, we had ¥30,140.3 billion in loans and bills discounted on a consolidated basis, representing 50.5% of consolidated total assets and an increase of ¥436.9 billion, or 1.5%, compared to March 31, 2020. As of September 30, 2020, we had ¥9,924.4 billion of residential mortgage loans, representing 93.8% of total loans to individuals on a non-consolidated basis, an increase of ¥121.3 billion, or 1.2%, from ¥9,801.0 billion as of March 31, 2020.

***Credit Portfolio***

The table below sets forth a breakdown of our credit portfolio on a non-consolidated basis as of March 31, 2018, 2019 and 2020 and September 30, 2020:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (trillions of yen)[1] | | | |
| Loans to individuals | ¥ 9.45 | ¥ 9.92 | ¥10.44 | ¥10.57 |
| Product related (foreign currency) | 2.81 | 2.97 | 2.86 | 2.72 |
| Product related (yen) | 2.94 | 3.09 | 3.11 | 3.17 |
| Corporate loans (foreign currency) | 3.40 | 3.61 | 3.54 | 3.22 |
| Corporate loans (yen) | 10.86 | 11.13 | 11.36 | 11.82 |
| Total | ¥29.47 | ¥30.73 | ¥31.33 | ¥31.52 |

Note:

(1) Amounts for loans and products denominated in foreign currencies were translated into yen at the exchange rates prevailing at March 31, 2018, 2019 and 2020 and September 30, 2020, respectively.

***Loan Maturity***

The table below sets forth the composition of the loan portfolio in our banking account and trust account on a non-consolidated basis, classified by type of interest rate and maturity as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| **Banking account:** | | | | |
| ***Fixed-interest loans:*** | | | | |
| One year or less[1] | — | — | — | — |
| Over one year to three years | ¥ 1,709.6 | ¥ 1,769.8 | ¥ 1,787.7 | ¥ 1,786.2 |
| Over three years to five years | 1,192.6 | 1,274.4 | 1,317.4 | 1,442.7 |
| Over five years to seven years | 654.5 | 853.3 | 954.7 | 920.8 |
| Over seven years | 3,152.9 | 2,890.1 | 2,615.9 | 2,462.4 |
| Indefinite term | 0.0 | 0.0 | 0.0 | 0.0 |
| ***Floating-interest loans:*** | | | | |
| One year or less[1] | — | — | — | — |
| Over one year to three years | 3,766.2 | 3,607.8 | 3,590.7 | 3,871.4 |
| Over three years to five years | 2,705.3 | 3,156.3 | 3,150.8 | 2,995.1 |
| Over five years to seven years | 2,247.8 | 2,283.5 | 1,879.0 | 1,918.2 |
| Over seven years | 5,431.2 | 5,815.0 | 7,161.7 | 7,363.1 |
| Indefinite term | 2,304.5 | 2,469.0 | 2,517.5 | 2,504.7 |
| ***Total loans:*** | | | | |
| One year or less | 5,094.0 | 5,284.5 | 4,977.5 | 4,916.1 |
| Over one year to three years | 5,475.8 | 5,377.6 | 5,378.4 | 5,657.7 |
| Over three years to five years | 3,897.9 | 4,430.8 | 4,468.2 | 4,437.8 |
| Over five years to seven years | 2,902.3 | 3,136.8 | 2,833.8 | 2,839.0 |
| Over seven years | 8,584.1 | 8,705.1 | 9,777.7 | 9,825.6 |
| Indefinite term | 2,304.6 | 2,469.0 | 2,517.6 | 2,504.7 |
| Total loans | ¥28,259.0 | ¥29,404.1 | ¥29,953.5 | ¥30,181.1 |
| ***Trust account:*** | | | | |
| One year or less | 584.2 | 430.9 | 437.0 | 430.7 |
| Over one year to three years | 207.3 | 289.6 | 266.9 | 267.1 |
| Over three years to five years | 116.8 | 142.1 | 223.9 | 227.3 |
| Over five years to seven years | 92.4 | 97.9 | 121.0 | 71.6 |
| Over seven years | 300.2 | 481.2 | 492.4 | 500.2 |
| Total loans | ¥ 1,301.1 | ¥ 1,441.9 | ¥ 1,541.4 | ¥ 1,497.1 |

Note:

(1) We do not categorize loans with a maturity of one year or less as fixed-interest or variable-interest loans.

## Funding and Liquidity

### *Funding and Liquidity Management*

We continuously seek to enhance the management of our liquidity to meet clients' loan requirements and deposit withdrawals and to enable us to respond to unforeseen situations, such as adverse movements in securities markets or changes in general domestic economic conditions. In accordance with regulatory reserve requirements, we maintain reserves with the Bank of Japan against a certain portion of all checking and savings accounts and time deposits. We rely primarily on deposits from individuals located in Japan for funding, which we believe is a relatively stable source of funds. We also obtain loans from the trust account, which are recorded on the balance sheet of the banking account as payables to trust account, as a supplemental source of funds. In addition, we supplement our sources of liquidity by maintaining a portfolio of securities with high credit ratings that can be quickly converted into cash.

### *Deposits*

As of September 30, 2020, we had deposits, including negotiable certificates of deposit, of ¥41,217.6 billion, which constituted 71.8% of our total liabilities and represented an increase of ¥4,511.3 billion, or 12.3%, compared with ¥36,706.3 billion as of March 31, 2020.

As of September 30, 2020, we had deposits, excluding negotiable certificates of deposit, of ¥33,777.1 billion on a non-consolidated basis, representing an increase of ¥3,239.6 billion, or 10.6%, compared with ¥30,537.4 billion as of March 31, 2020.

The table below sets forth a breakdown of our time deposits on a non-consolidated basis by remaining maturity as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| Less than three months | ¥ 8,348.9 | ¥ 8,100.6 | ¥ 7,497.6 | ¥ 8,955.6 |
| Three months or more, but less than six months | 2,649.2 | 2,528.8 | 2,803.7 | 2,678.7 |
| Six months or more, but less than one year | 2,796.9 | 2,889.3 | 3,023.9 | 3,432.6 |
| One year or more, but less than two years | 3,792.9 | 4,164.2 | 3,386.9 | 3,359.5 |
| Two years or more, but less than three years | 1,641.9 | 1,100.6 | 1,221.9 | 1,842.4 |
| Three years or more | 1,977.8 | 2,143.2 | 2,631.2 | 2,663.3 |
| Total | ¥21,207.9 | ¥20,926.8 | ¥20,565.4 | ¥22,932.3 |

### *Borrowed Money from Trust Account*

We obtain loans from the trust account, which are recorded on the balance sheet of the banking account as borrowed money from trust account, as a supplemental source of funds. As of September 30, 2020, we had ¥3,517.4 billion in borrowed money from trust account, which was equal to 6.1% of total liabilities. This represented a decrease of ¥1,232.8 billion, or 26.0%, from ¥4,750.2 billion as of March 31, 2020.

### *Borrowed Money*

As of September 30, 2020, we had ¥6,231.5 billion in borrowed money outstanding. This represented 10.9% of our total liabilities as of that date and constituted a decrease of ¥264.7 billion, or 4.1%, from ¥6,496.3 billion as of March 31, 2020.

### *Bonds Payable*

We issue a variety of fixed and floating, dated and undated senior and subordinated bonds. As of September 30, 2020, we had ¥240.5 billion and ¥356.4 billion of subordinated bonds and other bonds payable, respectively, and ¥2,532.4 billion of short-term bonds payable outstanding.

### *Credit Ratings*

Our borrowing costs and ability to raise funds are affected directly by the credit ratings assigned to us and by any changes thereto. Our credit ratings as of March 2, 2021 are set forth in the table below:

| Rating agency | Long-term | Outlook | Short-term | Financial |
|---|---|---|---|---|
| S&P | A | Stable | A-1 | — |
| Moody's | A1 | Stable | P-1 | — |
| Fitch | A- | Stable | F1 | a-(1) |
| Japan Credit Rating Agency | AA- | Stable | — | — |
| Rating and Investment Information, Inc. | A+ | Stable | a-1 | — |

Note:
(1) Viability rating.

The credit ratings assigned to us reflect the current opinions of the ratings agencies regarding our overall financial capacity (creditworthiness) to fulfill our financial obligations. The credit ratings are subject to suspension, reduction or withdrawal at any time by the assigning ratings agencies.

### *Foreign Currency Assets and Liabilities*

The table below sets forth our foreign currency-denominated assets and liabilities on a non-consolidated basis as of the dates indicated therein:

| | As of March 31, | | As of September 30, |
|---|---|---|---|
| | 2019 | 2020 | 2020 |
| | (billions of U.S. dollars) (1) | | |
| Assets: | | | |
| Loans | $ 55.6 | $ 54.2 | $ 51.5 |
| Credit securities | 5.5 | 6.7 | 6.7 |
| Net interbank deposits (including foreign currency forwards) | 51.4 | 63.8 | 69.7 |
| Bond investments | 10.5 | 7.9 | 6.9 |
| Total foreign currency assets | $123.1 | $132.9 | $135.0 |
| Liabilities: | | | |
| Client deposits, deposits from central banks, etc. | $ 49.6 | $ 62.0 | $ 50.5 |
| Negotiable certificates of deposit, U.S. commercial paper | 45.1 | 41.6 | 49.6 |
| Foreign currency deposits converted from Japanese yen | 10.6 | 14.1 | 19.6 |
| Repurchase agreements utilizing client assets | 7.4 | 8.9 | 9.3 |
| Senior and subordinated debt | 2.9 | 0.8 | 2.2 |
| Bond repurchases | 7.3 | 5.3 | 3.6 |
| Total foreign currency liabilities | $123.1 | $132.9 | $135.0 |

Note:
(1) Figures for foreign currency funding are calculated in U.S. dollars.

### *Liquidity*

The FSA's guidelines for liquidity coverage ratio ("LCR"), which are based on the full text of the LCR standard issued by the BCBS in January 2013, applicable to banks and bank holding companies with international operations that have been applied from March 31, 2015. Under these guidelines, banks with international operations must maintain LCR of 100% on both a consolidated basis and a non-consolidated basis.

Our consolidated and non-consolidated LCRs for the three months ended December 31, 2020, calculated in accordance with the Japanese GAAP and the FSA's guidelines for LCR, are as set forth in the following table:

| | For the three months ended December 31, 2020[1] |
|---|---|
| | (billions of yen, except percentages) |
| **Consolidated** | |
| Total high-quality liquid assets ("HQLA") allowed to be included in the calculation (weighted) | ¥180,535 |
| Net cash outflows (weighted) | 97,958 |
| LCR[1] | 184.2% |
| **Non-consolidated** | |
| Total HQLA allowed to be included in the calculation (weighted) | ¥178,323 |
| Net cash outflows (weighted) | 89,740 |
| LCR[1] | 198.7% |

Note:

(1) Under the FSA's guidelines for LCR, LCR is set as the three-month average of the daily LCR for the previous quarter, which is calculated by dividing the balance of HQLA by the amount of total net cash outflows on a daily basis for the relevant quarter.

See "Supervision and Regulation—Japan—Regulation Regarding Capital Adequacy and Liquidity—Liquidity Requirement."

## Capital Resources and Adequacy

### *Net Assets*

The following table sets forth a summary of our total net assets as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| Total Shareholders' equity | ¥2,064.4 | ¥2,041.0 | ¥1,948.9 | ¥2,000.5 |
| Total accumulated other comprehensive income | 509.7 | 424.4 | 236.7 | 229.8 |
| Non-controlling interests | 143.4 | 34.3 | 26.7 | 27.1 |
| Total net assets | ¥2,717.5 | ¥2,499.8 | ¥2,212.4 | ¥2,257.5 |

### *Capital Adequacy Ratios*

We are subject to regulatory capital requirements administered by the FSA in accordance with the provisions of the Banking Act, and related regulations. Failure to meet minimum capital requirements may trigger certain mandatory actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements, and the imposition of certain corrective measures, including suspension of all or a part of our business operations.

The FSA's bank capital adequacy guidelines are based on the risk-adjusted approach developed by the BCBS. The FSA's guidelines are similar to those issued by other central bank regulators and the differences reflect the FSA's design to suit the Japanese banking environment. The FSA's revised bank capital adequacy guidelines that were phased in from March 31, 2013 are generally designed to implement the principal risk-weighted capital measures of the Basel III rules text, with full implementation to be completed in March 2022. See "Supervision and Regulation—Japan—Regulation Regarding Capital Adequacy and Liquidity."

The FSA's bank capital adequacy guidelines prescribe methods for risk weighting and require Japanese bank holding companies and banks to establish reserves for operational risk. As an alternative to the standardized approach to risk-weighted calculations, which continues to rely on the external valuation of credit quality based on credit ratings assigned to borrowers by designated rating

agencies, the rules also permit Japanese banks and bank holding companies to adopt the IRB approach. To be eligible to use the IRB approach, the Japanese bank or bank holding company must have established advanced risk measurement systems and must receive advance approval from the FSA. There are two types of IRB approaches: foundation and advanced. Under the advanced approach, banks provide more of their own estimates of the probability of default ("PD"), loss given default ("LGD") and the exposure at default, and their own calculation of effective maturity, subject to meeting minimum standards. In addition, the rules set forth in the FSA's guidelines permit banks and bank holding companies to choose one of three approaches for measuring exposure to operational risk: the basic indicator approach, the standardized approach and the advanced measurement approach. Under the advanced measurement approach, the regulatory capital requirement will equal the risk measure generated by the bank's internal operational risk measurement system using quantitative and qualitative criteria.

We have received approval from the FSA to adopt the advanced IRB approach to risk weighting. With respect to the measurement of operational risk, we utilize the advanced measurement approach.

From March 31, 2015, under the FSA's capital adequacy guidelines, Japanese bank holding companies and banks that have international operations, including us, must maintain a Common Equity Tier 1 capital ratio of 4.50% or more, a Tier 1 capital ratio of 6.00% or more and a total capital ratio of 8.00% or more.

In addition, under the FSA's revised guidelines published in November 2015, SuMi TRUST Holdings is required to hold an additional reserve of Common Equity Tier 1 capital as a capital conservation buffer, which was phased in from March 2016 and became fully effective at 2.50% in March 2019. Under the revised guidelines, SuMi TRUST Holdings is also subject to a countercyclical buffer requirement, which was phased in from March 2016 and became fully effective in March 2019, with a range between 0% and a maximum of 2.5%. Furthermore, SuMi TRUST Holdings has been designated as a D-SIB by the FSA since December 2015. The additional loss absorption capacity requirement applied to SuMi TRUST Holdings was phased in from March 2016 and became fully effective at 0.50% in March 2019. As a result, the fully phased in Common Equity Tier 1 capital ratio and minimum total risk-weighted capital requirements applicable to SuMi TRUST Holdings, including the capital conservation buffer and additional loss absorption capacity requirement but excluding the countercyclical capital buffer, were 7.50% and 11.00%, respectively, from March 2019.

In March 2015, the FSA published leverage ratio guidelines, which have been in effect since March 31, 2015, requiring Japanese banks and bank holding companies with international operations to disclose leverage ratios in accordance with the methodology prescribed in FSA guidance that has been adopted to implement the relevant Basel III standard. The FSA's leverage ratio disclosure rules, which are intended to help ensure the broad and adequate capture of on- and off-balance sheet sources of leverage, are based on the text of the leverage ratio framework and disclosure requirements issued by the BCBS in January 2014.

On March 15, 2019, the FSA published its guidelines implementing minimum leverage ratio requirements applicable to banks and bank holding companies with international operations, which have been in effect from March 31, 2019. Under the FSA's guidelines for the leverage ratio, banks and bank holding companies with international operations must maintain a leverage ratio of at least 3% on both a consolidated basis and a non-consolidated basis from March 31, 2019.

In December 2017, the GHOS endorsed the outstanding Basel III regulatory reforms. For further details regarding the finalized Basel III reforms, see "Supervision and Regulation—Japan—Regulation Regarding Capital Adequacy and Liquidity."

***Consolidated Capital Adequacy Ratios***

Our and SuMi TRUST Holdings' consolidated capital adequacy ratios and leverage ratios as of December 31, 2020, calculated in accordance with Japanese GAAP and the bank capital adequacy guidelines established by the FSA, are as set forth in the following tables:

| | SuMi TRUST Bank | |
|---|---|---|
| | As of December 31, 2020 | Minimum capital requirements |
| | (billions of yen, except percentages) | |
| Common Equity Tier 1 capital ratio | 10.60% | 4.50% |
| Tier 1 capital ratio | 12.02 | 6.00 |
| Total capital ratio | 14.71 | 8.00] |
| Treasury stock (directly issued) | ¥ — | |
| Directly issued qualifying common share capital plus related capital surplus and retained earnings | 2,015.4 | |
| Accumulated other comprehensive income | 186.5 | |
| Instruments and reserves | 2,201.9 | |
| Regulatory adjustments | (105.1) | |
| Common Equity Tier 1 capital | 2,096.8 | |
| Additional Tier 1 capital | 281.3 | |
| Tier 1 capital | 2,378.1 | |
| Tier 2 capital | 531.7 | |
| Total capital | ¥ 2,909.9 | |
| Amount of credit risk-weighted assets | ¥17,308.7 | |
| Amount of market risk equivalents | 1,592.8 | |
| Amount of operational risk equivalents | 878.4 | |
| Total risk-weighted assets[1] | ¥19,780.0 | |
| Leverage ratio | 4.83% | 3.00% |

Note:
(1) After applying scaling factor. Individual subitems do not sum to total.

| | SuMi TRUST Holdings | |
|---|---|---|
| | As of December 31, 2020 | Minimum capital requirements[1] |
| | (billions of yen,except percentages) | |
| Common Equity Tier 1 capital ratio | 12.11% | 7.50% |
| Tier 1 capital ratio | 13.51 | 9.00 |
| Total capital ratio | 16.15 | 11.00 |
| Treasury stock (directly issued) | ¥ (2.8) | |
| Directly issued qualifying common share capital plus related capital surplus and retained earnings | 2,404.4 | |
| Accumulated other comprehensive income | 174.7 | |
| Instruments and reserves | 2,580.2 | |
| Regulatory adjustments | (131.2) | |
| Common Equity Tier 1 capital | 2,449.2 | |
| Additional Tier 1 capital | 282.9 | |
| Tier 1 capital | 2,731.9 | |
| Tier 2 capital | 532.1 | |
| Total capital | ¥ 3,264.0 | |
| Amount of credit risk-weighted assets | ¥17,620.8 | |
| Amount of market risk equivalents | 1,601.6 | |
| Amount of operational risk equivalents | 987.2 | |
| Total risk-weighted assets[2] | ¥20,209.7 | |
| Leverage ratio | 5.53% | 3.00% |

Notes:
(1) The capital conservation buffer, which was 2.50%, additional loss absorption capacity requirement, which was 0.50% and countercyclical capital buffer, which was 0.00%, each as of December 31, 2020, are taken into account and added to the minimum regulatory requirements for each capital ratio.
(2) After applying scaling factor. Individual subitems do not sum to total.

Our Common Equity Tier 1 capital ratios on a consolidated basis, calculated based on the FSA's fully phased in revised capital adequacy guidelines applicable from March 2019, were 10.89%, 10.59% and 11.08% as of the years ended March 31, 2018, 2019 and 2020, respectively.

## Loan Losses and Problem Loans

*The following discussion presents certain of our financial information on a non-consolidated basis, unless otherwise specified, for the years ended March 31, 2018, 2019 and 2020 and as of September 30, 2020 and for the six months ended September 30, 2019 and 2020.*

We classify our borrowers and assess our asset quality based on our self-assessment guidelines developed in accordance with guidelines published by the FSA. The self-assessment process involves classifying borrowers based on their financial condition and then categorizing claims against borrowers in order of collection risk. Based on these classifications we establish allowances and disclose our problem loans and other claims using criteria specified in the Financial Reconstruction Act. We also disclose our problem loans under a format devised initially by the Japanese Bankers Association and reflected currently in the Banking Act and related regulations.

### *Classification of Problem Loans and Allowance Policies*

We take the following steps in classifying our problem loans and determining reserve amounts:

*Self-assessment guidelines*. Japanese banks are required to classify obligors and asset quality under self-assessment guidelines originally issued in April 1997 by the JICPA and included in the former FSA's Financial Inspection Manual. The self-assessment guidelines stress the need for a bank to establish the amount of reserves that it considers adequate, even if all or part of the provision for reserves would not be tax-deductible under Japanese law.

We maintain a system of internal credit ratings that indicates, in a graded manner, a client's credit condition and the possibility of default/loss, which serves as the basis for the screening of individual transactions and credit portfolio management. In particular, we maintain "obligor ratings" for corporations including sovereigns and financial institutions.

Our internal credit ratings are divided into ten ranks, with one meaning the highest credibility of payment of principal and interest and ten meaning that the obligor is categorized as either a "Substantially insolvent obligor" or a "Bankrupt/insolvent obligor" in asset assessment, or that bankruptcy has occurred. Our internal credit rating ranks are based on our asset assessment, which has two parts, obligor category and asset classification.

We have five obligor categories, as follows:

| Obligor category | Definition |
|---|---|
| Sound obligor (*seijou-saki*) | Obligor that is operationally and financially sound. |
| Sub-performing obligor (*youchui-saki*) | Obligor required attention for monitoring because of delinquency on obligations (payment of principal or interest) or operational or financial problems. Sub-performing obligors include "sub-performing obligors with delinquent and/or restructured debt" (*youkanri-saki*), who are obligors with debt past due three or more months and/or restructured debt. |

| Obligor category | Definition |
|---|---|
| Possibly insolvent obligor (*hatan kenen-saki*) | Obligor with high probability of bankruptcy in the future due to significantly weak business conditions and unfavorable progress of business restructuring plan. |
| Substantially insolvent obligor (*jisshitsu hatan-saki*) | Obligor, not legally or formally bankrupt, but virtually bankrupt. |
| Bankrupt/insolvent obligor (*hatan-saki*) | Obligor entering corporate reorganization, liquidation or other statutory procedures. |

We have four asset classifications, as follows:

| Asset classification | Definition |
|---|---|
| Class I (unclassified) | Assets with no risk of collection or no risk of impairment of the asset value. |
| Class II | Assets with higher than acceptable level of risk of collection. |
| Class III | Assets with high potential of impairment or loss, for whom a reasonable estimate of loss amount is difficult. |
| Class IV | Assets regarded as uncollectible or worthless. |

*Write-offs and Allowances for Loan Losses.* Write-offs and allowances for loan losses signify the act of disposing losses of the appropriate amount in the quarterly settlement of accounts through timely and reasonable estimation of the amount of losses in the future by a track record of loan-loss, etc., based on the result of asset assessment. For the overview of our allowances for loan losses and write-off criteria, see "—Critical Accounting Policies—Allowance for Loan Losses."

*Disclosure of problem loans*. Based on the results of the self-assessment procedures discussed above, Japanese banks disclose their problem loans pursuant to the Financial Reconstruction Act.

Under the Financial Reconstruction Act, Japanese banks disclose their total NPLs and other non-performing claims based on the following three categories: (1) substandard claims (*youkanri saiken*), (2) doubtful claims (*kiken saiken*) and (3) claims against bankrupt and practically bankrupt obligors (*hasan kosei saiken oyobi korera ni junzuru saiken*). Claims for substandard claims consist of both loans past due for three months or more as well as restructured loans, as those terms are defined below. Doubtful claims are equivalent to claims against possible bankrupt borrowers under the self-assessment classifications. Finally, claims against bankrupt and substantially bankrupt obligors as under the Financial Reconstruction Act and as under the self-assessment classification system are equivalent. Claims that do not fall under any of those categories are disclosed pursuant to this standard as normal claims (*seijo saiken*).

Under the Banking Act, we are also required to disclose certain of our problem loans as "risk-monitored loans." The Banking Act provides for the disclosure of following categories of risk-monitored loans:

| Category | Definition |
|---|---|
| Loans to borrowers in bankruptcy (*hatan-saki saiken*) | Loans to legal bankruptcy borrowers. |
| Non-accrual loans (*entai saiken*) | Loans to possible bankruptcy and virtual bankruptcy borrowers. |
| Loans past due three months or more (*sankagetsu ijyou entai saiken*) | Loans on which principal and/or interest are past due three months or more. |

| Category | Definition |
|---|---|
| Restructured loans (*kashidashi jouken kanwa saiken*) | Loans with a concessionary interest rate, as well as loans with renegotiated conditions, including schedule and/or maturities. |

Under the Banking Act, non-accrual loans (*mishurisoku fukeijo kashidashikin*), on which banks have stopped accruing interest based on self-assessment, are defined to be included in "loans to borrowers in bankruptcy" or "non-accrual loans." These categories relate only to loans extended rather than to total disclosed claims, which are not limited to loans, as under the Financial Reconstruction Act.

*Disclosure of Claims Classified under the Financial Reconstruction Act*

The table below shows the balances of problem claims in our banking account and trust account on a non-consolidated basis as of March 31, 2018, 2019 and 2020 and September 30, 2020:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen, except percentages) | | | |
| **Banking account:** | | | | |
| Bankrupt and practically bankrupt (A) | ¥ 12.0 | ¥ 10.5 | ¥ 9.4 | ¥ 21.7 |
| Doubtful (B) | 26.1 | 54.4 | 38.5 | 44.0 |
| Substandard (C) | 17.6 | 18.4 | 38.0 | 43.6 |
| Total of (A), (B) and (C) | ¥ 55.8 | ¥ 83.4 | ¥ 86.1 | ¥ 109.4 |
| Total balance[1] | 28,782.2 | 29,910.3 | 30,430.2 | 30,670.2 |
| Ratio to total balance | 0.19% | 0.28% | 0.28% | 0.36% |
| **Principal guaranteed trust account:** | | | | |
| Bankrupt and practically bankrupt (A) | ¥ 0.0 | ¥ 0.0 | ¥ 0.0 | ¥ 0.0 |
| Doubtful (B) | 0.8 | 0.7 | 0.6 | 0.1 |
| Substandard (C) | 0.0 | 0.0 | 0.0 | 0.0 |
| Total of (A), (B), and (C) | ¥ 0.8 | ¥ 0.7 | ¥ 0.7 | ¥ 0.2 |
| Total balance | 36.2 | 30.9 | 26.7 | 17.5 |
| Ratio to total balance | 2.46% | 2.46% | 2.67% | 1.17% |

Note:

(1) Partial direct write-off amounts were ¥9.2 billion as of March 31, 2018, ¥8.2 billion as of March 31, 2019 and ¥8.8 billion as of March 31, 2020 and ¥10.5 billion as of September 30, 2020.

*Coverage Ratios*

As of September 30, 2020, our coverage ratios on a non-consolidated basis for problem claims in our banking and principal guaranteed trust accounts, which represent the total of collateral pledged against such claims, guarantees for such claims and allowance for loan losses, measured against total problem claims, expressed as a percentage, were 100.0% for claims against bankrupt and practically bankrupt borrowers, 91.5% for doubtful claims and 51.0% for substandard claims. For all claims so classified, the coverage ratio was 77.1%.

Allowances for possible loan losses in the trust account are not provided. Instead, we are required to establish allowances in our trust account for the impairment of guaranteed trust principal of our JOMTs with guaranteed principal based on the probability of failure to collect during the next year, which is calculated based upon historical results of failure to collect, pursuant to entrustment contracts for the JOMTs.

In the case of real estate collateral, we value the collateral mainly based on recent transactions in similar properties and government-appraised values.

The table below shows our coverage ratios for problem claims as of March 31, 2018, 2019 and 2020 and as of September 30, 2020 on a non-consolidated basis:

| | Amount of claims (A) | Collateral and guarantees (B) | Allowance for loan losses (C)[1] | Allowance coverage ratio (C)/((A)–(B))[2] | Total allowance/ collateral and guarantees (B) + (C) | Total coverage ratio ((B) + (C))/ (A)[2] |
|---|---|---|---|---|---|---|
| | (billions of yen, except percentages) | | | | | |
| **As of March 31, 2018** | | | | | | |
| Claims against bankrupt and practically bankrupt borrowers: | | | | | | |
| Banking account | ¥12.0 | ¥ 9.2 | ¥ 2.7 | 100.0% | ¥12.0 | 100.0% |
| Trust account | 0.0 | 0.0 | | | 0.0 | 100.0 |
| Subtotal | 12.0 | 9.2 | | | | |
| Doubtful claims: | | | | | | |
| Banking account | 26.1 | 18.6 | 5.6 | 74.6 | 24.2 | 92.7 |
| Trust account | 0.8 | 0.8 | | | 0.8 | 100.0 |
| Subtotal | 27.0 | 19.4 | | | | |
| Substandard claims: | | | | | | |
| Banking account | 17.6 | 16.9 | 0.2 | 34.7 | 17.1 | 97.4 |
| Trust account | 0.0 | 0.0 | | | 0.0 | 100.0 |
| Subtotal | 17.6 | 16.9 | | | | |
| Total problem claims: | | | | | | |
| Banking account | 55.8 | 44.8 | 8.6 | 78.4 | 53.4 | 95.7 |
| Trust account | 0.8 | 0.8 | | | 0.8 | 100.0 |
| Total | ¥56.7 | ¥45.7 | | | | |
| **As of March 31, 2019** | | | | | | |
| Claims against bankrupt and practically bankrupt borrowers: | | | | | | |
| Banking account | ¥10.5 | ¥ 7.8 | ¥ 2.6 | 100.0% | ¥10.5 | 100.0% |
| Trust account | 0.0 | 0.0 | | | 0.0 | 100.0 |
| Subtotal | 10.5 | 7.8 | | | | |
| Doubtful claims: | | | | | | |
| Banking account | 54.4 | 23.7 | 23.5 | 76.6 | 47.3 | 86.8 |
| Trust account | 0.7 | 0.7 | | | 0.7 | 100.0 |
| Subtotal | 55.1 | 24.5 | | | | |
| Substandard claims: | | | | | | |
| Banking account | 18.4 | 14.1 | 0.4 | 10.5 | 14.5 | 79.0 |
| Trust account | 0.0 | 0.0 | | | 0.0 | 100.0 |
| Subtotal | 18.4 | 14.1 | | | | |
| Total problem claims: | | | | | | |
| Banking account | 83.4 | 45.7 | 26.6 | 70.7 | 72.4 | 86.7 |
| Trust account | 0.7 | 0.7 | | | 0.7 | 100.0 |
| Total | ¥84.2 | ¥46.5 | | | | |

| | Amount of claims (A) | Collateral and guarantees (B) | Allowance for loan losses (C)[1] | Allowance coverage ratio (C)/((A)–(B))[2] | Total allowance/ collateral and guarantees (B) + (C) | Total coverage ratio ((B) + (C))/(A)[2] |
|---|---|---|---|---|---|---|
| | (billions of yen, except percentages) | | | | | |
| **As of March 31, 2020** | | | | | | |
| Claims against bankrupt and practically bankrupt borrowers: | | | | | | |
| Banking account | ¥ 9.4 | ¥ 6.8 | ¥ 2.6 | 100.0% | ¥ 9.4 | 100.0% |
| Trust account | 0.0 | 0.0 | | | 0.0 | 100.0 |
| Subtotal | 9.5 | 6.8 | | | | |
| Doubtful claims: | | | | | | |
| Banking account | 38.5 | 23.0 | 13.3 | 85.9 | 36.3 | 94.3 |
| Trust account | 0.6 | 0.6 | | | 0.6 | 100.0 |
| Subtotal | 39.2 | 23.7 | | | | |
| Substandard claims: | | | | | | |
| Banking account | 38.0 | 12.7 | 3.0 | 12.1 | 15.7 | 41.5 |
| Trust account | 0.0 | 0.0 | | | 0.0 | 100.0 |
| Subtotal | 38.0 | 12.7 | | | | |
| Total problem claims: | | | | | | |
| Banking account | 86.1 | 42.6 | 19.0 | 43.8 | 61.6 | 71.6 |
| Trust account | 0.7 | 0.7 | | | 0.7 | 100.0 |
| Total | ¥ 86.8 | ¥43.3 | | | | |
| **As of September 30, 2020** | | | | | | |
| Claims against bankrupt and practically bankrupt borrowers: | | | | | | |
| Banking account | ¥ 21.7 | ¥18.0 | ¥ 3.7 | 100.0% | ¥21.7 | 100.0% |
| Trust account | 0.0 | 0.0 | | | 0.0 | 100.0 |
| Subtotal | 21.8 | 18.0 | | | | |
| Doubtful claims: | | | | | | |
| Banking account | 44.0 | 22.2 | 18.0 | 82.9 | 40.3 | 91.5 |
| Trust account | 0.1 | 0.1 | | | 0.1 | 100.0 |
| Subtotal | 44.2 | 22.4 | | | | |
| Substandard claims: | | | | | | |
| Banking account | 43.6 | 19.4 | 2.7 | 11.4 | 22.2 | 50.9 |
| Trust account | 0.0 | 0.0 | | | 0.0 | 100.0 |
| Subtotal | 43.6 | 19.4 | | | | |
| Total problem claims: | | | | | | |
| Banking account | 109.4 | 59.7 | 24.6 | 49.5 | 84.3 | 77.0 |
| Trust account | 0.2 | 0.2 | | | 0.2 | 100.0 |
| Total | ¥109.6 | ¥59.9 | | | | |

Notes:

(1) As of March 31, 2018, 2019 and 2020 and September 30, 2020, we had reserves for JOMTs of ¥0.0 billion, ¥0.0 billion, ¥0.0 billion and ¥0.0 billion, respectively.

(2) Our coverage ratios as of March 31, 2018, 2019 and 2020 and September 30, 2020 are calculated as the sum of the collateral value after considering haircuts and the allowance for loan losses, divided by the loan balance. The allowance coverage ratio is calculated as the allowance for loan losses divided by the difference of the loan balance minus the collateral value after considering haircuts.

The following chart provides an overview of our self-assessment classification and resulting categories and disclosure of claims (banking account and principal guaranteed trust account combined) on a non-consolidated basis as of September 30, 2020:

(Billions of yen, %)

| Borrower classification under the self-assessment | | Problem assets based on the Financial Reconstruction Act | Self-assessment: Not categorized | Self-assessment: Category II | Self-assessment: Category III | Self-assessment: Category IV | Allowance (*) | Coverage ratio | Allowance ratio |
|---|---|---|---|---|---|---|---|---|---|
| Legal bankrupt / Virtual bankrupt | | (1) Bankrupt/ Practically bankrupt 21.8 | (1) Guarantee and collateral 18.0 | | Entirely covered by allowances | Entirely written-off or covered by allowances | (1) Specific allowance for loan losses 3.7 | 100.0 | 100.0 |
| Possible bankruptcy | | (2) Doubtful 42.2 | (2) Guarantee and collateral 22.4 | | Partially covered by allowances | | (2) Specific allowance for loan losses 18.0 | 91.5 | 82.9 |
| Requiring careful monitoring | Substandard debtors | (3) Substandard 43.6 | (3) Guarantee and collateral 19.4 | | | | (3) General allowance for loan losses 2.7 | 51.0 | 11.4 |
| | Special mention (exc. Substandard) | (4) Ordinary assets (A + B + C) 30,578.1 | | | | | | | |
| | | A. Assets to substandard debtors (exc. Substandard) 1.1 | | | | | | | |
| | | B. Assets to other special mention debtors (exc. Assets to substandard debtors) 455.4 | | | | | | | |
| Normal | | C. Assets to ordinary debtors 30,121.6 | | | | | | | |
| | | Problem assets based on the Financial Reconstruction Act (1) + (2) + (3) 109.7 | Guarantee and collateral (1) + (2) + (3) 59.9 | | | | Allowance for loan losses (1) + (2) + (3) 24.6 | 77.1 | 49.5 |
| Total balances (1) + (2) + (3) + (4) 30,687.8 | | | Not categorized 30,683.3 | category II | category III 4.3 | category IV - | | | |

(*) 0.0 billion of reserves for loan trust and reserves for JOMT (Jointly-operated money trust) are posted in principal guaranteed trust account.

*Credit Costs*

The following tables set forth a breakdown of our credit costs in our banking account and in our trust account for the periods indicated:

| | For the year ended March 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (billions of yen) | | |
| **Banking account:** | | | |
| Banking account credit costs: | | | |
| Write-off of loans | ¥ 4.5 | ¥ 4.3 | ¥ 3.4 |
| Net provision of specific allowance for loan losses | — | 20.8 | 1.1 |
| Losses (gains) on sales of loans | 0.5 | 0.2 | 1.5 |
| Subtotal (A) | 5.1 | 25.5 | 6.1 |
| **Trust account:** | | | |
| Principal guaranteed trust account credit costs (B) | — | — | 0.0 |
| Provision (reversal) of general allowance for loan losses (C) | — | (20.6) | 38.8 |
| Reversal of allowance for loan losses (D) | 5.2 | — | — |
| Recoveries of written-off claims (E) | 2.8 | 1.9 | 1.1 |
| Credit costs (gains) (A + B + C – D – E) | ¥(2.9) | ¥ 3.0 | ¥43.8 |

| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **Banking account:** | | |
| Banking account credit costs: | | |
| Write-off of loans | ¥ 0.4 | ¥1.7 |
| Net provision of specific allowance for loan losses | (1.6) | — |
| Losses (gains) on sales of loans | 0.1 | 0.8 |
| Subtotal (A) | (1.1) | 2.5 |
| **Trust account:** | | |
| Principal guaranteed trust account credit costs (B) | 0.0 | — |
| Provision (reversal) of general allowance for loan losses (C) | 2.7 | — |
| Reversal of allowance for loan losses (D) | — | 0.1 |
| Recoveries of written-off claims (E) | 0.3 | 0.3 |
| Credit costs (gains) (A + B + C – D – E) | ¥ 1.2 | ¥2.0 |

*Allowance for Loan Losses*

The following table sets forth a breakdown of our total allowance for loan losses in the banking account on a consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen, except percentages) | | | |
| General allowance for loan losses | ¥ 88.5 | ¥ 68.3 | ¥ 106.7 | ¥ 98.5 |
| Specific allowance for loan losses | 14.3 | 31.4 | 20.4 | 26.3 |
| Total allowance for loan losses | ¥ 102.9 | ¥ 99.7 | ¥ 127.2 | ¥ 124.8 |
| Total loans and bills discounted in the banking account | ¥28,000.6 | ¥29,022.7 | ¥29,703.3 | ¥30,140.3 |
| Ratio of total allowance for loan losses to total loans and bills discounted in banking account | 0.37% | 0.34% | 0.43% | 0.41% |

*Risk-monitored Loans*

The following tables set forth information concerning our risk-monitored loans in our banking account and trust account on a consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen, except percentages) | | | |
| **Banking account:** | | | | |
| Loans and bills discounted | ¥28,000.6 | ¥29,022.7 | ¥29,703.3 | ¥30,140.3 |
| Loans to borrowers in bankruptcy (A) | 6.0 | 7.0 | 4.9 | 2.4 |
| Non-accrual loans (B) | 47.5 | 70.3 | 53.1 | 74.6 |
| Loans past due three months or more (C) | — | — | 3.3 | 6.5 |
| Restructured loans (D) | 24.0 | 23.2 | 38.9 | 42.0 |
| Total risk-monitored loans (A) + (B) + (C) + (D) | ¥ 77.5 | ¥ 100.7 | ¥ 100.4 | ¥ 125.6 |
| Ratio to total loans and bills discounted | 0.3% | 0.3% | 0.3% | 0.4% |

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen, except percentages) | | | |
| **Principal-guaranteed trust account:** | | | | |
| Loans and bills discounted | ¥ 36.2 | ¥ 30.9 | ¥ 26.7 | ¥ 17.5 |
| Loans to borrowers in bankruptcy (A) | — | — | — | — |
| Non-accrual loans (B) | 0.8 | 0.7 | 0.6 | 0.1 |
| Loans past due three months or more (C) | — | — | — | — |
| Restructured loans (D) | 0.0 | 0.0 | 0.0 | 0.0 |
| Total risk-monitored loans (A) + (B) + (C) + (D) | ¥ 0.8 | ¥ 0.7 | ¥ 0.7 | ¥ 0.2 |
| Ratio to total loans and bills discounted | 2.5% | 2.5% | 2.7% | 1.2% |

The following table sets forth our domestic risk-monitored loans in our banking account and trust account as of the dates indicated therein on a non-consolidated basis by industry of borrower and as a percentage of all domestic risk-monitored loans as of the dates indicated therein:

| | As of March 31, | | | | | | As of September 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | | 2020 | |
| | (billions of yen, except percentages) | | | | | | | |
| Domestic branches (excluding offshore): | | | | | | | | |
| Manufacturing | ¥ 3.0 | 6.1% | ¥16.8 | 26.1% | ¥ 8.4 | 15.0% | ¥ 13.0 | 19.2% |
| Agriculture, forestry, fisheries, mining, quarrying of stone and gravel gathering | — | — | 0.4 | 0.6 | 0.3 | 0.5 | 0.0 | 0.0 |
| Construction | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | — | — |
| Electric, gas, heat supply and water | — | — | 4.0 | 6.2 | 3.6 | 6.4 | 3.4 | 5.0 |
| Information and communications | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transport and postal activities | 0.0 | 0.0 | — | — | — | — | — | — |
| Wholesale and retail trade | 5.5 | 11.2 | 6.5 | 10.1 | 6.4 | 11.4 | 5.9 | 8.7 |
| Finance and insurance | 0.2 | 0.4 | 0.2 | 0.3 | 0.1 | 0.2 | 0.1 | 0.1 |
| Real estate | 7.8 | 15.9 | 6.4 | 9.9 | 8.0 | 14.3 | 9.7 | 14.3 |
| Goods rental and leasing | — | — | — | — | — | — | — | — |
| Others | 32.3 | 65.8 | 29.7 | 46.1 | 29.0 | 51.7 | 35.0 | 51.8 |
| Total domestic branches (A) | 49.1 | 100.0 | 64.4 | 100.0 | 56.1 | 100.0 | 67.6 | 100.0 |
| Overseas branches and offshore (B) | 4.9 | | 16.6 | | 26.8 | | 38.9 | |
| Total (A) + (B) | ¥54.0 | | ¥81.0 | | ¥83.0 | | ¥106.5 | |

**Quantitative and Qualitative Disclosure about Credit, Market and Other Risks**

Progress in financial deregulation and internationalization has led to growth in the diversity and complexity of banking operations, exposing financial institutions to various risks, including credit, market operations, information technology, legal, settlement and other risks. In order to implement our business strategy while maintaining our financial stability, we maintain comprehensive risk management and control measures.

We maintain basic policies for risk management established by our board of directors that are applicable to the SuMi TRUST Bank Group. The board of directors clarifies management policy and strategic goals, formulates risk management policy based on the strategic goals, supervises development of an appropriate risk management system and implements appropriate measures to raise awareness of the risk management policies throughout the SuMi TRUST Bank Group. In line with these basic policies, we maintain various measures to strengthen and enhance the sophistication of our risk management system. See “Business—Risk Management.”

***Value-at-Risk***

We use Value-at-Risk (“VaR”) to measure market risk exposures. VaR uses historical market fluctuations to statistically predict maximum expected losses under specific conditions. Based on an

internal model developed by the SuMi TRUST Bank Group, we manage market risks by measuring VaR and calculating various risk management indicators and carrying out various simulations.

The internally developed VaR model is primarily based on the historical simulation method. Market risk can be classified into categories, such as interest rate risk, stock price risk, exchange rate risk, and others according to its characteristics. We calculate market risk by adding up the risks of all categories without considering the correlation among these categories.

We also use VaR for managing risks associated with trading securities and some currency and interest-related derivatives transactions held in our trading account. The VaR model used is primarily based on the historical simulation method (with a holding period of 10 business days, confidence interval of 99% and observation period of 1,300 business days).

As of March 31, 2020, the total amount of market risk (estimated potential loss) of financial instruments held in our trading account was ¥8.8 billion.

We use VaR for managing risks associated with financial assets and liabilities held in our banking account. The historical simulation method is the primary measurement (with a holding period of a maximum of one year according to a position, confidence interval of 99% and observation period of 1,300 business days).

As of March 31, 2020, the total amount of market risk (estimated potential loss) of financial instruments held in our banking account was ¥779.8 billion.

To complement our use of VaR as a measure of general market risk, we also measure stressed VaR, which is intended to replicate a VaR calculation that would be generated by our current portfolio if relevant market factors were experiencing a period of stress. Stressed VaR is measured using the historical simulation method (with a holding period of 10 business days, confidence interval of 99% and observation period of 260 business days), where the observation period is derived from historical market data since 2007 to produce a continuous one-year period of significant market stress. Stressed VaR is intended, in part, to dampen the cyclicality of the VaR measure and to mitigate the problem of market stresses falling out of the data period used to calibrate the VaR after some time.

Both VaR and Stressed VaR are used as inputs in our calculation of risk-weighted assets under the FSA's capital adequacy rules. See "—Capital Resources and Adequacy—Capital Adequacy Ratios." We calculate VaR and Stressed VaR by applying the internal models approach as allowed under BCBS standards.

The VaR and Stressed VaR of our trading transactions on a consolidated basis for the years ended March 31, 2019 and 2020 and the six months ended September 30, 2019 and 2020 are presented below:

| | For the year ended March 31, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **VaR:** | | |
| Maximum | ¥ 9.6 | ¥10.7 |
| Minimum | 3.9 | 3.9 |
| Average | 6.3 | 6.2 |
| End of period | 4.4 | 8.8 |
| **Stressed VaR:** | | |
| Maximum | ¥32.0 | ¥32.7 |
| Minimum | 15.2 | 15.9 |
| Average | 23.7 | 24.5 |
| End of period | 23.6 | 21.7 |

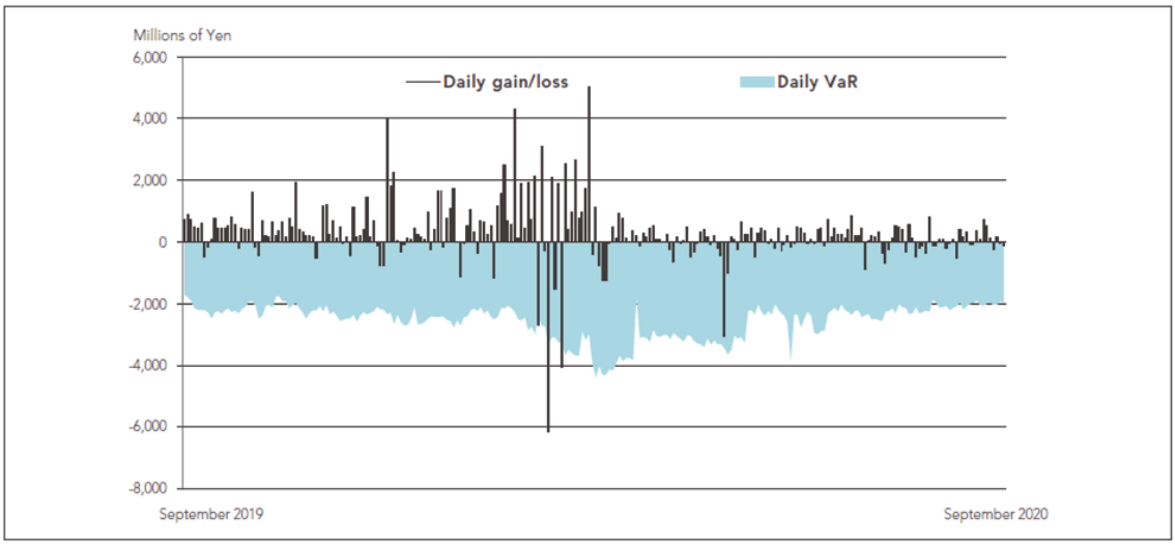
| | For the six months ended September 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (billions of yen) | |
| **VaR:** | | |
| Maximum | ¥ 7.8 | ¥13.0 |
| Minimum | 3.9 | 4.9 |
| Average | 5.4 | 7.4 |
| End of period | 4.5 | 5.0 |
| **Stressed VaR:** | | |
| Maximum | ¥29.2 | ¥32.0 |
| Minimum | 15.9 | 18.9 |
| Average | 21.6 | 27.0 |
| End of period | 19.4 | 26.6 |

***Back Testing and Stress Testing***

In order to evaluate the effectiveness of market risk measurements calculated using the VaR method, we carry out regular back tests to compare VaR with assumptive profits and losses. Assumptive profits and losses account for general market risk.

In addition, the validity of the model calculation method and precondition is verified periodically to ensure that the assumption for VaR calculation is not deviating from the actual market situation. The VaR measurement using the historical simulation method that is affected by market fluctuations in the past observation period has a limit that it is impossible to capture large market fluctuations that have not occurred in the past or occurred outside of the observation period. This limit is complemented by implementing stress tests. The amount of loss when applying the expected scenario based on the maximum fluctuation range of each risk factor in the past and the future forecast to the current portfolio is regularly estimated.

The graph below shows our daily VaR of trading activities for the one year period ended September 30, 2020, and the corresponding paired distribution of profits and losses on a consolidated basis. As shown below, during the one year period ended September 30, 2020, we had three cases in our trading account where losses exceeded VaR.




***Interest Rate Risk***

To supplement the above limitations of VaR methodologies, we adopt various indices to measure and monitor the sensitivity of interest rates.

Based on the standards for interest rate risk in the banking book issued by the BCBS in April 2016, the FSA revised the related regulatory guidelines pertaining to monitoring of interest rate risks in the banking book (“IRRBB”) in December 2017.

IRRBB is the risk that the capital and profit/loss of banks will be damaged now or in the future due to adverse impact on the banking book positions by changes in interest rate levels. IRRBB is caused by maturity dates mismatch (gap risk), interest rate mismatch (basis risk), and optionality associated with interest rate change (option risk) in the banking account positions. We maintain and manage IRRBB management systems at the consolidated and global levels.

Under the BCBS and FSA standards, we have been required to disclose changes in economic value of equity ("Δ"EVE") and changes in net interest income ("Δ"NII") in the banking book as a result of interest rate shocks from March 31, 2018.

Calculation of IRRBB is dependent on a number of key assumptions, including the expected maturity dates of non-maturity deposits and core deposits, redemption ratios for term deposits, prepayment rates for loans, as well as treatment of foreign currencies.

# BUSINESS

## Introduction

We are a wholly owned subsidiary of SuMi TRUST Holdings and form the core group company of the SuMi TRUST Group. We operate together with other SuMi TRUST Group companies in areas such as asset management, real estate and stock transfer agency services to offer a wide range of products and services integrating banking and trust businesses.

SuMi TRUST Holdings was established on April 1, 2011 through a share exchange between CMTH and STB. Pursuant to the share exchange, STB became a wholly owned subsidiary of CMTH, which changed its name to Sumitomo Mitsui Trust Holdings, Inc.

As part of the integration of the SuMi TRUST Group, Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited, which were trust bank subsidiaries of CMTH prior to the formation of SuMi TRUST Holdings, and STB executed a merger agreement in December 2011. The merger was effected on April 1, 2012, with the resulting entity being SuMi TRUST Bank.

On October 1, 2018, for the purpose of strengthening the asset management business of the SuMi TRUST Group as a whole, we and SuMi TRUST Holdings effected a reorganization of the SuMi TRUST Group's asset management businesses whereby our former asset management function, which included asset management for institutional investor clients such as pension funds, was split off from us and integrated with the asset management business of, Sumitomo Mitsui Trust Asset Management, a wholly owned subsidiary of SuMi TRUST Holdings. The centralization of asset management functions separate from the main banking function (carried out by us) was part of an effort to strengthen and promote governance at the SuMi TRUST Group level.

In July 2019, we transferred all of the shares of Nikko AM held by us to SuMi TRUST Holdings as a dividend in kind to enable the SuMi TRUST Group to further solidify and enhance its asset management business and governance strength.

SuMi TRUST Holdings had a market capitalization of ¥1.3 trillion as of February 26, 2021 and consolidated total assets of ¥60,698.0 billion and consolidated net assets of ¥2,615.0 billion, each as of December 31, 2020. For the year ended March 31, 2020, SuMi TRUST Holdings had consolidated net income attributable to owners of parent of ¥163.0 billion and a consolidated fee income ratio, calculated by dividing substantial net fees and commissions and related profit by substantial consolidated gross business profit, of 54.6%.

## Overview of Our Business

SuMi TRUST Holdings' and our businesses are organized into the following sections, which align with our business segments for reporting purposes:

- *Retail Total Solution Services*. We provide comprehensive services to meet the wide-ranging demands of individual clients, including asset management, inheritance and succession, administration of real estate and other property, and loans such as housing loans;
- *Wholesale Financial Services*, consisting of:
  - *Wholesale Total Solution Services*. We contribute to the expansion of clients' enterprise value and asset value and to their growth, by providing one-stop total solutions that only a trust bank group can offer through the integration of our various highly specialized functions, including banking, asset management and administration, and real estate, to meet the advanced and diverse needs of clients;
  - *Wholesale Asset Management*. We offer clients solutions unique to a trust bank for issues ranging from assets to liabilities, based on the diverse asset management and administration know-how that the SuMi TRUST Group has cultivated over the years;
- *Stock Transfer Agency Services*. We work as an "agent of record for listed companies" provided for in the Companies Act and undertake stock-related services on behalf of clients. We offer shareholder list management services that allow our clients to increase their administrative efficiency and rationalize their administration, as well as various comprehensive consulting services;

- *Real Estate*. We have a large number of real estate specialists, such as real estate appraisers and first-class registered architects, that provide a full line of services from brokerage to securitization and investment management in response to the real estate-related needs of a wide range of clients, including corporations, investors and individuals in Japan and overseas;
- *Fiduciary Services (including Asset Management)*. SuMi TRUST Group companies provide client-oriented, high-value-added services ranging from design of pension systems to asset management and administration through three businesses: the pension business, the asset management business and the asset administration business; and
- *Global Markets*. We have a group of experts in the management of global financial market volatility that draws on our domestic and overseas networks to provide optimal solutions for our clients.

**Our Strengths**

We believe our primary competitive strength is our diversified business portfolio and operations, which allows us to leverage our synergistic business model. Our comprehensive financial services businesses, which are organized in six complementary sections, provide us with a strong operational base, allowing us to generate and retain customers by enhancing the financial products and services through the sharing of know-how across the SuMi TRUST Group and offering a variety of products and services.

Our fee income, which has been a source of stable earnings for us, is derived from two independent, yet mutually beneficial sources which are asset balance-based fee income and volume-based transactional fee income. Our asset balance-based fee income stems largely from our fiduciary business, where we have consistently maintained a leading position based on our scale of assets under management and assets under custody in Japan, and a reputable client base among stock transfer agents. This position in the fiduciary business provides us with a steady income stream and a comparatively resilient earnings structure. By applying the know-how and expertise we have built up through our institutional business, we have been able to improve the stability of our revenue base through increases of fee income in our retail-focused businesses. In addition, our volume-based transactional fee income, which is derived from the flow of business through our sales of investment trusts and insurance products and our real estate brokerage business, allows us to capture the benefits of operating in Japan, the world's third largest economy in terms of nominal gross domestic product in 2019.

In the year ended March 31, 2020, we continued to pursue a hedging strategy to reduce the price volatility risk of our strategic cross-shareholdings in addition to a gradual reduction of our strategic cross-shareholdings, in order to minimize fluctuations in our capital ratios. We intend to continue to pursue such hedging strategy as we continue to reduce our strategic cross-shareholdings going forward. As of March 31, 2020, 75% of our Japanese strategic shareholdings portfolio was hedged against price declines.

We believe our high proportion of fee income relative to other major banking groups in Japan positions us to maintain quality control over our assets to minimize risk. We believe our ability to make selective risk assessments when deploying our balance sheet assets is due to steady sources of fee income that allow us to be less reliant on income generated by the commercial banking business.

Our disciplined risk management has enabled us to build a portfolio of high-quality assets with:

- a ratio of NPLs *(kinyu-saiseiho-kaiji-saiken)* to total loan balance of 0.4% as of December 31, 2020, which is lower than that of Japan's three largest banking groups, as well as limited credit costs in recent years; and
- a relatively low dependence on JGBs in our securities portfolio combined with a short JGB average duration.

**Our Business Strategies**

In May 2020, the SuMi TRUST Group announced its medium term management plan covering the three years ending March 31, 2023. The plan seeks to achieve balanced creation of both social value

and economic value and defines our purpose as creating new value with the power of trusts to bring about a prosperous future for clients and for society. As a specialized trust bank group, we believe we are positioned to contribute to key social and macroeconomic issues facing our clients and society, including: Japan's low birthrate and aging population, continuation of ultra-low interest rates, increased focus on "ESG" management of companies, changes in the global economy, rapid digitalization and changes of social norms brought about by the COVID-19 pandemic.

To realize our goal of contributing to the sustainable development of society, as well as the sustainable and stable growth of the group, the SuMi TRUST Group has defined three basic policies to guide its strategies and business initiatives under the period covered by the new medium term management plan:

- *Strengthen our business portfolio as the foundation for sustainable and stable growth*. SuMi TRUST Group intends to develop opportunities to provide new products and services and total solutions to existing clients based on its long-term and all-encompassing trusted relationships. At the same time, SuMi TRUST Group intends to increase the number of new clients and promote the accumulation of assets under custody and assets under management, focusing on areas where SuMi TRUST Group has strengths and knowhow. For the creation of new growth areas, SuMi TRUST Group aims to leverage its traditional strengths in crossing and merging across business segments to create new business opportunities, which seek to address current social issues and anticipate new client needs. Specifically, SuMi TRUST Group intends to focus on initiatives in private banking; asset formation advisory services and employee benefit and asset management assistance to corporate clients; broad-based support to high-growth innovative firms across the corporate lifecycle; and asset management solutions to individual and corporate investors. In order to take advantage of SuMi TRUST Group's traditional strengths in crossing and integrating across business segments to create new business opportunities, SuMi TRUST Group intends to proceed with the ongoing reorganization of SuMi TRUST Bank and concentrate its resource allocation and risk taking. For the promotion of strategic resource mix, in order to strengthen its management structure and improve efficiency of SuMi TRUST Group, SuMi TRUST Group will promote optimal allocation of resources by combining diverse resources to the areas of strategic importance. SuMi TRUST Group will combine various management resources within SuMi TRUST Group, including the evolution of digital technology and the utilization of capital, with the aim of building a strong organization that balances optimal allocation and maximum utilization of resources.
- *Capital strategy, including balance sheet and efficient use of capital*. While maintaining a prudent level of capital adequacy, SuMi TRUST Group will implement a capital policy that balances soundness and capital efficiency by promoting a more proactive capital strategy, such as active strategic investment, management of strategic shareholdings and risk assets. While addressing the demand for new loans related to COVID-19, in relation to the control of risk-weighted assets, SuMi TRUST GROUP will continue to work to improve profitability of both retail and corporate credit portfolios by accelerating asset turnover and diversifying sources of foreign currency funding.
- *Enhancement of business quality, including capability to support creation and strengthening of businesses.* As a specialized trust bank group, in order to strengthen "client focus" and "client satisfaction" as sources of differentiation, SuMi TRUST Group will further integrate its fiduciary duty and client satisfaction businesses in order to improve operational quality management capabilities and enhance the level of our marketing channels including better education of our risk culture. In addition, in light of changes in business environment, adherence to new regulations and the rising importance of group company strategies, SuMi TRUST Group will advance the sophistication of business management on a group basis in areas such as human resources, financial management and risk management.

**Our Capital Strategy**

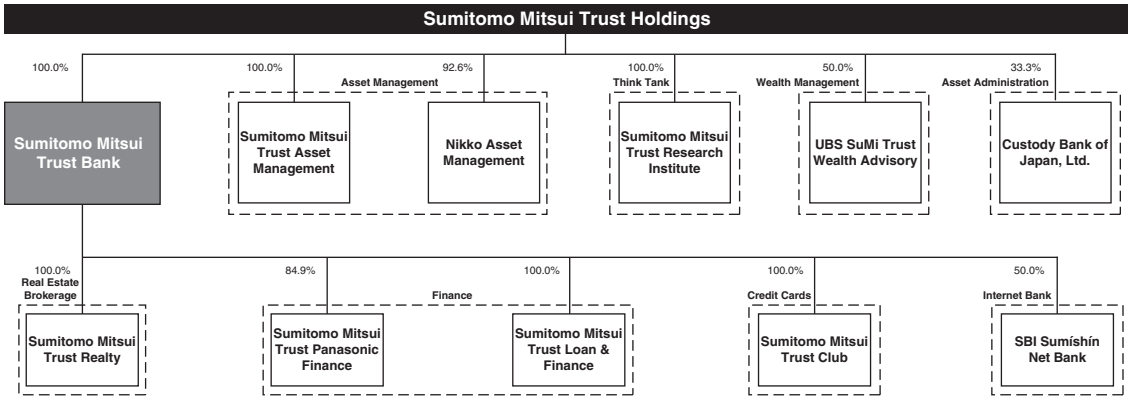
As part of our capital strategy to capture potential opportunities for future growth and meet applicable Basel III capital requirements, we are working to build and maintain a sufficient capital buffer and also to further strengthen our financial foundation through prudent management of credit and market risks. In the year ended March 31, 2020, we continued to pursue a hedging strategy to reduce the price volatility risk of our strategic cross-shareholdings in addition to a gradual reduction of our

strategic cross-shareholdings, in order to minimize fluctuations in our capital ratios. We intend to continue to pursue such hedging strategy as we continue to reduce our strategic cross-shareholdings going forward.

Under the FSA's fully phased in revised capital adequacy guidelines applicable from March 2019, our Common Equity Tier 1 capital ratio on a consolidated basis as of March 31, 2020 and December 31, 2020 was 11.08% and 10.60%, respectively, and SuMi TRUST Holdings' Common Equity Tier 1 capital ratio on a consolidated basis as of March 31, 2020 and December 31, 2020 was 12.62% and 12.11%, respectively. Our interpretation of these guidelines and the basis of our calculation of those measures may be different from those of other Japanese financial institutions. See "Supervision and Regulation—Japan—Capital Adequacy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Adequacy."

### Group Corporate Structure

The following chart summarizes the SuMi TRUST Group's corporate structure:




Note: Percentages indicate the percentage of voting rights held by SuMi TRUST Group companies based on the total number of voting rights of the outstanding shares as of December 31, 2020. Thereafter, on January 15, 2021, SuMi TRUST Group completed the purchase of the remaining 7.4% of shares held by DBS Bank, Ltd. in Nikko AM, as a result of which Nikko AM became SuMi TRUST Group's wholly owned subsidiary.

For information with respect to our principal subsidiaries and affiliates, see "Principal Subsidiaries and Affiliates."

### Retail Total Solution Services

The Retail Total Solution Services Business provides comprehensive services to meet a wide range of client needs pertaining to asset management, inheritance and succession, administration of real estate and other property, mortgage and other loans, and insurance and installment-type products. These services are provided through our nationwide network of branches, as well as through Sumitomo Mitsui Trust Direct (telephone and Internet banking) and other service bases.

We actively offer new products and services tailored to meet increasingly diverse client needs amid the trend toward the maturing of Japanese society and the advance of economic globalization.

Through our staff, who possess significant expertise and include financial consultants (an innovation that we introduced ahead of other banks in 1977), we can provide comprehensive solutions customized to the needs of individual clients.

In the sales operations for investment trusts, insurance and other products, we offer a wide range of products, from investment trusts and discretionary investment management products to insurance and foreign currency deposits, to meet the diverse asset management needs of our clients. We also provide consulting services.

We provide housing loans to individuals for a wide range of purposes, including purchases of new and existing homes and costs associated with these purchases. Other than housing loans, our product lineup caters to the wide range of needs of our customers, such as credit card loans to finance future life plans, reverse mortgages and apartment loans for construction or renovation.

As of December 31, 2020, our balance of non-consolidated loans to individuals totaled ¥10.6 trillion and our total balance of investment trusts, fund wrap, separately managed accounts and insurance was over ¥6.6 trillion. As of September 30, 2020, our PD and LGD for residential mortgages on a non-consolidated basis, used to calculate capital adequacy ratios, remained lower than those of our peer banks in Japan. A substantial majority of our loans to individuals are residential mortgage loans. We believe that our portfolio of residential mortgage loans and business loans to individuals remains strong despite current economic conditions because of our focus on metropolitan areas, including the Tokyo metropolitan area, the Osaka metropolitan area and the district of Nagoya.

Regarding asset administration and asset inheritance services, there is a growing need to promote the smooth asset succession from one generation to the next and for asset preservation in the wake of Japan's declining birthrate and aging society as well as recent tax reforms. We provide extensive products and a wide range of know-how to address these trends and developments. Additionally, we also provide proactive support to our business owner clients for their corporate transactions and business succession, both from the standpoint of business administration and personal assets, through leveraging our banking, trust and real estate functions. As a consequence, a breakdown of our individual clients shows a significant proportion of senior clients. As a reflection of growing demand from Japan's aging population, the numbers of will trusts administered and wills executed by us have been steadily increasing in recent years, as shown in the following table (non-consolidated basis):

| | As of March 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (thousands) | | |
| Will trusts administered | 31 | 33 | 34 |
| Wills executed | 1,152 | 1,321 | 1,418 |

***Products and Services***

*Deposits*

We provide distinctive deposit instruments that include time deposits that we refer to as "Good Select," which if held to maturity without cancellation can be offered at a favorable interest rate, and our "Foreign Currency Time Deposit" (also referred to as "Foreign Currency Revolution"), which offers a selection of five different foreign currencies for deposits. To support clients' asset management efforts, we also provide our "Asset Management Support Plan," which combines investment trusts with special interest rate time yen deposits. For clients who have entered retirement, we offer a time deposit plan to support their post-retirement plans.

*Investment Trusts*

We provide a diverse lineup of investment trust products aimed at retail customers, including through NISAs (a Japanese version of a tax-advantaged individual savings account). The investment trusts we offer are managed by SuMi TRUST Group's asset management companies: Sumitomo Mitsui Trust Asset Management and Nikko AM. With this diverse product offering and asset management expertise, the SuMi TRUST Group helps clients' asset building by offering investment proposals referred to as "Core & Satellite," which combines core investment products that focus on stable returns through long-term portfolio diversification, and satellite products targeting extra returns by capturing market trends.

As an independent asset management company in the SuMi TRUST Group, Nikko AM engages in asset management operations featuring strengths in product development capabilities, asset management expertise and marketing support capabilities. Nikko AM had ¥29.3 trillion in assets under management, including ¥9.6 trillion of assets under management for exchange traded funds as of December 31, 2020.

Additionally, the SuMi TRUST Group has been pursuing various initiatives involving Junior NISAs (a Japanese version of the individual savings accounts for minors) introduced in 2016 in addition to NISAs, including the expansion of "Sumitomo Mitsui Trust Junior NISA Selection," a group of products suited to the characteristics of these accounts, and the development of a "Wampaku Anshin (Little Rascals Promenade Serenity) Package," under which customers receive consolatory payments for hospitalization due to injuries they suffer if certain conditions are met.

*Discretionary Investment Management Products*

Discretionary investment management products represent services in which we make investment decisions and undertake transactions on behalf of clients. We rely on the sophisticated asset management skills and know-how of the SuMi TRUST Group's asset management companies, Sumitomo Mitsui Trust Asset Management and Nikko AM, in the provision of asset management services for corporate pension funds and other assets. We offer two discretionary investment management products: our "Sumitomo Mitsui Trust Fund Wrap," for efficient investment plans tailored to meet each client's risk tolerance, and our "Sumitomo Mitsui Trust SMA," for building custom-tailored portfolios.

To accompany these products, we offer our "Jinsei Anshin (Lifelong Serenity) Package," which provides coverage for health risks such as cancer, nursing care and injuries and offers preferential basic fees for will trust services (with execution services) to provide peace of mind all through our clients' life stages.

*Life Insurance Products*

We offer a versatile product lineup to provide peace of mind to clients at the various stages of their lives. Our "Single Premium Annuity Insurance" and "Level Premium Annuity Insurance" can be used as asset management instruments to cover shortfalls in public pension benefits and prepare for a comfortable post-retirement life. Our "Single Premium Whole Life Insurance" and "Level Premium Whole Life Insurance" allow clients to safely transfer their assets to family members. Our "Medical and Cancer Insurance" supports expenses in cases of illness and injury.

Furthermore, we also offer three "Wrap Insurance" products, which combine wrap investment and insurance functions.

*Loans*

We provide housing loans that meet various lifestyles and needs. Our "One-writing Mixed Loan" simplifies application procedures even when combining two types of interest rates and our "Housing Loans Tailored for Women" offer preferential interest rates after childbirth.

We also provide other loans, such as our "Real Estate Backed Loans (Reverse Mortgage)," which is a loan that uses a house as collateral when borrowing funds for a more comfortable lifestyle, our "Housing Card Loan" home equity loan, our "Apartment Loans" for the construction or renovation of apartments, and our "Sectional-ownership Condominium Loans" for the purchase of condominiums for rent, as second houses or for other purposes.

*Asset Administration*

With our "Tuition Fund Endowment Trust" (also referred to as "Devotion for Grandchildren"), we manage educational funds granted as gifts to grandchildren. With our "Marriage and Child-rearing Support Trust" (also referred to as "A Link between Generations"), we manage funds to help children of clients get married and raise children. Our "Annual Donation Support Trust" assists in the process of providing gifts to family members. In addition, our "Family Consideration Trust" (lump-sum type/annuity type) supports family living expenses in the event of an inheritance.

We also provide our "Anshin Support Trust" (money trust type), which enables custom-tailored payouts of funds and other functions for clients who want their assets to be preserved and administered over the medium to long term.

We also provide functions to support social contributions through trusts. These include guardianship system support trusts, special donation trusts, social contribution donation trusts and charitable trusts.

*Asset Inheritance*

In addition to "Will Trust Services" (with execution services), in which we provide consultations on will writing through storage and execution, we provide "Comprehensive Services for Inheritance

Procedures" ("Makasete Anshin," "Leave it to SuMi TRUST Bank for peace of mind"), which provide pertinent advice and inheritance procedures on asset succession, and "Estate Planning," which offers asset succession analysis and support for specific asset succession planning to address a wide range of asset succession needs of clients.

*Private Banking*

For our business proprietor clients, we offer a wide range of products and services including custom-tailored asset-management products, asset administration products, and inheritance and business succession consulting. Through comprehensive corporate banking transactions, real estate brokerage services and consulting on effective land utilization, we offer comprehensive proposals and solutions that leverage our banking, trust and real estate functions from the standpoint of both corporate and personal assets.

**Wholesale Financial Services Business**

In the Wholesale Financial Services Business, we provide one-stop total solutions that only a trust bank group can offer through the integration of our various highly specialized functions including banking, asset management and administration, and real estate, to meet the advanced and diverse needs of clients. We divide the Wholesale Financial Services Business into the Wholesale Total Solution Services Business and Wholesale Asset Management Business.

The Wholesale Total Solution Services Business serves as a general point of contact for all transactions with corporate clients, in addition to the services under its supervision, such as loans and arrangement of various financing schemes, corporate consultations, and M&A advisory services.

In the Wholesale Asset Management Business, we offer clients solutions unique to a trust bank for issues ranging from assets to liabilities, based on the diverse asset management and administration know-how that the SuMi TRUST Group has cultivated over the years.

In our corporate credit-related operations, we offer higher-value-added and diverse products and services that accurately meet our clients' financing needs, and combine banking, investment trust and real estate business functions, employing various financing techniques that include syndicated loans, project finance, asset finance, M&A finance, real estate finance, asset securitization arrangements and "Densai" lump-sum factoring (lump-sum purchases of electronically recorded monetary claims of a designated payer company held by a supplier company).

Regarding asset management product sales operations, a dedicated department in the Wholesale Asset Management Business works in collaboration with the Global Markets Business, the Fiduciary Services Business and the Real Estate Business in response to the asset management needs of our clients, utilizing the trust function and other features of a financial group specialized in trust banking. Utilizing these strengths, we develop and provide asset management products and services that match clients' businesses, corporate characteristics and needs.

In our international operations, there is a growing demand for financing among Japanese companies pursuing international expansion and relocating their production bases to overseas locations. Accordingly, we provide financial support for clients' overseas expansion, leveraging the SuMi TRUST Group's own office network as well as the broad overseas network, which utilizes partnerships with leading overseas financial institutions, mainly in Asia, to accurately respond to clients' financing needs in the foreign countries where they are operating. We are simultaneously enhancing and increasing loans to non-Japanese companies, mainly in Asia.

In addition, as a strategic partner to our clients, we are stepping up consulting services by providing M&A brokerage services, business succession support and a Japanese version of an employee stock ownership plan ("ESOP").

***Products and Services***

*Syndicated Loans*

A syndicated loan is a fundraising scheme in which an "arranger" (a lead financial institution) forms a syndicate of lenders to provide loans on the same terms and conditions under a single contract to

satisfy the funding needs of clients. The SuMi TRUST Group uses syndicated loans not only for conventional corporate loans but also for real estate finance, ship finance, buyout finance and other structured finance transactions.

In the leveraged loan sector, as of September 30, 2020 we held $1,528 million of leveraged loans, of which $1,279 million were booked in North America and $249 million were booked in the European Union. Our leveraged loans to borrowers in North America are generally focused on loans rated "4B" or higher. We define "4B" as loans rated by Moody's and S&P where the sum of "B"s in the ratings of two rating agencies is four. For example, if Moody's rating is Ba1 and S&P's rating is BB+, then the rating is 4B.

*Real Estate Finance*

In real estate finance, we provide non-recourse loans to our clients based on either current and/or future cash flows of the collateral properties using the knowledge and expertise we have developed through our long history in this business in Japan, as well as loans to J-REITs.

We also serve our clients by providing equity money to support their investment and securitization business.

A real estate non-recourse loan is a form of financing for purchasing real estate in which real estate securitization is carried out and the assets are transferred to a special purpose company ("SPC"). The loan itself is repaid exclusively from the cash flow originating from the real estate or the proceeds on its sale. The Wholesale Financial Services Business coordinates with the Real Estate Business and overseas offices to actively capture high-quality real estate finance projects both in Japan and overseas.

As of September 30, 2020, we had ¥2,183.7 billion of real estate-related loans, consisting of ¥1,031.0 billion of real estate non-recourse loans including specified bonds and ¥1,152.7 billion of loans to J-REITs.

*Project Finance*

Project finance, which employs the cash flow generated from a specific project as the repayment source and limits its collateral to the relevant project's assets, is used to raise funds for infrastructure projects, such as the building of power plants, railroads, roads and ports, as well as oil refineries, petrochemical plants and natural resource exploration. We respond to domestic and overseas capital needs in a wide range of areas, including wind power and other renewable energy projects, as well as private finance initiative and public private partnership projects.

As of September 30, 2020, we held $6,777 million of foreign project finance loans which were approximately 3% of our total corporate loan portfolio.

*Asset Finance*

Asset finance is a financing technique in which the cash flow generated by assets belonging to a corporation or other entity is used to repay loans.

Ship finance is a global financing method for the building or purchase of ships, which is backed by various types of set collateral and the cash flow generated by the ships (mainly charter fees).

Aircraft finance is a financing method used to provide funds for the acquisition of aircraft while appropriately managing the creditworthiness of the airline and the value (and structure) of the aircraft. A specialized team set up in 2012 is now doing business with airlines and aircraft leasing companies worldwide. Against a backdrop of strong aircraft demand, we and Novus Aviation Capital jointly established Ortus Aircraft Leasing Fund in June 2016 to provide Japanese investors with alternative investment opportunities.

As of September 30, 2020, we held $3,620 million of aircraft finance loans which were approximately 2% of our total corporate loan portfolio. As of September 30, 2020, our exposure exceeded $100 million for only three airlines.

*M&A Finance*

M&A finance consists of finance for the purpose of providing acquisition capital when companies or private equity funds acquire a company, or when a company's management seeks to buy out its own company or a single business unit in the company.

We provide solutions to various management issues, such as recapitalization and business succession for owner-managed listed companies, in addition to solutions to the increasing need for Japanese companies to acquire overseas companies and the need of companies to sell their non-core businesses. We arrange a wide range of financings related to these acquisitions.

*Consulting for Corporate Clients*

As the core member of a trust bank group that covers banking, trust and real estate functions, we provide consulting services to corporate clients on financial matters, business restructuring concerns, and anti-takeover measures, as well as consulting services on business succession for business owners, and similar matters.

*Asset Securitization*

Asset securitization arrangements are operations that involve splitting off specific assets such as monetary claims (loans and bills discounted, accounts receivable, etc.) and real estate from their owners and creating financial instruments based upon the revenue (cash flow) generated by these assets to raise funds.

Asset securitization methods include (1) the trust method (a method of entrusting assets and allowing investors to obtain beneficiary rights) and (2) the SPC method (a method by which assets are transferred to an SPC and securities are issued that treat these assets as collateral). We were an early pioneer of asset securitization arrangements. For example, we developed accounts receivable trusts in 1991 and we continue to actively develop new products. As a result, we have currently secured a strong position in the asset securitization field among domestic financial institutions in terms of both quality and quantity. We have also developed new products and provided various solutions to clients by making active use of our trust function.

As of September 30, 2020, all of our holdings of collateralized loan obligations were rated AAA.

*Electronic Monetary Claim Services*

In addition to "Densai Net" services, a new settlement infrastructure for monetary claims, the SuMi TRUST Group offers "Densai lump-sum factoring," which was made possible through the SuMi TRUST Group's proprietary system development. With Densai lump-sum factoring, we make lump-sum purchases of the electronically recorded monetary claims of a designated payer company held by a supplier company, thereby providing such benefits as facilitating fundraising for the supplier company on the creditworthiness of the payer company, and reducing bills and enhancing the efficiency of payment operations for the payer company. We are committed to actively promoting the spread and use of the Densai Net by taking advantage of its versatility and offering the Densai lump-sum factoring system to regional financial institutions.

*Sales of Asset Management Products*

In addition to offering asset management products through beneficiary rights and corporate bonds issued against trust assets in our asset securitization operations, we use our experience in investment and loan operations, acquired through our banking and pension investment consulting businesses, to develop and arrange alternative asset management products for institutional investors, as well as various asset management products that target a wider range of investors. We provide investment opportunities for pension investors, financial institutions and other clients by developing a variety of asset management opportunities that harness our proprietary account investment techniques and management know-how to meet the asset management needs of their clients.

*M&A Advisory*

We have positioned M&A and capital alliance advisory activities as an effective means of enhancing enterprise value and are actively engaging in these advisory activities related to business acquisitions, the sale of non-core businesses, and management buyouts and similar matters.

*Services Related to ESOP Trusts and Other Corporate Welfare Programs*

As solutions to the various welfare-related issues of corporate clients, we are actively offering new programs and schemes, such as a Japanese version of ESOPs, which contribute to revitalizing ESOP associations and promoting a sense of employee participation in management, and board benefit trusts for executive officers, directors and audit & supervisory board members as a perk in our human resources management system, as well as installment saving programs, employees' saving programs and housing loans, which enable the reduction of the asset management burden on companies, while at the same time helping employees' asset building efforts.

**Stock Transfer Agency Services**

The Stock Transfer Agency Services Business works as an "agent of record for listed companies" provided for in the Companies Act and undertakes stock-related services on behalf of clients. We offer shareholder list management services that allow our clients to increase their administrative efficiency and rationalize their administration and comprehensive wide ranging consulting, including areas such as legal affairs related to shares practices, investor relations ("IR") and shareholder relations ("SR"), corporate governance and initial public offerings ("IPOs").

The professional services we provide through our specialized staff have helped enhance the reputation of the Stock Transfer Agency Services Business. The SuMi TRUST Group accounts for more than 40% of the shareholders and listed companies under management in Japan's stock transfer agency services market as of March 31, 2020. We provide legal support concerning stock-related matters for clients, offer the timely provision of information on stock-related matters, hold regular seminars, and publish practical guides on stock-related matters, etc. We also take advantage of vast amounts of information from our extensive client base, as well as our domestic and overseas networks, to provide fine-tuned support for corporate clients' IR and SR operations. Our specialized staff provides legal consulting services to clients pursuing IPOs from the IPO preparation stage, conducting practical IPO support services based on the SuMi TRUST Group's vantage point, which differs from those of securities companies and auditing firms. As the issues concerning stock-related matters that customers are facing are becoming increasingly complicated, the ability to provide consulting and information as well as significant expertise and efficient operational capabilities are more important than ever. These include issues such as responses to revisions in relevant laws, such as the Companies Act and the FIEA, compliance with the Japanese Corporate Governance Code, stock-related matters pertaining to M&A and means for ascertaining the shareholdings of foreign institutional investors and individual shareholders. We recognize this and are currently focused on developing and providing new consulting services related to compliance with the Japanese Corporate Governance Code and providing related trust-based products and services, such as board benefit trusts for executive officers, directors and audit & supervisory board members. Since the launch of the Japanese Corporate Governance Code in 2015, income from governance-related consulting services has risen steadily each year on a gross operating profit basis.

We continue to enhance consulting functions in areas such as legal affairs related to shares practices, IR and SR, corporate governance and IPOs in our Stock Transfer Agency Services Business, while working with other businesses such as the Wholesale Financial Services Business, and offer our clients solutions in response to management issues in investor and capital strategies from a cross-business perspective and seek to become a strategic partner to support the improvement of our clients' enterprise value.

***Products and Services***

*Management of Shareholder Lists*

As an "agent of record for listed companies" provided for in the Companies Act, we ensure swift and accurate execution of a multifaceted array of corporate actions, assumed on behalf of stock-issuing clients and all done in accordance with applicable legal and taxation rules. These services encompass annual tasks, namely, maintaining shareholder lists, sending out voting notices and invitations to shareholders' general meetings, and calculating and distributing dividends, in addition to corporate events including mergers, share exchanges, and the transfer of shares.

*Legal Consulting Services for Stock-related Matters*

We provide fine-tuned consulting services for a variety of stock-related matters, including the handling of shareholders' meetings, reorganization strategies, capital policies and introduction of anti-takeover measures. We employ experienced legal affairs consultants at our three major operating bases in Tokyo, Osaka and Nagoya. These consultants hold seminars for business owners on chairing shareholders' meetings as well as various seminars and study sessions on an individual basis on themes such as the handling of the general shareholders' meetings, the Companies Act and the Japanese Corporate Governance Code.

*IR and SR Support Services*

We have a dedicated IR/SR team to provide IR and SR support in the Stock Transfer Agency Business Advisory Department, taking maximum advantage of the stock transfer agency's proprietary know-how and distinctive features to allow clients to realize efficient and effective IR and SR activities.

*IR Support Services*. We provide support for the entire range of our clients' IR activities aimed at domestic and overseas institutional investors and individual investors. Specifically, we utilize "FOCUS CLUB," our membership-based information services that use our domestic and overseas institutional investor networks, to conduct beneficial shareholder surveys to identify domestic and overseas institutional investors not listed in shareholders' registries. Additionally, we offer "engagement and support-type IR consulting" to encourage dialogue between a company and its shareholders in order to facilitate understanding of company proposals for proxy votes and enhance the rate of approval votes at shareholders' meetings. We also provide individual shareholder analysis reports as an IR strategy tool for individual investors and various reports focusing on analyses of shareholders' registries, as well as making arrangements for IR on the themes of "ESG" on an individual basis for domestic and overseas institutional investors. We thus offer wide-ranging services, making maximum use of stock transfer agency functions to support clients' IR and SR activities.

*SR Support Services*. Taking advantage of a wealth of information based on a wide-ranging client base and know-how on stock-related matters, we support clients in their planning and implementation of shareholder strategies aimed at increasing the number of individual shareholders and creating a stable shareholder base. Specifically, we undertake handling questionnaires for individual shareholders and facilitating their visits to manufacturing plants. We also support the introduction of measures to deflect hostile takeovers and the handling of special situations, such as proxy fights.

*Consulting Related to Corporate Governance*

*Consulting on Reponses to the Corporate Governance Code*. Based on the Japanese Corporate Governance Code, we support our clients' initiatives and activities for improving corporate governance. Specifically, we offer consulting on the adoption of audit and supervisory committee-based governance structures, assessment of effectiveness of the Board of Directors, establishment of nomination and compensation committee and training programs for directors.

*Support for the Introduction of Incentive Plans for Officers and Employees*. We are also focused on providing incentive plans for officers and employees, such as the Benefit Trusts for Officers and Employees, a Japanese version of ESOPs, along with consulting on the introduction of restricted stock awards and consulting on the introduction of stock options, that are designed to facilitate the alignment of interests between management (officers) and shareholders for enhanced corporate value, as well as to reactivate employees' shareholding associations and promote a sense of employee participation in management.

*IPO Support Services*

Our specialized staff cooperates with IPO service partners, which include auditing firms as well as securities companies that serve as IPO lead managers, to provide procedural support for client corporations planning an IPO. Stock-related consulting services include preparation of shareholders' registries and such company rules as articles of incorporation and capital policies.

*Consulting on Investor and Capital Strategies*

Responding to management issues of our clients in investor and capital strategies, such as the improvement of enterprise value on the stock market, responses to change in shareholder structure

associated with increased individual shareholders, we offer solutions by fully utilizing the significant expertise and comprehensive capabilities, as well as consulting in areas such as legal affairs related to shares practices, IR and SR, corporate governance and IPOs.

**Real Estate Business**

The Real Estate Business employs a large number of real estate specialists, such as real estate appraisers and registered architects, providing a full line of services from brokerage to securitization and investment management in response to the real estate-related transaction needs of a wide range of clients, including large corporations, domestic and foreign investors, and individuals.

We provide real estate transaction services covering real estate brokerage, consulting and real estate securitization arrangements, through consulting based on wide information networks and significant expertise. In our real estate management and administration covering management of J-REITs and private real estate funds, we draw on our real estate information gathering capabilities and critical appraisal skills to provide investors with information and propose products. In our real estate infrastructure services, which include real estate appraisal services and real estate trusts, we have been streamlining our operations to improve the operational structure and provide high-quality services. Through the flexible coordination of these services, we can meet diverse client needs.

We are actively working to develop a business centered on environmentally friendly properties, which is expected to grow in tandem with the tightening of environmental regulations pertaining to real estate. Additionally, we are making every effort to globalize our Real Estate Business in order to meet the needs of overseas investors seeking to invest in Japanese real estate and the needs of domestic clients seeking to expand overseas.

Furthermore, we deploy highly skilled personnel with expertise in real estate in the major offices of the Retail Total Solution Services Business and the Wholesale Total Solution Services Business, and encourage these units to work in collaboration with the Real Estate Business.

***Products and Services***

*Real Estate Transaction Services*

*Real Estate Brokerage*. We take advantage of our experience and an extensive network to implement various procedures, ranging from structural surveys to price negotiations and the transfer of ownership for a wide range of properties, including office and condominium sites, factories and commercial facilities. Sumitomo Mitsui Trust Realty Co., Ltd., under our umbrella, takes the leadership in real estate brokerage for housing for individuals and small commercial properties.

In recent years, our real estate brokerage business has experienced steady growth in fees from corporate clients, as shown in the following chart (non-consolidated basis):

| | As of March 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (billions of yen) | | |
| Real estate brokerage fees | ¥26.1 | ¥26.5 | ¥29.2 |

The amount of real estate brokerage fees earned by Sumitomo Mitsui Trust Realty Co., Ltd. from transactions with individuals has shown a general upward trend from ¥11.8 billion in the year ended March 31, 2013 to ¥20.7 billion in the year ended March 31, 2020, and the number of real estate brokerage transactions by Sumitomo Mitsui Trust Realty Co., Ltd. from transactions with individuals has shown a general upward trend from 10,216 transactions in the year ended March 31, 2013 to 13,051 transactions in the year ended March 31, 2019, decreasing slightly to 12,836 transactions in the year ended March 31, 2020. The share of selling transactions where the reason for the transaction was inheritance-related has shown a general upward trend in recent years.

In addition, we provide broad-based support for intermediation for leasing as well as the buying and selling of real estate, including negotiations for leasing conditions, simulation of relocation costs and the introduction of independently sourced information on tenants and properties.

*Consulting on Effective Use of Real Estate and in Construction*. We take maximum advantage of know-how accumulated in overall real estate operations to provide various real estate consulting services to help clients effectively utilize their land and buildings.

In our Corporate Real Estate consulting service, we review real estate property holdings and utilization strategies that are consistent with clients' corporate strategies, and analyze client-owned properties to propose strategies for making the most efficient real estate investments in order to enhance corporate value.

We also seek to provide comprehensive construction consulting services, ranging from the proposal stage of project planning to post-construction building management, as well as consulting services on environmentally friendly building construction that cover energy conservation, landscape considerations, ways for extending the life of a building and the incorporation of recycling systems.

*Overseas Real Estate Business*. Capitalizing on our overseas network, our Overseas Real Estate Business arranges for property investment in Japan by overseas customers, intermediation of property investments as well as business properties overseas for Japanese clients and intermediation support to clients in need of renting business premises overseas.

Furthermore, we actively engage in our Asset Management Business, which involves real estate investments by overseas customers, by utilizing asset management capabilities unique to a trust bank.

*Real Estate Securitization Arrangement*. Real estate securitization is widely used as part of a company's financial strategy. As a pioneer that has been actively involved in real estate securitization since the initial securitization phase, we provide one-stop real estate securitization services covering the identification of client needs; the evaluation of real estate properties; arrangement (coordinating related parties and building a structure for securitization); fundraising for equity-tranche; fundraising for debt-tranche; and real estate management and operation after securitization.

*Real Estate Management and Administration*

*Real Estate Investment Advisory Services*. We are developing a business related to real estate investment advisory services, including providing investment information services for investors, as well as determining the composition of and offering real estate investment products.

We provide investors with comprehensive management services combining various real estate-related functions, and with information and investment advice utilizing our analytical capabilities regarding investment market trends, and the investment values and risks of structured real estate finance products.

Regarding J-REITs, we provide advice on the acquisition and management of assets for investment, and support stable growth of J-REIT investment companies. We not only undertake general administrative services and asset custody procedures on behalf of the client, but also provide various support services based on past achievements and our know-how based on developing REIT products while serving as the sponsor.

*Real Estate Infrastructure Services*

*Real Estate Trusts*. In order to meet the need for trust services in the real estate securitization market, we are promoting the rationalization of operations using a real estate total management system and enhancing our business structure. We have also been improving computer system functions to meet client needs, providing a service that enables investors and other clients to make inquiries about accounting information via the Internet.

*Real Estate Appraisal and Assessment*. Accompanying developments such as the convergence of Japanese accounting standards with international standards, an acceleration in corporate mergers and acquisitions and the expansion of corporate real estate strategies and real estate securitization, there is an ever growing need for real estate appraisal and assessment services to assist clients considering real estate property holding and utilization strategies. The SuMi TRUST Group has earned high marks as an authoritative real estate appraisal agency, with a large number of well-experienced real estate appraisers who have assisted private sector companies and public organizations.

**Fiduciary Services (including Asset Management)**

In the Fiduciary Services business, the SuMi TRUST Group provides comprehensive, high-value-added fiduciary services, ranging from pension plan design to asset management and administration, with an emphasis on growth potential, profitability and industry share.

The SuMi TRUST Group's balance of assets under management on a consolidated basis stood at approximately ¥109 trillion as of December 31, 2020, meaning that the SuMi TRUST Group maintained its leading position in this metric among Japan's financial institutions.

The SuMi Trust Group's Fiduciary Services businesses are divided into three areas: the pension-related business, the asset management business and the asset administration business. We and our Fiduciary Services subsidiaries, which focus on the pension-related business, work together with other SuMi TRUST Group companies, particularly in the asset management business and asset administration business, to seamlessly deploy high-level expertise and know-how to enhance the Group's foundation as a leader in asset management.

In the pension-related business, the SuMi TRUST Group proposes optimal, tailor-made system designs for corporate clients wishing to introduce or alter corporate pension plans. In the area of defined contribution pension plans, we are working to improve the quality of service by responding to the diversifying needs of clients through initiatives such as enhanced convenience of online services and asset management seminars. With our strong reputation among clients for services such as investment education, online services and call centers, we have been able to achieve steady growth in the number of defined contribution plan members we administer, which has risen from approximately 1.31 million as of March 31, 2017 to approximately 1.48 million as of March 31, 2019. Furthermore, the number of individual clients to whom we provide asset formation advisory services was approximately 1.25 million as of March 31, 2020. Generally, while the defined contribution pension market is expanding steadily, the defined benefit pension market is experiencing a decrease in assets under management due to dissolutions of company employees' pension funds.

In the asset management business, the SuMi TRUST Group provides corporate clients, including domestic and overseas institutional investors, with advice about a wide variety of asset management services and investments, and also undertakes product planning and the management of investment trusts that can be purchased by individuals as well as corporate clients. The business model of the Fiduciary Services Business represents the "provision of consulting & multiple plans/multiple products." Through in-depth consulting, the SuMi TRUST Group first develops a common understanding of the changing business environment and risk factors before offering asset management products. The SuMi TRUST Group proposes products to its clients as optimized combinations of its rich product offerings, and includes both in-house developed products and those offered by other financial institutions, with the aim of maximizing its clients' assets.

On October 1, 2018, for the purpose of strengthening the asset management business of the SuMi TRUST Group as a whole, we and SuMi TRUST Holdings effected a reorganization of the Group's asset management businesses whereby our former asset management function, which included asset management for institutional investor clients such as pension funds, was split off from us and integrated with the asset management business of, Sumitomo Mitsui Trust Asset Management, a wholly owned subsidiary of SuMi TRUST Holdings. The centralization of asset management functions separate from the main banking function (carried out by us) was part of an effort to strengthen and promote governance at the SuMi TRUST Group level.

In July 2019, we transferred all of the shares of Nikko AM held by us to SuMi TRUST Holdings as a dividend in kind to enable the SuMi TRUST Group to further solidify and enhance its asset management business and governance strength.

Furthermore, on June 7, 2019, SuMi TRUST Group announced a capital and business alliance with UBS Securities Japan Co., Ltd. and UBS AG Tokyo branch for cooperation in the wealth management business in Japan for all wealth management needs of high-net-worth and ultra-high-net-worth individuals. SuMi TRUST Group seeks to leverage the strengths of both SuMi TRUST Group and UBS Group to realize "Total Wealth Management" services that provide a unique and optimal "one-stop shop" solution for all wealth management needs, by combining UBS Group's wealth

management and securities services and SuMi TRUST Group's unique consultation capabilities, products and services including asset transfer and real estate. As part of the alliance with UBS Group, UBS SuMi TRUST Wealth Advisory, Ltd., which launched its operations on January 7, 2020, was established as an entity owned 50% by SuMi TRUST Group and 50% by UBS Group,. In addition, under the alliance, SuMi TRUST Group seeks to establish a new securities firm, to be owned 49% by SuMi TRUST Group and 51% by UBS Group, by the autumn of 2021.

In the asset administration business, the SuMi TRUST Group provides corporate clients, including domestic and overseas institutional investors, with a wide range of services, including securities custody and settlement services, and securities lending operations. Overseas, the SuMi TRUST Group is engaged in the administrative operations of foreign securities and foreign-domiciled funds, and is developing a comprehensive asset administration business both in Japan and overseas.

The table below sets forth certain additional data related to the SuMi TRUST Group's fiduciary services businesses as of September 30, 2020:

| | As of September 30, 2020 |
|---|---|
| | (trillions of yen) |
| Assets under management | ¥ 99 |
| Assets under custody | 234 |
| Balance of entrusted investment trusts[1] | 81 |

Note:
(1) SuMi TRUST Bank on a non-consolidated basis.

***Products and Services***

*Pension-related Business*

*Consulting for Pension System Planning*. As pension systems professionals, we provide system planning consulting in the form of optimized, tailor-made plans that reflect a comprehensive assessment that encompasses management strategy as well as the personnel and financial situations of individual corporate clients to help them introduce corporate pension systems or to modify existing systems. We handle both defined-benefit and defined-contribution pension plans. Moreover, in order to realize our clients' goals, we offer practical support concerning system introduction and management, including labor-management consultations and negotiations with government and regulatory authorities.

Furthermore, the number of companies adopting defined-contribution pension plans and the number of pension beneficiaries have been steadily increasing. In concert with these trends, the types of operation and administration services required by our clients have become increasingly diversified over the years. In response, we have upgraded the quality of our services by providing simulations through an Internet-based service for enhanced convenience and by offering seminars on asset investment, which focus on financial planning for post-retirement years. By enhancing the quality of such services in this way, we are able to meet the needs of both business owners and pension beneficiaries.

*Pension Investment Consulting*. The business model of the Fiduciary Services business for asset management represents the "provision of consulting & multiple plans/multiple products," beginning with consulting, in which we discuss with clients their objectives and the most appropriate course for asset management. In these consultations, we first come to a common understanding of anticipated risk factors and changes in the business environment, such as rising interest rates and declining stock prices, after which we offer asset management products that match the individual client's needs. In product selection, we propose optimized combinations of a rich product offering, drawing on both in-house developed products and those of other financial institutions. In our reorganization, we established a function specific structure, giving top priority to the provision of comprehensive solutions that combine "high-quality investment consulting" and "a rich selection of high-quality products." Research, especially, serves as the foundation for asset management, and with this in mind we will further enhance our investigation, analysis and due diligence monitoring systems.

*Administration of Subscribers and Beneficiaries*. In our administration of subscribers and beneficiaries and our benefit payment services, we use a state-of-the-art system complemented by a

rigorous risk management system. We use the Internet for confirming subscriber and beneficiary registration data and for making electronic data available for the preparation and registration of various reports and notices, as well as the production of report materials and ledger sheets.

We have also developed a comprehensive security setup, giving full consideration to security through the adoption of an electronic authentication system and the preparation of a business continuity plan for responding to emergencies.

*Asset Management Business*

*Asset Management Products and Services*. The SuMi TRUST Group has a large number of experienced analysts and fund managers. These professionals, who possess significant expertise, together with a rich product lineup and consulting capabilities, provide a solid foundation for our asset management expertise.

In addition to these professionals with such significant expertise and other resources, the SuMi TRUST Group has enhanced its capability to create added value by drawing on a wide variety of know-how.

In the future, the SuMi TRUST Group intends to expand its systems for investigation, analysis and due diligence to further improve its research capabilities, which serve as the foundation for asset management, with the aim of becoming an asset management organization that can survive global competition.

*Asset Management Structure*. In order to provide comprehensive solutions, we have formed a function-specific structure to specify how to delineate the responsibilities of analysts, fund managers and other specialists. An increasing number of financial products have complicated mechanisms and characteristics. Accordingly, it has become important to provide services that meet client needs and help clients fully understand the risks that accompany individual financial products. For this reason, we have positioned compliance as one of the most important management issues, and have increased compliance managers and enhanced the checking function by a division that is under the direct control of the officer in charge of compliance.

*Providing High-quality Products*. We provide a high-quality multi-product lineup for comprehensive solutions to meet clients' needs.

*Asset Administration Business*

Both in Japan and overseas, SuMi TRUST Group provides a wide range of securities processing services, including the administration and settlement of securities in which clients have invested, the preparation of reports for clients regarding the status of asset management and custody and securities lending operations. The SuMi TRUST Group's asset administration business in Japan is provided through Custody Bank of Japan, Ltd. ("Custody Bank of Japan"). The Custody Bank of Japan was formed pursuant to the merger of Japan Trustee Services Bank, Ltd., Trust & Custody Services Bank, Ltd and JTC Holdings, Ltd. into Custody Bank of Japan on July 27, 2020. SuMi TRUST Holdings is the largest shareholder of Custody Bank of Japan.

Utilizing the trust assets that have been entrusted by SuMi TRUST Bank, Mizuho Trust & Banking Co., Ltd., and Resona Bank, Limited, the Custody Bank of Japan provides securities administration services for corporate pension trusts, securities investment trusts and other trusts, and performs trust operations and banking operations related to asset administration. Furthermore, it provides various custody services, including administration of securities held by life insurance companies.

Overseas, SuMi TRUST Group subsidiaries in the United States, the United Kingdom and Luxembourg provide global custody services to administer securities custody services in foreign markets, while a subsidiary in Ireland conducts foreign-domiciled fund administration operations. In this way, the SuMi TRUST Group is developing a comprehensive asset administration business both in Japan and overseas.

*Overseas Asset Administration Business*. Through our subsidiaries in the United States, the United Kingdom and Luxembourg, we provide global custody services, which are custody services for

securities in foreign markets held by domestic and overseas investors. In addition, a subsidiary in Ireland provides foreign-domiciled fund administration operations such as fund administration.

### Global Markets

As experts in the management of market volatility, we meet our clients' needs for asset management and risk management regarding such matters as interest rate derivatives and foreign exchange-related transactions by providing solutions through the structuring and marketing of market-based financial products. Our global markets business functions are broadly divided into market functions, client functions and administrative functions. Market functions are comprised of financial management operations and investment operations. Client functions, providing services to both individual and corporate clients, include market-making operations and marketing operations.

### Products and Services

*Market Functions*

*Financial Management Operations*. Financial management operations are intended to control market risks, in order to secure stable earnings from a company-wide perspective. We analyze market environments, measure the market risks we have faced, and plan and execute the necessary hedging operations (transactions to avoid or reduce risk).

*Investment Operations*. Through our proprietary trading operations, we invest in a wide variety of financial instruments such as bonds, stocks, credits, real estate and commodities. To disperse risk and maximize profit, we categorize the investment business into the three dimensions of strategy, capability and investment period, and allocate them as intelligently as possible.

*Client Functions*

*Market-making Operations*. Our market-making operations are intermediary services to clients for various market-based transactions, including foreign exchange-related transactions and interest rate derivatives. We also work to supply high-quality, low-priced, market-based financial products by making full use of our financial technology.

*Marketing Operations*. In close cooperation with the Client Business Division (the Retail Total Solution Services Business, the Wholesale Total Solution Services Business, the Wholesale Asset Management Business, the Stock Transfer Agency Services Business and the Real Estate Business), we offer market-based financial products and financial consulting services that match client needs in a timely manner at an appropriate price.

*Administrative Functions*

We administer and settle market-based transactions, providing high-quality administrative services to correctly process complex and large-volume administration and settlement transactions.

### Properties

We own or lease the office space for our branches and other facilities. The following table shows the net carrying amount of our tangible fixed assets on a consolidated basis as of March 31, 2020:

| | As of March 31, 2020 |
|---|---|
| | (billions of yen) |
| Land | ¥123.6 |
| Buildings | 73.3 |
| Lease assets | 5.1 |
| Construction in progress | 0.3 |
| Other | 18.4 |
| Total | ¥220.9 |

**Sustainability**

SuMi TRUST Group has hitherto leveraged the functions of a financial group specialized in trust banking to offer broad-ranging support on solving the social challenges faced by its clients. In light of this track record, SuMi TRUST Group currently focuses on five key themes in our sustainability business: climate change, natural capital (biodiversity), environmentally friendly property, sustainable (ESG) investments, and issues in an aging society. Moreover, as part of SuMi TRUST Group's total solutions, it is stepping up its services in the areas of positive impact finance and ESG/integrated report consulting.

SuMi TRUST Bank has contributed to the spread of renewable energy through project financing for wind power generation and mega-solar power in Japan and abroad. As a signatory to the Principles for Responsible Banking (the "PRB"), which went into effect in September 2019, SuMi TRUST Holdings promotes the "positive impact finance" approach advocated by the PRB, which emphasizes how the companies and projects to be financed will impact society and incorporates these impact assessments into lending decisions. With climate change being such an important issue for the international community, SuMi TRUST Bank has continued to carefully consider its own actions by setting internal standards on power generation efficiency and environmental load for coal-fired power generation projects that emit relatively large amounts of CO2. Given that initiatives aimed at realizing low-carbon societies in developed countries are key management issues for financial institutions, as described in the ESG Report 2019/2020 published by SuMi TRUST Holdings, SuMi TRUST Bank's basic policy going forward is not to participate in any new coal-fired power generation projects being considered for construction. However, we may make exceptions by carefully and comprehensively considering the background, attributes, and other factors of each individual project if it meets strict environmental standards, such as OECD guidelines and power generation efficiency performance. Moreover, SuMi TRUST Bank set a policy to aim to reduce the balance of project finance loans for coal-fired power generation to zero by 2040, in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), which we endorsed in 2018, as described in the TFCD Report 2020/2021 published by SuMi TRUST Holdings. The information in SuMi TRUST Holdings' ESG Report 2019/2020 and TFCD Report 2020/202 is not incorporated by reference into this base offering circular.

SuMi TRUST Bank has been working to connect investors who manage environmentally friendly funds with borrowers (such as J-REITs) who need financing to pursue environmentally friendly property projects. In September 2018 we launched a Green Trust, a jointly operated designated money trust that is used to raise funds for the new acquisition of green buildings and the refinance of existing debts. It was the first initiative of its kind in Japan. New Green Trusts were launched again in March 2019 and October 2019. The Green Trust launched in October 2019 is used to fund green buildings that have been awarded the Comprehensive Assessment System for Built Environment Efficiency (''CASBEE'') S rank. SuMi TRUST Bank supports the acquisition of certification by buildings in the trust. The Green Trusts we have launched to date comply with the Green Bond Principles and received the highest possible rating of "Green 1" in the Japan Credit Rating Agency ("JCR") Green Bond Evaluation. Loans from the Green Trust also comply with the Green Loan Principles and received the highest possible rating of "Green 1" in JCR Green Loan Evaluation.

In September 2018, SuMi TRUST Bank issued its first euro-denominated green bond for overseas markets. The 2-year floating-rate green bond targeting mainly ESG investors and asset managers in Europe raised €500 million. The proceeds from the green bond have been fully allocated to loans for 16 renewable energy projects involving wind power and solar power, contributing to a reduction of 178,685 tons of $CO_2$ per year (as of the end of March 2019), calculated by multiplying the $CO_2$ reduction effects of the projects by SuMi TRUST Bank's loan ratio. The status of the appropriation of funds from the proceeds of the green bond issuance and the environmental improvement results are disclosed on the website of SuMi TRUST Holdings and have been certified by a third-party certification body.

**Legal Proceedings**

We are not involved in any litigation or other legal proceedings that would individually, or in the aggregate, be expected to have a material adverse effect on our results of operations or financial condition.

**Competition**

Our major competitors in Japan include:

- Japan's largest banking groups: Mitsubishi UFJ Financial Group, Mizuho Financial Group and Sumitomo Mitsui Financial Group.
- Other banking institutions: These include city banks, other trust banks, regional banks, shinkin banks (or credit associations), credit cooperatives, agricultural cooperatives, foreign banks and retail-oriented online banks.
- Securities companies and investment banks: These include both domestic securities companies and the Japanese affiliates of global investment banks.
- Asset management companies: A range of domestic and foreign asset managers, including independent firms and those affiliated with major financial groups.
- Government financial institutions: These include Japan Finance Corporation, Japan Post Bank, Development Bank of Japan and Japan Bank for International Cooperation.
- Non-bank finance companies: These include credit card issuers, installment shopping credit companies and other non-bank finance companies.
- Other financial services providers: We also compete with private equity funds and other types of investors and financial service providers that utilize FinTech.

In global markets, we face competition with other commercial banks and other financial institutions, particularly major global banks and the leading local banks in those financial markets outside Japan in which we conduct business.

**Risk Management**

(1) Basic Policies on Risk Management and Risk Categories

In accordance with the Risk Management Policy formulated by SuMi TRUST Holdings, along with our management policy and our basic policy on internal control, our Board of Directors has established Risk Management Rules, which set out our basic rules for risk management, including the types of risk requiring attention, the techniques applied to hedge risk and the structure and authority for risk control. Based on these rules, we define the content of specific standards for risk management by each type of risk.

The types of risks defined by us for the above purpose include credit risk, market risk, funding risk and operational risk.

Credit risk is the risk of reduction or impairment of the value of assets (including off-balance sheet assets), owing to reasons such as deterioration in the financial condition of an obligor, that causes us to incur loss.

Market risk is the risk of loss caused by the changes in the value of assets or liabilities held by us (including those on an off-balance basis) and/or the proceeds therefrom, due to fluctuations of various risk factors such as interest rates, foreign exchange rates and stock prices.

Funding risk is the risk of loss resulting from a cash-flow crisis due to an inability to finance any necessary funds or a tight funding environment that imposes an interest rate significantly higher than normal.

Operational risk refers to the risk of losses arising from inappropriate business processes, activities of executives or employees, computer systems as well as external incidents.

| Risk Category | Definition |
|---|---|
| **Credit Risk** | Risk that the SuMi TRUST Bank Group incurs losses due to the value of an asset (including off-balance sheet assets) decreasing or impairing owing to such reasons as deterioration in the financial condition of an obligor. Of this, "country risk" in particular means risk that the SuMi TRUST Bank Group incurs losses on credit provided overseas, due to foreign exchange, political and economic conditions of the country of the obligor. |
| **Market Risk** | Risk that the SuMi TRUST Bank Group incurs losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads. Of this, "market liquidity risk" in particular means risk that SuMi TRUST Bank Group incurs losses caused by a situation in which it becomes impossible to conduct transactions in the market or becomes obligatory to trade at prices significantly more disadvantageous than usual due to market turmoil. |
| **Funding Liquidity Risk** | Risk that the SuMi TRUST Bank Group incurs losses in a situation in which it becomes impossible to secure necessary funds or becomes obligatory to raise funds at interest rates significantly higher than usual. |
| **Operational Risk**<br>(Below are "risk sub-categories" within Operational Risk) | Risk that the SuMi TRUST Bank Group incurs losses resulting from inadequate or failed internal processes, people and systems or from external events. |
| **Business Processing Risk** | Risk that the SuMi TRUST Bank Group incurs losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud. |
| **Information Security Risk** | Risk that the SuMi TRUST Bank Group incurs losses because information assets are not properly maintained or managed. This includes information leaks, incorrect information and an inability to use the information systems or the misuse of information. |
| **System Risk** | Risk that the SuMi TRUST Bank Group incurs losses due to such reasons as computer system failure, malfunction and defects, as well as the risk that the SuMi TRUST Bank Group incurs losses due to unauthorized use of a computer. |

| Risk Category | Definition |
|---|---|
| **Legal and Compliance Risk** | Risk that the SuMi TRUST Bank Group incurs losses due to uncertain legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc. |
| **Human Resource Risk** | Risk that the SuMi TRUST Bank Group incurs losses due to personnel and labor management issues, such as unequal or unfair management of personnel and harassment. |
| **Event Risk** | Risk that the SuMi TRUST Bank Group incurs losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, the spread of infectious diseases and the inappropriate use or management of tangible assets. |
| **Reputational Risk** | Risk that the SuMi TRUST Bank Group incurs losses as a result of deterioration in reputation for SuMi TRUST Holdings or its subsidiaries, including us, owing to such reasons as mass media reports, rumors or speculation. |

(2) Risk Management Structure

In accordance with the Risk Management Policy formulated by SuMi TRUST Holdings, we set down the roles and responsibilities of operational organizations and departments related to risk management as follows:

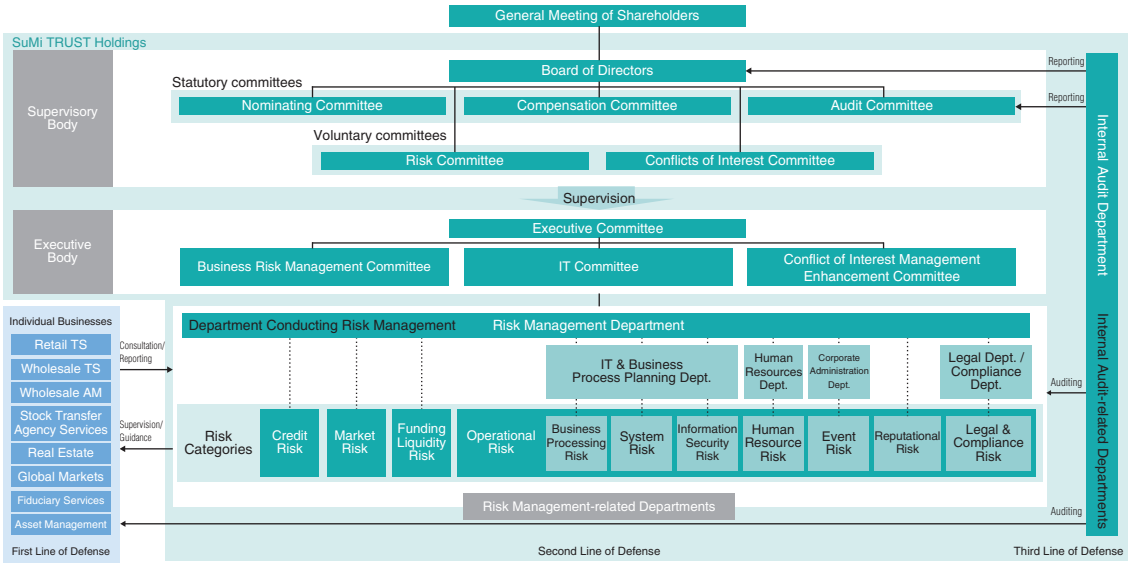
*Board of Directors*: formulates policies for the identification, assessment, monitoring, control and reduction of risks. It also formulates management plans, including the risk capital allocation plan and the risk management plan, and disseminates the plans throughout the company. It also establishes a reporting structure and vests authority in relevant organizations.

*Executive Committee*: sets rules and provisions regarding the identification, assessment, monitoring, control and mitigation of risks in line with the policies set out by the Board of Directors and develops frameworks to put them into practice.

*Front Office Departments*: engage in operational administration aimed at ensuring the effectiveness of risk management, such as implementing appropriate controls that reflect the scale and characteristics of risks based on the accurate recognition of risks, subject to Risk Management Rules and relevant risk management regulations, etc.

*Risk Management-related Departments*: are responsible for developing and running the risk management process for identification, assessment, monitoring control and reduction of risks they are supposed to manage. Furthermore, in order to fulfill their check-and-balance functions over the front office departments, these departments engage in the planning and promotion of the risk management system, including reporting to senior management on a regular basis or as appropriate, based on the monitoring of risk status and risk management activities at front office departments.

The following chart illustrates the group-wide risk governance system of SuMi TRUST Group.




(3) Comprehensive Risk Management and Integrated Risk Management

*Comprehensive Risk Management*. We comprehensively measure the risks we face after assessments thereof by risk category. We manage risks by comparing them with our financial strength.

*Integrated Risk Management*. In addition, among the risks subject to Comprehensive Risk Management, we aggregate risks which are quantifiable with unified criteria such as the integrated VaR and manage these risks by comparing them with our financial strength, as indicated by our capital buffer.

## Compliance

1. Basic Initiative Policy

Compliance means conforming to social norms. Achieving compliance is naturally a basic principle for the SuMi TRUST Group, and executives and each individual employee must solidly practice compliance in our daily operations. The SuMi TRUST Group has established specific compliance standards in its compliance rules (“Compliance Rules”). A checking system and promotion system has also been developed, so we comply with these and carry out sincere and fair company activities.

2. Group Compliance System

The SuMi TRUST Group positions supervision of the entire group’s compliance system as one of its most important functions. SuMi TRUST Holdings’ Compliance Rules establish standards which executives and employees must follow. For specific practice plans in various measures on compliance, a compliance program is made each fiscal year, and progress status is periodically assessed.

3. Initiatives to Foster Compliance Awareness

In order to foster compliance awareness throughout the SuMi TRUST Group, a compliance manual is created for SuMi TRUST Holdings and each SuMi TRUST Group company, and employees are thoroughly informed about the laws, regulations, various rules and items which must be followed. The SuMi TRUST Group is also enhancing training courses, including a course for the rules to strictly comply with the insider trading regulations, and each company’s compliance department has the primary responsibility for providing training as to company-wide compliance themes.

4. Hotline System

In order to promptly and appropriately cope with any legal violation, the SuMi TRUST Group has established a compliance hotline system through which all executives and employees can directly

report violations to the Compliance Department and an external attorney's office, without having to go through regular reporting channels. This hotline system enforces rigorous control of information and protection of privacy to ensure protection of whistleblowers and forbids their adverse treatment.

5. Response to Anti-social Forces

The SuMi TRUST Group has declared, both internally and externally, its resolute stance against anti-social forces in its Codes of Conduct and various other codes. It has established a system for conducting checks in all types of transactions in order to prevent transactions by anti-social forces. It has also incorporated a clause to exclude organized crime in the provision of loan and deposit contracts. This clause deters anti-social forces from initiating transactions with us. The measure gives us the legal grounds to dissolve contracts, once the presence of anti-social forces is detected, after the commencement of transactions. If the counterparty in a transaction is shown to be an anti-social force after the commencement of a transaction, a framework has been developed that allows us to take measures in close coordination with police and other external expert organizations for the eventual cancellation of such a transaction.

6. Prevention of Money Laundering

In order to prevent money laundering, etc., the SuMi TRUST Group conducts checks on personal identification items, such as name and address, as well as customer management items, such as transaction purpose and occupation, when starting continuous business relationships, when conducting large lot cash transactions, or when conducting transactions with persons who reside or stay in specified countries. In addition, when they come across transactions suspected to be related to money obtained illegally or terrorist financing, employees immediately report to the person in charge, who notifies the relevant authorities. Moreover, we have adopted an anti-money laundering system, which verifies whether any illicit transfers between accounts have taken place. We require our employees at relevant branches and departments to periodically receive training concerning prevention of money laundering, etc.

7. Other Initiatives

The SuMi TRUST Group prevents insider trading and other wrongdoing by strictly managing insider information that may be obtained during the execution of job duties. Specifically, its "Rules on Insider Information Management" obligates employees to immediately report to their supervisors when they have obtained information that may constitute insider information. In addition, our head office departments gather information on legal revisions and report them to the Compliance Department. The Compliance Department centrally manages information on the revisions, and instructs and manages related departments to respond to them in an appropriate manner. Furthermore, the SuMi TRUST Group has set forth rules to be followed by officers and employees for the prevention of bribery, etc., in the Compliance Rules.

## ADDITIONAL FINANCIAL INFORMATION

*Set forth below is certain additional financial information concerning our deposits, loans, investments and derivatives.*

### Deposits

The following table sets forth the mix of our corporate, individual and other deposits on a non-consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| Corporations | ¥ 6,282.5 | ¥ 6,644.9 | ¥ 6,217.8 | ¥ 8,025.7 |
| Individuals | 15,924.7 | 15,931.7 | 16,358.6 | 16,583.0 |
| Other | 1,721.4 | 3,868.5 | 2,959.6 | 4,400.4 |
| Total[(1)] | ¥23,928.7 | ¥26,445.2 | ¥25,536.1 | ¥29,009.2 |

Note:
(1) Excludes negotiable certificates of deposit, overseas branch accounts and Japan offshore market accounts.

The following table sets forth a breakdown of our deposits (including negotiable certificates of deposit) on a non-consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| Time deposits | ¥21,207.9 | ¥20,926.8 | ¥20,565.4 | ¥22,932.3 |
| Liquid deposits[(1)] | 6,886.2 | 9,631.2 | 8,578.2 | 9,620.8 |
| Other | 1,297.9 | 1,185.9 | 1,393.8 | 1,223.9 |
| Total deposits | 29,392.2 | 31,744.1 | 30,537.4 | 33,777.1 |
| Negotiable certificates of deposit | 6,758.9 | 6,546.2 | 6,112.9 | 7,235.7 |
| Total deposits and negotiable certificates of deposit | ¥36,151.1 | ¥38,290.4 | ¥36,650.4 | ¥41,012.8 |

Note:
(1) Includes current deposits, ordinary deposits, savings deposits and deposits at notice.

The following tables set forth our average balance of certain deposit categories (including negotiable certificates of deposit) on a non-consolidated basis for the years ended March 31, 2018, 2019 and 2020 and the six months ended September 30, 2019 and 2020:

| | For the year ended March 31, | | | For the six months ended September 30, | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2019 | 2020 |
| | (billions of yen) | | | (billions of yen) | |
| Time deposits | ¥20,994.2 | ¥20,998.7 | ¥20,417.3 | ¥20,349.6 | ¥21,502.2 |
| Liquid deposits[(1)] | 6,172.9 | 7,917.5 | 8,629.2 | 8,876.0 | 9,183.0 |
| Other | 1,049.4 | 1,117.4 | 1,264.6 | 1,171.2 | 1,120.5 |
| Total deposits | 28,216.7 | 30,033.6 | 30,311.2 | 30,396.9 | 31,805.8 |
| Negotiable certificates of deposit | 6,715.4 | 6,819.0 | 6,761.4 | 7,009.7 | 6,408.5 |
| Total deposits and negotiable certificates of deposit | ¥34,932.1 | ¥36,852.7 | ¥37,072.6 | ¥37,406.6 | ¥38,214.3 |

Note:
(1) Includes current deposits, ordinary deposits, savings deposits and deposits at notice.

## Loans

The following table sets forth loans in our banking account and in our trust account, each on a non-consolidated basis, as of the dates indicated therein:

| | As of March 31, | | | | | | As of September 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | | 2020 | |
| | (billions of yen, except percentages) | | | | | | | |
| **Banking account:** | | | | | | | | |
| Domestic offices (excluding Japan offshore market accounts): | | | | | | | | |
| Manufacturing | ¥ 2,486.0 | 10.1% | ¥ 2,663.5 | 10.4% | ¥ 2,643.2 | 10.2% | ¥ 3,045.8 | 11.6% |
| Agriculture and forestry | 5.7 | 0.0 | 5.2 | 0.0 | 5.3 | 0.0 | 4.3 | 0.0 |
| Mining, quarrying of stone and gravel gathering | 6.4 | 0.0 | 25.5 | 0.1 | 59.0 | 0.2 | 57.3 | 0.2 |
| Construction | 120.4 | 0.5 | 119.4 | 0.5 | 184.4 | 0.7 | 192.6 | 0.7 |
| Electric, gas, heat supply and water | 1,047.7 | 4.2 | 1,147.4 | 4.5 | 1,171.9 | 4.5 | 1,209.8 | 4.6 |
| Information and communications | 412.2 | 1.7 | 357.8 | 1.4 | 428.4 | 1.7 | 355.5 | 1.4 |
| Transportation and postal activities | 1,110.9 | 4.5 | 1,168.8 | 4.6 | 1,146.4 | 4.4 | 1,243.5 | 4.8 |
| Wholesale and retail trade | 1,171.8 | 4.8 | 1,253.4 | 4.9 | 1,253.8 | 4.9 | 1,263.9 | 4.8 |
| Finance and insurance | 2,805.6 | 11.4 | 2,665.3 | 10.4 | 2,487.7 | 9.6 | 2,272.1 | 8.7 |
| Real estate | 3,414.3 | 13.8 | 3,456.4 | 13.6 | 3,512.4 | 13.6 | 3,600.5 | 13.8 |
| Goods rental and leasing | 986.2 | 4.0 | 1,090.3 | 4.3 | 1,174.7 | 4.6 | 1,133.2 | 4.3 |
| Local government | 45.7 | 0.2 | 40.6 | 0.2 | 29.6 | 0.1 | 27.2 | 0.1 |
| Others | 11,059.9 | 44.8 | 11,505.2 | 45.1 | 11,776.4 | 45.5 | 11,792.5 | 45.0 |
| Total domestic (A) | ¥24,673.2 | 100.0% | ¥25,499.5 | 100.0% | ¥25,873.7 | 100.0% | ¥26,198.7 | 100.0% |
| Overseas branches and offshore (including Japan offshore market accounts): | | | | | | | | |
| Governments | ¥ 2.4 | 0.1% | ¥ 2.5 | 0.1% | ¥ 2.4 | 0.0% | ¥ 2.4 | 0.1% |
| Financial institutions | 176.1 | 4.9 | 88.6 | 2.3 | 56.1 | 1.4 | 35.1 | 0.9 |
| Others | 3,407.2 | 95.0 | 3,813.3 | 97.6 | 4,021.2 | 98.6 | 3,944.8 | 99.0 |
| Total overseas (B) | 3,585.8 | 100.0% | 3,904.5 | 100.0% | 4,079.8 | 100.0% | 3,982.4 | 100.0% |
| Total (A + B) | ¥28,259.0 | | ¥29,404.1 | | ¥29,953.5 | | ¥30,181.1 | |
| **Trust account:** | | | | | | | | |
| Manufacturing | ¥ 12.0 | 0.9% | ¥ 21.3 | 1.5% | ¥ 52.6 | 3.4% | ¥ 52.3 | 3.5% |
| Electric, gas, heat supply and water | — | — | — | — | 8.4 | 0.6 | 11.5 | 0.8 |
| Information and communications | 70.1 | 5.4 | 53.6 | 3.7 | 14.0 | 0.9 | 46.7 | 3.1 |
| Transportation and postal activities | 0.4 | 0.0 | 0.4 | 0.0 | 0.4 | 0.0 | 0.4 | 0.0 |
| Wholesale and retail trade | — | — | 5.0 | 0.4 | 5.0 | 0.3 | 5.0 | 0.3 |
| Finance and insurance | 1,111.1 | 85.4 | 1,231.1 | 85.4 | 1,310.4 | 85.0 | 1,265.2 | 84.5 |
| Real estate | 13.2 | 1.0 | 26.2 | 1.8 | 28.4 | 1.9 | 20.0 | 1.4 |
| Goods rental and leasing | 7.0 | 0.6 | 7.5 | 0.5 | 4.4 | 0.3 | 4.4 | 0.3 |
| Others | 87.1 | 6.7 | 96.6 | 6.7 | 117.5 | 7.6 | 91.4 | 6.1 |
| Total | ¥ 1,301.1 | 100.0% | ¥ 1,441.9 | 100.0% | ¥ 1,541.4 | 100.0% | ¥ 1,497.1 | 100.0% |

The following table sets forth the composition of the loans outstanding (including loans and bills discounted) in our banking account and trust account on a non-consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| **Banking account:** | | | | |
| Funds for capital investment | ¥14,514.7 | ¥15,220.9 | ¥15,605.2 | ¥15,661.3 |
| Funds for working capital | 13,744.3 | 14,183.2 | 14,348.2 | 14,519.8 |
| Total | ¥28,259.0 | ¥29,404.1 | ¥29,953.5 | ¥30,181.1 |
| **Trust account:** | | | | |
| Funds for capital investment | ¥ 34.9 | ¥ 29.9 | ¥ 25.9 | ¥ 17.0 |
| Funds for working capital | 1,266.2 | 1,411.9 | 1,515.5 | 1,480.0 |
| Total | ¥ 1,301.1 | ¥ 1,441.9 | ¥ 1,541.4 | ¥ 1,497.1 |

The following table sets forth the secured and unsecured loans outstanding (including bills discounted) in our banking account and trust account on a non-consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| **Banking account:** | | | | |
| Securities | ¥ 555.8 | ¥ 606.0 | ¥ 643.4 | ¥ 606.9 |
| Commercial claims | 270.7 | 309.5 | 219.6 | 182.8 |
| Real estate | 2,657.6 | 3,007.2 | 3,323.0 | 2,529.7 |
| Factories | 56.3 | 85.5 | 113.8 | 135.9 |
| Foundations | 186.2 | 178.2 | 165.3 | 170.9 |
| Shipping | 1,061.2 | 1,139.9 | 1,166.1 | 1,120.4 |
| Others | 1,525.6 | 1,575.7 | 1,740.9 | 1,802.2 |
| Total secured loans and bills discounted | 6,313.6 | 6,902.3 | 7,372.5 | 6,549.2 |
| Guaranteed loans and bills discounted | 8,789.4 | 9,001.8 | 9,281.2 | 10,208.1 |
| Unsecured loans and bills discounted | 13,156.0 | 13,499.9 | 13,299.6 | 13,423.7 |
| Total loans and bills discounted | ¥28,259.0 | ¥29,404.1 | ¥29,953.5 | ¥30,181.1 |
| **Trust account:** | | | | |
| Commercial claims | ¥ 0.0 | ¥ — | ¥ — | ¥ — |
| Real estate | 11.1 | 10.0 | 9.3 | 1.4 |
| Others | 0.0 | — | 3.9 | 7.0 |
| Total secured loans and bills discounted | 11.1 | 10.0 | 13.3 | 8.5 |
| Guaranteed loans and bills discounted | 20.3 | 16.9 | 14.0 | 13.6 |
| Unsecured loans and bills discounted | 1,269.6 | 1,414.9 | 1,514.0 | 1,474.9 |
| Total loans and bills discounted | ¥ 1,301.1 | ¥ 1,441.9 | ¥ 1,541.4 | ¥ 1,497.1 |

**Securities Portfolio**

The following table sets forth the composition of the portfolio of securities in our banking account on a consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| **Banking account:** | | | | |
| Japanese government bonds | ¥ 360.6 | ¥ 420.3 | ¥1,480.9 | ¥1,760.0 |
| Japanese municipal bonds | 7.2 | 8.7 | 14.7 | 19.2 |
| Japanese corporate bonds | 598.4 | 613.4 | 671.8 | 713.4 |
| Japanese stocks | 1,656.0 | 1,535.2 | 1,270.1 | 1,422.5 |
| Foreign securities and other | 2,900.7 | 3,114.7 | 2,905.3 | 2,726.1 |
| Total | ¥5,523.1 | ¥5,692.5 | ¥6,343.1 | ¥6,641.4 |

The following tables set forth the acquisition cost for, book value of, and unrealized gains and losses on, marketable available-for-sale securities in our banking account on a consolidated basis as of the dates indicated therein:

| | As of March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Acquisition cost | Book value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| | | | (billions of yen) | | |
| **Banking account:** | | | | | |
| Japanese government bonds | ¥ 301.2 | ¥ 301.5 | ¥ 0.3 | ¥ 0.3 | ¥ 0.0 |
| Japanese municipal bonds | 8.7 | 8.7 | 0.0 | 0.0 | 0.0 |
| Japanese corporate bonds | 577.4 | 580.2 | 2.7 | 3.1 | 0.3 |
| Japanese stocks | 575.1 | 1,371.6 | 796.4 | 812.3 | 15.8 |
| Other securities | 3,061.4 | 2,948.4 | (113.0) | 34.1 | 147.2 |
| Total | ¥4,523.9 | ¥5,210.6 | ¥ 686.6 | ¥850.1 | ¥163.4 |

| | As of March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Acquisition cost | Book value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| | | | (billions of yen) | | |
| **Banking account:** | | | | | |
| Japanese government bonds | ¥1,362.6 | ¥1,362.5 | ¥ (0.0) | ¥ 0.4 | ¥ 0.5 |
| Japanese municipal bonds | 14.7 | 14.7 | (0.0) | 0.0 | 0.0 |
| Japanese corporate bonds | 636.7 | 638.6 | 1.9 | 3.0 | 1.0 |
| Japanese stocks | 538.2 | 1,110.6 | 572.3 | 599.1 | 26.8 |
| Other securities | 2,701.3 | 2,651.3 | (49.9) | 64.0 | 114.0 |
| Total | ¥5,253.7 | ¥5,777.9 | ¥ 524.2 | ¥666.7 | ¥142.5 |

| | As of September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | Acquisition cost | Book value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| | | | (billions of yen) | | |
| **Banking account:** | | | | | |
| Japanese government bonds | ¥1,642.2 | ¥1,641.8 | ¥ (0.4) | ¥ 0.5 | ¥ 0.9 |
| Japanese municipal bonds | 19.2 | 19.2 | 0.0 | 0.0 | 0.0 |
| Japanese corporate bonds | 677.4 | 680.2 | 2.7 | 3.5 | 0.7 |
| Japanese stocks | 531.6 | 1,260.5 | 728.8 | 756.9 | 28.1 |
| Other securities | 2,705.2 | 2,486.1 | (219.1) | 24.4 | 243.6 |
| Total | ¥5,575.9 | ¥6,087.9 | ¥ 512.0 | ¥785.5 | ¥273.4 |

## Trust Account Information

### *Statement of Trust Account*

The following table sets forth the trust account data of our trust business on a non-consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| **Assets:** | | | | |
| Loans and bills discounted | ¥ 1,306.3 | ¥ 1,445.1 | ¥ 1,543.1 | ¥ 1,498.2 |
| Securities | 1,834.4 | 1,253.4 | 1,075.1 | 984.2 |
| Beneficiary rights | 153,552.8 | 160,593.5 | 172,441.2 | 180,267.9 |
| Securities held in custody accounts | 29.3 | 23.1 | 22.8 | 22.6 |
| Monetary claims | 17,142.5 | 19,475.0 | 19,271.0 | 22,489.6 |
| Tangible fixed assets | 14,717.2 | 15,722.2 | 17,315.5 | 18,102.9 |
| Intangible fixed assets | 205.5 | 217.9 | 194.2 | 195.3 |
| Other claims | 7,287.6 | 6,717.1 | 7,273.4 | 7,241.8 |
| Loans to banking account | 5,172.4 | 5,408.0 | 4,750.2 | 3,517.4 |
| Cash and due from banks | 449.6 | 494.2 | 538.3 | 549.9 |
| Total assets | ¥206,698.1 | ¥211,350.0 | ¥224,425.3 | ¥234,870.2 |
| **Liabilities:** | | | | |
| Money trusts | ¥ 31,416.6 | ¥ 32,877.9 | ¥ 33,415.4 | ¥ 32,736.1 |
| Pension trusts | 13,720.5 | 13,113.5 | 13,023.7 | 12,560.6 |
| Property formation benefit trusts | 17.9 | 18.8 | 19.0 | 18.7 |
| Securities investment trusts | 74,634.2 | 74,389.3 | 79,777.2 | 81,136.2 |
| Money entrusted, other than money trusts | 21,572.4 | 27,349.3 | 32,458.3 | 37,001.9 |
| Securities in trust | 19,411.0 | 19,914.1 | 20,975.7 | 22,713.0 |
| Money claims trusts | 17,265.8 | 19,592.3 | 19,383.8 | 22,591.3 |
| Land and fixture trusts | 89.4 | 77.2 | 78.4 | 0.9 |
| Composite trusts | 23,570.0 | 24,017.2 | 25,293.4 | 26,111.2 |
| Total liabilities | ¥201,698.1 | ¥211,350.0 | ¥224,425.3 | ¥234,870.2 |

The following table sets forth the loan portfolio (including bills discounted) attributable to our money trusts on a non-consolidated basis as of the dates indicated therein, classified by contractual maturity:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| One year or less | ¥ 584.2 | ¥ 430.9 | ¥ 437.0 | ¥ 430.7 |
| Over one year to three years | 207.3 | 289.6 | 266.9 | 267.1 |
| Over three years to five years | 116.8 | 142.1 | 223.9 | 227.3 |
| Over five years to seven years | 92.4 | 97.9 | 121.0 | 71.6 |
| Over seven years | 300.2 | 481.2 | 492.4 | 500.2 |
| Total | ¥1,301.1 | ¥1,441.9 | ¥1,541.4 | ¥1,497.1 |

**Guaranteed Trusts**

*Money Trusts*

We guarantee the principal of certain money trusts. The following table sets forth the assets and liabilities of such guaranteed money trusts on a non-consolidated basis as of the dates indicated therein:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2020 |
| | (billions of yen) | | | |
| **Assets:** | | | | |
| Loans and bills discounted | ¥ 36.2 | ¥ 30.9 | ¥ 26.7 | ¥ 17.5 |
| Securities | 0.0 | 0.0 | — | — |
| Other | 5,038.4 | 5,261.0 | 4,576.6 | 3,292.5 |
| Total | ¥5,074.7 | ¥5,292.0 | ¥4,603.3 | ¥3,310.1 |
| **Liabilities:** | | | | |
| Principal | ¥5,074.3 | ¥5,291.6 | ¥4,602.9 | ¥3,309.8 |
| Allowance for impairment of guaranteed trust principal | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.3 | 0.3 | 0.3 | 0.2 |
| Total | ¥5,074.7 | ¥5,292.0 | ¥4,603.3 | ¥3,310.1 |

**Information on Derivative Transactions**

For information on our derivative transactions, including the notional amount of, fair value of and valuation difference of derivatives not qualifying for hedge accounting and derivatives qualifying for hedge accounting, see Notes 1 and 2 in "Derivatives" in the notes to consolidated financial statements included elsewhere in this base offering circular.

***Derivative Transactions Qualifying for Hedge Accounting***

Our interest rate-related and currency-related transactions qualifying for hedge accounting on a consolidated basis as of September 30, 2020 consisted of the following:

| | As of September 30, 2020 | | | |
|---|---|---|---|---|
| | | Notional amount | | |
| | Major hedged items | Total | Over one year | Fair value |
| | | (billions of yen) | | |
| Interest-related transactions[1][2] | | | | |
| Deferral method | | | | |
| Interest rate swaps: | | | | |
| Fix rcv-flt pay | Interest-earning/ bearing financial assets/ liabilities such as loans and bills discounted, available-for-sale securities (bonds), deposits, and bonds payable | ¥ 541.7 | ¥ 293.6 | ¥ 1.5 |
| Flt rcv-fix pay | | 1,484.5 | 1,307.5 | (49.7) |
| Exceptional treatment for interest rate swaps | | | | |
| Interest rate swaps: | | | | |
| Fix rcv-flt pay | Borrowed money | — | — | —[3] |
| Flt rcv-fix pay | | — | — | —[3] |
| Total | | | | ¥ (48.2) |

Notes:
(1) Generally treated as deferred hedges.
(2) Fair values are calculated mainly using the net present value method or option-pricing models.
(3) Interest rate swaps to which exceptional treatment is applied are accounted for as part of the borrowings being hedged; therefore, their fair values are included in the fair value of "Borrowed money" presented under "Financial Instruments."

| | As of September 30 | | | |
|---|---|---|---|---|
| | | Notional amount | | |
| | Major hedged items | Total | Over one year | Fair value |
| | | (billions of yen) | | |
| Currency-related transactions[1][2] | | | | |
| Currency swaps | Loans and bills discounted and securities denominated in foreign currencies | ¥2,804.8 | ¥ 1,846.9 | ¥ 20.1 |
| Forward exchange contracts: | | | | |
| Sold | | — | — | — |
| Purchased | | 76.1 | — | 0.9 |
| Others: | | | | |
| Sold | | — | — | — |
| Purchased | | — | — | — |
| Method of including foreign currency translation adjustments arising from the hedging instruments in “Foreign currency translation adjustments” | | | | |
| Forward exchange contracts: | Investment in the shares of subsidiaries and affiliated companies | | | |
| Sold | | 88.2 | — | 1.1 |
| Purchased | | — | — | — |
| Total | | | | ¥ 22.1 |

Notes:
(1) Generally treated as deferred hedges.
(2) Fair values are calculated mainly using the net present value method.

See Notes 1 and 2 in “Derivatives” in the notes to our unaudited interim consolidated financial statements as of September 30, 2020 and for the six months ended September 30, 2020 and 2019 included elsewhere in this base offering circular.

## MANAGEMENT

### Sumitomo Mitsui Trust Bank, Limited

***Directors and Audit and Supervisory Committee Members***

**The following table provides information regarding our directors as of the date of this base offering circular:**

| Name | Title | Held position since |
|---|---|---|
| Kunitaro Kitamura | Chairman (Co-chairman) | April 2012 |
| Hitoshi Tsunekage | Chairman (Co-chairman) | June 2017 |
| Masaru Hashimoto | President and Representative Director | April 2017 |
| Yukihiro Kitano | Deputy President and Representative Director | April 2017 |
| Tsuyoshi Saito | Deputy President and Representative Director | April 2017 |
| Yutaka Nishida | Director | April 2015 |
| Jiro Araumi | Director | April 2015 |
| Toru Takakura | Director | January 2014 |
| Masahiro Tsuchiya | Director | April 2018 |
| Atsushi Kaibara | Director | April 2017 |
| Kengo Noguchi | Director | April 2019 |
| Kazuya Oyama | Director | April 2019 |
| Tetsuo Ohkubo | Director | April 2017 |
| Hideki Kanda(1) | Director | June 2017 |
| Junko Sasaki(1) | Director | June 2019 |
| Kazuhisa Koashi | Director (Audit and Supervisory Committee Member) | June 2019 |
| Tsutomu Kurai | Director (Audit and Supervisory Committee Member) | June 2019 |
| Hiroshi Mitsunaga(1) | Director (Audit and Supervisory Committee Member) | June 2019 |
| Hiroya Nakakubo(1) | Director (Audit and Supervisory Committee Member) | June 2019 |
| Kaoru Kashima(1) | Director (Audit and Supervisory Committee Member) | June 2019 |

Note:
(1) Satisfies the requirements for an external director as defined in Article 2, Item 15 of the Companies Act.

On February 25, 2021, SuMi TRUST Holdings announced certain changes to our directors, including representative directors, which is schedule to be effective from April 1, 2021. The following table provides information regarding the expected composition of our directors as of April 1, 2021:

| Name | Title |
|---|---|
| Masaru Hashimoto | Chairman |
| Kazuya Oyama | President and Representative Director |
| Atsushi Kaibara | Deputy President and Representative Director |
| Seiji Iwakuma | Deputy President and Representative Director |
| Kengo Noguchi | Deputy President and Representative Director |
| Shigeki Tanaka | Director |
| Hitoshi Sato | Director |
| Futoshi Itani | Director |
| Nobuaki Yamaguchi | Director |
| Yasuyuki Suzuki | Director |
| Manatomo Yoneyama | Director |
| Tetsuo Ohkubo | Director |
| Toru Takakura | Director |
| Hideki Kanda(1) | Director |
| Junko Sasaki(1) | Director |
| Kazuhisa Koashi | Director (Audit and Supervisory Committee Member) |
| Tsutomu Kurai | Director (Audit and Supervisory Committee Member) |
| Hiroshi Mitsunaga(1) | Director (Audit and Supervisory Committee Member) |
| Hiroya Nakakubo(1) | Director (Audit and Supervisory Committee Member) |
| Kaoru Kashima(1) | Director (Audit and Supervisory Committee Member) |

Note:
(1) Satisfies the requirements for an external director as defined in Article 2, Item 15 of the Companies Act.

A number of our directors, as well as our executive officers, simultaneously hold positions as directors and executive officers of SuMi TRUST Holdings. In addition, certain of our directors simultaneously hold positions outside of the SuMi TRUST Group.

As of September 30, 2020, none of our directors is the owner of more than 1% of the common stock of our parent company, SuMi TRUST Holdings, and none of our directors has voting rights with respect to SuMi TRUST Holdings common stock that are different from any other holder of SuMi TRUST Holdings common stock.

The business address for our directors and executive officers is 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan.

Our articles of incorporation provide that we may enter into agreements with directors (excluding executive directors, etc.) to limit the liabilities of such directors. We have entered into such agreements with five directors to limit their liabilities to the extent permitted by the Companies Act if such director acts in good faith and without gross negligence in performing its duties.

***Compensation***

*Annual Compensation and Stock Options*

For the year ended March 31, 2020, the aggregate compensation we paid to our directors (excluding external directors) was ¥573 million and the aggregate compensation we paid to our audit and supervisory committee members (excluding external directors) and corporate auditors (excluding external corporate auditors) was ¥55 million and the aggregate compensation we paid to our external directors and external corporate auditors was ¥65 million.

In June 2017, SuMi TRUST Holdings' board of directors resolved to issue stock options (share acquisition rights) to our directors (excluding external directors) and executive officers and subsequently allotted an aggregate of 316 stock acquisition rights at an issue price of ¥3,871 per share in July 2017. Each share acquisition right represents a right to purchase 100 shares of SuMi TRUST Holdings' common stock at ¥1 per share of common stock.

In July 2018, SuMi TRUST Holdings' board of directors resolved to issue stock options (share acquisition rights) to our directors (excluding external directors) and executive officers and subsequently allotted an aggregate of 319 stock acquisition rights at an issue price of ¥4,184 per share in September 2018. Each share acquisition right represents a right to purchase 100 shares of SuMi TRUST Holdings' common stock at ¥1 per share of common stock.

*Performance-based Stock Compensation System*

The compensation for our directors (as used in the remainder of this section, excluding (i) directors who are Audit and Supervisory Committee members and (ii) external directors) and executive officers previously consisted of "monthly compensation," "officers' bonuses," and "stock compensation-type stock options." We ceased to grant "stock compensation-type stock options" and a performance-based stock compensation system (the "Stock Compensation System") for our directors and executive officers was adopted by the compensation committee of SuMi TRUST Holdings on August 29, 2019. The Stock Compensation System is a stock compensation system whereby a trust (established by SuMi TRUST Holdings through contribution of money) acquires shares of SuMi TRUST Holdings, and the number of SuMi TRUST Holdings' shares corresponding to the number of points granted to our directors and executive officers will be delivered to them via the trust. Under the Stock Compensation System, shares of SuMi TRUST Holdings will be delivered to our directors and executive officers in office during the four fiscal years from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2023, which may be extended for three fiscal years for each extension.

During the initial four-year period, SuMi TRUST Holdings can contribute a maximum of ¥1.47 billion as aggregate compensation for the directors and executive officers of SuMi TRUST Holdings, us and Sumitomo Mitsui Trust Asset Management to fund acquisition of the shares of SuMi TRUST Holdings to be delivered to them under the Stock Compensation System. In September 2019, the trust used the funds entrusted by SuMi TRUST Holdings to acquire treasury shares of SuMi TRUST Holdings and we (through our trust account) (re-entrustment trustee: JTSB, now Custody Bank

of Japan (trust account)), as trustee, acquired 429,000 treasury shares of SuMi TRUST Holdings for ¥3,426 per share with the aggregate amount of ¥1,469,754,000.

We will grant points, with maximum of 200,000 points per fiscal year, to each of our directors and executive officers according to several factors, including their job ranks and the degree of attainment of performance targets, based on share delivery rules established upon introduction of the Stock Compensation System. One point shall generally correspond to one share of SuMi TRUST Holdings to be granted, and the delivery of such shares will be made from the trust at the time of the retirement of our directors and executive officers. The voting rights associated with the shares of SuMi TRUST Holdings held in the trust will not be exercised, and the dividends on the shares of SuMi TRUST Holdings will be held in trust and applied to, among other things, payments for acquisition of the shares of SuMi TRUST Holdings and trust fees to the trustee. With respect to assets remaining in the trust upon termination of the trust, the shares of SuMi TRUST Holdings will be acquired by SuMi TRUST Holdings without any consideration and cancelled by resolution of SuMi TRUST Holdings' board of directors; and a certain monetary amount will be donated to a special public-interest promotion corporation with which the directors and officers have no relationship of interest.

***Board Practices***

In June 2019, in order to further enhance its governance system, we amended our Articles of Incorporation to change from being a company with board of company auditors to a company with audit and supervisory committee. Pursuant to the Companies Act, we are required to have, among others, a board of directors, which shall consist of directors who are Audit and Supervisory Committee members and directors who are not such members, and an Audit and Supervisory Committee, which shall consist of three or more directors, a majority of which shall be outside directors (as defined in the Companies Act).

Our articles of incorporation provides that it shall have not more than 20 directors and not more than five directors who are Audit and Supervisory Committee members. We currently have fifteen directors who are not Audit and Supervisory Committee members and five directors who are such members. Directors who are not Audit and Supervisory Committee members and directors who are such members are separately elected by our shareholders at a general meeting of shareholders. The term of office for directors who are not Audit and Supervisory Committee members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after their appointment, and the term of office for directors who are such members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after their appointment, but any directors may serve any number of consecutive terms.

The board of directors has the ultimate responsibility for the administration of our affairs. The board of directors must appoint one or more representative directors from its members who are not Audit and Supervisory Committee members. Each of the representative directors has the authority to represent us in the conduct of our affairs. The board of directors must also appoint by its resolution, from the representative directors, a president. In addition, the board of directors may also appoint by its resolution, from its members who are not Audit and Supervisory Committee members, if necessary, chairmen and deputy chairmen, deputy presidents, senior managing directors and managing directors. Further, the board of directors, upon its resolution, may delegate to a director all or part of its authority to make a decision on important business and affairs except for certain matters prescribed in the Companies Act.

Our Audit and Supervisory Committee, which consists of five outside directors, has the responsibility to (i) audit the performance of duties by directors and prepare audit reports, (ii) determine a proposal concerning the appointment and dismissal of independent auditors and the refusal of reappointment of independent auditors to be submitted to general meetings of shareholders, (iii) decide opinions on appointment or dismissal or resignation of directors who are not Audit and Supervisory Committee members, in which case the Audit and Supervisory Committee may express its opinion at the general meeting of shareholders, and (iv) decide opinions on compensation of directors who are not Audit and Supervisory Committee members, in which case the Audit and Supervisory Committee may express its opinion at the general meeting of shareholders.

We must appoint an independent certified public accountant or an audit corporation as an independent auditor at a general meeting of shareholders, who has the statutory duties to examine the

financial statements proposed by a representative director to be submitted to the general meeting of shareholders, and to report his or her opinion thereon to certain Audit and Supervisory Committee member designated by the Audit and Supervisory Committee to receive such report (if such Audit and Supervisory Committee members are not designated, any Audit and Supervisory Committee member) and the directors designated to receive such report (if such directors are not designated, the directors who prepared the financial statements).

***Employees***

On a consolidated basis, including locally hired overseas staff but excluding contract employees and temporary staff, we had 20,631 full-time employees as of September 30, 2020.

Most of our full-time non-management employees in Japan are members of a labor union. Outside Japan, some of our employees are members of local unions. We consider our labor relations with employees to be good.

***Related Party Transactions***

We and certain of our affiliated companies had, and expect to have in the future, banking transactions and other transactions in the ordinary course of business with our related parties. Although for the year ended March 31, 2020, such transactions included, but were not limited to, call money, loans, deposits, guarantees and foreign exchange transactions, those transactions were immaterial and were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features. In addition, for the year ended March 31, 2020, SuMi TRUST Holdings executed an intercompany loan to us with the principal amount of ¥40 billion and interest rate reasonably determined taking into account market interest rates.

During the year ended March 31, 2020, none of our directors or executive officers or corporate auditors, and none of the close members of their respective families, had any transactions that were material or any transactions that were unusual in their nature or conditions, involving goods, services or tangible or intangible assets, to which we were, are or will be a party, and there were no such transactions proposed as of March 31, 2020.

During the year ended March 31, 2020, no loans were made to our directors or executive officers or corporate auditors other than loans in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and involving no more than the normal risk of collectability or presenting other unfavorable features.

## PRINCIPAL SUBSIDIARIES AND AFFILIATES

The following table sets forth information with respect to our main principal consolidated subsidiaries and affiliates as of March 31, 2020:

| Name | Country of organization | Main business | Percentage of voting rights of SuMi TRUST Bank (%) | Percentage of voting rights of SuMi TRUST Group companies (%) |
|---|---|---|---|---|
| **Domestic:** | | | | |
| Japan Securities Agents, Ltd. | Japan | Stock Transfer Agency Services | 85.10 | — |
| Tokyo Securities Transfer Agent Co., Ltd. | Japan | Stock Transfer Agency Services | 100.00 | — |
| Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. | Japan | General Leasing, Installment Purchase Services, Credit Card Business | 84.89 | — |
| Sumitomo Mitsui Trust Club Co., Ltd. | Japan | Credit Card Business | 100.00 | — |
| Sumitomo Mitsui Trust Guarantee Co., Ltd. | Japan | Housing Loan Guaranty Business | 100.00 | — |
| Sumitomo Mitsui Trust Card Co., Ltd. | Japan | Credit Card Business | 50.00 | 50.00 |
| Sumitomo Mitsui Trust Realty Co., Ltd. | Japan | Real Estate Brokerage Business | 4.67 | 95.33 |
| Sumitomo Mitsui Trust General Service Co., Ltd. | Japan | Property Leasing and Management Business | 100.00 | — |
| Sumitomo Mitsui Trust Wealth Partners Co., Ltd. | Japan | Consulting Business | 100.00 | — |
| Sumitomo Mitsui Trust Loan & Finance Co., Ltd. | Japan | Money Lending Business | 100.00 | — |
| Sumitomo Mitsui Trust Investment Co., Ltd. | Japan | Equity Investment Business | 40.00 | 60.00 |
| Sumitomo Mitsui Trust Real Estate Investment Management Co., Ltd. | Japan | Investment Advisory and Investment Management | 100.00 | — |
| Sumitomo Mitsui Trust Life Partners Co., Ltd. | Japan | Non-Life Insurance Subscription Business, Life Insurance Subscription Business | 100.00 | — |
| J-Eurus IR Co., Ltd. | Japan | Research, Consulting Business, | 100.00 | — |

| Name | Country of organization | Main business | Percentage of voting rights of SuMi TRUST Bank (%) | Percentage of voting rights of SuMi TRUST Group companies (%) |
|---|---|---|---|---|
| **Overseas:** | | | | |
| Sumitomo Mitsui Trust (Hong Kong) Limited | Hong Kong | Securities Business | 100.00 | — |
| Sumitomo Mitsui Trust Bank (Luxembourg) S.A. | Luxembourg | Banking, Securities, Trust Businesses | 100.00 | — |
| Sumitomo Mitsui Trust Bank (U.S.A.) Limited | United States | Banking, Trust Business | 100.00 | — |
| Sumitomo Mitsui Trust (Ireland) Limited | Ireland | Trust Business | 100.00 | — |
| Sumitomo Mitsui Trust Bank (Thai) Public Company Limited | Thailand | Banking Business | 99.99 | 0.00 |
| **Equity-method affiliates:** | | | | |
| SBI Sumishin Net Bank, Ltd. | Japan | Banking Business | 50.00 | — |
| Cardif Assurance Vie Japan | Japan | Life Insurance Business | 20.00 | — |
| Zijin Trust Co., Ltd. | China | Trust Business | 19.99 | — |
| Midwest Railcar Corporation | United States | Leasing Business | — | — |

## JAPANESE BANKING AND TRUST BANKING INDUSTRY

### The Japanese Banking System

The Japanese banking system is broadly divided into three groups: a central bank, public financial institutions and private-sector banking institutions. The Bank of Japan is the Japanese central bank and has responsibility for the regulation of currency, the control and facilitation of credit and finance and the maintenance and development of the credit system. There are a number of public financial institutions, such as the Development Bank of Japan and the Japan Bank for International Cooperation, which have been organized in order to provide funding for specific matters and to supplement the activities of the private-sector banking institutions. Their funds are provided mainly from government sources.

Private-sector banking institutions in Japan are normally classified into three categories (the following numbers are based on information published by the FSA, available as of February 17, 2021):

- ordinary banks;
- trust banks; and
- other banks.

According to FSA classifications, there are 105 ordinary banks (not including foreign commercial banks with banking operations in Japan), 13 trust banks (including Japanese subsidiaries of foreign financial institutions) and 17 other banks.

Ordinary banks are classified as city banks, regional banks and other banks. There are four city banks, 100 regional banks (including member banks of the second association of regional banks that were originally mutual loan and savings (*sogo*) banks) and one other regional bank.

In general, the operations of ordinary banks correspond to commercial banking operations in the United States and Europe. The main sources of funds for ordinary banks are deposits from the public. City banks are distinguished from regional banks on the basis of head office location as well as the size and scope of their operations. City banks are generally much larger in terms of total assets than regional banks and city banks generally maintain nationwide operations. Unlike regional banks, city banks have strong links with large corporate clients, including major industrial companies in Japan. However, in light of deregulation and other competitive factors, many of Japan's city banks have placed increasing emphasis on other markets, including providing services to SMEs, retail banking, international operations and, more recently, investment banking and related services. In recent years, almost all of the city banks have consolidated or merged with other city banks and also, in some cases, with trust banks or long-term credit banks. Integration among these banks was achieved, in some cases, through the use of bank holding companies.

The regional banks tend to be much smaller in terms of total assets than the city banks. Generally, each of the regional banks is based in one of the prefectures of Japan and may extend its operations to neighboring prefectures. Their clients are mostly regional enterprises and local public utilities, although the regional banks also lend to large corporations. The Japanese government currently promotes mergers between regional banks to ensure the stable availability of financial services in regional areas and in May 2020, enacted special legislation to exempt such mergers from the application of certain anti-trust restrictions for 10 years.

As of February 22, 2021, there are 55 foreign banks operating banking businesses in Japan. These banks are subject to a statutory framework similar to the regulations applicable to Japanese domestic banks. Their principal sources of funds come from their overseas head offices or other branches.

Other banks includes Internet banks such as The Japan Net Bank, Limited, Sony Bank, Inc. and Seven Bank, Ltd., which generally do not operate stand-alone branches but which place their ATMs in convenience stores and supermarkets or enter into agreements with city banks and regional banks to grant their account holders access to established ATM networks.

Trust banks, such as us, provide various trust products, including money trusts, pension trusts and investment trusts, and offer services, including real estate services, stock transfer agency services and testamentary services, as well as retail and commercial banking services.

Certain other private-sector financial institutions in Japan, including agricultural and fisheries cooperative financial institutions, credit associations and credit unions, are mainly engaged in making loans to small businesses and individuals.

A number of government financial institutions, organized in order to supplement the activities of the private banking institutions, have been in the process of business and organizational restructuring in recent years. In October 2008, some of the government financial institutions were consolidated to form Japan Finance Corporation, which mainly provides financing for SMEs and those engaged in agriculture, forestry and fishery, and also provides export financing for Japanese corporations. In October 2008, the Development Bank of Japan, which mainly engages in corporate financing, and Shoko Chukin Bank, which mainly engages in financing for SMEs, were transformed into joint stock companies. Japan Housing Finance Agency supports housing loans of private institutions through the securitization of such loans. In April 2012, Japan Bank for International Cooperation, which provides policy-based finance with a mission to contribute to the sound development of Japan and the international economy and society, was spun off from Japan Finance Corporation and was established as a joint stock company wholly owned by the Japanese government.

The role of the postal savings system is another distinctive element of the Japanese banking system. Postal savings deposits are gathered through the network of post offices throughout Japan. In April 2003, Japan Post took over postal services, including postal savings. The postal savings system has offered a variety of types of deposits, at interest rates set by Japan Post in accordance with the policy of determination of interest rates set by Japan Post. The funds are used to finance various government activities and investments in the public sector. Japan Post Corporation was established on January 23, 2006, and on October 1, 2007 was reorganized into a holding company, Japan Post Holdings for four operating subsidiaries including Japan Post Bank, which took over the postal savings services from Japan Post. As of December 31, 2020, the balance of deposits of Japan Post Bank was approximately ¥189 trillion. Privatization of the banking and insurance subsidiaries, which was originally planned for completion by the end of September 2017, was suspended in December 2009. In December 2014, under the Postal Privatization Act, Japan Post Holdings, a joint stock corporation that holds shares of operating companies, published a plan for the listing of Japan Post Holdings, Japan Post Bank and Japan Post Insurance Co., LTD. (“Japan Post Insurance”) and the gradual disposition of its shares of Japan Post Bank and Japan Post Insurance down to approximately 50% ownership. In November 2015, each of Japan Post Holdings, Japan Post Bank and Japan Post Insurance publicly offered approximately 11% of their outstanding shares, respectively, and they were listed on the Tokyo Stock Exchange. Japan Post Bank is required to receive prior approval of the Government of Japan to expand its business until Japan Post Holdings disposes of at least half of the shares of Japan Post Bank.

On September 3, 2012, Japan Post Bank announced that it had applied for approval from the FSA and Ministry of Internal Affairs and Communications to enter into the business of extending loans to individuals, including housing loans.

The present banking system evolved from measures adopted as part of the reconstruction of the Japanese economy after World War II. Such reconstruction, as it applied to financial markets, was initially guided by such principles as the separation of short-term financing from long-term financing, the separation of trust business from other types of banking, and the separation of the banking business from the securities business. The passage of the Financial System Reform Act of Japan (Act No. 87 of 1992) (the “Financial System Reform Act”) in 1992 removed many of the legal barriers between various segments of the financial services industry. As a result of this legislation and subsequent modifications to other banking laws and regulations (including those which enabled city banks themselves to engage in the trust business, effective February 2002), ordinary banks, trust banks and other banks, directly or through subsidiaries, may now engage in securities activities, and ordinary banks may engage in certain trust banking activities without restrictions. Also, the amendment to the former Securities and Exchange Act enacted in 2004 lifted the ban on banks engaging in securities intermediation. Due to the amendment made in 2004 and subsequent amendments, banks have been allowed to solicit customers for securities trades and act as intermediaries with respect to the resulting trades for securities companies. In turn, securities companies may engage in a full range of banking and certain trust banking activities through subsidiaries. In addition, the prohibition on bank holding companies was lifted in March 1998, and the prohibition on corporate bond issuances by ordinary banks was completely lifted in October 1999.

Starting in December 1998, the barriers between the banking industry and the insurance industry have also been gradually lifted, and now banks and insurance companies can engage in insurance and banking activities, respectively, through their respective subsidiaries. Also, since December 22, 2007, banks themselves have been permitted to sell a full range of insurance products.

**The Trust Banking Industry**

The trust banking industry in Japan is principally regulated by the Trust Act, the Concurrent Operations Act and the Trust Business Act, which is applied to banks through the Concurrent Operations Act. Predecessors of the current Trust Act and Trust Business Act were first enacted in 1922 to facilitate the development of a sound trust system in Japan at a time when Japan's trust industry was unregulated and the trust companies were poorly organized. These laws imposed regulations on the trust industry, defined the activities in which trust companies (later, trust banks) could engage, and limited the conduct of trust activities to chartered trust companies having a sound financial base and meeting certain other regulatory requirements. As part of an effort to mobilize national savings during World War II, the Concurrent Operations Act was passed, authorizing banks to engage in trust activities, in addition to their banking activities, through the acquisition of, or merger with, existing trust companies. As a result, by the end of the war, most of Japan's trust companies had been merged into commercial banks and only seven trust companies remained.

The former Securities and Exchange Act, enacted in 1948, prohibited trust companies from underwriting and brokering securities, which activities had been important businesses for trust companies. Partially to lessen the negative impact of these new prohibitions on the profits of the trust companies, all remaining trust companies were subsequently chartered as banks under the Banking Act and were authorized to engage in trust activities pursuant to the Concurrent Operations Act. As a result, trust activities in Japan had been conducted only by trust banks, which were allowed under the Concurrent Operations Act to engage in trust banking activities as well as banking activities.

To support post-war reconstruction, Japan developed a system of specialized financial institutions. Following the introduction of loan trusts pursuant to the Loan Trust Act of Japan (Act No. 195 of 1952), as amended, trust banks developed into specialized institutions whose primary function was to use loan trusts and other consumer savings vehicles as sources of long-term financing for industrial concerns. As part of the government's policy of specialization of financial institutions, those banks not engaged primarily in trust banking activities were required to terminate their trust activities. Consequently, regional banks closed their trust departments and some of the city banks transferred their trust operations to newly established trust banks and, with the exception of one city bank, trust banks became the only entities engaged in trust activities.

Trust banks continued to function as part of Japan's system of specialized financial institutions until the early 1990s. Between the immediate post-war period and the 1990s, however, Japan's trust banks gradually broadened the scope of their business activities, spreading into new businesses such as stock transfer agency services, tax-qualified pension trusts, employee pension fund trusts, property formation trusts and public trusts.

As a result of the Financial System Reform Act, which came into effect in April 1993, trust banks are permitted to engage in certain securities activities through their subsidiaries and other financial institutions are permitted to engage in trust banking activities, either directly or through their subsidiaries.

Financial institutions, such as banks and securities firms, are permitted to engage in certain trust banking activities through the following methods:

- *Establishment of a trust bank subsidiary*. A subsidiary established by a financial institution is permitted to engage in trust banking activities. To establish a trust bank subsidiary, a financial institution must obtain authorization from the Commissioner of the FSA (a) to establish a bank subsidiary under the Banking Act and (b) to permit the newly established bank subsidiary to engage in trust banking activities under the Concurrent Operations Act.
- *Direct engagement in the trust banking business by the financial institution itself*. Since February 2002, city banks and the Norinchukin Bank (the central bank for agricultural, forestry and fishery cooperatives) have been permitted to engage directly in trust banking activities, subject to prior authorization by the Commissioner of the FSA under the Concurrent Operations Act.

- *Agency business*. Financial institutions may engage in certain trust banking activities as agents of trust banks. Prior to an amendment to the Trust Business Act that became effective on December 30, 2004, trust banks could not appoint agents to undertake trust banking activities without first obtaining authorization from the Commissioner of the FSA. Following the amendment to the Trust Business Act, subject to a requirement that agent financial institutions register with the Commissioner of the FSA, financial institutions may execute, on behalf of trust banks, intermediate trust agreements and may sell or act as selling agents for, or may execute intermediate sales of, beneficiary interests in trusts on behalf of trust banks.

Continuing deregulation of the trust banking industry has gradually broadened the scope of the trust banking activities that financial institutions are permitted to undertake through the methods described above. The trust banking activities that are only permitted to be undertaken by trust banks, and not other financial institutions, are now considerably more limited and include:

- real estate brokerage;
- certain real estate trusts for the purpose of disposing of such real estate;
- testamentary trusts; and
- testamentary processing services.

On November 26, 2004, the Trust Business Act was substantially amended to further develop and facilitate new entries into the trust banking business and this amendment became effective on December 30, 2004. The effects of the amendment include, among others:

- abolition of the limitation on the kinds of assets that may be entrusted; and
- relaxation of the requirements for entities authorized to engage in certain trust activities.

As a result of the abolition of the limitation on the types of assets that may be entrusted, various kinds of assets, including intellectual property rights, may be entrusted as trust assets, which leads to new business opportunities in the trust banking industry in Japan. The amendment's relaxation of the requirements for entities authorized to engage in certain trust activities may lead to entities other than financial institutions entering into the trust business. The amendment also eased certain regulations on the trust agency business so that only registration with the Commissioner of the FSA is required by any entity, including a financial institution, in order to commence trust agency business activities. As the result of a related amendment to the Concurrent Operations Act, authorization from the Commissioner of the FSA is no longer required in order to establish or abolish a trust agency.

On September 30, 2007, the Trust Act and amendments to the Trust Business Act came into effect. The Trust Act contained amendments which included, among others, the introduction of new types of trusts, such as business trusts, security trusts, declaration of trusts and limited liability trusts, and a realignment of provisions regarding the liability of trustees and the rights of beneficiaries. These amendments were generally designed to allow more flexible arrangements and to enhance the availability and usage of trust arrangements. The related amendments to the Trust Business Act were enacted principally to effect the introduction of such new types of trusts.

Trust bank subsidiaries of foreign banks have been doing business in Japan since 1985. There are no legal restrictions to prevent these entities from engaging in the same activities as other trust banks.

## SUPERVISION AND REGULATION

### Japan

Pursuant to the Banking Act, the FSA has the authority in Japan to supervise banks, bank holding companies and banks' principal shareholders (defined as shareholders of a bank having 20% (or 15% in certain cases) or more of the voting rights of a bank). In addition, the Bank of Japan has supervisory authority over banks in Japan based primarily on its contractual agreements and transactions with Japanese banks. Only companies licensed by the Prime Minister are defined as banks under the Banking Act, and a license may only be granted to a joint-stock company, with paid-up capital of ¥2 billion or more. Approval by the Prime Minister is required to become or establish a bank holding company, and a bank holding company must be a joint-stock company.

The FSA also has the authority to supervise banks with respect to their trust business under the Concurrent Operations Act. Approval from the FSA is required under the Concurrent Operations Act for a bank to engage in the trust business.

Banks which are authorized to engage in certain limited categories of financial instruments business are required to be registered with the FSA under the FIEA. Those banks are subject to supervision by the FSA with respect to the authorized financial instruments business.

#### *The Financial Services Agency*

The Prime Minister has supervisory authority over banks in Japan, which is generally delegated to the FSA, except for matters prescribed by cabinet order. The Minister for Financial Services has the power to direct the FSA and to support the Prime Minister.

The FSA's authority over banks and bank holding companies under the Banking Act includes approving: becoming a principal shareholder of a bank; reductions in bank capital; changes of corporate name; the establishment or closure of overseas offices of a bank; establishing or acquiring certain subsidiaries; a merger, corporate split or business transfer; and dissolution or discontinuation of business by an existing bank.

The FSA may request the submission of reports or other materials from a bank or its bank holding company, and make inquiries to, or inspect books and documents or other objects of, the bank or the bank holding company, if necessary in order to secure the sound and appropriate operation of the business of a bank.

The FSA may order a bank or bank holding company to suspend all or part of the bank's business operations or to remove its directors if the bank or bank holding company violates acts or regulations or its articles of incorporation or commits acts contrary to public policy and, in the case of a bank in financial difficulty, may direct the bank to hold certain property in Japan for the protection of depositors and issue other orders as it may deem necessary.

Under the prompt corrective action system (the "PCA system"), the FSA may take corrective actions if necessary to ensure the sound and appropriate management of the business of a bank. These actions include (1) requiring a bank or bank holding company to formulate and implement business improvement plans, (2) requiring it to decrease its assets or take other specific actions, and (3) issuing an order suspending all or part of the bank's business operations (in the case of a bank) or disposing of shares of a bank subsidiary (in the case of a bank holding company). In addition to the PCA system, in November 2015, the FSA published revised capital adequacy guidelines and related ordinances, under which the FSA's capital buffer rules were phased in from March 2016 and became fully effective in March 2019. See "—Regulation Regarding Capital Adequacy and Liquidity."

A prompt warning system was introduced in 2002 to enable the FSA to take precautionary measures to maintain and promote the sound operations of a troubled bank even before that bank becomes subject to the PCA system. These measures require a bank that becomes subject to the system to reform profitability, credit risk management, stability and cash flow management.

Under the Concurrent Operations Act, the FSA may order a bank engaged in the trust business to suspend all or part of a bank's trust business or the Prime Minister may revoke an approval if such

bank violates acts and regulations or commits acts contrary to public policy. The FSA may also take corrective actions, including issuing an order to suspend all or part of a bank's trust business, if necessary to ensure the sound and appropriate management of a trust business.

Under the FIEA, the FSA may order a registered financial institution to suspend its authorized financial instruments business or incidental business or may revoke a registration in certain prescribed cases, including cases where a registered financial institution violates acts and regulations or where it commits a wrongful or unjust act and the circumstances are especially serious. If any director of the institution is involved in such cases, the FSA may order the registered financial institution to remove such director. The FSA also has the power to order a registered financial institution to take corrective measures if necessary and appropriate for reasons of public policy and investor protection in connection with management of the institution's business.

***The Bank of Japan***

The Bank of Japan is the central bank of Japan and serves as the principal instrument for the execution of Japan's monetary policy. The Bank of Japan implements monetary policy mainly by adjusting its basic discount rate and basic loan rate, conducting open market operations and imposing deposit reserve requirements. All banks in Japan maintain deposits with the Bank of Japan and rely substantially upon obtaining borrowings from, and rediscounting bills with, the Bank of Japan. Moreover, most banks in Japan maintain current accounts under agreements with the Bank of Japan pursuant to which the Bank of Japan is entitled to supervise, examine and audit the banks. The Bank of Japan's supervisory functions facilitate the execution of monetary policy, while the FSA's supervisory practices aim to maintain the sound operations of banks in Japan and promote the security of depositors.

***Inspection of Banks***

The Banking Act authorizes the FSA to inspect banks and bank holding companies in Japan at any time with any frequency. Inspections are conducted by officials from the FSA. The FSA monitors the financial soundness of banks and the status and performance of their control systems for business activities by evaluating banks' systems of self-assessment, auditing their accounts and reviewing their compliance with acts and regulations. Bank inspection had been performed pursuant to the FSA's Financial Inspection Manual, which emphasized the need for bank self-assessment rather than assessment based on the advice of the government authority and risk management by each bank instead of a mere assessment of assets. In December 2017, the FSA published a report on its supervisory approaches and transformation, which was revised on June 2018. Based on the report, the FSA introduced its new supervisory approaches, which include expanding the scope of its supervisory approaches from a backward-looking, element-by-element compliance check to substantive, forward-looking and holistic analysis and judgment. In December 2019, the FSA announced that the FSA's Financial Inspection Manual was repealed.

The Securities and Exchanges Surveillance Committee examines banks' business activities in connection with their financial instruments, in accordance with the FIEA.

The Bank of Japan also conducts examinations of banks. Bank of Japan examinations are normally conducted once every few years, and involve such matters as examining asset quality, risk management and reliability of operations. Through these examinations, the Bank of Japan seeks to identify problems at an early stage and give corrective guidance where necessary.

In addition, the Ministry of Finance conducts examinations of banks in relation to foreign exchange transactions under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949). Such examinations generally are conducted once every few years.

***Regulation Regarding Capital Adequacy and Liquidity***

The FSA's capital adequacy guidelines applicable to Japanese banks and bank holding companies with international operations supervised by the FSA, including us and SuMi TRUST Holdings, closely follow the BCBS risk-adjusted approach and are intended to further strengthen the soundness and stability of Japanese banks. Under the risk-adjusted capital framework of the FSA's capital adequacy

guidelines, balance sheet assets and off-balance sheet exposures are assessed according to broad categories of relative risk, based primarily on the credit risk of the counterparty, country transfer risk and the risk in relation to the category of transactions.

In 2004, the BCBS announced the Basel II amended rules with respect to minimum capital requirements, including amended risk weight calculations, the inclusion of operational risk and the introduction of internal credit rating systems, supervisory review and market discipline through effective disclosure. These rules took effect in Japan in 2007, except for the introduction of the advanced IRB approach and the advanced measurement approach, which took effect in 2008.

In July 2009, the BCBS approved a package of measures to strengthen the rules governing trading book capital and to enhance certain elements of the Basel II framework, commonly referred to as Basel 2.5. With certain adjustments made in June 2010, the new rules took effect, and the FSA's capital adequacy guidelines, which reflect such framework, have been applied in Japan from December 2011.

In December 2009, the BCBS announced a package of proposals to strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector. The proposals cover the following key areas:

- raising the quality, consistency and transparency of the capital base through methods such as raising the quality of the Tier 1 capital base and harmonizing other elements of the capital structure;
- strengthening the risk coverage of the capital framework;
- introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 (minimum capital requirement) treatment based on appropriate review and calibration (for further information, see "—Leverage Ratio");
- introducing a series of measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress; and
- introducing global minimum liquidity standards for internationally active banks that includes a 30-day LCR requirement underpinned by a longer-term structural liquidity ratio (for further information, see "—Liquidity Requirement").

In December 2010, the BCBS issued the Basel III rules text (later revised in June 2011), which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision and endorsed by the G-20 Leaders at the Seoul summit in November 2010. The rules text sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards, as summarized below.

Tier 1 capital consists of Common Equity Tier 1 and Additional Tier 1 capital. The minimum requirement for Common Equity Tier 1 capital has been raised to 4.5% of risk weighted assets when it became fully effective in January 2015. Thereafter, a capital conservation buffer, which must be met with Common Equity Tier 1 capital was phased in beginning in January 2016 at 0.625% and became fully effective in January 2019 at 2.5%. Thus the Common Equity Tier 1 requirement, including capital conservation buffer, has been 7.0% since January 2019. In addition, subject to national discretion by the respective regulatory authorities, a countercyclical buffer ranging from 0% to 2.5%, consisting of Common Equity Tier 1 or other fully loss absorbing capital, would also be imposed on banking organizations through an extension of the capital conservation buffer when the relevant national authority judges a period of excess credit growth to be leading to the build-up of system-wide risk. The countercyclical buffer for internationally active banks is calculated based on a weighted average of the buffers deployed across all the jurisdictions to which it has credit exposures.

In March 2012, the FSA published revisions to its capital adequacy guidelines that have been applied from March 31, 2013, which generally reflect rules in the Basel III rules text that have been applied from January 1, 2013. From March 31, 2016, under the FSA's new capital adequacy guidelines, Japanese bank holding companies and banks with international operations, including us and SuMi TRUST Holdings, must maintain a Common Equity Tier 1 capital ratio of 4.5%, a Tier 1

capital ratio of 6.0% and a total capital ratio of 8.0%. Under the revised capital guidelines, capital instruments must meet the new requirements to be included in regulatory capital. Capital instruments issued on or before March 31, 2013 that do not meet the requirements set forth in the FSA's revised capital adequacy guidelines no longer qualify as Additional Tier 1 capital or Tier 2 capital. However, if those capital instruments meet the requirements for transitional arrangements set forth in such guidelines, they can qualify as Additional Tier 1 capital or Tier 2 capital during the phase-out period beginning March 31, 2013. The remaining balance of those non-qualifying capital instruments recognized as Additional Tier 1 capital or Tier 2 capital will be reduced in 10% increments each year and be fully phased out by March 31, 2022.

In November 2011, the Financial Stability Board (the "FSB") released its list of 29 banks which it considers G-SIBs to which additional loss absorbency requirements above the requirement of Common Equity Tier 1 as defined by the Basel III framework would be applied. The requirements, which were determined by the FSB in accordance with the methodology issued by the BCBS in November 2011, consist of buckets from 1% to 2.5% Common Equity Tier 1 depending on a bank's systemic importance with an empty bucket of 3.5% Common Equity Tier 1 as a means to discourage banks from becoming even more systemically important. These requirements were phased in starting from January 2016 with full implementation from January 2019. The list of G-SIBs is revised and updated by the FSB on an annual basis. The FSB released in November 2020 an updated list of 30 G-SIBs, which showed their allocations to buckets corresponding to their required level of additional loss absorbency. SuMi TRUST Holdings has never been included in any of the lists of G-SIBs released from 2011 to 2020.

In October 2012, FSB announced its framework for dealing with D-SIBs and developed a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. FSB considers that it would be appropriate if banks identified as D-SIBs by their national authorities are required by those authorities to comply with the principles in line with the phase-in arrangements for the G-SIBs framework, from January 2016.

In November 2015, the FSA published revised capital adequacy guidelines and related ordinances to introduce Basel III capital buffer rules for Japanese banks and bank holding companies with international operations, consisting of a capital conservation buffer and a countercyclical buffer, and additional loss absorbency requirements for G-SIBs and D-SIBs. The FSA's capital buffer rules were phased in from March 2016 and became fully effective in March 2019.

In December 2015, the FSA designated SuMi TRUST Holdings as a D-SIB, and an additional loss absorption capacity requirement has been applied to SuMi TRUST Holdings, which was phased in starting in March 2016 at 0.125% and became fully effective at 0.5% in March 2019.

If a Japanese bank, bank holding company or other financial institution fails to maintain the capital adequacy ratios, under the PCA system, the FSA may, depending upon the extent of capital deterioration of an institution, take corrective action, including requiring the institution to formulate and implement reform measures, decrease assets or take other specific actions or suspend all or part of its business operations. In addition to the PCA system, under the capital distribution constraints system, which was phased in from March 2016 with full effectiveness in March 2019 based on the Basel III rules, banks and bank holding companies, excluding those who have parent banks or bank holding companies, are required to submit and carry out a capital distribution constraints plan if they fail to satisfy the Basel III capital buffer and additional loss absorbency requirements.

In November 2014, the FSB issued policy proposals consisting of a set of principles and a detailed term sheet on the adequacy of loss-absorbing and recapitalization capacity for G-SIBs for public consultation. In November 2015, the FSB published the final total loss-absorbing capacity ("TLAC") standard, under which G-SIBs will be required to meet a minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets starting in January 2019 and at least 18% starting in January 2022. Minimum TLAC requirement must also be at least 6% of the Basel III leverage ratio denominator starting in January 2019 and at least 6.75% starting in January 2022.

In March 2019, the FSA published its public ministerial announcements, regulatory guidelines and related documents for the implementation of the TLAC standards in Japan, following the FSA's explanatory paper entitled "The FSA's Approach to Introduce the TLAC Framework," which was

published in April 2016 and revised in April 2018. The Japanese TLAC standards apply to Covered SIBs, which includes (i) Japanese G-SIBs which are designated as G-SIBs by the FSA in accordance with the designation by the FSB, and (ii) any Japanese D-SIB that has been deemed by the FSA to be in particular need for a cross-border resolution arrangement and as having particular systemic significance to the Japanese financial system if it fails. The Japanese TLAC standards have applied to Japanese G-SIBs from March 31, 2019 and will apply to one Japanese D-SIB from March 31, 2022. Neither we nor SuMi TRUST Holdings has been designated as a Covered SIB by the FSA.

In December 2017, the GHOS endorsed the outstanding Basel III regulatory reforms. The endorsed reforms include the following elements:

- a revised standardized approach for credit risk;
- revisions to the IRB approach for credit risk, where the use of the most advanced internally modeled approaches for low-default portfolios will be limited;
- revisions to the credit valuation adjustment framework, including the removal of the internally modeled approach and the introduction of a revised standardized approach;
- a revised standardized approach for operational risk, which will replace the existing standardized approaches and the advanced measurement approach;
- revisions to the measurement of the leverage ratio and a leverage ratio buffer for G-SIBs; and
- revisions to the capital floor, under which banks' risk-weighted assets must be no lower than 72.5% of total risk-weighted assets as calculated using only the standardized approaches under the revised Basel III framework, and a requirement that banks disclose their risk-weighted assets based on such standardized approaches.

On March 27, 2020, the GHOS endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of COVID-19 on the global banking system. According to the measures, the implementation timeline of the outstanding Basel III standards has been deferred by one year. The revised framework, other than revisions to the capital floor, will mainly take effect from January 2023. The revisions to the capital floor will be phased in from January 2023, with an initial capital floor of 50%, and will reach 72.5% by January 2028.

On March 30, 2020, in light of the above changes, the FSA announced its plan to defer the implementation of the finalized Basel III standards in Japan by one year, to March 31, 2023. On December 24, 2020, the FSA issued policy proposals for implementation of the finalized Basel III standards in Japan.

*Leverage Ratio*

In March 2015, the FSA published its leverage ratio guidelines, which have been in effect since March 31, 2015, requiring Japanese banks and bank holding companies with international operations to disclose leverage ratios in accordance with the methodology prescribed in FSA guidance that has been adopted to implement the relevant Basel III standard. The FSA's leverage ratio disclosure rules, which are intended to help ensure the broad and adequate capture of on- and off-balance sheet sources of leverage, are based on the text of the leverage ratio framework and disclosure requirements issued by the BCBS in January 2014. In January 2016, the GHOS agreed that the leverage ratio should be based on a Tier 1 definition of capital and should comprise a minimum level of 3%, and the GHOS discussed additional requirements for G-SIBs.

In December 2017, the definition and requirements of the leverage ratio were finalized as part of the finalized Basel III reforms, under which the leverage ratio is based on a Tier 1 definition of capital and the minimum leverage is 3%. Under the finalized Basel III reforms, in addition to meeting the minimum leverage ratio, G-SIBs are required to meet a leverage ratio buffer, which takes the form of a Tier 1 capital buffer set at 50% of the applicable G-SIB capital surcharge, and various refinements made to the definition of the leverage ratio exposure measure based on the text of the leverage ratio framework issued by the BCBS in January 2014.

On March 15, 2019, the FSA published its guidelines implementing minimum leverage ratio requirements applicable to banks and bank holding companies with international operations, which

have been in effect from March 31, 2019. Under the FSA's guidelines for the leverage ratio, banks and bank holding companies with international operations must maintain a leverage ratio of at least 3% on both a consolidated basis and a non-consolidated basis from March 31, 2019.

In March 2020, the implementation date for the G-SIB leverage ratio buffer requirement was deferred by one year to January 1, 2023 in light of the COVID-19 pandemic.

For further information on leverage ratios, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Adequacy."

*Liquidity Requirement*

In October 2014, the FSA published its guidelines for the LCR applicable to banks and bank holding companies with international operations that have been applied from March 31, 2015. These guidelines are based on the full text of the LCR standard issued by the BCBS in January 2013. LCR is intended to promote resilience to potential liquidity disruptions over a thirty day horizon and help ensure that global banks have sufficient, unencumbered, high-quality liquid assets to offset the net cash outflows they could encounter under an acute short-term stress scenario. Under the FSA's LCR guidelines, banks with international operations must maintain LCR of at least 100% on both a consolidated basis and a non-consolidated basis. The minimum LCR requirements were phased in from March 31, 2015 with an increase of 10% in each year starting from 60%, and reached 100% on March 31, 2019.

In October 2014, the BCBS issued final standard for the net stable funding ratio ("NSFR") which requires a minimum amount of stable sources of funding at a bank relative to the liquidity profiles of the assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments, over a one-year horizon. The NSFR was scheduled to be introduced as a minimum standard by January 1, 2018. In June 2018, the FSA published its guidelines for the NSFR applicable to banks with international operations, including us. The FSA at one point announced that the guidelines were to be applicable from March 31, 2019 but the introduction of the NSFR has been deferred to September 30, 2021 or April 1, 2022.

***Margin Requirements for Non-centrally Cleared Derivatives***

In September 2013, the BCBS and the International Organization of Securities Commissions ("IOSCO") released the final framework for margin requirements for non-centrally cleared derivatives. This framework requires high-quality liquid assets to be posted as margin on non-centrally cleared derivative transactions, which could adversely affect our liquidity position. The requirements have been phased in from September 2016. In March 2016, the FSA published the final margin requirements for non-centrally cleared derivatives, which were phased in from September 1, 2016.

On April 3, 2020, the BCBS and the IOSCO announced that, due to the impact of COVID-19, they have agreed to extend the deadline for completing the final two implementation phases of the initial margin ("IM") requirements for non-centrally cleared derivatives, by one year. Following the announcement, on April 15, 2020, the FSA announced its plan to defer the final two implementation phases of the IM requirements in Japan to September 1, 2021 and September 1, 2022, respectively.

***Disclosure***

Under the Banking Act, banks and bank holding companies must disclose their non-performing and underperforming loans (consolidated and non-consolidated) as risk-monitored loans. Risk-monitored loans are classified into four categories: loans to borrowers in bankruptcy, non-accrual loans, loans past due three months or more, and restructured loans. Banks and bank holding companies are required to prepare disclosure documents about their business and properties that include the amount of risk-monitored loans and keep them at business offices of the bank and make them available for public inspection. Banks and bank holding companies must disclose their financial statements on an annual basis. The financial statements consist of a balance sheet and income statement and explanatory documents regarding business and asset conditions, each prepared under the Banking Act, both on a non-consolidated and consolidated basis.

Independent of the Banking Act disclosure regulations, the Financial Reconstruction Act requires banks to disclose loans and "other problem assets." Assets are classified into four categories—claims against bankrupt and practically bankrupt obligors, doubtful claims, substandard claims, and normal claims—the first three of which constitute NPLs. Generally, claims against bankrupt and practically bankrupt obligors correspond to the total of loans to borrowers in bankruptcy and the lower tier of non-accrual loans, to borrowers which are virtually bankrupt, under the Banking Act disclosure. Doubtful claims generally correspond to the higher tier portion of the non-accrual loans, to borrowers which are possibly bankrupt. Substandard claims under close observation generally correspond to the total of restructured loans and loans past due three months or more. Claims against bankrupt and practically bankrupt obligors under bankruptcy and virtual bankruptcy and doubtful claims also include non-loan assets, for example securities lending, foreign exchange, accrued interest, advanced payments and customers' liabilities for acceptances and guarantees.

***Certain Legal and Accounting Restrictions Applicable to Trust Banks***

Under the Concurrent Operations Act, banks and other financial institutions, as permitted by the Prime Minister, are able to conduct trust businesses.

The concurrent conduct of two separate types of business, the banking business and the trust business, regulated by two separate sets of acts—the Banking Act on one hand and the Trust Act, the Trust Business Act and the Concurrent Operations Act on the other hand—has certain legal and accounting consequences. These consequences include the following:

- under the Trust Act, assets accepted in trust by a trust bank must be segregated in the accounts of such trust bank from its other assets. Accordingly, trust banks maintain two sets of records, the "banking account," which gives details of its banking business, and the "trust account," which gives details of its trust business;
- a trust bank's published audited financial statements reflect its banking account only; and
- trust account assets are not available to depositors or other creditors of a trust bank, including long-term lenders. Trust banks may guarantee the principal of loan trusts and certain types of money trusts. The resulting contingent liability in relation to such guarantee is disclosed in the notes to the financial statements of the trust bank relating to its banking account.

***Self-assessment and Reserves***

The PCA system requires financial institutions to establish self-assessment programs. Financial institutions, including us, are required to analyze their assets giving due consideration to accounting principles and other applicable rules, and to classify their assets into various categories, taking into account the likelihood of repayment and the risk of impairment. These classifications will determine whether an addition to or reduction in allowances or charge-offs is necessary.

The Japan Institute of Certified Public Accountants issued guidelines for accounting practices for Japanese banks in 1997. Pursuant to these guidelines, based on the outcome of each financial institution's self-assessment, substantially all of a bank's loans and other claims on customers are to be analyzed by classifying obligors into five categories:

- normal borrowers;
- caution borrowers;
- possible bankruptcy borrowers;
- virtual bankruptcy borrowers; and
- legal bankruptcy borrowers.

The allowances for possible loan losses are then calculated based on these obligor categories. In connection with the implementation of the PCA system, the Ministry of Finance issued guidelines for its examination of bank assets. These guidelines require banks to classify their assets not only by the five categories of obligor described above but also by four categories of asset quality. We have adopted our own internal guidelines for self-assessment which conform to such guidelines currently in effect and comply with the requirements of the PCA system.

Based on the Accounting Standards for Banks issued by the Japanese Bankers Association, banks, for statutory purposes, establish three categories of reserves: a general reserve; a specific reserve; and a reserve for specific overseas loan losses.

The self-assessment rule for the credit quality of the assets of financial institutions, as well as the PCA system, permit us to establish reserves for our loan portfolio based on our assessment of the probability of loss.

The FSA's Financial Inspection Manual provided guidelines for the inspection of financial institutions, including credit-risk management and the standards for charge-offs and reserves. The Financial Inspection Manual was repealed in December 2019, but FSA may exercise its authority under the Banking Act to suspend or terminate a bank's banking business based on an inspection.

The FSA issues nonbinding guidelines to clarify its interpretation and enforcement policies of the Banking Act and related regulations. It also discloses the results of its investigations of banks and other financial companies.

***Single Customer Credit Limit***

The Banking Act restricts the aggregate amount of loans, guarantees and capital investments to any single customer in order to avoid excessive concentration of credit risks and promote the fair and extensive use of bank credit. To align with international standards, in accordance with the "Supervisory framework for measuring and controlling large exposures" issued by BCBS in April 2014, the ordinance for enforcement of the Banking Act and related guidelines were amended in October 2019 and those amendments became effective on April 1, 2020. As a result of the amendments, the credit limit of bank holding companies, banks or bank groups with international operations for any single customer, including certain of the customer's affiliates, was lowered from 25% of the total qualifying capital to 25% of Tier 1 capital of the bank holding company, bank or bank group, with certain adjustments.

***Deposit Insurance System***

The Deposit Insurance Act of Japan (Act No. 34 of 1971), as amended (the "Deposit Insurance Act"), was enacted to protect depositors when deposit-taking financial institutions fail to meet their obligations. The DIC implements the act and is supervised by the Prime Minister and the Minister of Finance. Subject to limited exceptions, the Prime Minister's authority is delegated to the FSA Commissioner.

The rate of insurance premiums which the DIC receives from member deposit-taking financial institutions changes annually. From April 2020, the DIC received annual insurance premiums from member deposit-taking financial institutions, amounting to 0.045% of the amount of deposits that bear no interest, are redeemable upon demand and are used by depositors primarily for payment, and 0.031% of the amount of deposits for other deposits. Premiums held by the DIC may be either deposited at deposit-taking financial institutions or used to purchase marketable securities. The insurance money may be paid out to depositors in case of a suspension of repayments of deposits, banking license revocation, dissolution or bankruptcy of a bank. Payouts are generally limited to a maximum of ¥10 million of principal amount together with any interest accrued with respect to each depositor. Only non-interest-bearing deposits that are redeemable upon demand and used by depositors primarily for payment and settlement functions are protected in full.

City banks, regional banks (including member banks of the second association of regional banks), trust banks, credit associations, credit cooperatives and labor banks participate in the deposit insurance system on a compulsory basis.

***Resolution of Failed Financial Institutions***

The Deposit Insurance Act also provides a permanent system for resolving failed deposit-taking financial institutions.

*General Framework of Resolution Procedure*

The basic method of resolution for a failed deposit-taking financial institution under the Deposit Insurance Act is cessation of the business by paying insurance money to the depositors up to the

principal amount of ¥10 million plus accrued interest per depositor—the so-called "pay-off"—or transfer of the business to another deposit-taking financial institution with financial aid provided within the cost of "pay-off." Under the Deposit Insurance Act, transfer of the business is regarded as the primary method. In order to effect a prompt transfer of the business, the following framework has been established:

- A Financial Reorganization Administrator will be appointed by the FSA Commissioner and will take control of the management and assets of the failed deposit-taking financial institution. An administrator is expected to efficiently search for a deposit-taking financial institution that will succeed the business of such failed institution.
- In the case where no successor deposit-taking financial institution can be immediately found, a "bridge bank" will be established by the DIC for the purpose of temporarily maintaining the operations of the failed deposit-taking financial institution, and the bridge bank will seek to transfer the failed deposit-taking financial institution's assets to another financial institution or dissolve the failed financial institution; and
- In order to facilitate or encourage a deposit-taking financial institution to succeed a failed business, the DIC may provide financial aid to enhance the successor financial institution's capital after succession or to indemnify any loss incurred by such succession.

*Addressing Potential Financial Crises*

Where it is anticipated that the failure of a deposit-taking financial institution operating in Japan may cause an extremely grave problem in maintaining financial order in Japan or in another region where such deposit-taking financial institution is operating, the following exceptional measures may be taken after consultation with the Conference for Financial Crisis Countermeasures:

- The DIC may subscribe to the shares or other instruments issued by the relevant deposit-taking financial institution or the holding company thereof and require such institution to submit to the DIC a plan to regain sound management (Item 1 measures) (*dai ichigo sochi*);
- If such financial institution fails, financial aid exceeding the cost for pay-off may be available to such institution (Item 2 measures) (*dai nigo sochi*); and
- In the case where the failed institution is a bank and the problem above cannot be avoided by the measure mentioned in the second bullet above, the DIC may acquire all of the shares of such bank (Item 3 measures) (*dai sango sochi*).
- In order to fund the above-mentioned activities, the DIC may borrow from financial institutions or issue bonds which may be guaranteed by the government.

***Establishment of Orderly Resolution Regime for Financial Institutions***

New effective resolution regimes for financial institutions have been discussed internationally and an agreement was reached on this issue at the G-20 Summit held in November 2011. Reflecting this global trend, on June 2013, a bill to revise the Deposit Insurance Act, which includes establishment of a new orderly resolution regime of financial institutions, was enacted and became effective on March 6, 2014. Financial institutions including banks, securities companies and insurance companies and their holding companies will be subject to a new resolution regime that includes, among others, the following features.

Under the new resolution regime, where the Prime Minister recognizes that the failure of a financial institution which falls into either of (a) or (b) below may cause significant disruption in the financial markets or other financial systems in Japan if measures described in (a) (specified Item 1 measures) (*tokutei dai ichigo sochi*) or measures described in (b) (specified Item 2 measures) (*tokutei dai nigo sochi*) are not taken, the Prime Minister may confirm that any of the following measures need to be applied to the financial institution after consulting with the Conference for Financial Crisis Countermeasures:

(a) if the financial institution is not a financial institution which is unable to fully perform its obligations with its assets, the DIC shall supervise the operation of business and management and disposal of assets of that financial institution, and may provide it with loans or guarantees necessary to

avoid the risk of significant disruption in the financial systems in Japan, or subscribe for shares or subordinated bonds of, or lend subordinated loans to, the financial institution, taking into consideration the financial condition of the financial institution;

(b) if the financial institution is or is likely to be unable to fully perform its obligations with its assets or has suspended or is likely to suspend repayment of its obligations, the DIC shall supervise the operation of business and management and disposal of assets of that financial institution, and may provide financial aid necessary to assist a merger, business transfer, corporate split or other reorganization in respect to such failed financial institution; and

if a measure set out in (b) above is determined to be taken with respect to a financial institution, the Prime Minister may order that the financial institution's operations of business and management and disposal of assets be placed under the control of the DIC. The business or liabilities of the financial institution subject to the supervision by the DIC as set forth above may also be transferred to a "bridge bank" established by the DIC for the purpose of the temporary maintenance and continuation of operations of, or repayment of the liabilities of, such financial institution, and the bridge bank will seek to transfer the financial institution's business or liabilities to another financial institution or dissolve the financial institution.

The expenses for implementation of the measures under this regime will be borne by the financial industry, with an exception under which it may be partially borne by the government of Japan.

***Restriction on Aggregate Shareholdings by a Bank***

The Act Concerning Restriction on Shareholdings by Banks of Japan (Act No. 131 of 2001) requires Japanese banks and their qualified subsidiaries to limit the aggregate market value (excluding any unrealized gains) of their holdings of equity securities issued by listed companies to an amount equal to 100% of their consolidated Tier 1 capital, with adjustments, in order to reduce exposure to stock price fluctuations.

For the purposes of the above requirement, a bank's "holdings of equity securities" is defined as the sum of:

- the amount of equity securities owned by the bank and its consolidated subsidiaries; and
- the product of the amount of equity securities owned by the bank's non-consolidated subsidiaries, multiplied by the bank's minority interests in the non-consolidated subsidiaries' profits and losses calculated according to the equity method, divided by the total amount of those profits and losses.

***Special Measures Act Concerning Facilitation of Reorganization by Financial Institutions, Etc.***

Under the Special Measures Act Concerning Facilitation of Reorganization by Financial Institutions, Etc. of Japan (Act No. 190 of 2002):

- for one year after the merger or transfer of the entire business of a financial institution, the maximum amount to be covered by deposit insurance will be ¥10 million multiplied by the number of parties to the merger or business transfer; and
- a financial institution will be entitled to enjoy the benefit of certain simplified procedures for the forms of reorganization.

***The Financial Instruments and Exchange Act***

The FIEA regulates the securities industry and most aspects of securities transactions in Japan, including public offerings, private placements and secondary trading of securities, ongoing disclosure by securities issuers, tender offers for securities, organization and operation of securities exchanges and self-regulatory organizations and registration of securities companies. The Prime Minister has the authority to regulate the securities industry and securities companies, which authority is generally delegated to the FSA Commissioner under the FIEA. The Securities and Exchange Surveillance Commission, an external agency of the FSA, is independent from the Agency's other bureaus and is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate

irregular activities that hinder fair trading of securities, including inspection of securities companies as well as banks in connection with their securities business. Furthermore, the FSA Commissioner delegates certain authority to the Director General of the Local Finance Bureau to inspect local securities companies and their branches. A violation of applicable acts and regulations may result in various administrative sanctions, including revocation of registration or authorization, suspension of business or an order to discharge any director or executive officer who has failed to comply with applicable acts and regulations. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of securities companies.

***Deregulation of the Securities Business by a Bank***

Article 65 of the former Securities and Exchange Act, before the deregulation described below, was intended to clearly separate the commercial banking business from the securities business in Japan, which was defined to include dealing, brokerage, underwriting and distribution of securities. Under this act, banks could not engage in any securities business except for approved activities. Due to gradual deregulation, the banks are currently permitted to:

- underwrite and deal in JGBs, Japanese local government bonds, Japanese government guaranteed bonds, commercial paper and certain bonds issued by SPCs;
- sell beneficiary certificates of investment trusts and securities issued by an investment company; and
- engage in listed or OTC securities derivatives transactions, as well as in the securities intermediary business, each subject to registration with the FSA.

***Protection of Personal Information***

The Act on the Protection of Personal Information became fully effective in 2005. The act and related rules, regulations and guidelines impose various requirements on businesses that use databases containing personal information, such as appropriate custody of such information and restrictions on sharing of such information with third parties. The Personal Information Protection Commission may advise or order an institution to take proper action if it violates certain provisions of the act. Noncompliance with an order issued by the Personal Information Protection Commission to take necessary measures to comply with the act subjects an institution to criminal and/or administrative sanctions.

***Act on Sales, Etc. of Financial Products***

Owing to deregulatory measures in the banking and finance industry, more financial products, including highly structured and complicated products, may now be marketed to various customers. The Act on Sales, Etc. of Financial Products of Japan (Act No. 101 of 2000) was enacted to better protect customers from incurring unexpected losses as a result of purchasing these financial products. Under this act, sellers of financial products have a duty to their potential customers to explain the nature and magnitude of risk involved and other important matters regarding the financial products that they sell. If a seller fails to comply with the duty, the loss in value of the purchased investment product is refutably presumed to be the amount of the customer's loss. An amendment to this act, together with other related acts, that became effective in 2007 enlarged the scope of duty of financial services providers to inform customers of important matters related to the financial products that they offer.

On June 12, 2020, certain amendments to the Act on Sales, Etc. of Financial Products were promulgated, and will become effective within one and a half years from the date of promulgation. Per these amendments, the name of the Act will be changed to "the Act on Provision of Financial Services." The amendments introduce a registration as a financial services intermediary business, registrants will be able to provide intermediary services for each of banking, securities and insurance. The amendments to the Act will not require any provider of financial services intermediary business to belong to a specific financial institution, but will impose certain regulations to protect customers, including limitations on the type of services that they may provide and prohibitions on the acceptance of assets of customers and lodging a security deposit.

***Act Preventing Transfer of Profits Generated from Crime***

Under the Act Preventing Transfer of Profits Generated from Crime of Japan (Act No. 22 of 2007), which addresses money laundering and terrorism concerns, financial institutions and some other entities, such as credit card companies, are required to undertake customer identification, submit suspicious transaction reports and keep records of their transactions.

***Acts Concerning Protection of Depositors and Relief for Victims of Certain Types of Fraud***

The Act Concerning Protection of Depositors from Illegal Withdrawals Made by Forged or Stolen Cards of Japan (Act No. 94 of 2005) became effective in 2006. This act requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using forged or stolen bank cards. The act also requires financial institutions to compensate depositors for any amount illegally withdrawn using forged or stolen bank cards, subject to conditions.

The Act Concerning Payment of Dividends for Relief of Damages from Funds in Account Used in Connection with Crimes of Japan (Act No. 74 of 2007) became effective in 2008. This act requires that financial institutions take appropriate measures against various crimes, including the closing of accounts used in connection with fraud and other crimes. The act also requires financial institutions to make, in accordance with specified procedures, payments from funds collected from the closed accounts to victims of certain crimes.

***Capital Injection***

In 2008, in response to the financial turmoil, amendments to the Act on Special Measures for Strengthening Financial Functions of Japan (Act No. 128 of 2004) and the Special Measures Act Concerning Facilitation of Reorganization by Financial Institutions, Etc. and other related legislation were enacted by the Diet in order to authorize capital contributions to financial institutions by the Japanese government. The amendments extended to March 31, 2012 the deadline for financial institutions to apply to the government for capital contributions, which had expired on March 31, 2008, and included other revisions of the government requirements associated with capital contributions intended to facilitate the financing of SMEs and amendments which permit the government to make capital contributions to credit cooperatives, credit unions and other types of cooperative financial institutions. In June 2011, in response to the March 2011 Great East Japan Earthquake, amendments to the Act on Special Measures for Strengthening Financial Functions were enacted and the deadline described above was extended to March 31, 2017. The amendments also include special exceptions for financial institutions affected by the March 2011 Great East Japan Earthquake that need capital enhancement to facilitate extension of loans in their main business area. In 2016, in response to changes in the financial and capital markets, further amendments to the Act on Special Measures for Strengthening Financial Functions were enacted and the deadline described above was extended to March 31, 2022. Furthermore, in order to strengthen business bases of financial institutions by addressing the effects resulting from COVID-19 preventive measures against the coronavirus pandemic, the Act was amended in June 2020 to establish special exceptions for financial institutions that need to improve their capital adequacy due to the adverse effects of COVID-19 and to extend the period for application to March 31, 2026.

***Banks' Shareholdings Purchase Corporation***

In March 2009, in order to facilitate the disposition of shares of listed stocks held by banks while preventing adverse effects caused by sales of large amounts of shares in a short period of time, legislation restarting share purchases by the Banks' Shareholdings Purchase Corporation of listed shares from banks and certain other financial institutions under certain conditions was enacted and became effective.

***Base Erosion and Profit Shifting ("BEPS")***

In July 2013, the Organization for Economic Co-operation and Development (the "OECD") published the Action Plan on Base Erosion and Profit Shifting in order to prevent exploiting of gaps and mismatches in tax rules and artificial shifting of profits to low or no-tax locations. In October 2015, OECD published the final package of measures for a comprehensive, coherent and coordinated reform

of the international tax rules for 15 key areas. These measures are to be implemented either in domestic laws or in the network of bilateral tax treaties. Some of the deliverables published by OECD have been partially reflected to Japanese tax regulations by the tax reforms adopted for the last several years and to certain several bilateral tax treaties to which Japan is a party by means such as the implementation of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting in Japan.

**United States**

Our United States operations subject us to extensive federal and state banking and securities supervision, regulation and enforcement authority by various regulators in the United States. We engage in U.S. banking activities directly through an uninsured branch and a representative office in New York. We also control a U.S. bank subsidiary, SuMiTBUSA, and a U.S. investment adviser, Nikko Asset Management Americas Inc. ("NAMA").

***United States Supervision***

We and SuMi TRUST Holdings are qualifying "foreign banking organizations" under the U.S. International Banking Act of 1978, as amended (the "International Banking Act") and are "bank holding companies" under the U.S. Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act"). As a result, we, SuMi TRUST Holdings and our U.S. operations (including SuMiTBUSA and our New York branch) are subject to oversight by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has overall responsibility for supervision of foreign banking organizations in the United States. The Federal Reserve Board has broad powers to conduct examinations of our U.S. operations and coordinates examinations among U.S. banking supervisors.

SuMiTBUSA, our wholly owned U.S. bank subsidiary, is a New Jersey state-chartered bank, and its deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC"). A "qualified bank" having trust powers within the meaning of New Jersey state law, SuMiTBUSA offers custodial and securities lending services (including repurchase transactions) primarily for Japanese institutional investors and their overseas branches and affiliates. SuMiTBUSA is subject to supervision (including examination) by the New Jersey Department of Banking and Insurance and the FDIC.

Our New York branch is licensed and supervised by the New York Department of Financial Services, and is supervised by the Federal Reserve Board. Our representative office is supervised by the New York Department of Financial Services and the Federal Reserve Board.

In the United States, NAMA is registered as an investment adviser with the SEC and is also registered as a commodity trading adviser with the Commodity Futures Trading Commission (the "CFTC"). NAMA is also a member of the National Futures Association. NAMA provides discretionary and nondiscretionary investment advice to clients located primarily outside of the United States, but also to some clients located in the United States. NAMA's investment advisory services are largely related to advising non-U.S. clients with respect to U.S. and foreign securities.

***United States Regulation***

As described below, federal and state banking laws and regulations restrict our ability to engage, directly or indirectly through subsidiaries, in certain activities in the United States and impose other limitations intended to promote safety and soundness and financial stability, safeguard the deposit insurance fund and protect consumers.

*Powers*. We and SuMi TRUST Holdings are required to obtain the prior approval of the Federal Reserve Board before directly or indirectly acquiring the ownership or control of more than 5% of any class of voting shares of any U.S. bank, other depository institution, or bank or depository institution holding company. In addition, the activities of our and SuMi TRUST Holdings' non-bank subsidiaries are generally limited to those activities that the Federal Reserve Board has determined to be a proper incident to banking or managing and controlling banks, and the Bank Holding Company Act generally prohibits us and SuMi TRUST Holdings from acquiring, directly or indirectly, ownership or control of more than 5% of any class of voting shares of any company engaged in the United States in activities

other than banking or activities deemed a proper incident to banking or managing and controlling banks. Federal Reserve Board approval is generally required for us and SuMi TRUST Holdings to acquire more than 5% of any class of voting shares of a U.S. company engaged in permissible non-banking activities. The Bank Holding Company Act also generally prohibits SuMiTBUSA and our U.S. branch from engaging in certain tying arrangements that would condition the availability or price of one product on a requirement that the customer also obtain another product from the bank or branch or any affiliate thereof.

The powers of state-chartered banks and branches generally are determined by the laws of their home states. In addition, under U.S. federal banking laws, state-chartered banks (such as SuMiTBUSA) and state-licensed branches of foreign banks (such as our New York branch) may not, as a general matter, engage as a principal in any type of activity not permissible for their federally chartered or licensed counterparts, unless (i) in the case of state-chartered banks (such as SuMiTBUSA), the FDIC determines that the additional activity would pose no significant risk to the FDIC's Deposit Insurance Fund and is consistent with sound banking practices and (ii) in the case of state-licensed branches and agencies of foreign banks (such as our New York branch), the Federal Reserve Board determines that the additional activity is consistent with sound banking practices.

*Bank Capital Requirements*. Our U.S. bank subsidiary, SuMiTBUSA, is subject to applicable risk-based and leverage capital guidelines of the FDIC.

The Federal Reserve Board, the Office of the Comptroller of the Currency (the "OCC") and the FDIC approved in July 2013 a final rule (the "Capital Adequacy Rule") implementing for United States bank holding companies and banks, including SuMiTBUSA, the revised capital standards of Basel III and addressing various requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). The Capital Adequacy Rule replaced the general risk-based capital rules of the FDIC and other agencies with a single integrated regulatory capital framework that emphasizes not only higher capital cushions for banks to absorb losses but also more stringent criteria for what qualifies as regulatory capital. In particular, the Capital Adequacy Rule sets out minimum regulatory capital requirements that became effective for SuMiTBUSA on January 1, 2015, as follows:

- *Common Equity Tier 1 Capital Ratio*—a common equity Tier 1 ("CET1") capital to risk-weighted assets ratio of 4.5%.
- *Tier 1 Capital Ratio (CET1 capital + Additional Tier 1 capital)*—a Tier 1 capital to risk-weighted assets ratio of 6.0%.
- *Total Capital Ratio (Tier 1 capital + Tier 2 capital)*—a total capital to risk-weighted assets ratio of 8.0%.
- Under the Capital Adequacy Rule, all banks also are subject to a CET1 leverage ratio of 4.0%.

As was the case under the prior capital rules, most banking organizations are expected to maintain capital levels well above the minimum capital ratios. The Capital Adequacy Rule adopted a "capital conservation buffer" for all banks, and noncompliance will result in limitations on capital distributions and certain discretionary bonus payments. The capital conservation buffer, which applies to all three risk-based capital measures, is 2.5%, and therefore SuMiTBUSA must hold a minimum of 7% CET1 capital against total risk-weighted assets, for example, to avoid being subject to limitations on its ability to make capital distributions and certain discretionary bonus payments (taking into account the 4.5% CET1 capital ratio plus the 2.5% capital conservation buffer).

The Capital Adequacy Rule also updated the "prompt corrective action" framework applicable to insured depository institutions. SuMiTBUSA is deemed (i) "well capitalized" if it has a total risk-based capital ratio of 10.0% or more, a Tier 1 risk-based capital ratio of 8.0% or more, a CET1 risk-based capital ratio of 6.5% or more, and a Tier 1 leverage capital ratio of 5.0% or more and is not subject to specified requirements to meet and maintain a specific capital level for any capital measure, (ii) "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or more, a Tier 1 risk-based capital ratio of 6.0% or more, a CET1 risk-based capital ratio of 4.5% or more, and a Tier 1 leverage capital ratio of 4.0% or more and does not meet the definition of "well capitalized," (iii) "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a CET1 risk-based capital ratio of less than 4.5%, or a Tier 1 leverage capital

ratio of less than 4.0%, (iv) “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a CET1 risk-based capital ratio of less than 3.0%, or a Tier 1 leverage capital ratio of less than 3.0%, and (v) “critically undercapitalized” if it has tangible equity of 2% or less of total assets.

As of December 31, 2020, SuMiTBUSA exceeded all of the capital ratio standards for a well-capitalized bank with a CET1 risk-based capital ratio of 22.92%, a Tier 1 risk-based capital ratio of 22.92%, a total risk-based capital ratio of 22.92% and a Tier 1 leverage ratio of 9.84%.

*Limitations on Dividends and Source of Strength*. The payment of dividends by SuMiTBUSA is subject to various regulatory requirements. Under New Jersey Banking Law, for example, a New Jersey-chartered stock bank generally may declare and pay dividends out of its net profits, unless there is an impairment of capital. The amount of dividends SuMiTBUSA may pay also may be limited by the principles of prudent bank management. We and SuMi TRUST Holdings must serve as a source of financial strength to SuMiTBUSA and be able to provide financial assistance to the bank in the event of its financial distress.

*Other Prudential Regulations*. Our New York branch and SuMiTBUSA are subject to other prudential requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be made and the interest that may be charged thereon. New York State also has an asset pledge requirement for branches equal to 1% of third-party liabilities, provided that an institution designated as a “well-rated foreign banking corporation” is permitted to maintain a reduced asset pledge with a cap of U.S.$100 million. The New York State Department of Financial Services may require higher amounts for supervisory reasons.

Federal law establishes certain quantitative limits and other prudential requirements on loans, purchases of assets and certain other covered transactions between SuMiTBUSA and its affiliates, including us. Covered transactions must be on market terms that would ordinarily be offered by SuMiTBUSA to unaffiliated entities. Credit transactions with affiliates also must be secured with eligible collateral as specified by regulation. In addition, covered transactions are subject to quantitative limitations for each transaction and for all such transactions. The Dodd-Frank Act (discussed below) also subjects credit exposure arising from derivative transactions, securities borrowing and lending transactions, and repurchase/reverse repurchase agreements to these collateral and quantitative limitations.

SuMiTBUSA and our New York branch are both subject to limits on loans and extensions of credit to a single borrower. In general, outstanding loans and credit exposure to a single counterparty are limited to 15% of SuMiTBUSA’s unimpaired capital and surplus, plus up to an additional 10% if the exposure is secured by readily marketable collateral. The Dodd-Frank Act requires that credit exposure to derivative transactions be included for purposes of this lending limit. Our New York branch is subject to similar limits, measured on the basis of our capital.

Various consumer laws and regulations also affect the operations of SuMiTBUSA, and to a limited extent, our New York branch. The Gramm-Leach-Bliley Act, for example, requires SuMiTBUSA and our New York branch to take appropriate measures to safeguard customer information, to disclose their respective privacy policies to U.S. consumers and to offer them the ability to opt out of having certain of their nonpublic information disclosed to third parties. In addition, individual states have adopted more restrictive privacy protections through legislation or regulation.

*Anti-money Laundering and Economic Sanctions*. A major focus of U.S. governmental policy relating to financial institutions has been aimed at preventing money laundering and terrorist financing. The Bank Secrecy Act (the “BSA”), as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “USA PATRIOT Act”), contains measures to prevent and detect the financing of terrorism and international money laundering by, among other things, imposing significant compliance and due diligence obligations on U.S. financial institutions, and establishing civil and criminal penalties for violations of U.S. anti-money laundering laws and regulations. Under the BSA, a U.S. financial institution, including a United States branch or subsidiary of a foreign bank, is required to have systems in place to detect and report transactions of a certain size and nature. For example, financial institutions subject to the

BSA are generally required, among other things, to report to the U.S. Treasury any cash transactions involving more than U.S.$10,000 and to file suspicious activity reports for transactions that involve more than U.S.$5,000 and which the financial institution knows, suspects or has reason to suspect involve funds derived from illegal activities, are designed to evade the requirements of the BSA or have no lawful purpose, among other things. The passage of the USA PATRIOT Act and other events have resulted in heightened scrutiny of compliance with the BSA and anti-money laundering regulations by U.S. federal and state regulatory and law enforcement authorities. As required by the USA PATRIOT Act and the implementing regulations of various federal regulatory agencies, financial institutions, such as SuMiTBUSA, have adopted and implemented additional policies or amended existing policies and procedures with respect to, among other things, anti-money laundering compliance, suspicious activity, currency transaction reporting, customer identity verification and customer risk analysis.

The United States has imposed economic sanctions against certain foreign countries and governments, individuals, corporations and other entities that pose threats to the U.S. national security, foreign policy, or economy. Economic sanctions are administered primarily by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). They are intended to deny, in whole or part, the benefit of the U.S. economy to the sanctions target, by denying access to the U.S. financial system, capital markets, and import and export markets for goods, services or technology. Generally, they contain one or more of the following elements: (1) restrictions on U.S. persons' trade, financial transactions or services in, with, or for the benefit of, a sanctions target, including direct or indirect dealings in goods or services originating with, owned by, or intended for a sanctions target, including with respect to trade, investments, loans, or other financial activity; and (2) the blocking of any property or property interests (tangible or intangible) subject to U.S. jurisdiction, including property in the possession or control of a U.S. person, in which a specified government or specially designated national has any interest. Blocked assets (for example, property and bank deposits) cannot be paid out, exported, withdrawn, set off or transferred or otherwise dealt with in any manner unless a transaction is exempt from regulation or has been licensed by OFAC. In addition, non-U.S. persons can be liable for "causing" a sanctions violation by a U.S. person or can violate U.S. sanctions by exporting services from the United States to a sanctions target, for example by engaging in transactions denominated in U.S. dollars that clear through U.S. financial institutions with targets of U.S. sanctions.

While OFAC is responsible for promulgating and administering the sanctions, all of the U.S. bank regulatory agencies cooperate in ensuring that financial institutions comply with the sanctions. OFAC sanctions may also carry criminal penalties and may be enforced by the U.S. Department of Justice.

The U.S. government has also implemented a number of sanctions targeting non-U.S. persons, particularly non-U.S. financial institutions, that engage in certain activities undertaken outside the United States and that do not involve any U.S. persons ("secondary sanctions") that involve Iran, North Korea, Russia, Syria, designated terrorists or terrorist organizations, or certain other sanctioned persons. If a non-U.S. financial institution were determined to have engaged in activities targeted by certain U.S. sanctions, it could lose its ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other potential consequences.

Failure of a financial institution to maintain and implement adequate policies, procedures and controls to prevent money laundering, terrorist financing, or economic sanctions violations could result in serious legal, reputational, and financial consequences for the institution, including increased expenses to enhance relevant compliance programs, limitations on the scope of operations, civil fines and, in the most severe cases, termination of U.S. banking licenses and criminal penalties.

*U.S. Financial Reform*. Both the scope of the U.S. laws and regulations and the intensity of supervision have increased in recent years, in response to the financial crisis as well as other factors such as technological and market changes. Many of these changes have occurred as a result of the Dodd-Frank Act and its implementing regulations, most of which are now in place. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically significant financial institutions, OTC derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity funds, consumer and investor protection, hedge fund registration, securitization, investment advisers and the role of credit-rating agencies. Under the Dodd-Frank Act, the Federal Reserve Board has imposed greater capital, leverage and liquidity requirements and other prudential standards for bank holding companies

and foreign banking organizations that exceed certain thresholds. In imposing such heightened prudential standards on foreign banking organizations such as us, the Federal Reserve Board is directed to take into account the principle of national treatment and equality of competitive opportunity, and the extent to which the foreign bank holding company is subject to comparable home country standards.

More recently, President Trump issued an executive order in 2017 that sets forth principles for financial regulatory and legislative reform of the federal financial regulatory framework, and there have been several statutory and regulatory initiatives aimed at providing relief for the financial services industry. In May 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA"). Among other things and as discussed below, EGRRCPA revised the thresholds for total consolidated assets at which certain enhanced prudential standards apply to bank holding companies. We expect that the Biden administration and the Democratically-controlled Congress will seek to implement a regulatory reform agenda that is significantly different than that of the Trump administration. This reform agenda could include a heightened focus on the regulation of loan portfolios and credit concentrations to borrowers impacted by climate change, heightened scrutiny of BSA and anti-money laundering requirements, topics related to social equity and executive compensation, and increased capital and liquidity requirements, as well as limits on share buybacks and dividends. In addition, mergers and acquisitions could be dampened by increased antitrust scrutiny. We also expect reform proposals for the short-term wholesale markets. It is too early for us to assess which, if any of these policies, would be implemented and what their impact on us would be.

In 2014, the Federal Reserve Board adopted final rules applying enhanced prudential standards to large foreign banking organizations ("EPS Rules"), including us. The EPS Rules require certain foreign banking organizations, including us and SuMi TRUST Holdings, to certify that they are subject to home country capital standards that are broadly consistent with the Basel capital framework, including Basel III; report the results of internal liquidity stress tests that meet the BCBS's principles for liquidity risk management and incorporate multiple stress test horizons; conduct home country capital stress tests that are comparable to U.S. standards; and maintain a U.S. risk committee that oversees the risk management of its U.S. operations. The EPS Rules also require foreign banking organizations with combined U.S. assets (excluding assets held by its U.S. branches and agencies) of $50 billion or more to establish a separately capitalized top-tier U.S. intermediate holding company. This requirement does not apply to us or SuMi TRUST Holdings. The Federal Reserve Board finalized amendments to the EPS Rules in October 2019 implementing EGRRCPA's revisions to the thresholds for total consolidated assets at which the enhanced prudential standards apply ("Tailoring Amendments"), but the Tailoring Amendments do not change the requirements under the EPS Rules previously applicable to us and SuMi TRUST Holdings.

In 2013, the Federal Reserve Board, the SEC, the OCC, the FDIC, and the CFTC (the "Volcker Rule agencies") adopted final rules implementing Section 13 of the Bank Holding Company Act, known as the "Volcker Rule." The final rules restrict the ability of banks, bank holding companies, and their affiliates (called "banking entities") to engage as principal in proprietary trading activities or sponsor, invest in, or retain investments in certain private equity, hedge or similar funds, but a number of exclusions and exemptions limit the final rules' extraterritorial reach. In the second half of 2019, the Volcker Rule agencies adopted final rules amending certain aspects of the Volcker Rule, including the Volcker Rule definition of proprietary trading and certain compliance program requirements. In June 2020, the Volcker Rule agencies adopted additional amendments to the covered funds portion of the Volcker Rule. We, SuMi TRUST Holdings and both of our affiliates, as banking entities, have taken steps to comply with the Volcker Rule.

The Dodd-Frank Act also changed the FDIC deposit insurance assessment framework (the amounts paid by FDIC-insured institutions, such as SuMiTBUSA, into the deposit insurance fund of the FDIC), primarily by basing assessments on an FDIC-insured institution's total assets less tangible equity rather than U.S. domestic deposits. The Dodd-Frank Act also removed a long-standing prohibition on the payment of interest on demand deposits previously applicable to SuMiTBUSA and our New York branch.

In June 2018, as part of the implementation of the EPS Rules, the Federal Reserve Board published a final rule, which was subsequently amended by the Tailoring Amendments, implementing

single counterparty credit limits applicable to the U.S. operations of certain foreign banking organizations, such as us. The final rule in general imposes percentage limitations on net credit exposures to individual counterparties (aggregated based on affiliation), generally as a percentage of Tier 1 capital. Unless otherwise notified by the Federal Reserve Board, we may comply with the final rule by certifying to the Federal Reserve Board that we comply with a home country regime on a consolidated basis that is comparable to the Large Exposures Framework published by the BCBS. The Federal Reserve Board recently extended the applicable initial compliance date of the final rule to January 1, 2022. In addition, although a proposed rule has been released, a final rule for an early remediation framework applicable to foreign banking organizations has yet to be promulgated.

Furthermore, the compensation practices of our U.S. operations are subject to oversight by the Federal Reserve Board and other financial regulators. The scope and content of compensation regulation in the financial industry are continuing to develop, and we expect that these regulations and resulting market practices will continue to evolve over a number of years.

***U.S. Enforcement***

Federal and state banking regulators have broad powers with respect to SuMiTBUSA and our New York branch to enforce compliance with their laws, including powers to commence formal and informal enforcement actions that may involve removal of directors or officers, involuntary termination of insurance, imposition of civil money penalties, criminal penalties or revocation of licenses to do business, in the most severe cases.

Under the International Banking Act, the Federal Reserve Board may terminate the activities of any U.S. office of a foreign bank if it determines (i) that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country (unless the home country is making demonstrable progress toward establishing such supervision), (ii) that there is reasonable cause to believe that such foreign bank or its affiliate has violated the law or engaged in an unsafe or unsound banking practice in the United States and, as a result of such violation or practice, the continued operation of the U.S. office would be inconsistent with the public interest or with the purposes of federal banking laws, or (iii) for a foreign bank that presents a risk to the stability of the United States financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.

**Other Jurisdictions**

Our operations elsewhere in the world are subject to regulation and control by local supervisory authorities, including local central banks.

## DESCRIPTION OF THE NOTES

*The general terms and conditions in this base offering circular will apply to each series of Notes offered under the Global Medium Term Notes Program as described herein, unless otherwise specified in an applicable supplement or pricing term sheet. In the event (and to the extent) that the terms and conditions described in this base offering circular conflict with the terms and conditions described in an applicable supplement or pricing term sheet, the terms and conditions of the supplement or pricing term sheet shall control. The following summaries of certain provisions of the Notes and the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Notes and the Indenture, including the definitions contained therein of certain terms.*

### General

We may offer from time to time Notes in one or more series with terms and conditions described in this base offering circular, including an applicable supplement hereto. The specific terms of each series of Notes will be set forth in a supplement or pricing term sheet. The maximum aggregate principal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$30,000,000,000 (or its equivalent if any Notes denominated in a currency other than U.S. dollars are issued under the Program). We may increase the amount of the program limit in accordance with the terms of the program agreement.

We may offer Notes (A) outside the United States to persons other than U.S. persons (as such term is defined in Rule 904 under the Securities Act, each a non-U.S. person) in offshore transactions pursuant to Regulation S and/or (B) to qualified institutional buyers within the meaning of Rule 144A in reliance on the exemption from registration provided by Rule 144A.

Notes offered pursuant to Rule 144A are referred to as "Rule 144A Notes." Notes offered pursuant to Regulation S are referred to as "Regulation S Notes."

The Notes will be issued pursuant to an Indenture dated as of March 3, 2021, between us, The Bank of New York Mellon, as trustee, DTC paying agent, DTC transfer agent and DTC registrar, The Bank of New York Mellon, London Branch, as ICSD paying agent and The Bank of New York Mellon SA/NV, Luxembourg Branch, as ICSD transfer agent and ICSD registrar, as may be amended or supplemented prior to the issue of a series of Notes (the "Indenture"). The Indenture is not required to be, and have not been, qualified under the Trust Indenture Act of 1939, as amended.

The Notes will be issued in fully registered form in denominations specified in the applicable supplement or pricing term sheet, and which in the case of a series of Notes denominated in U.S. dollars are expected to be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, and in the case of a series of Notes denominated in euro are expected to be €100,000 and integral multiples of €1,000 in excess thereof.

The term "Business Day" means (A) (i) in the case of a payment in U.S. dollars, a day in New York, London and Tokyo that is not a day on which banking institutions are authorized by law or regulation to close, (ii) in the case of a payment in euro, a day in London and Tokyo that is not a day on which banking institutions are authorized by law or regulation to close and on which the TARGET2 System is operating or (iii) in the case of any other payments, a day that in London and Tokyo that is not a day on which banking institutions are authorized by law or regulation to close and on which foreign exchange transactions may be carried on in the relevant currency in the principal financial center of the country of such currency and (B) such other days as are specified in the applicable supplement or term sheet.

### Ranking of the Notes

Each series of Notes will constitute our direct, unconditional, unsubordinated and (subject to the provisions described in "—Negative Pledge") unsecured obligations and rank *pari passu* and without preference among themselves and with all of our other unsecured, unsubordinated obligations (except for statutorily preferred obligations) from time to time outstanding.

**Maturity**

Notes to be issued under this Program may have any maturity between seven days and 30 years. The maturity date for a series of Notes will be specified in the applicable supplement or pricing term sheet.

**Issue Price**

Notes to be issued under this Program may be issued at par or at a discount from, or premium over, par and either on a fully paid or a partly paid basis. The Notes may be offered by dealers at a fixed price or at a price that varies depending on market conditions.

A Note may be an original issue discount note. A Note of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount note may be a zero-coupon note.

**Interest on the Notes**

Unless otherwise specified in the applicable supplement or pricing term sheet, each series of Notes will bear interest from the issue date of the relevant series of Notes at either:

- a fixed rate of interest described in the applicable supplement or pricing term sheet (such Notes, the "Fixed Rate Notes"); or
- a floating rate per annum plus a spread, each as specified in the applicable supplement or pricing term sheet (such Notes, the "Floating Rate Notes").

**Listing of Notes**

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for the quotation of, any Notes issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. Any application for the listing of Notes on the SGX-ST will be made separately with respect to each such issue of Notes. For so long as any series of Notes is listed on the SGX-ST and the rules of the SGX-ST so require, such series of Notes will be traded on SGX-ST a minimum board lot size of at least U.S.$200,000 (or as otherwise specified in an applicable supplement or pricing term sheet).

The relevant supplement or pricing term sheet in respect of any series of Notes will specify whether the Notes will be listed and, if so, on which stock exchange the Notes are to be listed. If specified in an applicable supplement or pricing term sheet, a series of Notes may be unlisted.

**Information in the Relevant Supplement or Pricing Term Sheet**

The applicable supplement or pricing term sheet will describe one or more of the following terms of a series of Notes:

- the currency in which the Notes are denominated;
- the aggregate principal amount of the Notes;
- the denomination (and any integral multiples of a smaller denomination thereof) of the Notes;
- the issue date and the stated maturity date of the Notes;
- if the Notes are a series of Fixed Rate Notes, the rate at which the Notes will bear interest, the interest payment dates, and the applicable day count fraction;
- if the Notes are a series of Floating Rate Notes, the initial interest rate, interest rate basis, the applicable interest determination, calculation and payment dates, and the applicable day count fraction and business day convention;
- if the Notes are a series of original issue discount notes, the yield to maturity;
- if applicable, any additional circumstances under which the Notes may be redeemed at our option before the stated maturity date, including any redemption commencement date, redemption price(s) and redemption period(s), other than as described herein;

- if applicable, the circumstances under which a holder of the Notes may demand repayment of the Notes before the stated maturity date, including any repayment commencement date, repayment price(s) and repayment period(s);
- any other terms of the Notes, which are different from those described in this base offering circular.
- the use of proceeds, if materially different than those discussed in this base offering circular; and
- the applicable Common Codes, ISINs and CUSIPs;
- the price at which we originally issue the series of Notes, expressed as a percentage of the principal amount;
- the name(s) of the dealer(s) or syndicate of the dealers that are to offer and sell the Notes; and
- the name of any stabilization manager(s);

**Payments of Principal and Interest**

***Fixed Rate Notes***

Each series of Fixed Rate Notes will bear interest at the rate per annum specified in the applicable supplement or pricing term sheet from the issue date specified in the applicable supplement or pricing term sheet. Interest will be payable in arrears on the interest payment dates specified in the applicable supplement or pricing term sheet (each, a "fixed rate interest payment date"), commencing on the first such date after the issue date, to the persons in whose names the Fixed Rate Notes are registered as of the close of business on the fifteenth calendar day preceding such interest payment date (whether or not it is a Business Day) (subject as provided in the following paragraph).

Notwithstanding the above, all payments in respect of Notes represented by a Global Note and held by a common depositary on behalf of Euroclear and Clearstream will be made to, or to the order of, the person whose name is entered on the register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

Interest on each series of Fixed Rate Notes will accrue to but excluding the relevant fixed rate interest payment date.

Unless otherwise specified in the applicable supplement or pricing term sheet, the amount of interest payable in respect of any Fixed Rate Note for less than or more than a full interest period shall be equal to the product of the rate of interest per annum specified in the applicable supplement or pricing term sheet, the denomination (or common integral multiple) of the Fixed Rate Notes (or, in respect of Fixed Rate Notes represented by a Global Note, the aggregate principal amount of the series of Notes), and the day count fraction for such period of interest.

The day count fraction for calculating interest on any series of Fixed Rate Notes will be specified in the applicable supplement or pricing term sheet. In the case of a series of Fixed Rate Notes denominated in U.S. dollars, interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Unless otherwise specified in the applicable supplement or pricing term sheet, in the case of a series of Fixed Rate Notes denominated in any other currency, interest will be calculated on the basis of the actual number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the interest period in which the period falls.

If any payment of principal or interest on any series of Fixed Rate Notes is due on a day, including the maturity date, that is not a Business Day, such payment will be made on the date that is the next succeeding Business Day. Payments postponed to the next succeeding Business Day in this situation will be treated under the Indenture as if they were made on the original due date. Postponement of this kind will not result in a default under the Fixed Rate Notes or the Indenture, and no interest will accrue on the postponed amount from the original due date to the next succeeding Business Day.

All payments in respect of each series of Fixed Rate Notes will be subject in all cases to any applicable fiscal laws or other laws and regulations, and, except as provided in "—Payment of Additional Amounts" below, no additional amounts will be payable as a result of the withholding or deduction of any taxes or duties of whatever nature imposed or levied as a result of such laws or regulations.

***Floating Rate Notes***

Each series of Floating Rate Notes will bear interest at a floating rate per annum specified in the applicable supplement or pricing term sheet, from the issue date specified in the applicable supplement or pricing term sheet. The initial interest rate, interest rate basis, the applicable interest determination, calculation and payment dates, and the applicable day count fraction and business day convention will be set forth in the applicable supplement or pricing term sheet.

Unless otherwise specified in an applicable supplement or pricing term sheet:

Interest will be payable in arrears on the interest payment dates specified in the applicable supplement or pricing term sheet (subject to adjustment to make such date a Business Day, as described below, each, a "floating rate interest payment date" and, together with the fixed interest payment dates, the "interest payment dates") commencing on the first such date after the issue date, to the persons in whose names the Floating Rate Notes are registered as of the close of business on the fifteenth calendar day preceding such floating rate interest payment date (whether or not a Business Day) (subject as provided in the following paragraph).

Notwithstanding the above, all payments in respect of Notes represented by a Global Note and held by a common depositary on behalf of Euroclear and Clearstream will be made to, or to the order of, the person whose name is entered on the register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment.

Unless otherwise specified in the applicable supplement or pricing term sheet, the amount of interest payable in respect of any Floating Rate Note for an interest period shall be equal to the product of the rate of interest per annum specified in the applicable supplement or pricing term sheet, the denomination (or common integral multiple) of the Notes (or, in respect of Notes represented by a Global Note, the aggregate principal amount of the series of Notes), and the day count fraction for such period of interest.

Unless otherwise specified in the applicable supplement or pricing term sheet, the day count fraction for calculating interest on any series of Floating Rate Notes for each interest period will be the actual number of days in an interest period and a 360-day year.

Interest on each series of Floating Rate Notes will accrue for each interest period to but excluding the relevant floating rate interest payment date.

An "interest period" is the period from and including the immediately preceding floating rate interest payment date (as adjusted to make such date a Business Day, as described below) to but excluding the relevant floating rate interest payment date (as adjusted to make such date a Business Day, as described below). The first interest period in respect of any series of Floating Rate Notes will begin on and include the issue date and will end on but exclude the first floating rate interest payment date. The interest rate applicable to the first interest period will be determined by the relevant calculation agent on the date specified in the applicable supplement or pricing term sheet.

If any floating rate interest payment date (other than the maturity date) in respect of any series of Floating Rate Notes would fall on a day that is not a Business Day, that floating rate interest payment date will (unless an alternative business day convention is specified in the applicable supplement or pricing term sheet) be adjusted to the day that is the next succeeding Business Day, unless such Business Day is in the next succeeding month, in which case such interest payment date will be the immediately preceding Business Day.

The maturity date for Floating Rate Notes will be the maturity date specified in the applicable supplement or pricing term sheet. In the event the date so specified is not a Business Day, the

payment of interest and principal in respect of Floating Rate Notes of such series will be made on the next succeeding day that is a Business Day, and no interest on such payment shall accrue for the period from and after the date so specified.

All payments in respect of Floating Rate Notes will be subject in all cases to any applicable fiscal laws or other laws and regulations, and, except as provided in "—Payment of Additional Amounts" below, no additional amounts will be payable as a result of the withholding or deduction of any taxes or duties of whatever nature imposed or levied as a result of such laws or regulations.

***Determination of Floating Interest Rate***

So long as any Floating Rate Notes remain outstanding, we will maintain a calculation agent for calculating the interest rates on each series of the Floating Rate Notes. The calculation agent for the applicable series of notes will be specified in an applicable supplement or pricing term sheet.

The method of determining the applicable floating interest rate and interest payable on Floating Rate Notes of any series in any interest period shall be specified in more detail in an applicable supplement or pricing term sheet.

**Further Issuances**

We reserve the right, from time to time, without the consent of the holders of the Notes of a series, to issue additional Notes on terms and conditions identical to those of the Notes of a series (except as to issue date, issue price and, if applicable, the date from which interest shall accrue and the date on which interest shall be first paid), which additional Notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the Notes of such series; provided, however, that where the outstanding Notes of a series were, or the additional Notes of that series are, issued in whole or in part pursuant to Rule 144A, we shall not issue the additional Notes with the same CUSIP, ISIN or other identifying number as the Notes of that series unless such additional Notes will be treated as fungible with the outstanding Notes of such series for U.S. federal income tax purposes. We may also issue other debt securities under the Indenture as part of a separate series that have different terms from the Notes.

**Scheduled Maturity Redemption**

Each series of Notes will be repaid at maturity at a price of 100% of the principal amount thereof, unless otherwise specified in the applicable supplement or pricing term sheet.

**Payment of Additional Amounts**

Unless otherwise specified in an applicable supplement or pricing term sheet:

All payments of principal, interest and premium, if any, in respect of a series of Notes shall be made by wire transfer in the applicable currency of immediately available funds without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority therein or thereof having power to tax ("Japanese taxes"), unless such withholding or deduction is required by law. In that event, we shall pay to a holder of such Notes such additional amounts (all such amounts being referred to herein as "additional amounts") as may be necessary so that the net amounts received by it after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such Note in the absence of such withholding or deduction.

However, no such additional amounts shall be payable in relation to any such withholding or deduction in respect of any payment on a Note under any of the following circumstances:

(i) the holder or beneficial owner of the Note is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Japanese taxes in respect of such Note by reason of its (a) having some connection with Japan other than the mere holding of such Note, or (b) being a specially-related person of the issuer (as defined in "Taxation—Japanese Taxation");

(ii) (a) the holder or beneficial owner of the Note would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide interest recipient information (as defined below) or to submit a written application for tax exemption (as defined below) to us or the relevant paying agent, as appropriate, or (b) interest recipient information pertaining to the holder or beneficial owner is not duly communicated through the participant (as defined below) and the relevant international clearing organization to the relevant paying agent;

(iii) the holder or beneficial owner of the Note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a designated financial institution (as defined below) that complies with the requirement to provide interest recipient information or to submit a written application for tax exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly or through the participant or otherwise) the relevant paying agent of its status as not being subject to Japanese taxes to be withheld or deducted by us, by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant Note through a payment handling agent in Japan appointed by it);

(iv) the holder presents the Note for payment (where presentation is required) more than 30 days after the relevant date (as defined below), except to the extent that such holder would have been entitled to such additional amounts on presenting the same for payment on any date during such 30-day period;

(v) the holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, the Note, and Japanese law requires the payment of the principal of, or any interest on the Notes to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, that would not have been entitled to such additional amounts had it been the holder; or

(vi) in any case that is a combination of any of (i) through (v) above.

Notwithstanding any other provision of the Indenture, any amounts to be paid on a series of Notes by or on behalf of us will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "FATCA Withholding"). Neither we nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

Where a series of Notes is held through a participant of a clearing organization or an international financial intermediary (each, a "participant"), in order to receive payments free of withholding or deduction by us for, or on account of, Japanese taxes, if the relevant beneficial owner of a Note of such series is (i) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the issuer) or (ii) a Japanese financial institution (a "designated financial institution") falling under certain categories prescribed by Article 6, Paragraph (9) of the Special Taxation Measures Act and the Cabinet Order No. 43 of 1957, as amended (the "Cabinet Order") (collectively, the "Law"), all in accordance with the Law, such beneficial owner of the Notes must, at the time of entrusting a participant with the custody of the relevant Notes, provide certain information prescribed by the Law to enable the participant to establish that such beneficial owner of the Notes is exempted from the requirement for withholding or deduction of such taxes (the "interest recipient information") and advise the participant if such beneficial owner of the Notes ceases to be so exempted including the case where the relevant beneficial owner of the Notes who is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the issuer.

Where a series of Notes is not held by a participant, in order to receive payments free of withholding or deduction by us for, or on account of, Japanese taxes, if the relevant beneficial owner of a Note of such series is (i) an individual non-resident of Japan or a non-Japanese corporation (other

than a specially-related person of the issuer) or (ii) a designated financial institution, all in accordance with the Law, such beneficial owner of the Notes must, prior to each time at which it receives interest, submit to us or the relevant paying agent, as appropriate, a written application for tax exemption (*hikazei tekiyo shinkokusho*) (a "written application for tax exemption") in the form obtainable from the relevant paying agent stating, among other things, the name and address (and if applicable, the Japanese individual or corporate ID number) of such beneficial owner of the Notes, the title of the Notes, the relevant interest payment date, the amount of interest payable and the fact that such beneficial owner of the Notes is qualified to submit the written application for tax exemption, together with documentary evidence regarding its identity and residence.

As used in this section, the "relevant date" means the date on which any payment in respect of a Note first becomes due, except that, if the full amount of the moneys payable has not been duly received by the relevant paying agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of Notes of such series in accordance with the Indenture.

By subscribing for the Notes of any series, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer or (ii) a Japanese financial institution, designated in Article 6, Paragraph (9) of the Special Taxation Measures Act. See "Taxation—Japanese Taxation."

The obligation to pay additional amounts shall not apply to (i) any estate, inheritance, sales, gift, excise, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (ii) any tax, duty, assessment, fee or other governmental charge that is payable otherwise than by deduction or withholding from payments of principal of or interest on the Notes; provided that, except as otherwise set forth in the Notes of the relevant series and the Indenture, we shall pay all stamp and other duties, if any, which may be imposed by Japan, the United States or any respective political sub-division or any taxing authority thereof or therein, with respect to execution and enforcement of the Indenture or as a consequence of the issuance of such series of Notes.

References to principal or interest in respect of a series of Notes shall be deemed to include any additional amounts due in respect of Japanese taxes which may be payable as set forth in such Notes and the Indenture.

**Optional Tax Redemption**

Unless otherwise specified in an applicable supplement or pricing term sheet, each series of Notes may be redeemed at any time, at our option, in whole but not in part, upon not less than 30 nor more than 60 days' prior notice to the Noteholders and the trustee, at a redemption price equal to 100% of the principal amount of the Notes of such series then outstanding (together with accrued and unpaid interest to (but excluding) the date fixed for redemption and any "additional amounts" (as described below)), if we determine and certify to the trustee prior to our giving of notice of redemption that, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of Japan (or any political subdivision or taxing authority of Japan) affecting taxation, or any change in the official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment, or order by a court of competent jurisdiction), which change, amendment, application or interpretation becomes effective on or after the original issuance date of the relevant series of Notes, we are, or on the next interest payment date would be, required to pay any additional amounts in respect of such series of Notes in respect of Japanese taxes which cannot be avoided by measures reasonably available to us; provided that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which we would be obligated to make such payment of additional amounts in respect of such series of Notes if a payment in respect of the Notes of such series was then due. Prior to the mailing of any notice of redemption of a series of Notes pursuant to the foregoing, the Indenture requires that we deliver to the trustee an opinion of an independent tax counsel or tax consultant of recognized standing, to the effect that the circumstances referred to above exist. The trustee shall conclusively rely on and accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of such series of Notes.

Additional amounts are payable by us under the circumstances described under "—Payment of Additional Amounts."

**Certain Covenants**

***Negative Pledge***

So long as any series of Notes remains outstanding we will not create or permit to subsist any mortgage, security transfer, charge, pledge or other security interest for the benefit of holders of external indebtedness (as defined below) upon the whole or any part of our property, assets or revenues, present or future, to secure (i) payment of any sum due in respect of any external indebtedness issued by us or in respect of any guarantee by us of any external indebtedness issued by any person or (ii) any payment under any indemnity or like obligations relating to any external indebtedness or guarantee unless, in each case at the same time, each series of Notes outstanding are equally and ratably secured so as to rank *pari passu* with such indebtedness or guarantee or indemnity or like obligations thereof.

Notwithstanding the foregoing, (i) in the event that there is an establishment of new law or regulations or an amendment to existing laws or regulations in Japan specifically permitting or providing for the issue of covered bonds (such law or regulation, the "Covered Bond Regulation"), any arrangement relating to the segregation, including but not limited to segregation by way of a self-settled trust (*jiko shintaku*), required by or permitted under the Covered Bond Regulation of any part of our property, assets or revenues or the creation of any security interest required by the Covered Bond Regulation in respect thereof for the purpose of issuing such covered bonds shall be permitted and shall not require the creation of an equivalent security in respect of the series of Notes, provided that such arrangement is entered into in compliance with, and only to the extent required by or permitted under, the Covered Bond Regulation and such segregated property, assets or revenues qualify as collateral for, or are to be applied in priority in meeting claims of, issues of covered bonds under the Covered Bond Regulation, and (ii) any arrangement relating to the segregation, including but not limited to segregation by way of a self-settled trust (*jiko shintaku*), of any part of our property, assets or revenues for the purpose of issuing securities that are effectively similar to covered bonds shall be permitted and shall not require the creation of equivalent security in respect of the series of Notes.

"External indebtedness" means any indebtedness in the form of or represented by bonds, notes, debentures or other securities which (i) (A) are by their terms payable, or may be required to be paid in, or by reference to, any currency other than Japanese yen and (B) more than 50% of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorization of the relevant issuer, (ii) are not repayable (otherwise than at the option of or due to the default of the relevant issuer) within three years from the date of their creation and (iii) are quoted, listed or ordinarily traded on any stock exchange or OTC market or other similar securities market outside Japan.

***Consolidation, Merger, Sale or Conveyance.***

The Indenture contains provisions permitting us, without the consent of the holders of any series of Notes, to merge or consolidate with or merge into, or sell, assign, transfer, lease or convey all or substantially all of our properties or assets to any person or persons, provided that (a) we are the surviving party of such consolidation, merger, sale, assignment, transfer, lease or conveyance, or (b) the entity formed by such consolidation or into which we are merged, or the entity that acquires by conveyance or transfer our properties and assets substantially as an entirety is a joint stock company (*kabushiki kaisha*) incorporated with limited liability under the laws of Japan and expressly assumes our obligations under the Indenture and on all series of Notes or other securities issued thereunder and certain other conditions are met, including that, immediately after giving effect to such transaction, no event of default under the Indenture has occurred and is continuing. Before the consummation of the proposed consolidation, merger, sale, assignment, transfer, lease or conveyance, we shall deliver an officer's certificate, and an opinion of counsel, to the effect that the conditions set forth above and in the Indenture have been met. The trustee shall be entitled to rely conclusively upon such officer's certificate and opinion of counsel.

**Events of Default**

An event of default with respect to each series of Notes is defined under the Indenture as any one or more of the following events, subject to modification in a supplemental indenture, each of which we refer to in this base offering circular as an event of default, having occurred and be continuing:

(i) default by us in the payment when due of the interest, principal or premium in respect of any of the Notes of such series and the continuance of any such default for a period of 30 days after the date when due, unless we shall have cured such default by payment within such period; or

(ii) we shall fail duly to perform or observe any other term, covenant or agreement contained in the Notes of such series or in the Indenture for a period of 30 days after the date on which written notice of such failure, requiring us to remedy the same, shall have been given first to us (and to the trustee in the case of notice by holders referred to in "—Acceleration of Notes Upon an Event of Default") by the trustee or holders of at least 25% in principal amount of the then-outstanding Notes of such series (such notification must specify the event of default, demand that it be remedied and state that the notification is a "notice of default" hereunder); or

(iii) the maturity of any indebtedness for borrowed money, having in any case an aggregate principal amount for the time being outstanding of at least U.S.$50,000,000 (or the equivalent thereof) issued by us, shall have been accelerated by or on behalf of the holder of such indebtedness in accordance with the terms thereof or any agreement relating thereto, or any such indebtedness shall not have been paid when due and such failure shall not have been cured within the grace period, if any; or

(iv) we shall cease to carry on the whole or substantially the whole of our business or shall dispose of the whole or a substantial part of our assets (in either case, other than for the purpose of a consolidation, amalgamation, merger or reconstruction, provided that the continuing or successor corporation has expressly and effectively assumed our obligations under the Notes and the Indenture); or

(v) a decree or order by any court having jurisdiction shall have been issued adjudging us bankrupt or insolvent or approving a petition seeking reorganization under the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended; the "Bankruptcy Act"), the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended; the "Civil Rehabilitation Act"), the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended; the "Reorganization Act"), the Companies Act or any other similar applicable law of Japan, and such decree or order shall have continued undischarged or unstayed for a period of 60 days; or a decree or order of a court having jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in our bankruptcy or insolvency, or of all or substantially all of our property or for the winding-up or liquidation of our affairs, shall have been issued, and such decree or order shall have continued undischarged or unstayed for a period of 60 days; or

(vi) we shall institute proceedings seeking adjudication of bankruptcy or seeking reorganization under the Bankruptcy Act, the Civil Rehabilitation Act, the Reorganization Act, the Companies Act or any other similar applicable law of Japan, or shall consent to the institution of any such proceedings or shall consent to the appointment of a receiver or liquidator or trustee or assignee in our bankruptcy or insolvency or of all or substantially all of our property, or shall make a general assignment for the benefit of creditors or shall admit in writing our inability to pay our debts generally as they become due or corporate action shall be taken by us in furtherance of any of the aforesaid purposes.

***Provision and Withholding of Notice of Default.***

Pursuant to the Indenture, the trustee shall give notice to the holders of Notes of each series of all defaults known to the trustee which have occurred with respect to such series. The trustee shall

transmit the notice within 90 days after the occurrence of an event of default, unless the defaults have been cured before the transmission of such notice.

The trustee need not do anything to ascertain whether any default or event of default has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by it to do so, and the trustee may assume that no default or event of default has occurred and that we are performing our obligations under the Indenture and the Notes unless a Responsible Officer of the trustee has received written notice of the occurrence of such default or event of default or facts establishing that we are not performing our obligations under the Indenture or the Notes, or a default or an event of default has occurred.

"Responsible Officer" means, when used with respect to the trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of the Indenture.

"Specified Corporate Trust Office" means The Bank of New York Mellon, Singapore Branch located at One Temasek Avenue, #02-01 Millenia Tower, Singapore 039192; Attention: Corporate Trust—Sumitomo Mitsui Trust Bank; Facsimile: +65 6883 0338.

**Acceleration of Notes Upon an Event of Default**

The Indenture provides that, unless otherwise set forth in a supplemental indenture, if any event of default occurs and is continuing with respect to a series of Notes, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding Notes of such series, by notice in writing to us (and to the trustee if given by the holders of such series of Notes) may, and the trustee at the request of the holders of such series of Notes shall, subject to receiving indemnity and/or security to its satisfaction, declare the principal of, accrued interest and premium, if any, on the Notes of such series to be due and payable immediately.

**Annulment of Acceleration and Waiver of Defaults**

In some circumstances, if any or all of the events of default with respect to a series of Notes under the Indenture, other than the non-payment of the principal of the Notes of such series that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in aggregate principal amount of the Notes of such series may (if certain conditions are satisfied) annul past declarations of acceleration or waive past defaults of the Notes of such series.

**Paying Agent, Transfer Agent and Registrar**

Whenever we appoint a paying agent to make payments required under the Indenture and a series of Notes, such paying agent will hold all sums received by it as such agent for the payment of the principal, interest and premium, if any, (including any additional amounts) on the Notes for the benefit of the holders of the Notes or of the trustee and will make payments to such holders as provided for in the Indenture and such series of Notes.

Unless otherwise specified in an applicable supplement or pricing term sheet, The Bank of New York Mellon at 240 Greenwich Street, New York, NY 10286, United States of America, will act as DTC paying agent, DTC transfer agent and DTC registrar (collectively, the "DTC agents") for any series of Notes issued under the Program and cleared through DTC. The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL, United Kingdom, will act as ICSD paying agent, and The Bank of New York Mellon SA/NV, Luxembourg Branch at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453, Luxembourg will act as ICSD transfer agent and ICSD registrar (collectively, the "ICSD agents," together with the DTC agents, the "agents") for any series of Notes issued under the Program and cleared through Euroclear and Clearstream. We may change the paying agent, transfer agent or registrar without prior notice to the holders of the Notes, and we or any of our subsidiaries may act as paying agent, transfer agent or registrar.

For so long as a series of Notes is listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the Notes of such series may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for Notes in definitive certificated form. In addition, in the event that a Global Note is exchanged for Notes in definitive certificated form, an announcement of such exchange shall be made by or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive certificated form, including details of the paying agent in Singapore.

**Indemnification of Judgment Currency**

Unless otherwise specified in an applicable supplement or pricing term sheet, we will pay to each holder of a Note and the trustee to the full extent permitted by applicable law the amount of any loss incurred by such holder and the trustee as a result of any judgment or order being given or made for any amount due under such Note and such judgment or order being expressed and paid in a judgment currency other than the currency of such series of Notes and as a result of any variation as between the rate of exchange at which the currency of such series of Notes is converted into the judgment currency for the purpose of such judgment or order and the spot rate of exchange at which the trustee on one day after which final unappealable judgment is entered is able to purchase the currency of such series of Notes with the amount of the judgment currency actually received by the holder, or, as the case may be, the trustee. This obligation will continue notwithstanding any such judgment.

**Discharge, Defeasance and Covenant Defeasance**

Unless otherwise set forth in a supplemental indenture, we have the ability to eliminate most or all of our obligations on any series of Notes issued under the Indenture prior to the scheduled maturity of such series of Notes if we comply with the following provisions:

***Satisfaction and Discharge***

We may discharge all of our obligations on any or all series of Notes issued under the Indenture, other than as to transfers and exchanges, after we have:

(i) paid or caused to be paid the principal of and interest on all of the outstanding Notes of such series (other than Notes of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in the Indenture) in accordance with their terms;

(ii) delivered to the relevant registrar for cancellation all of the outstanding Notes of such series (other than Notes of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in the Indenture); or

(iii) irrevocably deposited with the trustee (or its agent) cash or government obligations in trust for the benefit of the holders of such series of Notes issued under the Indenture that have either become due and payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on, and any mandatory sinking fund payments for, those Notes. The deposit of cash or government obligations for the benefit of holders of a series of Notes that are due and payable, or are scheduled for redemption, within one year will discharge obligations under the Indenture relating only to that series of Notes.

***Defeasance of the Notes***

We may also discharge all of our obligations, other than as to transfers and exchanges, under the Notes of any series at any time, which is referred to in this base offering circular as defeasance. Alternatively, we may be released with respect to the outstanding Notes of any series from the obligations imposed by the covenants described above limiting the creation of security interests on assets, consolidations, mergers, asset sales and leases, and elect not to comply with those sections without creating an event of default; discharge under those procedures is called covenant defeasance.

Unless otherwise specified in an applicable supplement or pricing term sheet, defeasance or covenant defeasance may be effected with respect to the Notes of any series only if, among other things:

(i) we irrevocably deposit with the trustee (or its agent) cash or government obligations (or a combination thereof) as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on the outstanding Notes of such series; and

(ii) no default with respect to the outstanding Notes of such series has occurred and is continuing at the time of such deposit after giving effect to the deposit;

(iii) such deposit will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which we are bound;

(iv) we deliver to the trustee an opinion of counsel of recognized standing with respect to U.S. federal income tax matters to the effect that the beneficial owners of the series of Notes being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance and that the beneficial owners of the series of Notes being defeased will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred;

(v) we deliver to the trustee an officer's certificate and an opinion of counsel to the effect that all conditions precedent provided for relating to the defeasance have been complied with; and

(vi) in relation to any series of Notes issued under the Program and cleared through Euroclear and Clearstream, we deliver to the trustee an opinion of counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law.

In the case of defeasance, the opinion must be based on a ruling of the U.S. Internal Revenue Service ("IRS") addressed to us or the trustee or a change in U.S. federal income tax law occurring after the date of the Indenture, since that result would not occur under current tax law.

**Modification**

***Modification without Consent of Holders***

We and the trustee may enter into supplemental indentures or amend or modify the Indenture or the Notes of any series without the consent of any holder of the Notes of such series to:

(i) secure Notes of any series issued under the Indenture; or

(ii) evidence the assumption by a successor corporation of our obligations under the Indenture; or

(iii) add covenants for the protection of the holders of the Notes; or

(iv) cure any ambiguity or correct any inconsistency; or

(v) add to, change or eliminate any of the provisions of the Indenture, provided, however, that any such addition, change or elimination shall become effective only when there is no Notes outstanding of any series issued under the Indenture created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(vi) establish the forms or terms of additional Notes of any series; or

(vii) evidence and provide for the acceptance of appointment by a successor trustee.

***Modification with Consent of Holders***

We and the trustee, with the consent of the holders of not less than a majority in aggregate principal amount of all affected series of outstanding Notes issued under the Indenture (voting together as a single class) may add any provisions to, or change in any manner or eliminate any of the

provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of any series issued pursuant to the Indenture. However, we and the trustee may not make any of the following changes to any outstanding Notes of any series issued under the Indenture without the consent of each holder that would be affected by the change:

(i) extend the final maturity of any such Notes of any series or of any installment of principal of any such Notes; or

(ii) reduce the principal amount or redemption price thereof; or

(iii) reduce the rate or extend the time of payment of interest thereon; or

(iv) reduce any amount payable on redemption thereof; or

(v) make the principal thereof (including any amount in respect of original issue discount), interest thereon, or premium, if any, payable in any coin or currency other than that provided in the Notes or in accordance with the terms thereof;

(vi) modify or amend any provisions for converting any currency into any other currency as provided in the Notes or in accordance with the terms of such Notes;

(vii) change our obligations to pay additional amounts;

(viii) reduce the amount of the principal of an original issue discount note that would be due and payable upon an acceleration of the maturity of such Note or the amount provable in bankruptcy, or impair or affect the right of any holders of the Notes to institute suit for the payment thereof or, if the Notes provide therefor, impair or affect any right of repayment at the option of the holders of the Notes;

(ix) modify or amend any provisions relating to the conversion or exchange of any of the Notes for other of our securities or for securities of other entities or for other property (or the cash value thereof) including the determination of the amount of securities or other property (or cash) into which such Notes shall be converted or exchanged, other than as provided in the antidilution provisions or other similar adjustment provisions of such Notes or otherwise in accordance with the terms of such Notes; or

(x) reduce the aforesaid percentage of any of the Notes of any particular series, the consent of the holders of such series being required for any such supplemental indenture.

**Repurchases of Securities**

We or any of our subsidiaries may at any time purchase any or all of a series of Notes in the open market or otherwise at any price. Subject to applicable law, neither we nor any such subsidiary shall have any obligation to offer to purchase any Notes of a series held by any holder as a result of our purchase or offer to purchase Notes held by any other holder in the open market or otherwise.

**The Trustee**

The trustee is organized under the laws of the State of New York with offices located at 240 Greenwich Street, New York, NY 10286, United States of America. The Indenture provides that during the existence of an event of default, the trustee will exercise the rights and powers vested in it by the Indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of default, the trustee need only perform the duties specifically set forth in the Indenture.

The trustee will be under no obligation to exercise any rights, trusts or powers conferred under the Indenture or any of the Notes for the benefit of the holders unless the requisite number of holders have instructed the trustee in writing and offered to the trustee indemnity or security reasonably satisfactory to the trustee against any loss, cost, liability or expense.

The Indenture does not contain limitations on the rights of the trustee thereunder, should it be or become a creditor of ours, to obtain payment of claims. The trustee is not precluded from engaging in other transactions with us and our affiliates and can profit therefrom without being obliged to account for such profit and, if it has or acquires any conflicting interest (as defined in Section 310(b) of the Trust Indenture Act), it is not required to eliminate such conflict or resign.

The Indenture provides that we will indemnify the trustee and each predecessor trustee and their respective agents, delegates, employees, officers and directors for, and hold each such party harmless

against, any loss, liability or expense arising out of or in connection with the acceptance or administration of the Indenture or the trusts thereunder and the performance of each such party's duties thereunder, including reasonable and properly incurred costs and expenses of defending against or investigating any claim of liability, except to the extent such loss, liability or expense is due to the negligence or willful misconduct of the trustee, such predecessor trustee or their respective agents, delegates, employees, officers or directors.

The trustee currently acts as trustee for other securities issued by us and may in the future act as trustee for other securities issued by us or by our affiliates.

**Successor Trustee**

The Indenture provides that the trustee may resign or be removed by us, effective upon the acceptance by a successor trustee of its appointment. The Indenture provides that any successor trustee shall be a corporation with a combined capital and surplus of not less than $50,000,000.

**Repayment of Funds**

All monies paid by us to the trustee or a paying agent for payment of principal of or interest on any Note of any series which remain unclaimed at the end of two years after such payment shall have become due and payable will be repaid to us and all liability of the trustee and the agents with respect thereto will cease, and to the extent permitted by law, the holder of such Notes shall thereafter look only to us for any payment which such holder may be entitled to collect.

**New York Law to Govern**

The Indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York.

**Consent to Service of Process and Submission to Jurisdiction**

Under the Indenture, we will irrevocably designate Sumitomo Mitsui Trust Bank, Limited, New York Branch as our authorized agent for service of process in any legal action or proceeding arising out of or relating to the Indenture or the Notes brought in any federal or state court in the County of New York, and we irrevocably submit to the jurisdiction of those courts.

**Limitation on Suits by Individual Noteholders**

The Indenture provides that no individual Noteholder may institute any action against us under the Indenture, except actions for payment of overdue principal, interest and premium, if any, unless the following actions have occurred:

(i) such holder has previously given written notice to the trustee of the continuing default;

(ii) the holders of not less than 25% in aggregate principal amount of the outstanding Notes of each affected series issued under the Indenture (each such series treated as a single class), must have:

  (a) made written request to the trustee to institute that action; and

  (b) offered the trustee such indemnity and/or security satisfactory to the trustee as it may require against the costs, expenses and liabilities to be incurred therein or thereby;

(iii) the trustee must have failed to institute that action within 60 days after receipt of the written request and offer of indemnity and/or security satisfactory to it referred to above; and

(iv) the holders of a majority in aggregate principal amount of the outstanding Notes of each affected series issued under the Indenture, voting as one class, must not have given written directions to the trustee inconsistent with those of the holders referred to above.

However, the right of any holder of Notes of a series to institute suit for the enforcement of any such payment of overdue principal, interest and premium, if any, on or after the respective due dates shall not be affected or impaired.

**Undertaking for Costs**

The Indenture provides that we and the trustee agree, and each holder of a Note of any series by his acceptance thereof shall be deemed to have agreed, that in any suit for the enforcement of any right or remedy under the Indenture or against the trustee for action taken, suffered or omitted by it as trustee (other than a suit instituted by the trustee, a holder or group of holders holding more than 10% in aggregate principal amount of the Notes of such series, or any holder for the enforcement of the payment of the principal of or interest on any Note of such series on or after the due date thereof), a court may in its discretion require the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defences made by such party litigant.

**Form, Book-Entry and Transfer**

Unless otherwise specified in an applicable supplement or pricing term sheet:

The Notes will be issued in fully registered form, without coupons. No service charge will be made for any registration of transfer or exchange of the Notes, but we may require payment of a sum sufficient to cover any tax or government charge payable in connection therewith.

We will cause to be maintained offices or agencies where the Notes may be presented for registration of transfer or for exchange, each, a transfer agent. Unless otherwise specified in an applicable supplement or pricing term sheet, The Bank of New York Mellon will be the DTC transfer agent for any series of Notes issued under the Program and cleared through DTC, and The Bank of New York Mellon SA/NV, Luxembourg Branch will be the ICSD transfer agent for any series of Notes issued under the Program and cleared through Euroclear and Clearstream.

We will cause to be kept, for each series of Notes, a register in which, subject to such reasonable regulations as we may prescribe, we will provide for the registration of such Notes and registration of transfers of such Notes.

We, the trustee and any agent of ours or the trustee may treat the person in whose name any Note is registered as the absolute owner of such Note for all purposes and none of them shall be affected by any notice to the contrary. At the option of the registered holder of a Note, subject to the restrictions contained in the Notes and in the Indenture, such Note may be transferred or exchanged for a like aggregate principal amount of Notes of the same series of different authorized denominations, upon surrender for exchange or registration of transfer, at the trustee's office. Any Note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to us and the trustee, duly executed by the holder thereof or its attorney duly authorized in writing. Notes issued upon any such transfer will be executed by us and authenticated by or on behalf of the trustee or the ICSD registrar, registered in the name of the designated transferee or transferees and delivered at the trustee's office or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees.

We may vary or terminate the appointment of any transfer agent, or appoint additional or other transfer agents or approve any change in the office through which any transfer agent acts. We will cause notice of any resignation, termination or appointment of the trustee or any transfer agent, and of any change in the office through which any transfer agent will act, to be provided to holders of the Notes.

***Global Notes***

The Rule 144A Notes will be initially represented by one or more global certificates in fully registered form without interest coupons (collectively, the "Rule 144A Global Notes"). The Regulation S Notes will be initially represented by one or more global certificates in fully registered form without interest coupons (collectively, the "Regulation S Global Notes," and together with the Rule 144A Global Notes, the "Global Notes").

Global Notes may be (i) registered in the name of Cede & Co. as nominee for DTC (or any other nominee of DTC) and deposited on or about the issue date with a custodian for DTC or (ii) deposited

upon issuance with, and registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream and/or any other relevant clearing system. Each of DTC, Euroclear and Clearstream is referred to as a depositary.

Any Notes issued in exchange for Rule 144A Global Notes or beneficial interests therein will be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear the legend regarding such restrictions set forth under "Transfer Restrictions."

Beneficial interests in Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants, which in the case of DTC includes Euroclear and Clearstream. Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of the depositary with which it is held, or to a successor or nominee thereof. Accordingly, the sole holder of the Notes represented by the Global Notes will at all times be the relevant depositary or its nominee (or a successor of the relevant depositary or its nominee), and voting and other consensual rights of holders of the Notes will be exercisable by beneficial owners of the Notes only indirectly through the rules and procedures of the relevant depositary from time to time in effect.

Transfers between DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Beneficial interests in the Global Notes may not be exchanged for definitive notes except in the limited circumstances described below under "—Exchanges of Global Notes for Definitive Notes." In addition, beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes of the same series or vice versa except in accordance with the transfer and certification requirements described below under "—Exchanges between the Rule 144A Global Notes and the Regulation S Global Notes."

*Exchanges between the Rule 144A Global Notes and the Regulation S Global Notes*

On or prior to the fortieth day after the later of the commencement of the offering or the date the series of Notes were originally issued, a beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest as evidenced by a Rule 144A Global Note of the same series only upon receipt by or on behalf of the relevant transfer agent of a written certification from the transferor (in the form set out in the Indenture), to the effect that (i) such transfer is being made to a person whom the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account (or for the account of one or more qualified institutional buyers over which account it exercises sole investment discretion) in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (ii) the transferor has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions."

Beneficial interests in the Rule 144A Global Notes may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note of the same series, only upon receipt by the trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or, if available, Rule 144.

Transfers involving an exchange of a beneficial interest in the Notes evidenced by the Regulation S Global Notes for a beneficial interest in the Notes evidenced by the Rule 144A Global Notes or vice versa will be effected in accordance with the applicable procedures of DTC, Euroclear and Clearstream, as applicable.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note of the same series will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest. In connection with any such exchange, appropriate adjustments will be made in the records of the Notes register to reflect the relevant increase and decrease in the principal amounts of the affected Global Notes.

*Exchanges of Global Notes for Definitive Notes*

A beneficial interest in a Global Note may not be exchanged for a definitive note unless:

(i) If such Global Note registered in the name of Cede & Co. as nominee for DTC (or any other nominee of DTC) and deposited with a custodian for DTC, DTC notifies us that it is unwilling or unable to continue as depository for such Global Note or has ceased to be a clearing agency registered under the U.S. Exchange Act, and a successor depositary is not appointed within ninety days. Upon the occurrence of such event, DTC shall instruct us to transfer the Notes to such persons as notified to it by the applicable depositary or any successor clearance and settlement system as the holders of beneficial interests therein; or

(ii) If such Global Note is deposited with, and registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (ii) if principal in respect of such series Notes is not paid when due, and provided that, in the case of the first transfer of part of a holding, the holder of the Notes has given the relevant transfer agent not less than 30 days' written notice at its specified office of the holder's intention to effect such transfer.

In all cases, definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in approved denominations, requested by or on behalf of the applicable depositary (in accordance with its customary procedures).

***Depositary Procedures***

As long as DTC, Euroclear and/or Clearstream or their respective nominees is the registered holder of relevant Global Note issued in respect of a series, DTC, Euroclear and/or Clearstream (or the respective nominee), as the case may be, will be considered the sole owner and holder of the Notes represented by such Global Notes for all purposes under the Indenture and the Notes, and, accordingly, our obligations under the Notes represented by such Global Notes are to DTC, Euroclear and/or Clearstream (or the respective nominee), as the case may be, as the registered holder of such Notes, and not to the holders of beneficial interests in such Notes.

Transfer of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of the applicable depositaries and their respective direct or indirect participants, which may change from time to time.

*DTC*

DTC is a limited-purpose trust company created to hold securities for its participating organizations, collectively, DTC participants, and to facilitate the clearance and settlement of transactions in those securities between DTC participants through electronic book-entry changes in accounts. DTC participants include the dealers and other securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly, collectively, indirect DTC participants.

Persons who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect DTC participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of DTC participants and indirect DTC participants. DTC has also advised that, pursuant to its established procedures, upon deposit of the Global Notes, DTC will credit the accounts of DTC participants designated by the dealers with portions of the principal amount of such Global Notes and ownership of such interests in the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to DTC participants) or by DTC participants and indirect DTC participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Notes may hold their interests therein directly through DTC if they are participants in such system, or indirectly through DTC participants. All interests in a Global Note may be subject to

the procedures and requirements of DTC. The laws of some states require that certain persons take physical delivery in certificated form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of DTC participants, which in turn act on behalf of indirect DTC participants and certain banks, the ability of a person having beneficial interests in Global Notes to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described above under "—Global Notes—Exchanges of Global Notes for Definitive Notes," owners of interests in Global Notes will not have Notes registered in their name, will not receive physical delivery of Notes and will not be considered the registered owners or holders thereof for any purpose.

Payments in respect of Global Notes registered in the name of DTC or its nominee will be payable by the DTC paying agent to DTC or to the order of its nominee as the registered owner of the Global Notes. We, the trustee and the agents will treat the persons in whose names the Global Notes are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither we, the trustee, the agents nor any agent of ours has or will have any responsibility or liability for any aspect of DTC's records or any DTC participant's or indirect DTC participant's records relating to or payments made on account of beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any DTC participant's or indirect DTC participant's records relating to the beneficial ownership interests in the Global Notes or any other matter relating to the actions and practices of DTC or any of DTC participants or indirect DTC participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the Notes, is to credit the accounts of the relevant DTC participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Payments by the DTC participants and the indirect DTC participants to the beneficial owners of Notes will be governed by standing instructions and customary practices, will be the responsibility of the DTC participants or the indirect DTC participants and will not be the responsibility of DTC or us. We, the trustee and the agents may conclusively rely upon and will be protected in relying upon instructions from DTC or its nominee for all purposes.

Interests in the Global Notes will trade in DTC's Settlement System, and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and DTC participants. Transfers between DTC participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds.

DTC has advised that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC participants to whose account with DTC interests in the Global Notes are credited. However, DTC reserves the right to exchange the Global Notes for legended definitive notes and to distribute such legended Notes to DTC participants.

The information in this section concerning DTC and its book-entry systems has been obtained from sources that we believe to be reliable, but we, the trustee and the agents take no responsibility for the accuracy thereof. Although DTC has agreed to the foregoing procedures to facilitate transfers of interest in the Global Notes among DTC participants, it is under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we, the trustee nor the agents will have any responsibility for the performance by DTC, DTC participants or indirect DTC participants of their respective obligations under the rules and procedures governing their operations.

*Euroclear*

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including

securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank SA/NV, under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation. All operations are conducted by Euroclear Bank, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with Euroclear Bank, not with Euroclear Clearance Systems. Euroclear Clearance Systems establishes policies for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the dealers. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is licensed, regulated and examined by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with Euroclear are governed by the terms and conditions governing use of, and the related operating procedures of, Euroclear and applicable Belgian law, which are referred to collectively as the terms and conditions. The terms and conditions govern transfers of securities and cash within Euroclear, and withdrawals of securities and cash from Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear acts under the terms and conditions only on behalf of Euroclear participants and has no record of, or relationship with, persons holding through Euroclear participants.

*Clearstream*

Clearstream is incorporated as a bank under Luxembourg law. Clearstream holds securities for its participants and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thus eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in a number of countries. Clearstream has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for Supervision of the Financial Sector. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. In the United States, Clearstream participants are limited to securities brokers and dealers. Clearstream participants may include the dealers. Other institutions that maintain a custodial relationship with a Clearstream participant may obtain indirect access to Clearstream.

*Transfers among DTC, Euroclear and Clearstream*

In the case of Global Notes, registered in the name of Cede & Co. as nominee for DTC (or any other nominee of DTC) and deposited on or about the issue date with a custodian for DTC, cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries. Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold Global Notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC

settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

*Limitation on Responsibilities*

Although the foregoing sets out the procedures of the depositaries established in order to facilitate the transfer of interests in the Global Notes among their participants, none of the depositaries is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a Global Note. DTC's records reflect only the identity of the DTC participants to whose accounts those Global Notes are credited, which may or may not be the beneficial owners of interests in a Global Note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts Global Notes are credited, which also may or may not be the beneficial owners of interests in a Global Note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Neither we nor the dealers, the trustee, the agents nor any of our or their respective agents will have any responsibility for the performance by any depositary or their respective participants of their respective obligations under the rules and procedures governing their operations.

## TRANSFER RESTRICTIONS

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States except pursuant to an effective registration statement or in a transaction not subject to the registration requirements under the U.S. Securities Act or in accordance with an applicable exemption from the registration requirements thereof.

### Notes Offered in Reliance on Rule 144A

Each purchaser of the Notes offered and sold pursuant to Rule 144A under the U.S. Securities Act will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

(i) It is acquiring such Notes for its own account or an account or accounts with respect to which it exercises sole investment discretion and that it or each such account is a QIB and is aware that the sale to it is being made in reliance on Rule 144A.

(ii) It understands and agrees that such Notes are being offered only in a transaction not involving any public offering within the meaning of the U.S. Securities Act, and that any resale, pledge or transfer of such Notes on which the legend set forth below appears, may be made only (i) to us, (ii) to a person who the seller and any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act, or (iv) pursuant to another exemption from registration under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

(iii) It understands and agrees that the dealers will, and each subsequent Noteholder is required to, notify any purchaser of such Notes from it of the resale restrictions referred to in paragraph (ii) above if then applicable.

(iv) It understands and agrees that such Notes are initially being offered to QIBs in reliance on Rule 144A. It will not, directly or indirectly, engage in any hedging transaction with regard to such Notes except as permitted by the U.S. Securities Act. It will not resell, pledge or otherwise transfer any such Notes except (i) to a person it reasonably believes is a QIB that is purchasing for its own account or for the account of another QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, all in compliance with Rule 144A (if available), or (ii) in a transaction in compliance with Regulation S of the U.S. Securities Act.

(v) It understands that the Notes will bear a legend to the following effect unless we otherwise agree:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) AGREES FOR THE BENEFIT OF SUMITOMO MITSUI TRUST BANK, LIMITED (THE "ISSUER") THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) TO THE ISSUER OF THIS SECURITY, (2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (4) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE ISSUER OR THE TRANSFER AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS,

INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THIS LEGEND WILL ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

(vi) It acknowledges that we, the relevant transfer agent, the dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of Notes are no longer accurate, it will promptly notify us, the relevant transfer agent and the dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of the transfer certificates) under the Indenture to effect exchanges or transfers of interests in Global Notes, see "Description of the Notes—Form, Book-Entry and Transfer."

**Notes Offered in Reliance on Regulation S**

Terms used in this section have the same meaning as defined in Regulation S under the U.S. Securities Act.

Each purchaser of the Notes offered and sold in reliance on Regulation S outside the United States will be deemed to have represented and agreed as follows:

(i) The purchaser is not a U.S. person and is acquiring such Notes in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act.

(ii) The purchaser understands that such Notes have not been and will not be registered under the U.S. Securities Act and, until 40 days after the closing of the offering, may not be reoffered, resold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions pursuant to an exemption from registration under the U.S. Securities Act.

(iii) It understands that such Notes will bear a legend to the following effect unless we otherwise agreed:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITIES OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. SUMITOMO MITSUI TRUST BANK, LIMITED HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

(iv) It acknowledges that we, the relevant transfer agent, the dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of Notes are no longer accurate, it will promptly notify us, the relevant transfer agent and the dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of the transfer certificates) under the Indenture to effect exchanges or transfers of interests in Global Notes, see "Description of the Notes—Form, Book-Entry and Transfer."

## CERTAIN BENEFIT PLAN INVESTOR CONSIDERATIONS

Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Internal Revenue Code, (c) entities whose underlying assets include "plan assets" of any such plan, account or arrangement described in clause (a) or (b) by reason of any such plan's, account's, or arrangement's investment therein (we refer to the foregoing described in clauses (a), (b) and (c), collectively, as "Plans") and (d) persons who are fiduciaries with respect to any such Plans.

In addition to ERISA's general fiduciary standards, Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, i.e., "parties in interest" as defined in ERISA or "disqualified persons" as defined in Section 4975 of the Internal Revenue Code (we refer to the foregoing, collectively, as "parties in interest") unless exemptive relief is available under a statutory or administrative exemption. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Internal Revenue Code. Thus, a Plan fiduciary considering an investment in the Notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Internal Revenue Code. For example, the Notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between a party in interest and an investing Plan which would be prohibited unless exemptive relief were available under an applicable exemption. Such parties in interest may include, without limitation, us, any dealer and any of the current and future affiliates of us and any dealer.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase the Notes, should consider the exemptive relief available under the following prohibited transaction class exemptions ("PTCEs"): (a) the in-house asset manager exemption (PTCE 96-23), (b) the insurance company general account exemption (PTCE 95-60), (c) the bank collective investment fund exemption (PTCE 91-38), (d) the insurance company pooled separate account exemption (PTCE 90-1) and (e) the qualified professional asset manager exemption (PTCE 84-14). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Internal Revenue Code may provide a limited exemption for the purchase, holding and subsequent transfer of the Notes and related lending transactions, provided that neither the party in interest nor its affiliates has or exercises any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes. Any Plan fiduciary that proposes to cause a Plan to purchase, hold or subsequently transfer the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code to such an investment and to confirm that such purchase, holding or subsequent transfer of the Notes will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or Section 4975 of the Code.

While U.S. governmental, church and non-U.S. plans (which we refer to as "Non-ERISA Arrangements") are not subject to the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA or Section 4975 of the Internal Revenue Code, such Non-ERISA Arrangements may be subject to other laws or regulations that are substantially similar to such provisions of ERISA or the Internal Revenue Code (each referred to herein as a "Similar Law"). Fiduciaries of any Non-ERISA Arrangement should consult with their counsel before purchasing, holding or subsequently transferring the Notes to determine whether such purchase, holding or subsequent transfer would satisfy the responsibilities of any legally required fiduciary duty and to determine the need for, and the availability of, if necessary, any exemptive or other relief under any Similar Law.

For the reasons described above, each purchaser, holder and subsequent transferee of a Note, and each fiduciary who causes any entity to purchase, hold or transfer a Note, shall be deemed to have represented and warranted, on each day such purchaser, holder or subsequent transferee holds such Note, that either (a) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing,

holding or transferring such Note on behalf of or with the assets of any Plan or Non-ERISA Arrangement or (b) its purchase, holding and subsequent transfer of such Note shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code or violate any provision of any applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan or Non-ERISA Arrangement, consult with their counsel regarding the potential applicability of Title I of ERISA, Section 4975 of the Internal Revenue Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding, and any subsequent transfer, of the Notes.

Each purchaser and holder of a Note will have exclusive responsibility for ensuring that its purchase, holding and subsequent transfer of any Note does not violate the fiduciary or prohibited transaction rules of ERISA or the Internal Revenue Code or the provisions of any applicable Similar Law. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

Neither this discussion nor anything in this base offering circular is or is intended to be investment advice directed at any potential purchaser that is a Plan or Non-ERISA Arrangement, or at such purchasers generally, and such purchasers should consult and rely on their counsel and advisors as to whether an investment in the Notes is suitable and consistent with ERISA, the Code and any Similar Laws, as applicable.

## TAXATION

*The following summaries are not intended as a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of the Notes by investors. Potential investors should consult with their own tax advisors on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the Notes, including specifically the applicable tax consequences under Japanese or United States laws, the law of the jurisdiction of their country of residence (if relevant) and any tax treaty between Japan and their country of residence.*

### Japanese Taxation

*The following is a general description of certain Japanese tax aspects of the Notes and does not purport to be a comprehensive description of the tax aspects of the Notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive. Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisors in order to ascertain their particular circumstances regarding taxation.*

*The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this base offering circular are to be regarded as advice on the tax position of any beneficial owner of the Notes or any person purchasing, selling or otherwise dealing in the Notes or any tax implication arising from the purchase, sale or other dealings in respect of the Notes.*

#### *The Notes*

The Notes do not fall under the concept of so-called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, i.e., notes for which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order under the Special Taxation Measures Act) relating to us or a specially-related person of the issuer.

#### *Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance and Gift Taxes*

Gains derived from the sale of Notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by Noteholders in connection with the issue of the Notes, nor will such taxes be payable by Noteholders in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired Notes from another individual as legatee, heir or donee.

#### *Representation by Investor upon Distribution of Notes*

BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED IT IS a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer (as defined below) or (ii) a Designated Financial Institution (as defined below). The Notes are not, as part of the distribution pursuant to the purchase agreement dated the date hereof, to be directly or indirectly offered or sold by the dealers at any time to, or for the benefit of, any person other than a person that is described in (i) or (ii) above.

***Payments of Interest on Notes and Redemption Gain***

*The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Notes and the redemption gain, meaning any positive difference between the acquisition price of the interest-bearing Notes of the Holder and the amount which the holder receives upon redemption of such interest-bearing Notes (the "Redemption Gain"), where such Notes are issued by us outside Japan and payable outside Japan. In addition, the following description assumes that only Global Notes are issued for the Notes, and no definitive Notes and coupons that are independently traded are issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisors as to their exact tax position.*

**1. Non-resident Investors**

If the recipient of interest on the Notes or of the Redemption Gain with respect to interest-bearing Notes is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences on such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer. Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer, income tax at the rate of 15.315% of the amount will be withheld by us from interest payments under Japanese tax law.

**1.1 Interest**

(1) If the recipient of interest on the Notes is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Notes is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant Notes are held through a certain participant in an international clearing organization such as DTC or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the Special Taxation Measures Act and the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement that such recipient provide, at the time of entrusting a Participant with the custody of the relevant Notes, certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted (the "Interest Recipient Information"), and to advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of the issuer), and that we prepare and file a certain confirmation prescribed by the Law, or the Interest Recipient Confirmation, in a timely manner based upon the Interest Recipient Information communicated through the Participant; and

(ii) if the relevant Notes are not held by a Participant, the requirement that such recipient submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the "Written Application for Tax Exemption"), together with certain documentary evidence, and that we file the Written Application for Tax Exemption so received with the competent local tax office in a timely manner.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Law) will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest.

(2) If the recipient of interest on the Notes is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to the business of such individual non-resident of Japan or

non-Japanese corporation carried on within Japan through such permanent establishment, such interest will not be subject to a 15.315% withholding tax by us, if the requirements concerning the Interest Recipient Information and the Interest Recipient Confirmation or the Written Application for Tax Exemption as set out in paragraph 1.1(1) above are complied with.

Failure to do so will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.1(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a person who has a special relationship with us (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is under direct or indirect common control with, us) within the meaning prescribed by the Cabinet Order under Article 6, Paragraph (4) of the Special Taxation Measures Act (such person is referred to as a "specially-related person of the issuer") as of the beginning of our fiscal year in which the relevant interest payment date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315% of the amount of such interest will be withheld by us. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan, regular income tax or corporate tax, as appropriate, collected otherwise than by way of withholding, could apply to such interest under Japanese tax law.

(4) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of the issuer) is subject to Japanese withholding tax with respect to interest on the Notes under Japanese tax law, a reduced rate of withholding tax or exemption from such withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this base offering circular, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10% with, inter alia, Australia, Canada, Finland, France, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain (for interest due and payable on or before December 31, 2021) and Switzerland. Under the tax treaties between Japan and the United States, the United Kingdom, Denmark, Germany, Austria, Belgium, or Sweden, interest paid to qualified United States, United Kingdom, Danish, German, Austrian, Belgian, or Swedish residents is generally exempt from Japanese withholding tax (for Belgium, only for a Belgian enterprise). Japan has also signed an amendment to the existing tax treaty with Spain generally exempting interest from Japanese withholding tax and the amendment will apply to interest due and payable on or after January 1, 2022. Under the current income tax treaties between Japan and France, Australia, the Netherlands, New Zealand or Switzerland, certain limited categories of qualified French, Australian, Dutch, New Zealand or Swiss residents receiving interest on the Notes may, subject to compliance with certain procedural requirements under Japanese law, be fully exempt from Japanese withholding tax on payments of interest on the Notes (provided that no exemption will apply to pension funds in the case of Australia and New Zealand). In order to enjoy such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by us are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Interest (as well as any other required forms and documents) in advance through us to the relevant tax authority before payment of interest.

(5) Under the Law, (a) if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the Notes becomes a specially-related person of the issuer, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the issuer becomes a beneficial owner of the Notes, and (b) if such Notes are held through a Participant, then such individual non-resident of Japan or non-Japanese corporation should notify the Participant of such change in status by the immediately following interest payment date of the Notes. As described in paragraph 1.1(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a

specially-related person of the issuer for Japanese withholding tax purposes is determined based on the status as of the beginning of our fiscal year in which the relevant interest payment date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of the issuer.

**1.2 Redemption Gain**

(1) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of such Redemption Gain is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no income tax or corporate tax is payable by way of withholding or otherwise with respect to such Redemption Gain.

(2) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Gain is attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, such Redemption Gain will not be subject to any withholding tax but will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.2(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of our fiscal year in which such individual non-resident of Japan or non-Japanese corporation acquired such Notes, the Redemption Gain will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided that an exemption may be available under the relevant income tax treaty.

**2. Resident Investors**

If the recipient of interest on the Notes is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a specially-related person of the issuer, in addition to any applicable local tax, income tax will be withheld at the rate of 15.315% of the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) a Designated Financial Institution (as defined below) which complies with the requirement for tax exemption under Article 6, Paragraph (9) of the Special Taxation Measures Act or (ii) a Public Corporation (as defined below) or a Specified Financial Institution (as defined below) to which such interest is paid through the Japanese Custodian (as defined below) in compliance with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act). In addition to the withholding tax consequences upon resident investors as explained in this section 2, resident investors should consult their own tax advisors regarding income tax or corporate tax consequences otherwise than by way of withholding, bearing in mind, especially for individual residents of Japan, the change to the taxation regime of bonds which took effect on January 1, 2016.

**2.1 Interest**

(1) If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution (as defined below) or a Public Corporation (as defined below), who complies with the requirement as referred to in paragraph 2.1(2) below) receives payments of interest on the Notes through certain Japanese payment handling agents as defined in Article 2-2, Paragraph (2) of the Cabinet Order (each a "Japanese Payment Handling Agent"), income tax at the rate of 15.315% of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by us. As we are not in a position to know in advance the recipient's status, the recipient of interest falling within this category should inform us through a relevant paying agent of its status in a timely manner. Failure to so inform may result in double withholding.

(2) If the recipient of interest on the Notes is a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law (a "Public Corporation") or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the relevant Cabinet Order under Article 3-3, Paragraph (6) of the Special Taxation Measures Act (each, a "Specified Financial Institution") that keeps its Notes deposited with, and receives the interest through, a Japanese Payment Handling Agent with custody of the Notes (the "Japanese Custodian") and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Law, no withholding tax is levied on such interest. However, since we are not in a position to know in advance the recipient's such tax exemption status, the recipient of interest falling within this category should inform us through a relevant paying agent of its status in a timely manner. Failure to so notify us may result in the withholding by us of a 15.315% income tax.

(3) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution which complies with the requirements described in paragraph 2.1(4) below) receives interest on the Notes not through a Japanese Payment Handling Agent, income tax at the rate of 15.315% of the amount of such interest will be withheld by us.

(4) If a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the Cabinet Order under Article 6, Paragraph (9) of the Special Taxation Measures Act (each, a "Designated Financial Institution") receives interest on the Notes not through a Japanese Payment Handling Agent and the requirements concerning the Interest Recipient Information and the Interest Recipient Confirmation or the Written Application for Tax Exemption as referred to in paragraph 1.1(1) above are complied with, no withholding tax will be imposed.

**2.2 Redemption Gain**

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain will not be subject to any withholding tax.

**3. Special Additional Tax for Reconstruction from the March 2011 Great East Japan Earthquake**

Due to the imposition of a special additional withholding tax of 0.315% (or 2.1% of 15%) to secure funds for reconstruction from the March 2011 Great East Japan Earthquake, the withholding tax rate has been effectively increased to 15.315% during the period beginning on January 1, 2013 and ending on December 31, 2037. On or after January 1, 2038, all references to the tax rate of 15.315% in the foregoing descriptions will read 15%. There is also certain special additional tax imposed upon regular income tax due otherwise than by way of withholding, for individual non-residents of Japan who are subject to regular income tax, as referred to in the foregoing descriptions, for the period mentioned above.

**Certain U.S. Federal Income Tax Considerations**

The following is a description of certain U.S. federal income tax consequences of owning and disposing of Notes denominated in U.S. dollars. This discussion applies only to the U.S. Holders described below who purchase Notes in their initial offering at their "issue price," which is the first price at which a substantial amount of the Notes is sold to the public, and who hold the Notes as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including the possible effect of any special tax accounting rules under Section 451 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any alternative minimum tax and Medicare contribution tax consequences, and differing tax consequences that may be applicable to you if you are, for instance:

- a financial institution;
- an insurance company;

- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- holding Notes as part of a "straddle" or integrated transaction;
- a person whose functional currency is not the U.S. dollar;
- a person that has ceased to be a U.S. citizen or a lawful permanent resident of the United States;
- holding Notes in connection with a trade or business conducted outside the United States;
- a partnership for U.S. federal income tax purposes;
- a tax-exempt entity; or
- an individual retirement accounts or any other tax-deferred account.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and your activities. If you are a partnership owning Notes or a partner in such partnership, you should consult your tax adviser as to your particular U.S. federal income tax consequences of owning and disposing of the Notes.

This summary is based on the Code, administrative pronouncements, judicial decisions, Treasury regulations and the U.S.-Japan income tax treaty (the "Treaty"), all as of the date hereof, and changes to any of which subsequent to the date of this document may affect the tax consequences described herein. This summary does not address any state, local or non-U.S. tax considerations or any U.S. federal tax consequences (including estate or gift taxes) other than U.S. federal income tax consequences.

If you are considering the purchase of Notes, you should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

This summary applies only to Notes that are treated as debt for U.S. federal income tax purposes. An applicable supplement or pricing term sheet may include a summary of additional or alternative U.S. federal income tax considerations that are not described herein and that may be relevant to a particular series of Notes. You should review the applicable supplement or pricing term sheet in addition to the discussion below before making an investment decision.

You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a Note and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

***Stated Interest***

Stated interest paid on a Note will be taxable to you as ordinary income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. The amount of interest taxable as ordinary income will include amounts, if any, withheld in respect of Japanese taxes and, without duplication, any additional amounts paid with respect thereto as described under "Description of the Notes—Payment of Additional Amounts." See "—Japanese Taxation—The Notes—Payments of Interest on Notes and Redemption Gain—Non-resident Investors" for a discussion of the requirements for obtaining an exemption from Japanese withholding tax.

Special rules governing the treatment of interest paid with respect to Notes issued at a discount, short-term Notes, Floating Rate Notes and Notes denominated in a currency other than U.S. dollars are described under "—Discount Notes," "—Short-Term Notes," "—Floating Rate Notes" and "—Foreign Currency Notes" below.

Interest will constitute foreign-source income for U.S. federal income tax purposes. Subject to applicable limitations, some of which vary depending upon your particular circumstances, any Japanese income taxes withheld from interest payments on a Note may be creditable against your U.S. federal income tax liability. However, any Japanese withholding taxes on interest payments generally will not be creditable to the extent that the Japanese tax could have been reduced or eliminated by timely providing the Interest Recipient Information or the Written Application for Tax Exemption, each as described in "—Japanese Taxation" above. In addition, any Japanese withholding taxes on interest payments generally will not be creditable to the extent the interest income is exempt from Japanese tax pursuant to the Treaty. Because interest income is generally exempt from Japanese tax under the Treaty, if you are eligible for Treaty benefits, you generally will not be entitled to a foreign tax credit for any Japanese tax withheld from interest payments on the Notes. The rules governing foreign tax credits are complex and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances. Instead of claiming a credit, subject to applicable limitations, you may elect to deduct certain foreign taxes in computing your taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all foreign taxes paid or accrued in the taxable year.

***Discount Notes***

General. If a Note's "issue price" (as described above) is less than its "stated redemption price at maturity," the Note will be considered to have been issued with original issue discount for U.S. federal income tax purposes (and will be referred to herein as a "Discount Note") unless the Note satisfies a de minimis threshold, as described below. For purposes of this discussion "Discount Notes" do not include certain short-term Notes, the treatment of which is described in "—Short-Term Notes" below. A Note's stated redemption price at maturity will equal the sum of all payments under the Note, other than payments of "qualified stated interest." Generally, qualified stated interest is stated interest unconditionally payable (other than in debt instruments of the issuer) at least annually during the entire term of the Note at a fixed rate. Unless otherwise provided in an applicable supplement or pricing term sheet, it is expected, and this discussion assumes, that interest on the Notes will be qualified stated interest and a Note's stated redemption price at maturity will equal its principal amount. See "—Floating Rate Notes" below for a discussion regarding the treatment of interest paid at a variable rate as qualified stated interest.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a prescribed de minimis amount (generally 1/4 of one percent of the stated redemption price at maturity multiplied by the number of complete years to maturity), the Note will not be considered to have original issue discount and will therefore not be a "Discount Note." If you own a Discount Note, you will be required to include any qualified stated interest in income in accordance with your method of accounting for U.S. federal income tax purposes, as described in "—Stated Interest" above. In addition, you will be required to include in income the sum of the daily portions of the original issue discount for each day on which you held the Discount Note. You will be required to include such original issue discount as it accrues, in accordance with a constant-yield method based on a compounding of interest, regardless of whether you received cash attributable to this discount. Notice will be given in the applicable supplement or pricing term sheet if we issue a Discount Note.

You may make an election to include in income all interest that accrues on a Note (including stated interest, original issue discount and de minimis original issue discount, as adjusted by any amortizable bond premium), in accordance with a constant-yield method based on the compounding of interest.

***Notes Subject to Early Redemption***

Notes subject to one or more "call options" (i.e. the issuer's unconditional option to redeem the Note prior to its stated maturity date) or one or more "put options" (i.e. a holder's unconditional option to require redemption prior to maturity) may be subject to rules that differ from the general original issue discount rules for purposes of determining the yield and maturity of the Note. Under applicable Treasury regulations, a call option will be presumed to be exercised if the exercise of the option will lower the yield on the Note. Conversely, a put option will be presumed to be exercised if the exercise of the option will increase the yield on the Note. In either case, if contrary to such presumption an option is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Note were issued on the presumed exercise date for an

amount equal to the Note's "adjusted issue price." Generally, the adjusted issue price of a Note is the sum of the issue price of the Note and the aggregate amount of previously accrued original issue discount.

***Short-Term Notes***

A Note that matures (after taking into account the last possible date that the Note could be outstanding under its terms) one year or less from its date of issuance will be referred to herein as a "short-term Note." A short-term Note will be treated as being issued at a discount, the amount of which will be equal to the excess of the sum of all payments on the short-term Note over its issue price. If you are a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes (a "cash-method U.S. Holder"), you will not be required to include the discount in income as it accrues for U.S. federal income tax purposes unless you elect to do so. If you are a cash-method U.S. Holder that does not make such election, you should include the stated interest payments on the short-term Notes, if any, as ordinary income upon receipt. If you are a U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes (an "accrual-method U.S. Holder") or a cash-method U.S. Holder that so elects, you will be required to include the discount in income as it accrues on a straight-line basis, unless you make an election to accrue the discount according to a constant-yield method based on daily compounding.

If you are a cash-method U.S. Holder that does not make the election to include the discount in income on an accrual basis, you will be required to defer deductions for certain interest paid on indebtedness incurred to purchase or carry the short-term Notes until the discount on the Notes is included in income. If you are such a cash-method U.S. Holder, you should consult your tax adviser regarding these deferral rules. Upon a sale, exchange, redemption or retirement of a short-term Note, you generally should recognize any gain as ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant-yield method based on daily compounding), to the extent not previously included in income. Any loss recognized will be treated as a short-term capital loss.

***Floating Rate Notes***

Unless otherwise provided in an applicable supplement or pricing term sheet, it is expected, and the discussion below assumes, that a floating rate Note will be issued with a single variable rate that is a "qualified floating rate" as defined in applicable Treasury regulations. The remainder of this discussion assumes that a floating rate Note should be treated as a "variable rate debt instrument" for U.S. federal income tax purposes. If, however, a floating rate Note does not qualify as a "variable rate debt instrument," then the floating rate Note will generally be treated as a "contingent payment debt instrument" and the applicable supplement or pricing term sheet will describe certain U.S. federal income tax consequences to you of owning and disposing of such Notes.

Stated interest on a floating rate Note will generally constitute qualified stated interest (as described under "—Discount Notes" above). Thus, such a floating rate Note will generally not be treated as issued with original issue discount and interest on a floating rate Note will generally be taxable to you as described in "—Stated Interest" above, unless the floating rate Note is issued at an issue price below its stated principal amount and the difference between the issue price and the stated principal amount is equal to or in excess of the specified de minimis amount described in "—Discount Notes." If a floating rate Note is issued with original issue discount, the amount of qualified stated interest and the amount of original issue discount that accrues during an accrual period on such a floating rate Note will be determined under the rules discussed in "—Discount Notes" above by assuming that the variable rate is a fixed rate equal to the value, as of the issue date, of the floating rate. The qualified stated interest allocable to an accrual period will be increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to the foregoing rules.

***Amortizable Bond Premium***

Generally, if you purchase a Note for an amount that is greater than its principal amount, you will be considered to have purchased the Note with amortizable bond premium. In general, the amount of amortizable bond premium will be equal to the excess of the purchase price over the principal amount

and you may elect to amortize this premium, using a constant-yield method, over the term of the Note. Special rules may limit the amount of bond premium that can be amortized during certain accrual periods in the case of Notes that are subject to optional redemption. You may generally use the amortizable bond premium allocable to an accrual period to offset qualified stated interest required to be included in your income with respect to the Note in that accrual period. If you elect to amortize bond premium, you must reduce your tax basis in the Note by the amount of the amortized premium. An election to amortize bond premium applies to all taxable debt obligations owned by you at the beginning of the first taxable year to which the election applies and any taxable debt obligations thereafter acquired by you and may be revoked only with the consent of the IRS. If you make a constant-yield election (as described in "—Discount Notes" above) for a Note with amortizable bond premium, such election will result in a deemed election to amortize bond premium.

***Sale or Other Taxable Disposition of the Notes***

Upon the sale or other taxable disposition of a Note, you will recognize gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your tax basis in the Note. Your tax basis in a Note will generally equal the amount you paid for such Note, increased by any original issue discount (or discount in the case of a short-term Note) included in income and decreased by any amounts paid on the Notes that were not qualified stated interest and amortized bond premium. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized on a sale or other taxable disposition of a Note generally does not include any amount attributable to accrued interest, which is treated as described under "—Stated Interest" above. Gain or loss realized on the sale or other taxable disposition of a Note will generally be capital gain or loss, and will be long-term capital gain or loss if at the time of the sale or other taxable disposition the Note has been held for more than one year. Long-term capital gains recognized by non-corporate taxpayers are taxed at rates lower than those applicable to ordinary income. The deductibility of capital losses is subject to limitations. Different consequences may apply in the case of short-term Notes held by U.S. Holders that are not required, and have not elected, to include in income accrued discount, as described in "—Short-Term Notes" above). Different consequences apply in the case of certain Foreign Currency Notes. See "—Foreign Currency Notes" below.

***Foreign Currency Notes***

The rules applicable to Notes denominated in, or the payments on which are determined by reference to, non-U.S. currency (referred to in this section as "**Foreign Currency Notes**") could require some or all of the gain or loss on the sale, exchange or retirement of such Notes to be characterized as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex and their application may depend on your particular U.S. federal income tax situation. For example, certain elections are available under these rules, and whether you should make any of these elections will depend on your particular circumstances. You should consult your tax adviser regarding the U.S. federal income tax consequences of the ownership and disposition of Foreign Currency Notes. The following summary assumes that any Foreign Currency Note will be denominated in a single currency other than the U.S. dollar and will not provide for any contingent payments. An applicable prospectus supplement or pricing term sheet will describe the U.S. federal income tax consequences of Foreign Currency Notes that provide for contingent payments.

If you are a cash-method U.S. Holder who receives a payment of qualified stated interest (or receives proceeds from a sale, exchange or retirement attributable to accrued qualified stated interest) with respect to a Foreign Currency Note, you will be required to include in income the U.S. dollar value of the foreign currency payment (determined based on a spot rate on the date the payment is received) regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be your tax basis in the foreign currency received. To the extent that you are required to accrue original issue discount on a Foreign Currency Note, rules similar to the rules described in the following paragraph will apply with respect to the original issue discount.

If you are an accrual-method U.S. Holder, you will be required to include in income the U.S. dollar value of the interest income (including original issue discount, reduced by any amortizable bond premium) that has accrued with respect to a Foreign Currency Note during an accrual period. Absent a contrary election, the U.S. dollar value of the accrued interest income will be determined by translating

the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. Alternatively, you may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. If you make this election, you must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS. In addition to the interest income accrued as described above, you will recognize foreign currency gain or loss as ordinary income or loss (which will not be treated as interest income or expense) with respect to the accrued interest income on the date that the interest payment or proceeds from the sale, exchange or retirement attributable to accrued interest is actually received. The amount of ordinary income or loss recognized will equal the difference between the U.S. dollar value of the foreign currency payment received (determined based on the spot rate on the date of receipt) and the U.S. dollar value of the interest income accrued by you for the accrual period (as determined above). This exchange gain or loss will be U.S.-source.

Original issue discount and amortizable bond premium on a Foreign Currency Note will be determined in the relevant foreign currency. If an election to amortize bond premium is made, amortizable bond premium taken into account on a current basis will reduce interest income in units of the relevant foreign currency. Gain or loss attributable to fluctuations in exchange rates will be realized on amortized bond premium with respect to any period by treating the bond premium amortized in the period in the same manner as it would have been treated if it were principal received on the sale, exchange or retirement of the Foreign Currency Note, as described below. Any exchange gain or loss will be treated as U.S.-source ordinary income or loss.

Your tax basis in a Foreign Currency Note, and the amount of any subsequent adjustment to your tax basis (including adjustments for original issue discount included as income and any bond premium previously amortized or principal payments received), will generally be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note, as discussed below, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. The amount realized on a sale, exchange or retirement of a Foreign Currency Note will generally be the U.S. dollar value of the foreign currency received (except to the extent attributable to accrued interest), determined on the date of the sale, exchange or retirement. However, if a Foreign Currency Note is traded on an “established securities market” and you are a cash-method taxpayer or an electing accrual-method taxpayer, the U.S. dollar value of the foreign currency amount paid for such Note and the amount realized on the disposition of such Note will be determined based on the spot rate on the settlement date of the purchase or disposition. If you are an accrual-method U.S. Holder that makes the election described in the preceding sentence, you must apply the election consistently to all debt instruments denominated in foreign currency that are traded on “established securities markets” and cannot change it without the consent of the IRS.

Gain or loss realized upon the sale, exchange or retirement of a Foreign Currency Note that is attributable to fluctuations in currency exchange rates will be U.S.-source ordinary income or loss. This exchange gain or loss will equal the difference between the U.S. dollar values of the Foreign Currency Note’s purchase price (excluding any amortizable bond premium previously accrued) determined on (i) the date the payment is received or the Foreign Currency Note is disposed of and (ii) the date you acquired the Foreign Currency Note. Payments attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on Foreign Currency Notes, as described above. The exchange gain or loss will be recognized only to the extent of the total gain or loss realized by you on the sale, exchange or retirement of the Foreign Currency Note. Any gain or loss realized by you in excess of the exchange gain or loss will be capital gain or loss (except, in the case of a Short-Term Note, to the extent of any discount not previously included in your income). Any gain or loss realized by you on a sale or other disposition of foreign currency will be ordinary income or loss.

You may be required to file a reportable transaction disclosure statement with your U.S. federal income tax return if you realize a foreign currency loss on a sale or exchange of a Foreign Currency Note or foreign currency and the loss is greater than applicable threshold amounts, which differ depending on your status. If you claim a foreign currency loss with respect to a Foreign Currency Note, you should consult your tax adviser regarding the need to file a reportable transaction disclosure statement.

***Backup Withholding and Information Reporting***

Information returns may be required to be filed with the IRS in connection with payments on the Notes and proceeds received from a sale or other disposition of the Notes unless you are an exempt recipient. You may also be subject to backup withholding on these payments in respect of your Notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or, if required, you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS. Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to the Notes or non-U.S. accounts through which they may be held. You should consult your tax adviser regarding your reporting obligations with respect to the Notes.

## PLAN OF DISTRIBUTION

The Notes will be offered under the Program through one or more of the dealers named in this base offering circular or through any other dealers named in an applicable supplement or pricing term sheet (each, a "dealer" and collectively, the "dealers"). One or more dealers may purchase Notes from us for resale to investors and other purchasers at a fixed offering price set forth in the relevant supplement or at varying prices reflecting prevailing market conditions. We will have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes in whole or in part. We have reserved the right to sell Notes through one or more other dealers in addition to the dealers and directly to investors on our behalf in those jurisdictions where it is authorized to do so. Each dealer will have the right, in its discretion reasonably exercised, to reject any proposed purchase of Notes through it in whole or in part. No commission will be payable by us to any of the dealers on account of sales of Notes made through such other dealers or directly by us.

In addition, the dealers may offer the Notes they have purchased as principal to other dealers. The dealers may sell Notes to any dealer at a discount and, unless otherwise specified in an applicable supplement or pricing term sheet, such discount allowed to any dealer will not be in excess of the discount to be received by such dealer from us. Unless otherwise indicated in an applicable supplement or pricing term sheet, any Note sold to a dealer as principal will be purchased by such dealer at a price equal to the offering price (expressed as a percentage of the principal amount) less a percentage equal to the commission, and may be resold by the dealer to investors and other purchasers as described above. After the initial offering of Notes to be resold to investors and other purchasers, the offering price (in the case of Notes to be resold at a fixed offering price), the concession and discount may be changed.

We may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase Notes in whole or in part. Each dealer shall have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

We have agreed to indemnify the dealers and their affiliates against specified liabilities, including liabilities under the U.S. Securities Act, in connection with the offer and sale of the Notes, and will contribute to payments the dealers and their affiliates may be required to make in respect of those liabilities.

The dealers may from time to time purchase and sell Notes in the secondary market as principal or agent, but they are not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, the dealers may make a market for the Notes. In addition, such purchases and sales by our affiliates in the Rule 144A Notes could affect the determination of the holding periods for eligibility to rely on the exemption from registration provided in Rule 144 under the U.S. Securities Act. Accordingly, no representation is given as to the availability of the Rule 144 exemption. See "Transfer Restrictions—Notes Offered in Reliance on Rule 144A."

The Regulation S Notes will be offered outside the United States in offshore transactions to persons other than U.S. persons as defined in, and in accordance with, Regulation S under the U.S. Securities Act. The Rule 144A Notes will be offered only to persons reasonably believed to be QIBs in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A.

### Price Stabilization

In connection with the offering of a series of Notes, the dealer or dealers (if any) named as the stabilization manager in the pricing term sheet, and/or any person acting on behalf thereof may purchase and sell Notes in the open market and engage in other transactions, subject to applicable laws and regulations. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the stabilization manager and/or any person acting on behalf thereof of a greater principal amount of Notes than they are required to purchase from us in the offering. Stabilizing transactions consist of bids or purchases by the stabilization manager and/or any person acting on behalf thereof for the purpose of preventing

or retarding a decline in market prices of Notes while the offering is in progress. These transactions may also include stabilizing transactions by the stabilization manager and/or any person acting on behalf thereof for the accounts of the relevant dealers.

In addition, the stabilization manager and/or any person acting on behalf thereof may impose a penalty bid. A penalty bid is an arrangement that permits the stabilization manager and/or any person acting on behalf thereof to reclaim a selling concession from a syndicate member in connection with an offering when Notes originally sold by the syndicate member are purchased in syndicate covering transactions.

These activities may stabilize, maintain or otherwise affect the market prices of Notes. As a result, the prices of Notes may be higher than the prices that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

## Selling Restrictions

### *General*

No action has been or will be taken by us that would permit a public offering of the Notes, or possession or distribution of this base offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the Notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this base offering circular nor any other offering or publicity material relating to the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

### *United States*

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes will not be offered or sold (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the completion of the distribution of an identifiable tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. Each dealer will send to each other dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

Outside the United States, the Notes will be offered and sold only to non-U.S. persons in offshore transactions in reliance on Regulation S. The Program Agreement provides that the relevant dealers or U.S. affiliates of the relevant dealers may arrange for the sale of a portion of any Notes in the United States exclusively to persons reasonably believed by them to be QIBs in reliance on the exemption from registration provided by Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the U.S. Securities Act if such offer is made otherwise than pursuant to Rule 144A.

This Base Offering Circular has been prepared by the issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The issuer and the dealers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Base Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the dealers or its U.S. broker-dealer affiliate. Distribution of this Base Offering Circular by any non-U.S. person outside the United States or by any

qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorized and any disclosure without the prior written consent of the issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

***Japan***

The Notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. Each Dealer has represented, warranted, and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell the Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not as part of its distribution at any time, directly or indirectly, offer or sell the Notes to, or for the benefit of, any person other than a beneficial owner that is, (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, or (b) a Japanese financial institution, designated in Article 6, Paragraph (9) of the Special Taxation Measures Act.

***Canada***

The Notes may be sold only to purchasers in the provinces of British Columbia, Alberta, Ontario and Québec, purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

***Prohibition of Sales to EEA Retail Investors***

The Notes which are the subject of the offering contemplated by this base offering circular, as supplemented by any applicable supplement or pricing term sheet in relation thereto, may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID; or

  (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129.

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the for Notes.

***Prohibition of Sales to UK Retail Investors***

The Notes which are the subject of the offering contemplated by this base offering circular, as supplemented by any applicable supplement or pricing term sheet in relation thereto, may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the for Notes.

***United Kingdom***

Each dealer has represented and agreed that:

(i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

***Hong Kong***

This base offering circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the C(WUMP)O or which do not constitute an offer to the public within the meaning of the C(WUMP)O. No advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

***Singapore***

This base offering circular has not been registered as a prospectus with the MAS. Accordingly, this base offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes may not be circulated or distributed, nor may the Notes be offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA and (where

applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and of which each beneficiary is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

*Section 309B Notification: Unless otherwise specified in an applicable supplement or pricing term sheet, all Notes issued or to be issued under the Program are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

**Stamp Taxes and Other Charges**

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the issue price on in an applicable supplement or pricing term sheet.

**Other Relationships**

The dealers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Certain of the dealers and their respective affiliates have, from time to time, performed, and expect in the future to perform, various transactional, commercial lending, financial advisory and investment banking services for us and our subsidiaries and affiliates in the ordinary course of business, for which they received or may receive customary fees and expenses.

In the ordinary course of their various business activities, the dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their

own account and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours, any of our affiliates or related to our business. If any of the dealers or their affiliates have a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those dealers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The dealers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

## LEGAL MATTERS

The validity of Notes issued under the Program and certain U.S. legal matters will be passed upon for us by Davis Polk & Wardwell LLP, and for the dealers by Linklaters. Certain Japanese legal matters will be passed upon for us by Nagashima Ohno &Tsunematsu, our Japanese counsel.

## INDEPENDENT AUDITORS

The consolidated financial statements of Sumitomo Mitsui Trust Bank, Limited as of March 31, 2018, 2019 and 2020, and each of the years in the three-year period ended March 31, 2020, included in this base offering circular, have been audited by KPMG AZSA LLC, independent auditors, as stated in their reports appearing herein.

## INDEX TO FINANCIAL STATEMENTS

***Audited annual consolidated financial statements of Sumitomo Mitsui Trust Bank, Limited as of and for the fiscal years ended March 31, 2020 and 2019***

Independent Auditor's Report . . . . . F-2

Consolidated Financial Statements as of and for the fiscal years ended March 31, 2020 and 2019 . . . . . F-5

Notes to Consolidated Financial Statements . . . . . F-13

***Audited annual consolidated financial statements of Sumitomo Mitsui Trust Bank, Limited as of and for the fiscal years ended March 31, 2019 and 2018***

Independent Auditor's Report . . . . . F-68

Consolidated Financial Statements as of and for the fiscal years ended March 31, 2019 and 2018 . . . . . F-69

Notes to Consolidated Financial Statements . . . . . F-77

***Unaudited interim consolidated financial statements of Sumitomo Mitsui Trust Bank, Limited as of and for the six months ended September 30, 2020 and 2019***

Consolidated Financial Statements as of and for the six months ended September 30, 2020 and 2019 . . . . . F-136

Notes to Unaudited Interim Consolidated Financial Statements . . . . . F-144

KPMG

## Independent Auditor's Report

To the Board of Directors of
Sumitomo Mitsui Trust Bank, Limited:

### Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Trust Bank, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2020, the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in "Basis of Presentation of Financial Statements" to the consolidated financial statements.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

KPMG

Toshiya Mori
Designated Engagement Partner
Certified Public Accountant

Tomomi Mase
Designated Engagement Partner
Certified Public Accountant

Takashi Fujisawa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 26, 2020

**Notes to the Reader of Independent Auditor's Report:**
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

## Financial Data:
## Consolidated Balance Sheet

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
As of March 31, 2020 and 2019

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| **Assets:** | | | |
| Cash and Due from Banks | **¥ 13,087,816** | ¥ 16,042,864 | **$ 120,414** |
| Call Loans and Bills Bought | **71,236** | 50,124 | **655** |
| Receivables under Resale Agreements | **1,220,761** | 158,734 | **11,232** |
| Receivables under Securities Borrowing Transactions | **740,658** | 759,812 | **6,814** |
| Monetary Claims Bought | **999,705** | 1,082,650 | **9,198** |
| Trading Assets (Notes 1, 2, and 4) | **507,646** | 454,978 | **4,671** |
| Money Held in Trust | **1,406** | 1,393 | **13** |
| Securities (Notes 2 and 4) | **6,343,103** | 5,692,564 | **58,360** |
| Loans and Bills Discounted (Notes 3, 4, and 5) | **29,703,375** | 29,022,792 | **273,285** |
| Foreign Exchanges | **36,952** | 36,936 | **340** |
| Lease Receivables and Investment Assets (Note 4) | **673,880** | 653,447 | **6,200** |
| Other Assets (Notes 4 and 8) | **2,072,673** | 1,986,352 | **19,070** |
| Tangible Fixed Assets (Note 6) | **220,936** | 219,309 | **2,033** |
| Intangible Fixed Assets (Note 7) | **100,915** | 152,896 | **928** |
| Assets for Retirement Benefits | **87,075** | 138,909 | **801** |
| Deferred Tax Assets | **29,142** | 30,606 | **268** |
| Customers' Liabilities for Acceptances and Guarantees | **518,811** | 557,007 | **4,773** |
| Allowance for Loan Losses | **(127,205)** | (99,770) | **(1,170)** |
| **Total Assets** | **¥ 56,288,892** | ¥ 56,941,609 | **$ 517,885** |
| **Liabilities:** | | | |
| Deposits (Notes 4 and 9) | **¥ 30,717,040** | ¥ 31,930,697 | **$ 282,611** |
| Negotiable Certificates of Deposit | **5,989,292** | 6,428,622 | **55,104** |
| Call Money and Bills Sold (Note 4) | **142,974** | 72,793 | **1,315** |
| Payables under Repurchase Agreements (Note 4) | **1,558,919** | 1,603,191 | **14,343** |
| Payables under Securities Lending Transactions (Note 4) | **—** | 104,767 | **—** |
| Trading Liabilities (Note 1) | **371,950** | 258,771 | **3,422** |
| Borrowed Money (Notes 4 and 10) | **6,496,384** | 4,623,801 | **59,770** |
| Foreign Exchanges | **3,213** | 457 | **30** |
| Short-Term Bonds Payable | **1,707,097** | 1,472,786 | **15,706** |
| Bonds Payable (Note 11) | **485,368** | 777,834 | **4,466** |
| Borrowed Money from Trust Account (Note 12) | **4,750,289** | 5,408,009 | **43,705** |
| Other Liabilities (Note 13) | **1,221,403** | 993,243 | **11,237** |
| Provision for Bonuses | **12,881** | 17,161 | **119** |
| Provision for Directors' Bonuses | **74** | 294 | **1** |
| Provision for Stocks Payment | **219** | — | **2** |
| Liabilities for Retirement Benefits | **12,079** | 13,470 | **111** |
| Provision for Reward Points Program | **16,889** | 18,282 | **155** |
| Provision for Reimbursement of Deposits | **4,867** | 5,250 | **45** |
| Provision for Contingent Losses | **1,440** | 3,465 | **13** |
| Deferred Tax Liabilities | **62,767** | 148,972 | **577** |
| Deferred Tax Liabilities for Land Revaluation (Note 6) | **2,439** | 2,847 | **22** |
| Acceptances and Guarantees | **518,811** | 557,007 | **4,773** |
| **Total Liabilities** | **¥ 54,076,402** | ¥ 54,441,730 | **$ 497,529** |
| **Net Assets:** | | | |
| Total Shareholders' Equity: | **¥ 1,948,981** | ¥ 2,041,013 | **$ 17,932** |
| Capital Stock | **342,037** | 342,037 | **3,147** |
| Capital Surplus | **342,853** | 391,397 | **3,154** |
| Retained Earnings | **1,264,091** | 1,307,578 | **11,630** |
| Total Accumulated Other Comprehensive Income: | **236,738** | 424,472 | **2,178** |
| Valuation Differences on Available-for-Sale Securities | **369,924** | 481,923 | **3,403** |
| Deferred Gains (Losses) on Hedges | **(57,389)** | (36,833) | **(528)** |
| Revaluation Reserve for Land (Note 6) | **(3,901)** | (2,345) | **(36)** |
| Foreign Currency Translation Adjustments | **(2,493)** | 4,394 | **(23)** |
| Remeasurements of Defined Benefit Plans | **(69,401)** | (22,665) | **(639)** |
| Non-Controlling Interests | **26,769** | 34,393 | **246** |
| **Total Net Assets** | **¥ 2,212,489** | ¥ 2,499,879 | **$ 20,356** |
| **Total Liabilities and Net Assets** | **¥ 56,288,892** | ¥ 56,941,609 | **$ 517,885** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| **Net Assets per Share of Common Stock** | **¥ 1,305.26** | ¥ 1,472.33 | **$ 12.01** |

See accompanying notes.

The figures in U.S. dollars are converted from yen for the convenience of readers outside Japan at the rate of ¥108.69 to U.S. $1.00, the exchange rate as of March 31, 2020.

**Financial Data:**
**Consolidated Statement of Income**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| **Income:** | | | |
| Trust Fees | **¥ 99,816** | ¥ 100,301 | **$ 918** |
| Interest Income: | **491,762** | 511,540 | **4,524** |
| Interest on Loans and Discounts | **349,813** | 363,275 | **3,218** |
| Interest and Dividends on Securities | **93,712** | 92,672 | **862** |
| Interest on Call Loans and Bills Bought | **1,431** | 1,522 | **13** |
| Interest on Receivables under Resale Agreements | **571** | 926 | **5** |
| Interest on Receivables under Securities Borrowing Transactions | **0** | 0 | **0** |
| Interest on Deposits with Banks | **36,592** | 44,755 | **337** |
| Other Interest Income (Note 1) | **9,640** | 8,387 | **89** |
| Fees and Commissions | **313,804** | 383,437 | **2,887** |
| Trading Income (Note 2) | **102,189** | 27,926 | **940** |
| Other Ordinary Income (Note 3) | **348,650** | 357,080 | **3,208** |
| Other Income (Note 4) | **93,529** | 71,551 | **861** |
| **Total Income** | **¥ 1,449,753** | ¥ 1,451,837 | **$ 13,338** |
| **Expenses:** | | | |
| Interest Expenses: | **¥ 362,021** | ¥ 372,068 | **$ 3,331** |
| Interest on Deposits | **125,997** | 128,785 | **1,159** |
| Interest on Negotiable Certificates of Deposit | **81,014** | 81,292 | **745** |
| Interest on Call Money and Bills Sold | **1,264** | 2,213 | **12** |
| Interest on Payables under Repurchase Agreements | **31,712** | 35,615 | **292** |
| Interest on Payables under Securities Lending Transactions | **2,302** | 2,636 | **21** |
| Interest on Borrowings | **21,289** | 23,291 | **196** |
| Interest on Short-Term Bonds | **29,049** | 23,343 | **267** |
| Interest on Bonds | **8,226** | 16,449 | **76** |
| Other Interest Expenses (Note 1) | **61,164** | 58,439 | **563** |
| Fees and Commissions Payments | **90,649** | 109,242 | **834** |
| Other Ordinary Expenses (Note 3) | **281,279** | 250,699 | **2,588** |
| General and Administrative Expenses (Note 5) | **385,180** | 407,483 | **3,544** |
| Other Expenses (Note 4) | **115,262** | 76,810 | **1,060** |
| **Total Expenses** | **¥ 1,234,394** | ¥ 1,216,303 | **$ 11,357** |
| **Income before Income Taxes** | **¥ 215,358** | ¥ 235,533 | **$ 1,981** |
| Income Taxes: | **67,679** | 69,952 | **623** |
| Current | **74,626** | 64,849 | **687** |
| Deferred | **(6,947)** | 5,103 | **(64)** |
| **Net Income** | **¥ 147,678** | ¥ 165,580 | **$ 1,359** |
| Net Income Attributable to Non-Controlling Interests | **487** | 4,035 | **4** |
| **Net Income Attributable to Owners of the Parent** | **¥ 147,190** | ¥ 161,545 | **$ 1,354** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| **Net Income per Share of Common Stock** | **¥ 87.89** | ¥ 96.47 | **$ 0.81** |

See accompanying notes.

**Financial Data:**
**Consolidated Statement of Comprehensive Income**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| **Net Income** | **¥ 147,678** | ¥ 165,580 | **$ 1,359** |
| Other Comprehensive Income (Loss): | | | |
| Valuation Differences on Available-for-Sale Securities | **(112,186)** | (50,857) | **(1,032)** |
| Deferred Gains (Losses) on Hedges | **(19,201)** | (13,417) | **(177)** |
| Foreign Currency Translation Adjustments | **(1,680)** | 628 | **(15)** |
| Remeasurements of Defined Benefit Plans | **(46,755)** | (23,373) | **(430)** |
| Share of Other Comprehensive Income of Equity-Method Affiliated Companies | **(1,344)** | 772 | **(12)** |
| **Total Other Comprehensive Income (Loss) (Note)** | **¥(181,169)** | ¥ (86,246) | **$(1,667)** |
| **Comprehensive Income:** | **¥ (33,490)** | ¥ 79,333 | **$ (308)** |
| Comprehensive Income Attributable to Owners of the Parent | **(33,687)** | 75,391 | **(310)** |
| Comprehensive Income Attributable to Non-Controlling Interests | **197** | 3,942 | **2** |

See accompanying notes.

**Financial Data:**
**Consolidated Statement of Changes in Net Assets**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

From April 1, 2019 to March 31, 2020

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Year | **¥ 342,037** | **¥ 391,397** | **¥ 1,307,578** | **¥ 2,041,013** |
| Changes during the Year | | | | |
| Cash Dividends | | **(48,544)** | **(201,461)** | **(250,006)** |
| Net Income Attributable to Owners of the Parent | | | **147,190** | **147,190** |
| Changes in the Scope of Consolidation | | | **9,228** | **9,228** |
| Decrease by Corporate Division - Split-off Type | | | | **—** |
| Purchase of Shares of Consolidated Subsidiaries | | | | **—** |
| Reversal of Revaluation Reserve for Land | | | **1,555** | **1,555** |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Year | **—** | **(48,544)** | **(43,486)** | **(92,031)** |
| Balance at the End of the Year | **¥ 342,037** | **¥ 342,853** | **¥ 1,264,091** | **¥ 1,948,981** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Net Assets |
| Balance at the Beginning of the Year | **¥ 481,923** | **¥ (36,833)** | **¥ (2,345)** | **¥ 4,394** | **¥ (22,665)** | **¥ 424,472** | **¥ 34,393** | **¥ 2,499,879** |
| Changes during the Year | | | | | | | | |
| Cash Dividends | | | | | | | | **(250,006)** |
| Net Income Attributable to Owners of the Parent | | | | | | | | **147,190** |
| Changes in the Scope of Consolidation | | | | | | | | **9,228** |
| Decrease by Corporate Division - Split-off Type | | | | | | | | **—** |
| Purchase of Shares of Consolidated Subsidiaries | | | | | | | | **—** |
| Reversal of Revaluation Reserve for Land | | | | | | | | **1,555** |
| Net Changes of Items Other Than Shareholders' Equity | **(111,998)** | **(20,556)** | **(1,555)** | **(6,887)** | **(46,735)** | **(187,734)** | **(7,624)** | **(195,358)** |
| Total Changes during the Year | **(111,998)** | **(20,556)** | **(1,555)** | **(6,887)** | **(46,735)** | **(187,734)** | **(7,624)** | **(287,389)** |
| Balance at the End of the Year | **¥ 369,924** | **¥ (57,389)** | **¥ (3,901)** | **¥ (2,493)** | **¥ (69,401)** | **¥ 236,738** | **¥ 26,769** | **¥ 2,212,489** |

See accompanying notes.

From April 1, 2018 to March 31, 2019

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Year | ¥ 342,037 | ¥ 455,988 | ¥ 1,266,419 | ¥ 2,064,444 |
| Changes during the Year | | | | |
| Cash Dividends | | (46,033) | (121,320) | (167,353) |
| Net Income Attributable to Owners of the Parent | | | 161,545 | 161,545 |
| Changes in the Scope of Consolidation | | | | — |
| Decrease by Corporate Division - Split-off Type | | (18,540) | | (18,540) |
| Purchase of Shares of Consolidated Subsidiaries | | (17) | | (17) |
| Reversal of Revaluation Reserve for Land | | | 933 | 933 |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Year | — | (64,590) | 41,158 | (23,431) |
| Balance at the End of the Year | ¥ 342,037 | ¥ 391,397 | ¥ 1,307,578 | ¥ 2,041,013 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Net Assets |
| Balance at the Beginning of the Year | ¥ 531,047 | ¥ (22,773) | ¥ (1,412) | ¥ 2,166 | ¥ 677 | ¥ 509,704 | ¥ 143,439 | ¥ 2,717,588 |
| Changes during the Year | | | | | | | | |
| Cash Dividends | | | | | | | | (167,353) |
| Net Income Attributable to Owners of the Parent | | | | | | | | 161,545 |
| Changes in the Scope of Consolidation | | | | | | | | — |
| Decrease by Corporate Division - Split-off Type | | | | | | | | (18,540) |
| Purchase of Shares of Consolidated Subsidiaries | | | | | | | | (17) |
| Reversal of Revaluation Reserve for Land | | | | | | | | 933 |
| Net Changes of Items Other Than Shareholders' Equity | (49,123) | (14,060) | (933) | 2,227 | (23,342) | (85,231) | (109,045) | (194,277) |
| Total Changes during the Year | (49,123) | (14,060) | (933) | 2,227 | (23,342) | (85,231) | (109,045) | (217,709) |
| Balance at the End of the Year | ¥ 481,923 | ¥ (36,833) | ¥ (2,345) | ¥ 4,394 | ¥ (22,665) | ¥ 424,472 | ¥ 34,393 | ¥ 2,499,879 |

See accompanying notes.

From April 1, 2019 to March 31, 2020

| | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Year | $ 3,147 | $ 3,601 | $ 12,030 | $ 18,778 |
| Changes during the Year | | | | |
| Cash Dividends | | (447) | (1,854) | (2,300) |
| Net Income Attributable to Owners of the Parent | | | 1,354 | 1,354 |
| Changes in the Scope of Consolidation | | | 85 | 85 |
| Decrease by Corporate Division - Split-off Type | | | | — |
| Purchase of Shares of Consolidated Subsidiaries | | | | — |
| Reversal of Revaluation Reserve for Land | | | 14 | 14 |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Year | — | (447) | (400) | (847) |
| Balance at the End of the Year | $ 3,147 | $ 3,154 | $ 11,630 | $ 17,932 |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Net Assets |
| Balance at the Beginning of the Year | $ 4,434 | $ (339) | $ (22) | $ 40 | $ (209) | $ 3,905 | $ 316 | $ 23,000 |
| Changes during the Year | | | | | | | | |
| Cash Dividends | | | | | | | | (2,300) |
| Net Income Attributable to Owners of the Parent | | | | | | | | 1,354 |
| Changes in the Scope of Consolidation | | | | | | | | 85 |
| Decrease by Corporate Division - Split-off Type | | | | | | | | — |
| Purchase of Shares of Consolidated Subsidiaries | | | | | | | | — |
| Reversal of Revaluation Reserve for Land | | | | | | | | 14 |
| Net Changes of Items Other Than Shareholders' Equity | (1,030) | (189) | (14) | (63) | (430) | (1,727) | (70) | (1,797) |
| Total Changes during the Year | (1,030) | (189) | (14) | (63) | (430) | (1,727) | (70) | (2,644) |
| Balance at the End of the Year | $ 3,403 | $ (528) | $ (36) | $ (23) | $ (639) | $ 2,178 | $ 246 | $ 20,356 |

See accompanying notes.

**Financial Data:**
**Consolidated Statement of Cash Flows**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| **Cash Flows from Operating Activities:** | | | |
| Income before Income Taxes | **¥ 215,358** | ¥ 235,533 | **$ 1,981** |
| Depreciation and Amortization | **34,574** | 32,470 | **318** |
| Impairment Losses | **19,360** | 16,817 | **178** |
| Amortization of Goodwill | **6,939** | 9,968 | **64** |
| Equity in Losses (Earnings) of Affiliated Companies | **(8,612)** | (5,978) | **(79)** |
| Increase (Decrease) in Allowance for Loan Losses | **27,435** | (3,132) | **252** |
| Increase (Decrease) in Provision for Bonuses | **(3,096)** | 1,138 | **(28)** |
| Increase (Decrease) in Provision for Directors' Bonuses | **(205)** | 17 | **(2)** |
| Increase (Decrease) in Provision for Stocks Payment | **219** | — | **2** |
| Decrease (Increase) in Assets for Retirement Benefits | **57,525** | 27,395 | **529** |
| Increase (Decrease) in Liabilities for Retirement Benefits | **(139)** | 935 | **(1)** |
| Increase (Decrease) in Provision for Reward Points Program | **(1,393)** | (175) | **(13)** |
| Increase (Decrease) in Provision for Reimbursement of Deposits | **(383)** | 1,702 | **(4)** |
| Increase (Decrease) in Provision for Contingent Losses | **(2,025)** | (1,162) | **(19)** |
| Interest Income | **(491,762)** | (511,540) | **(4,524)** |
| Interest Expenses | **362,021** | 372,068 | **3,331** |
| Loss (Gain) Related to Securities | **(69,206)** | (8,915) | **(637)** |
| Loss (Gain) on Money Held in Trust | **(70)** | (72) | **(1)** |
| Foreign Exchange Losses (Gains) | **45,606** | (38,601) | **420** |
| Loss (Gain) on Disposal of Fixed Assets | **(2,450)** | (1,006) | **(23)** |
| Net Decrease (Increase) in Trading Assets | **(52,668)** | (91,683) | **(485)** |
| Net Increase (Decrease) in Trading Liabilities | **113,178** | (7,376) | **1,041** |
| Net Decrease (Increase) in Loans and Bills Discounted | **(680,583)** | (1,018,847) | **(6,262)** |
| Net Increase (Decrease) in Deposits | **(1,214,659)** | 2,398,945 | **(11,175)** |
| Net Increase (Decrease) in Negotiable Certificates of Deposit | **(439,330)** | (187,713) | **(4,042)** |
| Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings) | **1,832,583** | (326,251) | **16,861** |
| Net Decrease (Increase) in Due from Banks (Excluding Due from the Bank of Japan) | **(215,071)** | 334,589 | **(1,979)** |
| Net Decrease (Increase) in Call Loans | **(1,000,163)** | (179,128) | **(9,202)** |
| Net Decrease (Increase) in Receivables under Securities Borrowing Transactions | **19,153** | (135,764) | **176** |
| Net Increase (Decrease) in Call Money | **25,908** | (215,448) | **238** |
| Net Increase (Decrease) in Payables under Securities Lending Transactions | **(104,767)** | 63,468 | **(964)** |
| Net Decrease (Increase) in Foreign Exchange-Assets | **(16)** | (11,382) | **(0)** |
| Net Increase (Decrease) in Foreign Exchange-Liabilities | **2,755** | (1,526) | **25** |
| Net Decrease (Increase) in Lease Receivables and Investment Assets | **(20,432)** | 23,791 | **(188)** |
| Net Increase (Decrease) in Short-Term Bonds Payable | **234,311** | 409,917 | **2,156** |
| Increase (Decrease) in Straight Bonds-Issuance and Redemption | **(282,466)** | (192,132) | **(2,599)** |
| Net Increase (Decrease) in Borrowed Money from Trust Account | **(657,720)** | 235,545 | **(6,051)** |
| Interest Received | **511,156** | 520,473 | **4,703** |
| Interest Paid | **(376,201)** | (361,651) | **(3,461)** |
| Other, Net | **(215,876)** | (201,676) | **(1,986)** |
| Subtotal | **¥(2,331,216)** | ¥ 1,183,608 | **$(21,448)** |
| Income Taxes (Paid) Refunded | **(57,128)** | (70,244) | **(526)** |
| **Net Cash Provided by (Used in) Operating Activities** | **¥(2,388,345)** | ¥ 1,113,363 | **$(21,974)** |

(Continued)

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| **Cash Flows from Investment Activities:** | | | |
| Purchase of Securities | **¥ (6,059,706)** | ¥ (6,084,792) | **$ (55,752)** |
| Proceeds from Sales of Securities | **3,744,234** | 4,399,149 | **34,449** |
| Proceeds from Redemption of Securities | **1,730,260** | 1,543,239 | **15,919** |
| Purchase of Tangible Fixed Assets | **(16,425)** | (12,368) | **(151)** |
| Proceeds from Sales of Tangible Fixed Assets | **7,380** | 2,645 | **68** |
| Purchase of Intangible Fixed Assets | **(29,599)** | (24,719) | **(272)** |
| Purchase of Shares of Subsidiaries Resulting in Change in the Scope of Consolidation | **(1,089)** | — | **(10)** |
| Purchase of Shares of Affiliated Companies Accounted for Using the Equity Method | **(49)** | (11,178) | **(0)** |
| **Net Cash Provided by (Used in) Investment Activities** | **¥ (624,994)** | ¥ (188,024) | **$ (5,750)** |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from Subordinated Borrowings | **¥ 40,000** | ¥ 100,000 | **$ 368** |
| Repayments of Subordinated Borrowings | **—** | (20,000) | **—** |
| Payments for Redemption of Subordinated Bonds and Bonds with Subscription Rights to Shares | **(10,000)** | — | **(92)** |
| Purchase of Shares of Subsidiaries without Change in the Scope of Consolidation | **—** | (47) | **—** |
| Repayments to Non-Controlling Interests | **—** | (110,000) | **—** |
| Cash Dividends Paid | **(142,084)** | (167,353) | **(1,307)** |
| Cash Dividends Paid to Non-Controlling Interests | **(391)** | (2,648) | **(4)** |
| **Net Cash Provided by (Used in) Financing Activities** | **¥ (112,475)** | ¥ (200,049) | **$ (1,035)** |
| Effect of Exchange Rate Change on Cash and Cash Equivalents | **¥ (7,705)** | ¥ (7,226) | **$ (71)** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **¥ (3,133,520)** | ¥ 718,064 | **$ (28,830)** |
| Cash and Cash Equivalents at the Beginning of the Year | **¥14,076,767** | ¥13,361,241 | **$129,513** |
| **Net Increase (Decrease) in Cash and Cash Equivalents with Change in the Scope of Consolidation** | **¥ (36,598)** | ¥ (2,537) | **$ (337)** |
| **Cash and Cash Equivalents at the End of the Year (Note)** | **¥10,906,648** | ¥14,076,767 | **$100,346** |

See accompanying notes.

**Financial Data:**
**Notes to Consolidated Financial Statements**

**Basis of Presentation of Financial Statements**

The accompanying consolidated financial statements (banking account) have been prepared from the accounts maintained by Sumitomo Mitsui Trust Bank, Limited ("SuMi TRUST Bank") and its consolidated subsidiaries (together, "SuMi TRUST Bank Group") in accordance with the accounting principles generally accepted in Japan and certain accounting and disclosure rules under the Financial Instruments and Exchange Act of Japan and the Banking Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, the consolidated financial statements of SuMi TRUST Bank issued in Japan have been reclassified and rearranged in order to present them in a form that is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SuMi TRUST Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan. The translation has been made at the rate of ¥108.69 to U.S. $1, the approximate rate of exchange as of March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts less than one million Japanese yen have been rounded down and amounts less than one million U.S. dollars have been rounded off. As a result, total balances may not be equal to the sum of individual amounts.

**Significant Accounting Policies and Practices**

**1. Scope of Consolidation**

(1) Consolidated Subsidiaries as of March 31, 2020:

39 companies

Principal Companies:

Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.

Sumitomo Mitsui Trust Club Co., Ltd.

Sumitomo Mitsui Trust Realty Co., Ltd.

Sumitomo Mitsui Trust Loan & Finance Co., Ltd.

Sumitomo Mitsui Trust and Bank (U.S.A.) Limited

Changes in the consolidated subsidiaries during the current fiscal year are as follows:

Sumitomo Mitsui Trust Life Partners, Limited and two other companies are included in the scope of the consolidation from the fiscal year ended March 31, 2020, due mainly to the acquisition of their shares.

Nikko Asset Management Co., Ltd. and its 16 subsidiaries are excluded from the scope of consolidation effective from the fiscal year ended March 31, 2020, as they became directly owned subsidiaries of SuMi TRUST Holdings, a parent company of SuMi TRUST Bank, through a transfer of their shares.

J-Hope Limited Liability Company and one other company are excluded from the scope of consolidation due mainly to their liquidation effective from the fiscal year ended March 31, 2020.

(2) Unconsolidated Subsidiaries

Principal Companies:

Hummingbird Co., Ltd.

Asia GATEWAY I, L.P.

Hummingbird Co., Ltd., and 22 other companies are excluded from the scope of consolidation in accordance with Article 5, Paragraph 1, Item 2 of the Consolidated Financial Statements Regulations, because they are operators engaged in leasing activities through silent partnership arrangements and their assets and profits/losses do not belong to the subsidiaries.

ASIA GATEWAY I, L.P. and other unconsolidated subsidiaries are excluded from the scope of consolidation, because they are immaterial to the extent that excluding such companies from consolidation would not prevent a reasonable assessment of the corporate group's financial position and financial results. Such materiality is determined based on the size of their assets, ordinary income, net income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), retained earnings (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), accumulated other comprehensive income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), and other financial data.

**2. Application of the Equity Method**

(1) Unconsolidated Subsidiaries Accounted for by the Equity Method:

None

(2) Affiliated Companies Accounted for by the Equity Method:

23 companies

Principal Companies:

SBI Sumishin Net Bank, Ltd.

Changes in affiliated companies accounted for by the equity method during the current fiscal year are as follows:

NetMove Corporation and two other companies are included in the scope of application of the equity method due mainly to the acquisition of their shares from the fiscal year ended March 31, 2020.

Rongtong Fund Management Co., Ltd. and six other companies, affiliated companies of Nikko Asset Management Co., Ltd., are excluded from the scope of the application of the equity method from the fiscal year ended March 31, 2020, since they are no longer SuMi TRUST Bank's affiliated companies due to the transfer of their shares as explained in 1. (1) above.

(3) Unconsolidated Subsidiaries and Affiliated Companies that are Not Accounted for by the Equity Method:

Principal Companies:

Hummingbird Co., Ltd.

ASIA GATEWAY I, L.P.

Hummingbird Co., Ltd., and 22 other companies are excluded from the scope of application of the equity method in accordance with Article 10, Paragraph 1, Item 2 of the Consolidated Financial Statements Regulations because they are operators engaged in leasing activities through silent partnership arrangements, and their assets and profits/ losses do not belong to the subsidiaries.

ASIA GATEWAY I, L.P., and other unconsolidated subsidiaries and affiliated companies that are not accounted for by the equity method are excluded from the scope of application of the equity method because such exclusion would not materially affect the consolidated financial statements for the current fiscal year. Such materiality is determined based on the size of their net income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), retained earnings (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), accumulated other comprehensive income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), and other financial data.

**3. Balance Sheet Dates of the Consolidated Subsidiaries**

(1) Balance sheet dates of consolidated subsidiaries are as follows:

| | |
|---|---|
| April 30: | 2 companies |
| May 31: | 1 company |
| August 31: | 1 company |
| September 30: | 5 companies |
| November 30: | 1 company |
| December 31: | 4 companies |
| March 31: | 25 companies |

(2) Subsidiaries are consolidated using the financial statements as of the following dates:

- Consolidated subsidiaries with a balance sheet date of April 30: Provisionally prepared financial statements as of January 31
- A consolidated subsidiary with a balance sheet date of May 31: Provisionally prepared financial statements as of February 28
- A consolidated subsidiary with a balance sheet date of August 31: Provisionally prepared financial statements as of February 28
- Consolidated subsidiaries with a balance sheet date of September 30: Provisionally prepared financial statements as of March 31
- A consolidated subsidiary with a balance sheet date of November 30: Provisionally prepared financial statements as of February 28
- The other consolidated subsidiaries: Financial statements as of their respective balance sheet dates.

Material transactions arising between the consolidated balance sheet date, March 31, 2020, and the above balance sheet dates of subsidiaries have been reflected in the consolidated financial statements.

**4. Significant Accounting Policies**

(1) Trading Assets/Liabilities and Income/Expenses

Trading account activities are conducted to seek profits by taking advantage of short-term fluctuations in interest rates, currency rates, financial markets or other indicators, or intermarket differences (for trading purposes). The fluctuations in such items are presented as “Trading Assets” or “Trading Liabilities” in the consolidated balance sheet on a tradedate basis, and gains and losses from such transactions are presented as “Trading Income” or “Trading Expenses” in the consolidated statement of income.

For the measurement of trading assets and trading liabilities, securities and monetary claims are stated at their fair values as of the consolidated balance sheet date, and trading-related financial derivatives, such as swaps, futures, and options, are stated at the amounts that would be settled if they were terminated on the consolidated balance sheet date.

Trading income and trading expenses include interest income or expenses, adjusting valuation differences of securities and monetary claims during the fiscal year and differences in resulting gains or losses from the settlement of financial derivatives assuming that the settlement was made in cash as of March 31, 2020 and 2019.

(2) Securities

(a) Under the accounting standards for financial instruments in Japan, SuMi TRUST Bank is required to determine the purposes of holding each security and classify such security into (i) securities held for trading purposes (“Trading Securities”), (ii) debt securities intended to be held to maturity (“Held-to-Maturity Debt Securities”), (iii) equity securities issued by subsidiaries and affiliated

companies, or (iv) all other securities that are not classified in any of the above categories ("Available-for-Sale Securities"). "Held-to-Maturity Debt Securities" are carried at amortized cost using the moving-average method (the straightline method). Equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method are stated at moving-average cost. "Available-for-Sale Securities" are, in principle, valued at the market price at the balance sheet date (cost of securities sold is calculated using primarily the moving-average method). "Available-for-Sale Securities" for which their fair values are extremely difficult to be determined are carried at cost using the moving-average method.

Valuation differences on "Available-for-Sale Securities" are recorded as a separate component of net assets and reported in the consolidated balance sheet.

(b) Securities in money held in trust are classified and accounted for in the same manner as those described in 4. (1) and 4. (2) (a) above.

(3) Financial Derivatives

Financial derivatives, excluding those for trading purposes, are stated at fair value.

(4) Depreciation and Amortization Methods

(a) Tangible fixed assets other than lease assets

Tangible fixed assets are depreciated using primarily the straight-line method.

Useful lives of major asset categories:

Buildings: 3 to 60 years
Others: 2 to 20 years

(b) Intangible fixed assets other than lease assets

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized over the useful life specified by SuMi TRUST Bank or the consolidated subsidiaries, generally five years.

(c) Lease assets

The lease assets under "Tangible Fixed Assets" and "Intangible Fixed Assets" that are related to finance leases that do not transfer ownership of the lease assets to lessees are depreciated using the straight-line method over the lease term, assuming a residual value of zero.

(5) Allowance for Loan Losses

SuMi TRUST Bank records allowance for loan losses in accordance with internally established criteria for write-offs and allowance for loan losses.

For claims against borrowers that have initiated special liquidation proceedings or other bankruptcy proceedings ("legal bankruptcy") and against borrowers that are in substantially similar adverse condition ("virtual bankruptcy"), the allowance is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees. For claims against borrowers that have not yet initiated bankruptcy proceedings, but are very likely to become bankrupt in the future ("possible bankruptcy"), an allowance is provided for the amount deemed necessary based on the overall assessment of the borrowers' solvency, after deducting the amount expected to be collected through the disposal of collateral or execution of guarantees from the claims.

For claims against large borrowers with certain credit risks and credit amounts that are classified as possible bankruptcy borrowers, restructured loan borrowers, or close-observation borrowers, if future cash flows from collection of the principal and interest can be reasonably estimated, the

allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate prior to the loan restructuring and the carrying amount of the claim (the “estimated cash flow method”).

For claims that are classified as other than those above, the allowance is provided based on the estimated loan losses over the next one to three years, which are calculated based on the average historical loan-loss ratios during a certain period on the basis of historical loan losses over the past one to three years.

All claims are assessed at branches and credit supervision departments based on the criteria for self-assessment of as-set quality. The Risk Management Department, which is independent from the operating sections, monitors the results of such assessments.

As for the consolidated subsidiaries, the allowance for loan losses for general claims is provided based on the historical loan-loss ratios, and the allowance for loan losses for specific claims, such as possible uncollectible claims, is provided based on the estimate of unrecoverable amount for each claim.

For claims against borrowers who are legally bankrupt or virtually bankrupt with collateral or guarantees, claims against borrowers in legal or virtual bankruptcy, net of amounts expected to be collected through the disposal of collateral or through the execution of guarantees, are directly deducted from the original amount of claims. The deducted amount was ¥22,391 million (U.S. $206 million) and ¥17,877 million as of March 31, 2020 and 2019, respectively.

**Additional Information**

SuMi TRUST Bank and some of its consolidated subsidiaries made necessary modifications to the historical loan-loss ratios concerning the impact of the spread of COVID-19 on the borrowers.

In particular, SuMi TRUST Bank and some of its consolidated subsidiaries identified industries and products (collectively the “industries”) that may be affected by downturn of business performance due to the spread of COVID-19, and recorded additional allowance for loan losses for estimated credit losses in the future assuming that internal ratings of certain credits of the industries will be downgraded to some extent.

(6) Provision for Bonuses

A provision for bonuses is provided for the estimated employee bonuses attributable to the current fiscal year.

(7) Provision for Directors’ Bonuses

A provision for directors’ bonuses is provided for the estimated directors’ bonuses attributable to the current fiscal year.

(8) Provision for Stocks Payment

A provision for stocks payment is provided at SuMi TRUST Holdings and some of the consolidated subsidiaries for the estimated stock-based payments to directors under a stock compensation system attributable to the current fiscal year.

(9) Provision for Reward Points Program

A provision for reward points program is provided for the use of points granted to holders of Diners Club Card and other credit cards in the amount deemed necessary based on the reasonable estimates of the points to be used in the future.

(10) Provision for Reimbursement of Deposits in Dormant Accounts

A provision for reimbursement of deposits in dormant accounts is provided for the deposits that were derecognized as liabilities under certain conditions. Such provision is provided against the estimated future reimbursement to be requested by customers based on the past reimbursement record.

(11) Provision for Contingent Losses

A provision for contingent losses is provided for contingent losses associated with off-balance sheet transactions or trust transactions in the amount deemed necessary based on the estimated possible future losses.

(12) Accounting for Retirement Benefits

In determining the retirement benefit obligations, projected benefits to the periods up to the year ended March 31, 2020, are attributed based on the plan's benefit formula.

Past service cost and actuarial gains or losses are expensed using the following methods:

Past service cost: Past service cost is recognized using the straight-line method, primarily over 10 years within the employees' average remaining service period at incurrence.

Actuarial gains or losses: Actuarial differences are expensed using the straight-line method, primarily over 10 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

Some consolidated subsidiaries adopt the simplified method in calculating liabilities for retirement benefits and retirement benefit expenses for lump-sum retirement benefit plans, recording liabilities at amounts that would be required for voluntary termination at the year-end.

(13) Foreign Currency Translation

Assets and liabilities of SuMi TRUST Bank that are denominated in foreign currencies and overseas branch accounts are generally translated into yen at the exchange rates prevailing at the consolidated balance sheet date, except for shares of stocks in affiliated companies translated into yen at the exchange rates prevailing at the acquisition dates.

Assets and liabilities of consolidated subsidiaries that are denominated in foreign currencies are translated into yen at the exchange rates prevailing at their respective balance sheet dates.

(14) Accounting for Leases

As for the consolidated subsidiaries in Japan, income and expenses arising from transactions of finance leases that do not transfer ownerships to lessees are recognized as sales and costs of sales when lease payments are collected.

(15) Hedge Accounting

(a) Interest-related risk hedge

SuMi TRUST Bank manages interest rate risk arising from various assets and liabilities by using financial derivatives transactions. Such transactions are generally treated as deferred hedges as specified in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Auditing Committee Report No. 24 of February 13, 2002, "Report No. 24"). To evaluate the effectiveness of hedges designed to offset market fluctuations, hedged items, such as deposits, loans and bills discounted, and hedging instruments, such as interest rate swaps, are grouped by duration to maturity. The effectiveness of hedges designed to fix cash flow is evaluated by verifying the correlation between the interest volatility factors for the hedged items and those for the hedging instruments.

In accordance with "Temporary Treatment for Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Auditing Committee Report No. 15), SuMi TRUST Bank has adopted "Macro Hedge Accounting" to account for certain interest-related derivatives, which are utilized to manage interest rate risk arising from transactions, such as loans and bills discounted, and deposits. Deferred gains (losses) on hedges in the consolidated balance sheet as of the end of the current fiscal year that have resulted from existing "Macro Hedge Accounting" are amortized over the remaining period designated under "Macro Hedge Accounting" of each hedging transaction.

Deferred losses on hedges associated with “Macro Hedge Accounting” were ¥35 million (U.S. $0.3 million) and ¥58 million (before tax effect) as of March 31, 2020 and 2019, respectively.

(b) Currency-related risk hedge

SuMi TRUST Bank manages the foreign exchange risk arising from various assets and liabilities denominated in foreign currencies using financial derivatives transactions. Such transactions are generally treated as deferred hedges as specified in “Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry” (JICPA Industry Auditing Committee Report No. 25 of July 29, 2002, “Report No. 25”). The effectiveness of hedging instruments, such as cross-currency swaps and foreign exchange swaps, as a means of mitigating the foreign exchange risk arising from monetary claims and debts denominated in foreign currencies, is evaluated by verifying that the foreign currency positions of such hedging instruments are in amounts equivalent to the corresponding monetary claims and debts denominated in foreign currencies, which are the hedged items.

Additionally, transactions intended to hedge the foreign exchange risk associated with foreign-denominated securities (other than bonds) are treated as portfolio hedges. Fair value hedge accounting has been adopted to account for such transactions on the conditions that specific foreign-denominated securities are designated in advance as hedged items and that foreign currency payables of spot and forward foreign exchange contracts exist in excess of the acquisition cost of such foreign-denominated securities on a foreign currency basis.

The foreign exchange risk associated with investment in the shares of stocks in foreign subsidiaries and affiliated companies is individually hedged using forward exchange contracts denominated in the same currency, and foreign currency translation adjustments arising from the hedging instruments are included in “Foreign Currency Translation Adjustments.”

(c) Internal hedge transactions and others

Among derivatives transactions of SuMi TRUST Bank that take place between consolidated subsidiaries or that are made internally between designated trading accounts and some other accounts, those interest rate swaps and cross-currency swaps designated as hedging instruments are carried out in accordance with standards for cover deals with external parties, which eliminate discretion and enable strict management on hedges pursuant to Report No. 24 and Report No. 25. Accordingly, income or expenses arising from such interest rate swaps and cross-currency swaps are recognized as profits or losses, or deferred, rather than eliminated.

Deferred hedge accounting has been adopted for certain assets and liabilities by individual transactions.

Other consolidated subsidiaries account for such transactions as deferred hedges or exceptional treatment for interest rate swaps.

(16) Amortization of Goodwill

Goodwill is amortized over a period within 20 years that is reasonably determined for each case. Goodwill deemed immaterial, however, is expensed as incurred.

(17) Scope of Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

For SuMi TRUST Bank, the balance of “Cash and Cash Equivalents” in the consolidated statement of cash flows is equivalent to the balance of cash and due from the Bank of Japan under “Cash and Due from Banks” presented in the consolidated balance sheet. For the consolidated subsidiaries, the balance of “Cash and Cash Equivalents” in the consolidated statement of cash flows is equivalent to the balance of “Cash and Due from Banks” presented in the consolidated balance sheet.

(18) National and Local Consumption Taxes

National and local consumption taxes (“consumption taxes”) payable by SuMi TRUST Bank and its consolidated subsidiaries in Japan are accounted for by the tax-excluded method. However, any

nondeductible consumption taxes associated with asset purchases are recorded as expenses in the current fiscal year.

(19) Adoption of Consolidated Tax Return System

SuMi TRUST Bank has adopted the consolidated tax return system from the fiscal year ended March 31, 2020.

(20) Adoption of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

SuMi TRUST Bank and some of its consolidated subsidiaries in Japan did not adopt Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) in accordance with Paragraph 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020) and account for deferred tax assets and deferred tax liabilities based on the tax regulations before the revision. Such treatment is adopted on items transitioned to group tax sharing system established under "The Law Revising a Portion of Income Tax Law" (Act No. 8, 2020) and single taxation system items revised in conjunction with the transition to the group tax sharing system.

**New Accounting Standards and Interpretations Not Yet Adopted**

The following standard and guidance were issued but not yet adopted.

**1. Accounting Standard for Revenue Recognition**

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

SuMi TRUST Bank is currently in the process of determining the effects of these new standards on the consolidated financial statements.

**2. Accounting Standard for Fair Value Measurement**

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)

- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

"Accounting Standards for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" ("the standard and guidance for fair value measurement") are developed in order to enhance comparability with international accounting standards and, provide guidance for methods of fair value measurement. The standard and guidance for fair value measurement are adopted to fair value measurement of the following item:

- Financial instruments defined in "Accounting Standard for Financial Instruments"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised and specified what to disclose in the notes, such as the breakdown by the levels of the fair value hierarchy of financial instruments.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

SuMi TRUST Bank is currently in the process of determining the effects of these new standards on the consolidated financial statements.

**3. Accounting Standard for Disclosure of Accounting Estimates**

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The above standard is developed in order to disclose and enhance the understanding of the financial statement users on the details of accounting estimates of the items with risks of significantly affecting the financial statements of the next fiscal year, with regard to the amounts based on the accounting estimates recorded in the financial statements for the fiscal year ended March 31, 2020.

(2) Effective date

Effective from the end of the fiscal year ending March 31, 2021.

**4. Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)**

(1) Overview

The above standard provides the overview of the principles and procedures of the accounting process applied when the relevant accounting standards are unclear.

(2) Effective date

Effective from the end of the fiscal year ending March 31, 2021.

**Notes to the Consolidated Balance Sheet**

**1. Trading Assets and Trading Liabilities**

(1) Trading assets as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Securities in Trading Account | **¥ 6,096** | ¥ 106,883 | **$ 56** |
| Derivatives of Trading Securities | **13** | — | **0** |
| Derivatives of Securities Related to Trading Transactions | **498** | 537 | **5** |
| Trading-Related Financial Derivatives | **450,031** | 291,252 | **4,141** |
| Other Trading Assets | **51,006** | 56,305 | **469** |
| **Total** | **¥ 507,646** | ¥ 454,978 | **$ 4,671** |

(2) Trading liabilities as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Derivatives of Trading Securities | **¥ —** | ¥ 35 | **$ —** |
| Derivatives of Securities Related to Trading Transactions | **—** | 55 | **—** |
| Trading-Related Financial Derivatives | **371,950** | 258,681 | **3,422** |
| **Total** | **¥ 371,950** | ¥ 258,771 | **$ 3,422** |

**2. Securities**

Securities held as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Government Bonds | **¥ 1,480,969** | ¥ 420,371 | **$ 13,626** |
| Local Government Bonds | **14,785** | 8,764 | **136** |
| Corporate Bonds | **671,856** | 613,432 | **6,181** |
| Stocks | **1,270,178** | 1,535,280 | **11,686** |
| Other Securities | **2,905,313** | 3,114,714 | **26,730** |
| **Total** | **¥ 6,343,103** | ¥ 5,692,564 | **$ 58,360** |

"Securities" include stocks and equity investments in unconsolidated subsidiaries and affiliated companies as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Stocks | **¥ 104,059** | ¥ 108,170 | **$ 957** |
| Equity Investments | **33,528** | 43,364 | **308** |

Securities borrowed under unsecured loan agreements and securities purchased under resale agreements or borrowed with cash collateral that SuMi TRUST Bank has a right to freely sell or repledge, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Securities that are Further Collateralized | **¥ 1,197,832** | ¥ 109,732 | **$ 11,021** |
| Securities that are Further Loaned | **1,139,619** | 1,400,284 | **10,485** |
| Securities Held without Selling or Repledging as of the End of the Fiscal Year | **—** | 26,550 | **—** |

The bonds presented under “Securities” included guarantee obligations on corporate bonds that were placed through private securities offerings (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) amounting to ¥91,755 million (U.S. $844 million) and ¥88,611 million as of March 31, 2020 and 2019, respectively.

### 3. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Bills Discounted | **¥ 1,123** | ¥ 1,709 | **$ 10** |
| Loans on Bills | **217,701** | 222,160 | **2,003** |
| Loans on Deeds | **27,801,810** | 27,182,656 | **255,790** |
| Overdrafts | **1,682,740** | 1,616,266 | **15,482** |
| **Total** | **¥ 29,703,375** | ¥ 29,022,792 | **$ 273,285** |

Bills discounted are treated as financial transactions in accordance with Report No. 24. SuMi TRUST Bank has a right to freely sell or (re)pledge such commercial bills. The total face value of these bills amounted to ¥1,123 million (U.S. $10 million) and ¥1,709 million as of March 31, 2020 and 2019, respectively.

Loans and bills discounted as of March 31, 2020 and 2019, included the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Loans in Bankruptcy Proceedings | **¥ 4,998** | ¥ 7,096 | **$ 46** |
| Delinquent Loans | **53,112** | 70,358 | **489** |
| Loans Past Due Three Months or More | **3,341** | — | **31** |
| Restructured Loans | **38,964** | 23,255 | **358** |
| **Total** | **¥ 100,416** | ¥ 100,710 | **$ 924** |

Loans in bankruptcy proceedings are loans whose interest receivable is not recorded due to delinquency in principal or interest payments for a significant period or other reasons excluding loans that have been written off (“nonaccrual loans”), and that meet the conditions as prescribed in Paragraph 1, Items 3 and 4 of Article 96 of “Enforcement Ordinance for the Corporation Tax Act” (Cabinet Order No. 97 of 1965).

Delinquent loans are nonaccrual loans other than (i) loans in bankruptcy proceedings and (ii) loans for which the terms of interest payments have been extended in connection with the borrower’s business restructuring or to otherwise provide support.

Loans past due three months or more are those loans for which principal or interest payments are more than three months past due (calculated from the day following the contractual payment date), excluding loans classified as loans in bankruptcy proceedings or delinquent loans.

Restructured loans are those loans whose terms have been modified by reducing or waiving interest, granting interest payment extensions, granting principal repayment extensions, forgiving debt, or otherwise providing some arrangements favorable to the borrower in connection with the borrower’s business restructuring or to otherwise provide support, excluding those loans classified as loans in bankruptcy proceedings, delinquent loans, or loans past due three months or more.

## 4. Assets Pledged

Assets pledged as collateral as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| **Assets Pledged as Collateral:** | | | |
| Trading Assets | **¥ 3,000** | ¥ 31,497 | **$ 28** |
| Securities | **2,039,182** | 745,379 | **18,761** |
| Loans and Bills Discounted | **5,333,699** | 5,022,262 | **49,073** |
| Lease Receivables and Investment Assets | **57,605** | 59,711 | **530** |
| Other Assets | **99,232** | 359,914 | **913** |
| **Total** | **¥7,532,720** | ¥6,218,765 | **$69,305** |
| **Corresponding Liabilities to Assets Pledged as Collateral:** | | | |
| Deposits | **¥ 22,045** | ¥ 7,943 | **$ 203** |
| Call Money and Bills Sold | **54,345** | — | **500** |
| Payables under Repurchase Agreements | **582,927** | 787,052 | **5,363** |
| Payables under Securities Lending Transactions | **—** | 104,767 | **—** |
| Borrowed Money | **3,723,322** | 2,751,266 | **34,256** |

In addition to the foregoing, the following assets have been pledged as collateral for settlement of exchange and others, or as a substitution of margin of futures and others.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Securities | **¥ 329,749** | ¥ 396,037 | **$ 3,034** |

"Other Assets" include initial margins of futures, security deposits, cash collateral pledged for financial instruments, and cash collateral pledged for repurchase agreement transactions. Such amounts are as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Initial Margins of Futures Markets | **¥ 5,937** | ¥ 5,752 | **$ 55** |
| Security Deposits | **23,274** | 26,621 | **214** |
| Cash Collateral Pledged for Financial Instruments-Assets | **801,997** | 609,432 | **7,379** |
| Cash Collateral Pledged for Repurchase Agreement Transactions | **8,759** | 11,067 | **81** |

## 5. Overdraft Facility Agreements and Commitment Lines of Credit

Overdraft facility agreements and commitment lines of credit are agreements to extend a certain amount of credit at the customer's request as long as the terms of the agreement have not been violated. The amounts of unused credit under such agreements were ¥12,416,801 million (U.S. $114,241 million) and ¥12,344,898 million, of which ¥8,133,494 million (U.S. $74,832 million) and ¥8,098,841 million were attributable to agreements expiring within one year or which may be unconditionally canceled at any time, as of March 31, 2020 and 2019, respectively.

The balance of unused credit will not necessarily affect the future cash flows of SuMi TRUST Bank and its consolidated subsidiaries because most of these agreements expire without credit being extended. Most of these agreements contain clauses allowing SuMi TRUST Bank and its consolidated subsidiaries to reject requests for credit outright or reduce the credit limits due to changed financial circumstances, the need to preserve claims, or other reasonable causes. Besides requesting collateral, such as real estate or securities, as necessary at the time of entering into the agreement, SuMi TRUST Bank has also adopted other measures to keep its credit sound, such as periodically assessing the condition of customers' businesses following the internal procedures and revising agreements, as necessary.

**6. Tangible Fixed Assets**

Tangible fixed assets as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Land | **¥ 123,612** | ¥ 118,008 | **$ 1,137** |
| Buildings | **73,316** | 73,759 | **675** |
| Lease Assets | **5,178** | 4,493 | **48** |
| Construction in Progress | **370** | 231 | **3** |
| Other | **18,458** | 22,817 | **170** |
| **Total** | **¥ 220,936** | ¥ 219,309 | **$ 2,033** |

Accumulated depreciation amounted to ¥172,832 million (U.S. $1,590 million) and ¥173,813 million, and advance depreciation amounted to ¥28,085 million (U.S. $258 million) and ¥28,822 million as of March 31, 2020 and 2019, respectively.

In accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998), land for commercial use of SuMi TRUST Bank was revalued, and the amount equivalent to the taxes on the resulting valuation difference was recorded as a “Deferred Tax Liabilities for Land Revaluation” in liabilities, and the amount net of such difference was recorded as a “Revaluation Reserve for Land” in net assets.

Revaluation date: March 31, 1998 and March 31, 1999 Revaluation method prescribed by Paragraph 3 of Article 3 of the Act:

The revaluation was calculated by reasonably adjusting the value of land based on the following prices: the posted prices for benchmark properties as prescribed by Item 1 of Article 2 of the “Order for Enforcement of the Act on Revaluation of Land” (Cabinet Order No. 119, promulgated on March 31, 1998); the standard prices for benchmark properties as pre-scribed by Item 2 of Article 2, the registered prices in tax lists for such land for commercial use as prescribed by Item 3 of Article 2; and the land assessments under Item 4 of Article 2 of the same Order.

The difference between the fair value and the revalued carrying amount of the land for commercial use subject to Article 10 of the Act as of March 31, 2020 is not presented because the fair value of the land exceeded its revalued car-rying amount. The difference between the fair value and the revalued carrying amount of the land was ¥611 million as of March 31, 2019.

**7. Intangible Fixed Assets**

Intangible fixed assets as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Software | **¥ 75,892** | ¥ 81,585 | **$ 698** |
| Goodwill | **21,276** | 63,091 | **196** |
| Lease Assets | **0** | 0 | **0** |
| Other | **3,746** | 8,219 | **34** |
| **Total** | **¥ 100,915** | ¥ 152,896 | **$ 928** |

## 8. Other Assets

Other assets as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Domestic Exchange Settlement Account, Debit | **¥ 1,057** | ¥ 951 | **$ 10** |
| Prepaid Expenses | **6,127** | 6,858 | **56** |
| Accrued Income | **121,132** | 150,788 | **1,114** |
| Initial Margins of Futures Markets | **5,937** | 5,752 | **55** |
| Variation Margins of Futures Markets | **1,994** | 1,837 | **18** |
| Financial Derivatives Other Than Trading Assets | **429,482** | 295,243 | **3,951** |
| Receivables for Securities Transactions | **192,369** | 403,454 | **1,770** |
| Cash Collateral Pledged for Financial Instruments-Assets | **801,997** | 609,432 | **7,379** |
| Other | **512,576** | 512,033 | **4,716** |
| **Total** | **¥ 2,072,673** | ¥ 1,986,352 | **$ 19,070** |

## 9. Deposits

Deposits as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | **2019** | **2020** |
| Current Deposits, Ordinary Deposits, Saving Deposits and Deposits at Notice | **¥ 8,548,735** | ¥ 9,597,884 | **$ 78,652** |
| Time Deposits | **20,774,636** | 21,147,313 | **191,137** |
| Other | **1,393,668** | 1,185,498 | **12,822** |
| **Total** | **¥ 30,717,040** | ¥ 31,930,697 | **$ 282,611** |

## 10. Borrowed Money

Borrowed money as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | **2019** | **2020** |
| Subordinated Borrowings | **¥ 700,000** | ¥ 660,000 | **$ 6,440** |
| Other Borrowed Money | **5,796,384** | 3,963,801 | **53,330** |
| **Total** | **¥ 6,496,384** | ¥ 4,623,801 | **$ 59,770** |

Weighted average interest rates on borrowed money were 0.33% and 0.53% for the fiscal years ended March 31, 2020 and 2019, respectively.

Annual maturities of borrowed money as of March 31, 2020, for the next five years are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| Fiscal Years Ending March 31 | **2020** | **2020** |
| 2021 | **¥ 2,980,182** | **$ 27,419** |
| 2022 | **1,285,691** | **11,829** |
| 2023 | **182,797** | **1,682** |
| 2024 | **727,164** | **6,690** |
| 2025 | **84,221** | **775** |
| **Total** | **¥ 5,260,057** | **$ 48,395** |

## 11. Bonds Payable

Bonds payable as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Perpetual Subordinated Bonds | **¥ 16,100** | ¥ 26,100 | **$ 148** |
| Subordinated Bonds | **274,494** | 274,493 | **2,525** |
| Other Bonds Payable | **194,773** | 477,240 | **1,792** |
| **Total** | **¥ 485,368** | ¥ 777,834 | **$ 4,466** |

Annual maturities of bonds payable as of March 31, 2020, for the next five years are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| Fiscal Years Ending March 31 | **2020** | **2020** |
| 2021 | **¥ 1,938,173** | **$ 17,832** |
| 2022 | **50,000** | **460** |
| 2023 | **60,000** | **552** |
| 2024 | **30,000** | **276** |
| 2025 | **16,500** | **152** |
| **Total** | **¥ 2,094,673** | **$ 19,272** |

## 12. Borrowed Money from Trust Account

Borrowed money from trust account represents surplus funds in the trust accounts loaned to the banking account and utilized.

## 13. Other Liabilities

Other liabilities as of March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Domestic Exchange Settlement Account, Credit | **¥ 1,123** | ¥ 807 | **$ 10** |
| Income Taxes Payable | **16,567** | 23,131 | **152** |
| Accrued Expenses | **88,538** | 107,774 | **815** |
| Unearned Income | **80,245** | 78,715 | **738** |
| Variation Margins of Futures Markets | **977** | — | **9** |
| Financial Derivatives Other Than Trading Liabilities | **538,853** | 351,548 | **4,958** |
| Lease Obligations | **9,854** | 9,536 | **91** |
| Asset Retirement Obligations | **4,001** | 4,308 | **37** |
| Payables for Securities Transactions | **102,882** | 85,024 | **947** |
| Provision for Loss on Interest Repayment | **41** | 50 | **0** |
| Cash Collateral Accepted for Financial Instruments-Liabilities | **134,626** | 111,555 | **1,239** |
| Other | **243,691** | 220,790 | **2,242** |
| **Total** | **¥ 1,221,403** | ¥ 993,243 | **$ 11,237** |

**Notes to the Consolidated Statement of Income**

**1. Other Interest Income and Expenses**

(1) Other interest income for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Interest on Monetary Claims Bought | **¥ 5,217** | ¥ 3,872 | **$ 48** |
| Others | **4,422** | 4,515 | **41** |
| **Total** | **¥ 9,640** | ¥ 8,387 | **$ 89** |

(2) Other interest expenses for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Interest on Interest Rate Swaps | **¥ 42,586** | ¥ 36,348 | **$ 392** |
| Others | **18,578** | 22,090 | **171** |
| **Total** | **¥ 61,164** | ¥ 58,439 | **$ 563** |

**2. Trading Income and Expenses**

(1) Trading income for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Net Income from Trading Securities and Derivatives | **¥ 787** | ¥ 423 | **$ 7** |
| Net Income from Trading Transactions | **1,034** | 583 | **10** |
| Net Income from Trading-Related Financial Derivatives Transactions | **100,309** | 26,854 | **923** |
| Other Trading Income | **57** | 64 | **1** |
| **Total** | **¥ 102,189** | ¥ 27,926 | **$ 940** |

(2) Trading expenses were not incurred during the fiscal years ended March 31, 2020 and 2019.

**3. Other Ordinary Income and Expenses**

(1) Other ordinary income for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Net Gains on Foreign Exchange Transactions | **¥ 49,901** | ¥ 96,585 | **$ 459** |
| Gains on Sales and Redemption of Bonds | **45,717** | 19,642 | **421** |
| Others | **253,031** | 240,852 | **2,328** |
| **Total** | **¥ 348,650** | ¥ 357,080 | **$ 3,208** |

(2) Other ordinary expenses for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Losses on Sales and Redemption of Bonds | **¥ 11,295** | ¥ 23,071 | **$ 104** |
| Others | **269,984** | 227,628 | **2,484** |
| **Total** | **¥ 281,279** | ¥ 250,699 | **$ 2,588** |

**4. Other Income and Expenses**

(1) Other income for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Gains on Sales of Stocks and Other Securities | **¥ 64,993** | ¥ 44,237 | **$ 598** |
| Gains on Money Held in Trust | **70** | 72 | **1** |
| Recoveries of Written-Off Claims | **1,149** | 1,908 | **11** |
| Equity in Earnings of Affiliated Companies | **8,612** | 5,978 | **79** |
| Gains on Disposal of Fixed Assets | **3,154** | 1,579 | **29** |
| Others | **15,549** | 17,773 | **143** |
| **Total** | **¥ 93,529** | ¥ 71,551 | **$ 861** |

(2) Other expenses for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Provision for Allowance for Loan Losses | **¥ 39,972** | ¥ 226 | **$ 368** |
| Losses on Sales of Loans | **972** | 11 | **9** |
| Write-Off of Loans | **3,475** | 4,395 | **32** |
| Losses on Sales of Stocks and Other Securities | **13,036** | 30,620 | **120** |
| Losses on Impairment of Stocks and Other Securities | **16,731** | 1,272 | **154** |
| Losses on Disposal of Fixed Assets | **704** | 573 | **6** |
| Losses on Impairment of Fixed Assets | **19,360** | 16,817 | **178** |
| Losses on Investment in Partnerships | **2,397** | 2,898 | **22** |
| Others | **18,613** | 19,994 | **171** |
| **Total** | **¥ 115,262** | ¥ 76,810 | **$ 1,060** |

**5. General and Administrative Expenses**

General and administrative expenses for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Taxes Other Than Income Taxes | **¥ 17,001** | ¥ 15,766 | **$ 156** |
| Personnel Expenses | **171,906** | 183,028 | **1,582** |
| Others | **196,272** | 208,687 | **1,806** |
| **Total** | **¥ 385,180** | ¥ 407,483 | **$ 3,544** |

**Note to the Consolidated Statement of Comprehensive Income**

**Reclassification Adjustments and the Related Tax Effects Concerning Other Comprehensive Income**

Reclassification adjustments and the related tax effects concerning other comprehensive income for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Valuation Difference on Available-for-Sale Securities: | | | |
| Changes during the Period | **¥ (93,039)** | ¥ (66,690) | **$ (856)** |
| Reclassification Adjustments | **(67,885)** | (5,844) | **(625)** |
| Before Tax Effects | **(160,925)** | (72,535) | **(1,481)** |
| Tax Effects | **48,739** | 21,678 | **448** |
| Valuation Difference on Available-for-Sale Securities | **(112,186)** | (50,857) | **(1,032)** |
| Deferred Gains (Losses) on Hedges: | | | |
| Changes during the Period | **(73,012)** | (55,594) | **(672)** |
| Reclassification Adjustments | **42,586** | 36,309 | **392** |
| Before Tax Effects | **(30,426)** | (19,285) | **(280)** |
| Tax Effects | **11,225** | 5,867 | **103** |
| Deferred Gains (Losses) on Hedges | **(19,201)** | (13,417) | **(177)** |
| Foreign Currency Translation Adjustments: | | | |
| Changes during the Period | **(1,680)** | 628 | **(15)** |
| Reclassification Adjustments | **—** | — | **—** |
| Before Tax Effects | **(1,680)** | 628 | **(15)** |
| Tax Effects | **—** | — | **—** |
| Foreign Currency Translation Adjustments | **(1,680)** | 628 | **(15)** |
| Remeasurements of Defined Benefit Plans: | | | |
| Changes during the Period | **(73,067)** | (37,173) | **(672)** |
| Reclassification Adjustments | **5,702** | 3,483 | **52** |
| Before Tax Effects | **(67,365)** | (33,690) | **(620)** |
| Tax Effects | **20,609** | 10,316 | **190** |
| Remeasurements of Defined Benefit Plans | **(46,755)** | (23,373) | **(430)** |
| Share of Other Comprehensive Income of Equity-Method Affiliated Companies: | | | |
| Changes during the Period | **(1,064)** | 406 | **(10)** |
| Reclassification Adjustments | **(280)** | 366 | **(3)** |
| Share of Other Comprehensive Income of Equity-Method Affiliated Companies | **(1,344)** | 772 | **(12)** |
| Total Other Comprehensive Income (Loss) | **¥(181,169)** | ¥ (86,246) | **$ (1,667)** |

**Notes to the Consolidated Statement of Changes in Net Assets**

**1. Class and the Number of Issued Shares of Common Stock**

Classes and the number of issued shares of common stock for the fiscal years ended March 31, 2020 and 2019, consisted of the following:

| | Thousands of Shares | | | | |
|---|---|---|---|---|---|
| | Authorized | Number of Shares Outstanding at the Beginning of the Fiscal Year | Increase | Decrease | Number of Shares Outstanding at the End of the Fiscal Year |
| March 31, 2020 | | | | | |
| Number of Issued Shares: | | | | | |
| Common Share | **3,000,000** | **1,674,537** | **—** | **—** | **1,674,537** |

| | Thousands of Shares | | | | |
|---|---|---|---|---|---|
| | Authorized | Number of Shares Outstanding at the Beginning of the Fiscal Year | Increase | Decrease | Number of Shares Outstanding at the End of the Fiscal Year |
| March 31, 2019 | | | | | |
| Number of Issued Shares: | | | | | |
| Common Share | 3,000,000 | 1,674,537 | — | — | 1,674,537 |

**2. Subscription Rights to Shares**

There were no subscription rights to shares for the fiscal years ended March 31, 2020 and 2019.

**3. Dividends**

Dividends paid for the fiscal years ended March 31, 2020 and 2019, consisted of the following: As for the fiscal year ended March 31, 2020:

(1) Cash dividends paid

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen (Millions of U.S. Dollars) | Dividend Resources | Cash Dividends per Share: Yen (U.S. Dollars) | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| June 27, 2019 | | | | | | |
| Original General Meeting of Shareholders | Common Share | **¥ 36,270 ($334)** | Retained Earnings | **¥ 21.66 ($0.20)** | March 31, 2019 | June 28, 2019 |
| | | **¥ 48,544 ($447)** | Capital Surplus | **¥ 28.99 ($0.27)** | March 31, 2019 | June 28, 2019 |

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen (Millions of U.S. Dollars) | Dividend Resources | Cash Dividends per Share: Yen (U.S. Dollars) | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| November 13, 2019 Board of Directors' Meeting | Common Share | **¥ 57,269 ($527)** | Retained Earnings | **¥ 34.20 ($0.31)** | September 30, 2019 | December 2, 2019 |

(2) Dividends-in-kind distributed

| Resolution | Type of Shares | Type of Dividend Property | Carrying Amount of the Dividend Property: Millions of Yen (Millions of U.S. Dollars) | Dividend Resources | Cash Dividends per Share (Note): Yen (U.S. Dollars) | Record Date | Effective Date |
|---|---|---|---|---|---|---|---|
| June 27, 2019 Ordinary General Meeting of Shareholders | Common Share | Securities | **¥ 107,921** | Retained | **¥ —** | March 31, 2019 | July 1, 2019 |
| | | | **($993)** | Earnings | **($—)** | | |

(Note) Amounts available for dividends will be allocated in full to the sole owner of the common stock, SuMi TRUST Holdings, and therefore, the amount of cash dividends per share is not determined.

Dividends with a record date during the current fiscal year ended March 31, 2020, but whose effective date is after March 31, 2020, are as follows:

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen (Millions of U.S. Dollars) | Dividend Resources | Cash Dividends per Share: Yen (U.S. Dollars) | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| June 26, 2020 Original General Meeting of Shareholders | Common Share | **¥ 21,735** | Retained | **¥ 12.98** | March 31, 2020 | June 29, 2020 |
| | | **($ 200)** | Earnings | **($ 0.12)** | | |

As for the fiscal year ended March 31, 2019:

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen | Dividend Resources | Cash Dividends per Share: Yen | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| June 28, 2018 Original General Meeting of Shareholders | Common Share | ¥ 45,296 | Retained Earnings | ¥ 27.05 | March 31, 2018 | June 29, 2018 |
| | | ¥ 46,033 | Capital Surplus | ¥ 27.49 | March 31, 2018 | June 29, 2018 |

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen | Dividend Resources | Cash Dividends per Share: Yen | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| November 14, 2018 Board of Directors' Meeting | Common Share | ¥ 76,023 | Retained Earnings | ¥ 45.40 | September 30, 2018 | December 3, 2018 |

Dividends with a record date during the fiscal year ended March 31, 2019, but whose effective date is after March 31, 2019 are as follows:

(1) Cash dividends paid

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen | Dividend Resources | Cash Dividends per Share: Yen | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| June 27, 2019 Ordinary General Meeting of Shareholders | Common Share | ¥ 36,270 | Retained Earnings | ¥ 21.66 | March 31, 2019 | June 28, 2019 |
| | | ¥ 48,544 | Capital Surplus | ¥ 28.99 | March 31, 2019 | June 28, 2019 |

(2) Dividends-in-kind distributed

| Resolution | Type of Shares | Type of Dividend Property | Carrying Amount of the Dividends Property | Dividend Resources | Cash Dividends per Share[Note] | Record Date | Effective Date |
|---|---|---|---|---|---|---|---|
| | | | Millions of Yen | | Yen | | |
| June 27, 2019 Ordinary General Meeting of Shareholders | Common Share | Securities | ¥ 107,921 | Retained Earnings | ¥ — | March 31, 2019 | July 1, 2019 |

(Note) Amounts available for dividends will be allocated in full to the sole owner of the common stock, SuMi TRUST Holdings, and therefore, the amount of cash dividends per share is not determined.

**Note to the Consolidated Statement of Cash Flows**

**Reconciliation of Cash and Cash Equivalents**

The following table reconciles cash and cash equivalents in the consolidated statement of cash flows and cash and due from banks in the consolidated balance sheet as of March 31, 2020 and 2019.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Cash and Due from Banks | **¥ 13,087,816** | ¥ 16,042,864 | **$ 120,414** |
| Due from Banks (Excluding Due from the Bank of Japan) | **(2,181,167)** | (1,966,096) | **(20,068)** |
| **Cash and Cash Equivalents** | **¥ 10,906,648** | ¥ 14,076,767 | **$ 100,346** |

**Leases**

**1. Finance Leases**

As a lessee:

Finance leases that do not transfer ownership of the lease assets to lessees

1) Description of lease assets

i) Tangible fixed assets

Mainly store buildings and office equipment

ii) Intangible fixed assets

Software

2) Method for amortizing lease assets

Refer to “(4) Depreciation and Amortization Methods” of “4. Significant Accounting Policies” in the Significant Accounting Policies and Practices.

**2. Operating Leases**

As a lessee:

Total future lease payments under non-cancelable operating leases as of March 31, 2020 and 2019, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Due in One Year or Less | **¥ 2,564** | ¥ 3,654 | **$ 24** |
| Due in More Than One Year | **12,970** | 22,356 | **119** |
| **Total** | **¥ 15,534** | ¥ 26,010 | **$ 143** |

As a lessor:

Total future lease payments under non-cancelable operating leases as of March 31, 2020 and 2019, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Due in One Year or Less | **¥ 5,364** | ¥ 3,003 | **$ 49** |
| Due in More Than One Year | **24,470** | 11,279 | **225** |
| **Total** | **¥ 29,835** | ¥ 14,282 | **$ 274** |

**Financial Instruments**

**1. Circumstances of Financial Instruments**

(1) Policy on Financial Instruments

SuMi TRUST Bank Group is engaged in a variety of financial service businesses, primarily trust banking business operated by SuMi TRUST Bank. To facilitate these businesses, SuMi TRUST Bank Group raises funds through deposits from individual and corporate customers, borrowed money, and issuance of corporate bonds, and manages such funds as loans to individual and corporate customers, and securities on the investment side.

Each group company determines policies as well as measures for investing and funding financial assets and financial liabilities under its annual plan.

SuMi TRUST Holdings monitors risks associated with the group-wide financial assets and liabilities.

SuMi TRUST Bank monitors its respective risks while implementing comprehensive Asset-Liability Management (ALM). Meanwhile, SuMi TRUST Bank conducts derivatives transactions to control the market risk and other risks arising from its assets and liabilities within the level commensurate with its financial capacity. SuMi TRUST Bank is also engaged in trading securities and derivatives through trading accounts (“Trading Accounts”) that are segregated from other accounts (“Banking Accounts”) in accordance with Article 13-6-3 of the Ordinance for Enforcement of the Banking Act. Some consolidated subsidiaries are also engaged in trading securities.

(2) Description and Risks of Financial Instruments

1) Trading accounts

SuMi TRUST Bank Group deals with over-the-counter (OTC) and listed derivatives transactions related to interest rates, exchange rates, bonds, credits, and commodities as well as trading securities. These derivatives transactions are exposed to risks associated with fluctuation in interest rates, exchange rates, prices, credit risks, and other risks.

2) Banking accounts

Financial assets of SuMi TRUST Bank Group are primarily loans to corporations and individuals in Japan and such assets are exposed to credit risks arising from default on contracts by customers.

Securities mainly consist of stocks and bonds that are held to maturity, as strategic investments, and for business development. These securities are exposed to issuers' credit risks, and risks associated with fluctuation in interest rates and market prices.

Deposits from individuals and corporations, borrowed money, and bonds payable are exposed to liquidity risks as becoming insolvent at their maturities, such as being out of markets under certain circumstances.

SuMi TRUST Bank Group deals with OTC and listed derivatives transactions related to interest rates, exchange rates, stocks, bonds, and credits for avoiding market risks.

To reduce interest rate risk, a major risk, SuMi TRUST Bank Group comprehensively manages various financial assets and liabilities, such as loans and bills discounted and deposits, by categorizing them based on characteristics of their interest rate risks, and applies hedge accounting to hedge such risk using interest rate swaps designated as hedging instruments. The hedge accounting is applied to some assets and liabilities by individual transaction.

To mitigate the exchange rate risk arising from various financial assets and liabilities of SuMi TRUST Bank denominated in foreign currencies, hedge accounting is applied to the exchange rate risk of foreign currency assets and liabilities designated as hedged items, using currency swaps and foreign exchange swaps designated as hedging instruments.

The details of hedge accounting are described in "Significant Accounting Policies and Practices."

(3) Risk Management for Financial Instruments

SuMi TRUST Bank Group considers that the basis of group-wide risk management is to ensure the effectiveness of PDCA (Plan, Do, Check, Action) cycles for each risk category according to the "Risk Management Policy" established by the board of directors.

The risk management framework of each risk category is as follows:

1) Credit risk management

Credit risk is the risk of financial loss of SuMi TRUST Bank Group when a customer or counterparty fails to meet its contractual obligations, and such risk is generated from claims, mainly loans, bills discounted, and securities. Credit risk is the most basic financial risk related to a credit creating function. SuMi TRUST Bank Group continuously diversifies its credit portfolios and builds up a stronger customer base by expanding its credit risk management framework further, and by meeting a new and sound demand for credit.

(a) Risk management policy on credit risk

The basic policy of SuMi TRUST Bank Group on credit risk management calls for "a diversified credit portfolio" and "strict management for individual credits."

For the former, SuMi TRUST Bank Group manages credit exposures of each customer based on its limited credit amount, and periodically reviews impacts of identified risks to large customers and concentration in industry sectors, including the measurement of the credit risk. SuMi TRUST Bank Group makes efforts to mitigate credit concentration risk on a country-by-country basis by managing the diversification of the overall credit portfolio.

For the latter, SuMi TRUST Bank Group manages individual credits through processes such as credit screening, self-assessment, and internal credit ratings. Credit ratings indicate the credit status of customers and the possibility of defaults on a scale, and provide the basis for credit screening of

individual transactions and credit portfolio management. SuMi TRUST Bank Group continuously evaluates solvency and collectability of credits based on the analysis, for instance the customer's financial condition, cash flows, and earning capacity through the self-assessment.

(b) Risk management framework for credit risk

In SuMi TRUST Bank, the board of directors decides on important matters related to credit risk management when developing management plans. The board of directors also decides on credit strategy and economic capital allocation plans, and approves the Self-Assessment Rules based on reports on credit risk management, including asset-assessment management, to ensure the soundness of the assets. As for screening and credit management of each case, the Global Credit Supervision Department is segregated from branches as part of a check-and-balance system. Furthermore, the Research Department evaluates credit risks by implementing internal credit ratings based on industry research and credit analysis of individual companies along with performing quantitative analysis from a neutral standpoint. SuMi TRUST Bank periodically holds a meeting of the Executive Committee and Credit Risk Committee to deliberate on material matters of controlling and managing credit risks. SuMi TRUST Bank has built up an appropriate management framework for risk management through the check-and-balance function, the committees' discussions, and the validation of the credit risk management and operation by the Risk Management Department.

2) Market risk management

Market risk is the risk of financial loss of SuMi TRUST Bank Group through changes in income and value of assets and liabilities held, including off-balance items, due to fluctuations in various market risk factors, such as interest rates, exchange rates, equity prices, commodity prices, and credit spreads.

(a) Risk management policy on market risk

In managing market risk, SuMi TRUST Bank Group ensures the soundness of its business by appropriately controlling risks, and strives to secure reasonable profits which correspond to strategic goals, the scale and nature of its operations, and risk profiles through an advanced risk management framework.

(b) Risk management framework for market risk

With regard to market risk, SuMi TRUST Bank Group maintains a basic policy for setting and controlling various risk limits and segregation of organizations related to market risk under its Rules for Risk Management. The practical application of the basic policy is stated in the Rules for Market Risk Management. Divisions that execute transactions (the front office) are clearly segregated from divisions that process transactions (the back office) for independent check purposes, and the Risk Management Department, which is independent from both of the front and back offices, centrally manages market risk. This department identifies and analyzes group-wide risk, tracks adherence to risk limits, and reports to respective directors in charge on a daily basis and to the board of directors periodically.

In SuMi TRUST Bank, the board of directors resolves ALM basic plans and risk management plans as important matters related to market risk under management plans. The ALM Committee resolves basic matters of ALM basic plans and risk management plans related to market risk regarding company-wide comprehensive risk management for assets and liabilities.

In SuMi TRUST Bank, the Risk Management Department is responsible for planning and implementing market risk management. The role of the Risk Management Department includes measuring risk levels and profits or losses and monitoring the status of market risk managed under ALM basic plans and the status of compliance with risk limits. The department reports its findings to the members of the ALM Committee on a daily basis, and to the ALM Committee as well as the board of directors periodically.

(c) Market risk management approach

SuMi TRUST Bank Group uses Value at Risk ("VaR") to measure market risk exposures. VaR uses historical market fluctuation to statistically predict the maximum expected losses under specific

conditions. Based on an internal model developed by SuMi TRUST Bank Group, SuMi TRUST Bank manages market risks by measuring VaR, calculating various risk management indicators, and carrying out various simulations.

VaR based on the internally developed model is calculated basically using the historical simulation method. Market risk can be classified into categories, such as interest rate risk, stock price risk, exchange rate risk, and others according to its characteristics. SuMi TRUST Bank calculates market risk by simply adding up the risks of all categories without considering the correlation among these categories.

(d) Quantitative information related to market risk

(i) Trading accounts

SuMi TRUST Bank Group uses VaR for managing risks associated with trading securities and some currency and interest-related derivatives transactions held in the Trading Accounts. The VaR model used is primarily based on the historical simulation method (with a holding period of 10 business days, confidence interval of 99%, and observation period of 1,300 business days).

As of March 31, 2020, the total amount of market risk (estimated potential loss) of financial instruments held by SuMi TRUST Bank Group in the Trading Accounts was ¥8.8 billion (U.S. $81 million).

SuMi TRUST Bank Group performs back testing that compares the results of VaR calculations based on its internal model with actual profits or losses. The back testing for the fiscal year ended March 31, 2020, resulted in three instances where actual losses were in excess of VaR; therefore, SuMi TRUST Bank Group considers that the measurement model properly captures market risk with sufficient accuracy. However, as VaR measures the amount of market risk under certain probabilities statistically calculated based on the past volatility, it may not properly capture those risks under extreme market movements.

(ii) Banking accounts

SuMi TRUST Bank Group uses VaR for managing risks associated with financial assets and liabilities held in the Banking Accounts. The historical simulation method is the primary measurement method (with a holding period of a maximum of one year according to a position; confidence interval of 99%; and observation period of 1,300 business days).

As of March 31, 2020, the total amount of market risk (estimated potential loss) of financial instruments held by SuMi TRUST Bank Group in the Banking Account was ¥779.8 billion (U.S. $7,175 million).

SuMi TRUST Bank Group performs back testing on certain positions held in the “Banking Accounts” that compares the results of VaR calculations based on its internal model with actual profits or losses regarding financial assets and liabilities subject to measurement. SuMi TRUST Bank Group considers that the measurement model properly captures market risk with sufficient accuracy. However, as VaR measures the amount of market risk under certain probabilities statistically calculated based on past volatility in the market, it may not properly capture those risks under extreme market movements.

3) Funding liquidity risk management

Funding liquidity risk is the risks of financial loss to SuMi TRUST Bank Group when the Group fails to raise necessary funds or is forced to raise funds at significantly higher rates.

(a) Funding liquidity risks management policy

With regard to funding liquidity risk, SuMi TRUST Bank Group designs and implements a policy to build up a risk management framework for funding liquidity risk, recognizing that financial difficulties due to exposure to such risks could possibly lead SuMi TRUST Bank Group directly to bankruptcy under certain circumstances.

(b) Funding liquidity risk management framework and methods

Funding liquidity risk management departments determine the extent of SuMi TRUST Bank Group's cash crunch appropriately in cooperation with the liquidity management departments, while gathering and analyzing information related to both the internal environment, such as SuMi TRUST Bank Group's risk profiles, and external environment, such as economic circumstances or market conditions, based on the risk management plan approved by the board of directors semiannually.

To reduce funding liquidity risks, the liquidity management departments manage cash flow within the predetermined appropriate limits, and the liquidity management departments monitor its compliance.

(4) Supplementary Explanation Concerning Fair Value of Financial Instruments

Fair value of financial instruments is based on quoted prices in markets. If a quoted price is not available, a reasonably calculated amount is used as fair value. Calculation of such amounts involves certain assumptions and may vary when different assumptions are employed.

## 2. Fair Values of Financial Instruments

The carrying amounts on the consolidated balance sheet and fair values of financial instruments as of March 31, 2020 and 2019, as well as the differences between these values are presented below. The fair values of unlisted stocks are excluded from the following table because such fair values are extremely difficult to be determined (see Note 2).

| | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2020 | | |
| | Carrying Amount | Fair Value | Difference | Carrying Amount | Fair Value | Difference |
| (1) Cash and Due from Banks (*1) | ¥ 13,087,752 | ¥ 13,087,752 | ¥ — | $ 120,414 | $ 120,414 | $ — |
| (2) Call Loans and Bills Bought | 71,236 | 71,236 | — | 655 | 655 | — |
| (3) Receivables under Resale Agreements | 1,220,761 | 1,220,761 | — | 11,232 | 11,232 | — |
| (4) Receivables under Securities Borrowing Transactions | 740,658 | 740,658 | — | 6,814 | 6,814 | — |
| (5) Monetary Claims Bought (*1) | 987,691 | 988,352 | 660 | 9,087 | 9,093 | 6 |
| (6) Trading Assets | | | | | | |
| Trading Securities | 57,102 | 57,102 | — | 525 | 525 | — |
| (7) Money Held in Trust | 1,306 | 1,306 | — | 12 | 12 | — |
| (8) Securities | | | | | | |
| Held-to-Maturity Debt Securities | 265,044 | 275,316 | 10,272 | 2,439 | 2,533 | 95 |
| Available-for-Sale Securities | 5,746,404 | 5,746,404 | — | 52,870 | 52,870 | — |
| (9) Loans and Bills Discounted | 29,703,375 | | | 273,285 | | |
| Allowance for Loan Losses (*2) | (112,691) | | | (1,037) | | |
| | 29,590,684 | 29,885,145 | 294,461 | 272,248 | 274,958 | 2,709 |
| (10) Foreign Exchanges | 36,952 | 36,952 | — | 340 | 340 | — |
| (11) Lease Receivables and Investment Assets (*1) | 667,370 | 682,846 | 15,475 | 6,140 | 6,283 | 142 |
| Total Assets | ¥ 52,472,965 | ¥ 52,793,835 | ¥320,869 | $ 482,776 | $ 485,729 | $2,952 |
| (1) Deposits | ¥ 30,717,040 | ¥ 30,737,668 | ¥ 20,628 | $ 282,611 | $ 282,801 | $ 190 |
| (2) Negotiable Certificates of Deposit | 5,989,292 | 5,989,292 | — | 55,104 | 55,104 | — |
| (3) Call Money and Bills Sold | 142,974 | 142,974 | — | 1,315 | 1,315 | — |
| (4) Payables under Repurchase Agreements | 1,558,919 | 1,558,919 | — | 14,343 | 14,343 | — |
| (5) Payables under Securities Lending Transactions | — | — | — | — | — | — |
| (6) Borrowed Money | 6,496,384 | 6,501,545 | 5,160 | 59,770 | 59,817 | 47 |
| (7) Foreign Exchanges | 3,213 | 3,213 | — | 30 | 30 | — |
| (8) Short-Term Bonds Payable | 1,707,097 | 1,707,097 | — | 15,706 | 15,706 | — |
| (9) Bonds Payable | 485,368 | 495,616 | 10,247 | 4,466 | 4,560 | 94 |
| (10) Borrowed Money from Trust Account | 4,750,289 | 4,750,289 | — | 43,705 | 43,705 | — |
| Total Liabilities | ¥ 51,850,579 | ¥ 51,886,615 | ¥ 36,036 | $ 477,050 | $ 477,382 | $ 332 |
| Derivatives Transactions (*3) | | | | | | |
| Derivatives Transactions Not Qualifying for Hedge Accounting | ¥ (17,764) | ¥ (17,764) | ¥ — | $ (163) | $ (163) | $ — |
| Derivatives Transactions Qualifying for Hedge Accounting | (13,013) | (13,013) | — | (120) | (120) | — |
| Total Derivatives Transactions | ¥ (30,777) | ¥ (30,777) | ¥ — | $ (283) | $ (283) | $ — |

| | Millions of Yen | | |
|---|---|---|---|
| | 2019 | | |
| | Carrying Amount | Fair Value | Difference |
| (1) Cash and Due from Banks (*1) | ¥ 16,042,791 | ¥ 16,042,791 | ¥ — |
| (2) Call Loans and Bills Bought | 50,124 | 50,124 | — |
| (3) Receivables under Resale Agreements | 158,734 | 158,734 | — |
| (4) Receivables under Securities Borrowing Transactions | 759,812 | 759,812 | — |
| (5) Monetary Claims Bought (*1) | 1,071,381 | 1,072,265 | 883 |
| (6) Trading Assets | | | |
| Trading Securities | 163,188 | 163,188 | — |
| (7) Money Held in Trust | 1,293 | 1,293 | — |
| (8) Securities | | | |
| Held-to-Maturity Debt Securities | 189,663 | 211,291 | 21,627 |
| Available-for-Sale Securities | 5,183,912 | 5,183,912 | — |
| (9) Loans and Bills Discounted | 29,022,792 | | |
| Allowance for Loan Losses (*2) | (90,216) | | |
| | 28,932,576 | 29,195,077 | 262,501 |
| (10) Foreign Exchanges | 36,936 | 36,936 | — |
| (11) Lease Receivables and Investment Assets (*1) | 650,859 | 666,194 | 15,335 |
| Total Assets | ¥ 53,241,275 | ¥ 53,541,623 | ¥ 300,348 |
| (1) Deposits | ¥ 31,930,697 | ¥ 31,952,731 | ¥ 22,034 |
| (2) Negotiable Certificates of Deposit | 6,428,622 | 6,428,622 | — |
| (3) Call Money and Bills Sold | 72,793 | 72,793 | — |
| (4) Payables under Repurchase Agreements | 1,603,191 | 1,603,191 | — |
| (5) Payables under Securities Lending Transactions | 104,767 | 104,767 | — |
| (6) Borrowed Money | 4,623,801 | 4,646,002 | 22,200 |
| (7) Foreign Exchanges | 457 | 457 | — |
| (8) Short-Term Bonds Payable | 1,472,786 | 1,472,786 | — |
| (9) Bonds Payable | 777,834 | 795,153 | 17,319 |
| (10) Borrowed Money from Trust Account | 5,408,009 | 5,408,009 | — |
| Total Liabilities | ¥ 52,422,962 | ¥ 52,484,517 | ¥ 61,554 |
| Derivatives Transactions (*3) | | | |
| Derivatives Transactions Not Qualifying for Hedge Accounting | ¥ 38,370 | ¥ 38,370 | ¥ — |
| Derivatives Transactions Qualifying for Hedge Accounting | (61,658) | (61,658) | — |
| Total Derivatives Transactions | ¥ (23,288) | ¥ (23,288) | ¥ — |

(*1) The allowance for credit losses corresponding to Cash and Due from Banks, Monetary Claims Bought, and Lease Receivables and Investment Assets is directly de-ducted from the carrying amounts on the consolidated balance sheet because the balance of the allowance is immaterial.

(*2) A general allowance for loan losses and specific allowances for loan losses are deducted from Loans and Bills Discounted.

(*3) Derivatives transactions recorded in Trading Assets and Trading Liabilities or in Other Assets and Other Liabilities are presented collectively.

Receivables and payables arising from derivatives transactions are presented on a net basis. Negative figures represent a liability balance after netting.

(Note 1) Method for Calculating Fair Values of Financial Instruments

**Assets**

(1) Cash and Due from Banks, (2) Call Loans and Bills Bought, (3) Receivables under Resale Agreements, (4) Receivables under Securities Borrowing Transactions, and (10) Foreign Exchanges

These instruments with transactions without stated maturities are stated at their carrying amounts because the carrying amounts approximate fair value. For transactions with stated maturities, corresponding instruments are stated at their carrying amounts because most of such transactions have short contractual terms (one year or less) and the carrying amounts approximate fair value.

(5) Monetary Claims Bought

Fair values of monetary claims bought for which counter-parties' quoted prices or dealer/broker-quoted prices are available are stated at such prices. Fair values for all other claims are calculated by classifying them according to their internal ratings and maturities and discounting future cash flows to their present values.

(6) Trading Assets

Bonds and other securities held for trading purposes are stated at dealer association prices or counterparties' quoted prices. For short-term corporate bonds, their fair values are calculated by discounting future cash flows to their present values.

(7) Money Held in Trust

Securities managed as trust assets in money held in trust, which are individually managed with the principal objective of securities portfolio management, are stated at quoted market prices or dealer/broker-quoted prices. Notes regarding money held in trust by holding purposes are presented under the "Money Held in Trust" section.

(8) Securities

Stocks are stated at quoted market prices. Bonds are stated at quoted market prices, dealer association prices, counterparties' quoted prices, or dealer/broker-quoted prices. Investment trusts are stated at published reference prices. Fair values of privately placed bonds guaranteed by SuMi TRUST Bank are calculated by classifying them according to their internal ratings and maturities, and discounting future cash flows to their present value.

Notes regarding securities by their holding purpose are presented under the "Securities" section.

(9) Loans and Bills Discounted

Fair values of loans and bills discounted are calculated by grouping loans according to loan terms, internal ratings, and maturities and discounting the aggregate principal and interest by the assumed interest rate for similar new loans. However, floating-rate loans for which their carrying amounts are deemed to approximate fair value, due to the nature of the loan or the borrower's credit situation subsequent to the execution of the loans, are stated at their carrying amounts.

For claims executed to borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy, estimated loan losses are calculated based on the present value of estimated future cash flows or the expected recoverable amounts from collateral or guarantees. Therefore, fair values for these claims are stated at the amounts by deducting the allowance for loan losses from the amounts in the consolidated balance sheet at the consolidated balance sheet date, because such deducted amounts approximate fair value.

Loans without stated maturities (as the amount of credit is limited to the value of the collateral or due to some other special characteristics) are stated at their carrying amounts as the carrying amounts are deemed to approximate the fair values because of the expected repayment periods and the interest terms.

(11) Lease Receivables and Investment Assets

Fair values of lease receivables and investment assets are calculated by grouping these assets according to their internal ratings and maturities, and discounting the aggregate principal and interest by the assumed interest rate for similar new agreements.

**Liabilities**

(1) Deposits and (2) Negotiable Certificates of Deposit

Demand deposits are stated at the amount that would have to be paid on demand at the consolidated balance sheet date (carrying amount).

Yen fixed-rate time deposits are grouped by product type and stated at the present value of their future cash flows discounted by the rates that would be paid on new deposits. Fixed-rate time deposits with short maturities (one year or less) and floating-rate time deposits are generally stated at their carrying amounts because the carrying amounts approximate the fair values.

(3) Call Money and Bills Sold, (4) Payables under Repurchase Agreements, (5) Payables under Securities Lending Transactions, (7) Foreign Exchanges, (8) Short-Term Bonds Payable, and (10) Borrowed Money from Trust Account

The obligations without stated maturities are stated at the amounts that would have to be paid on demand at the consolidated balance sheet date (carrying amount). Obligations with stated maturities are stated at their carrying amounts because most of obligations have short contractual terms (one year or less) and the carrying amounts approximate the fair values.

(6) Borrowed Money

Borrowed money at floating rates is stated at their carrying amounts. The carrying amounts are deemed to approximate fair value because such amounts reflect short-term market interest rates, and there have been no significant changes in credit condition subsequent to undertaking the borrowed money. Fair values of borrowed money at fixed rates are calculated by discounting their future cash flows by the assumed interest rate on similar borrowings. Fair values for ob-ligations with short maturities (one year or less) are stated at their carrying amounts because they approximate fair value.

(9) Bonds Payable

Bonds issued by SuMi TRUST Bank and its consolidated subsidiaries are stated at market prices, if such prices are available. Fair values for other bonds are calculated by dis-counting future cash flows to their present values by the assumed interest rate on issuance of similar bonds.

**Derivatives Transactions**

Notes regarding fair values of derivatives are presented under the “Derivatives” section.

(Note 2) The amounts of financial instruments on the consolidated balance sheet whose fair values are extremely difficult to be determined are as stated below, and such amounts are not included in the fair value information for financial instruments presented under the “Assets, (5) Monetary Claims Bought” or “Assets, (8) Available-for-Sale Securities” section.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| | Carrying Amount | Carrying Amount | Carrying Amount |
| Monetary Claims Bought | **¥ 11,227** | ¥ 10,508 | **$ 103** |
| Securities | **194,071** | 167,454 | **1,786** |
| (1) Unlisted Stocks (*3) | **59,209** | 61,281 | **545** |
| (2) Investments in Associations | **103,219** | 74,773 | **950** |
| (3) Others (*3) | **31,642** | 31,398 | **291** |
| Total | **¥ 205,299** | ¥ 177,962 | **$ 1,889** |

(*1) The above financial instruments are excluded from the fair value disclosure because there are no quoted market prices, and therefore, there is no reliable measure of fair value.

(*2) Stocks of subsidiaries and affiliated companies are not included in the above table.

(*3) During the fiscal year ended March 31, 2020, impairment losses of ¥1,735 million (U.S. $16 million) and ¥440 million (U.S. $4 million) were recognized against Unlisted Stocks and Others, respectively.

During the fiscal year ended March 31, 2019, impairment losses of ¥477 million were recognized against Unlisted Stocks.

(Note 3) Redemption Schedule of Monetary Claims and Securities with Maturity after March 31, 2020 and 2019

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2020 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Due from Banks | **¥13,005,100** | **¥ 1,740** | **¥ —** | **¥ —** | **¥ —** | **¥ —** |
| Call Loans and Bills Bought | **71,236** | **—** | **—** | **—** | **—** | **—** |
| Receivables under Resale Agreements | **1,220,761** | **—** | **—** | **—** | **—** | **—** |
| Receivables under Securities Borrowing Transactions | **740,658** | **—** | **—** | **—** | **—** | **—** |
| Monetary Claims Bought (*1) | **793,015** | **104,699** | **33,434** | **19,275** | **14,964** | **33,464** |
| Money Held in Trust | **—** | **—** | **1,406** | **—** | **—** | **—** |
| Securities | **1,214,775** | **1,084,044** | **939,481** | **537,892** | **265,992** | **769,360** |
| Held-to-Maturity Debt Securities | **2,632** | **—** | **60** | **4,020** | **60,000** | **195,048** |
| Government Bonds | **—** | **—** | **60** | **—** | **60,000** | **55,000** |
| Corporate Bonds | **—** | **—** | **—** | **—** | **—** | **33,200** |
| Available-for-Sale Securities with Maturity | **1,212,142** | **1,084,044** | **939,421** | **533,871** | **205,992** | **574,312** |
| Government Bonds | **838,106** | **260,315** | **225,000** | **—** | **25,000** | **10,000** |
| Local Government Bonds | **1,228** | **—** | **4,546** | **2,924** | **6,090** | **—** |
| Corporate Bonds | **21,110** | **186,052** | **133,053** | **196,684** | **43,275** | **56,529** |
| Loans and Bills Discounted (*2) | **4,179,611** | **5,463,825** | **4,520,997** | **2,848,790** | **2,473,254** | **7,592,971** |
| Lease Receivables and Investment Assets (*3) | **163,446** | **239,007** | **127,633** | **65,418** | **50,939** | **10,717** |
| **Total** | **¥21,388,606** | **¥ 6,893,316** | **¥ 5,622,953** | **¥ 3,471,376** | **¥ 2,805,150** | **¥ 8,406,513** |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2019 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Due from Banks | ¥15,857,622 | ¥ 10,863 | ¥ — | ¥ — | ¥ — | ¥ — |
| Call Loans and Bills Bought | 50,124 | — | — | — | — | — |
| Receivables under Resale Agreements | 136,544 | 22,190 | — | — | — | — |
| Receivables under Securities Borrowing Transactions | 759,812 | — | — | — | — | — |
| Monetary Claims Bought (*1) | 860,447 | 98,801 | 40,846 | 21,837 | 23,039 | 36,619 |
| Money Held in Trust | 100 | — | 1,293 | — | — | — |
| Securities | 660,837 | 362,284 | 1,098,426 | 467,921 | 616,206 | 667,284 |
| Held-to-Maturity Debt Securities | 25,636 | — | — | 4,779 | 40,000 | 115,606 |
| Government Bonds | — | — | — | 60 | 40,000 | 75,000 |
| Corporate Bonds | — | — | — | — | — | 33,200 |
| Available-for-Sale Securities with Maturity | 635,200 | 362,284 | 1,098,426 | 463,142 | 576,206 | 551,678 |
| Government Bonds | 269,506 | 15,154 | — | — | — | 15,000 |
| Local Government Bonds | — | 1,228 | 1,675 | 564 | 5,240 | — |
| Corporate Bonds | 18,152 | 109,488 | 157,385 | 185,850 | 61,602 | 44,971 |
| Loans and Bills Discounted (*2) | 4,427,885 | 5,431,777 | 4,467,195 | 3,162,082 | 2,235,338 | 6,690,158 |
| Lease Receivables and Investment Assets (*3) | 163,976 | 236,967 | 115,046 | 66,938 | 43,513 | 13,139 |
| **Total** | ¥22,917,352 | ¥ 6,162,883 | ¥ 5,722,808 | ¥ 3,718,779 | ¥ 2,918,097 | ¥ 7,407,202 |

| March 31, 2020 | Millions of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Due from Banks | **$ 119,653** | **$ 16** | **$ —** | **$ —** | **$ —** | **$ —** |
| Call Loans and Bills Bought | **655** | **—** | **—** | **—** | **—** | **—** |
| Receivables under Resale Agreements | **11,232** | **—** | **—** | **—** | **—** | **—** |
| Receivables under Securities Borrowing Transactions | **6,814** | **—** | **—** | **—** | **—** | **—** |
| Monetary Claims Bought (*1) | **7,296** | **963** | **308** | **177** | **138** | **308** |
| Money Held in Trust | **—** | **—** | **13** | **—** | **—** | **—** |
| Securities | **11,177** | **9,974** | **8,644** | **4,949** | **2,447** | **7,078** |
| Held-to-Maturity Debt Securities | **24** | **—** | **1** | **37** | **552** | **1,795** |
| Government Bonds | **—** | **—** | **1** | **—** | **552** | **506** |
| Corporate Bonds | **—** | **—** | **—** | **—** | **—** | **305** |
| Available-for-Sale Securities with Maturity | **11,152** | **9,974** | **8,643** | **4,912** | **1,895** | **5,284** |
| Government Bonds | **7,711** | **2,395** | **2,070** | **—** | **230** | **92** |
| Local Government Bonds | **11** | **—** | **42** | **27** | **56** | **—** |
| Corporate Bonds | **194** | **1,712** | **1,224** | **1,810** | **398** | **520** |
| Loans and Bills Discounted (*2) | **38,454** | **50,270** | **41,595** | **26,210** | **22,755** | **69,859** |
| Lease Receivables and Investment Assets (*3) | **1,504** | **2,199** | **1,174** | **602** | **469** | **99** |
| **Total** | **$ 196,785** | **$ 63,422** | **$ 51,734** | **$ 31,938** | **$ 25,809** | **$ 77,344** |

(*1) The balances exclude Monetary Claims Bought for borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy that are not expected to be collected, amounting to ¥105 million (U.S. $1million) and ¥100 million as of March 31, 2020 and 2019, respectively.

(*2) The balances exclude Loans and Bills Discounted for borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy that are not expected to be collected, amounting to ¥58,110 million (U.S. $535 million) and ¥77,454 million, and those without maturity, amounting to ¥2,565,814 million (U.S. $23,607 million) and ¥2,530,900 million as of March 31, 2020 and 2019, respectively.

(*3) The balances exclude Lease Receivables and Investment Assets for borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy that are not expected to be collected, amounting to ¥665 million (U.S. $6 million) and ¥1,229 million, and the sum of guaranteed residual values by lessee and estimated salvage values, amounting to ¥16,051 million (U.S. $148 million) and ¥12,635 million as of March 31, 2020 and 2019, respectively.

(Note 4) Repayment Schedule of Bonds, Borrowed Money, and Other Interest-Bearing Liabilities after March 31, 2020 and 2019

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2020 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Deposits (*1) | **¥ 23,588,311** | **¥ 4,537,687** | **¥ 2,589,537** | **¥ 1,183** | **¥ 320** | **¥ —** |
| Negotiable Certificates of Deposit | **5,944,292** | **45,000** | **—** | **—** | **—** | **—** |
| Call Money and Bills Sold | **142,974** | **—** | **—** | **—** | **—** | **—** |
| Payables under Repurchase Agreements | **1,471,967** | **86,952** | **—** | **—** | **—** | **—** |
| Payables under Securities Lending Transactions | **—** | **—** | **—** | **—** | **—** | **—** |
| Borrowed Money (*2) | **2,980,182** | **1,468,489** | **811,385** | **231,702** | **244,522** | **420,102** |
| Short-Term Bonds Payable | **1,708,473** | **—** | **—** | **—** | **—** | **—** |
| Bonds Payable (*3) | **229,700** | **110,000** | **46,500** | **63,000** | **20,000** | **—** |
| Borrowed Money from Trust Account | **4,750,289** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **¥ 40,816,190** | **¥ 6,248,128** | **¥ 3,447,423** | **¥ 295,885** | **¥ 264,842** | **¥ 420,102** |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2019 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Deposits (*1) | ¥ 24,618,014 | ¥ 5,169,969 | ¥ 2,140,992 | ¥ 1,313 | ¥ 406 | ¥ — |
| Negotiable Certificates of Deposit | 6,244,373 | 184,249 | — | — | — | — |
| Call Money and Bills Sold | 72,793 | — | — | — | — | — |
| Payables under Repurchase Agreements | 1,603,191 | — | — | — | — | — |
| Payables under Securities Lending Transactions | 104,767 | — | — | — | — | — |
| Borrowed Money (*2) | 2,906,910 | 340,021 | 172,421 | 225,283 | 299,659 | 339,506 |
| Short-Term Bonds Payable | 1,476,650 | — | — | — | — | — |
| Bonds Payable (*3) | 304,763 | 282,260 | 80,000 | 6,500 | 78,000 | — |
| Borrowed Money from Trust Account | 5,408,009 | — | — | — | — | — |
| **Total** | ¥ 42,739,474 | ¥ 5,976,500 | ¥ 2,393,414 | ¥ 233,097 | ¥ 378,065 | ¥ 339,506 |

| | Millions of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2020 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Deposits (*1) | **$ 217,024** | **$ 41,749** | **$ 23,825** | **$ 11** | **$ 3** | **$ —** |
| Negotiable Certificates of Deposit | **54,690** | **414** | **—** | **—** | **—** | **—** |
| Call Money and Bills Sold | **1,315** | **—** | **—** | **—** | **—** | **—** |
| Payables under Repurchase Agreements | **13,543** | **800** | **—** | **—** | **—** | **—** |
| Payables under Securities Lending Transactions | **—** | **—** | **—** | **—** | **—** | **—** |
| Borrowed Money (*2) | **27,419** | **13,511** | **7,465** | **2,132** | **2,250** | **3,865** |
| Short-Term Bonds Payable | **15,719** | **—** | **—** | **—** | **—** | **—** |
| Bonds Payable (*3) | **2,113** | **1,012** | **428** | **580** | **184** | **—** |
| Borrowed Money from Trust Account | **43,705** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **$ 375,528** | **$ 57,486** | **$ 31,718** | **$ 2,722** | **$ 2,437** | **$ 3,865** |

(*1) The balance of demand deposits is included in “Within 1 Year.” Deposits include balances of current accounts.

(*2) The balances exclude perpetual subordinated debts without maturity, amounting to ¥340,000 million (U.S. $3,128 million) and ¥340,000 million as of March 31, 2020 and 2019, respectively.

(*3) The balances exclude perpetual subordinated bonds without maturity, amounting to ¥16,100 million (U.S. $148 million) and ¥26,100 million as of March 31, 2020 and 2019, respectively.

**Securities**

In addition to the “Securities” presented in the consolidated balance sheet, the following information includes securities in trading account and short-term corporate bonds under “Trading Assets” and loan-backed trust deeds reported under “Monetary Claims Bought.”

**1. Trading Securities**

| | Valuation Difference Reflected in the Statement of Income | | |
|---|---|---|---|
| | Millions of Yen | | Millions of U.S. Dollars |
| | **2020** | 2019 | **2020** |
| Trading Securities | **¥ (129)** | ¥ 396 | **$ (1)** |

**2. Held-to-Maturity Securities with Fair Value**

| | Millions of Yen | | |
|---|---|---|---|
| March 31, 2020 | Carrying Amount | Fair Value | Difference |
| Securities for which Fair Value Exceeds Carrying Amount | | | |
| Government Bonds | **¥118,407** | **¥136,239** | **¥17,831** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **33,200** | **33,652** | **452** |
| Other Bonds | **65,817** | **65,943** | **126** |
| Foreign Bonds | **845** | **849** | **4** |
| Others | **64,972** | **65,093** | **121** |
| Subtotal | **217,425** | **235,835** | **18,410** |
| Securities for which Fair Value Does Not Exceed Carrying Amount | | | |
| Government Bonds | **¥ —** | **¥ —** | **¥ —** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **—** | **—** | **—** |
| Other Bonds | **112,591** | **104,574** | **(8,016)** |
| Foreign Bonds | **112,591** | **104,574** | **(8,016)** |
| Others | **—** | **—** | **—** |
| Subtotal | **112,591** | **104,574** | **(8,016)** |
| **Total** | **¥330,016** | **¥340,410** | **¥10,394** |

| March 31, 2019 | Millions of Yen | | |
|---|---|---|---|
| | Carrying Amount | Fair Value | Difference |
| Securities for which Fair Value Exceeds Carrying Amount | | | |
| Government Bonds | ¥ 118,785 | ¥ 139,413 | ¥ 20,628 |
| Local Government Bonds | — | — | — |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 33,200 | 33,777 | 577 |
| Other Bonds | 105,701 | 106,290 | 589 |
| Foreign Bonds | 32,958 | 33,421 | 462 |
| Others | 72,742 | 72,869 | 127 |
| Subtotal | 257,686 | 279,481 | 21,795 |
| Securities for which Fair Value Does Not Exceed Carrying Amount | | | |
| Government Bonds | ¥ — | ¥ — | ¥ — |
| Local Government Bonds | — | — | — |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | — | — | — |
| Other Bonds | 4,719 | 4,678 | (40) |
| Foreign Bonds | 4,719 | 4,678 | (40) |
| Others | — | — | — |
| Subtotal | 4,719 | 4,678 | (40) |
| **Total** | ¥ 262,405 | ¥ 284,160 | ¥ 21,755 |

| March 31, 2020 | Millions of U.S. Dollars | | |
|---|---|---|---|
| | Carrying Amount | Fair Value | Difference |
| Securities for which Fair Value Exceeds Carrying Amount | | | |
| Government Bonds | **$ 1,089** | **$ 1,253** | **$ 164** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **305** | **310** | **4** |
| Other Bonds | **606** | **607** | **1** |
| Foreign Bonds | **8** | **8** | **0** |
| Others | **598** | **599** | **1** |
| Subtotal | **2,000** | **2,170** | **169** |
| Securities for which Fair Value Does Not Exceed Carrying Amount | | | |
| Government Bonds | **$ —** | **$ —** | **$ —** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **—** | **—** | **—** |
| Other Bonds | **1,036** | **962** | **(74)** |
| Foreign Bonds | **1,036** | **962** | **(74)** |
| Others | **—** | **—** | **—** |
| Subtotal | **1,036** | **962** | **(74)** |
| **Total** | **$ 3,036** | **$ 3,132** | **$ 96** |

### 3. Available-for-Sale Securities

| March 31, 2020 | Millions of Yen | | |
|---|---|---|---|
| | Carrying Amount | Acquisition Cost | Difference |
| **Securities for which Carrying Amount Exceeds Acquisition Cost** | | | |
| **Stocks** | **¥ 1,016,948** | **¥ 417,757** | **¥ 599,190** |
| **Bonds** | **1,461,837** | **1,458,337** | **3,500** |
| **Government Bonds** | **1,053,929** | **1,053,492** | **437** |
| **Local Government Bonds** | **4,906** | **4,874** | **32** |
| **Short-Term Corporate Bonds** | **—** | **—** | **—** |
| **Corporate Bonds** | **403,001** | **399,970** | **3,030** |
| **Other Securities** | **1,384,110** | **1,320,023** | **64,086** |
| **Foreign Stocks** | **2,613** | **190** | **2,422** |
| **Foreign Bonds** | **827,306** | **800,431** | **26,874** |
| **Others** | **554,190** | **519,401** | **34,789** |
| **Subtotal** | **3,862,896** | **3,196,118** | **666,777** |
| **Securities for which Carrying Amount Does Not Exceed Acquisition Cost** | | | |
| **Stocks** | **¥ 93,664** | **¥ 120,510** | **¥ (26,846)** |
| **Bonds** | **554,166** | **555,804** | **(1,638)** |
| **Government Bonds** | **308,631** | **309,155** | **(523)** |
| **Local Government Bonds** | **9,879** | **9,914** | **(34)** |
| **Short-Term Corporate Bonds** | **—** | **—** | **—** |
| **Corporate Bonds** | **235,655** | **236,735** | **(1,079)** |
| **Other Securities** | **1,267,263** | **1,381,288** | **(114,024)** |
| **Foreign Stocks** | **874** | **1,320** | **(446)** |
| **Foreign Bonds** | **529,513** | **557,258** | **(27,745)** |
| **Others** | **736,875** | **822,708** | **(85,833)** |
| **Subtotal** | **1,915,093** | **2,057,603** | **(142,509)** |
| **Total** | **¥ 5,777,990** | **¥ 5,253,722** | **¥ 524,268** |

| March 31, 2019 | Millions of Yen | | |
|---|---|---|---|
| | Carrying Amount | Acquisition Cost | Difference |
| Securities for which Carrying Amount Exceeds Acquisition Cost | | | |
| Stocks | ¥ 1,322,686 | ¥ 510,373 | ¥ 812,313 |
| Bonds | 549,521 | 545,928 | 3,592 |
| Government Bonds | 128,921 | 128,559 | 362 |
| Local Government Bonds | 7,202 | 7,143 | 59 |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 413,397 | 410,226 | 3,170 |
| Other Securities | 1,048,184 | 1,013,984 | 34,199 |
| Foreign Stocks | 2,655 | 194 | 2,461 |
| Foreign Bonds | 713,975 | 704,807 | 9,168 |
| Others | 331,552 | 308,982 | 22,570 |
| Subtotal | 2,920,392 | 2,070,287 | 850,104 |
| Securities for which Carrying Amount Does Not Exceed Acquisition Cost | | | |
| Stocks | ¥ 48,927 | ¥ 64,770 | ¥ (15,843) |
| Bonds | 341,062 | 341,475 | (413) |
| Government Bonds | 172,664 | 172,688 | (24) |
| Local Government Bonds | 1,562 | 1,564 | (1) |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 166,835 | 167,223 | (387) |
| Other Securities | 1,900,226 | 2,047,460 | (147,233) |
| Foreign Stocks | 3,461 | 3,926 | (465) |
| Foreign Bonds | 741,247 | 745,713 | (4,466) |
| Others | 1,155,517 | 1,297,820 | (142,302) |
| Subtotal | 2,290,215 | 2,453,706 | (163,490) |
| **Total** | ¥ 5,210,608 | ¥ 4,523,993 | ¥ 686,614 |

| March 31, 2020 | Millions of U.S. Dollars | | |
|---|---|---|---|
| | Carrying Amount | Acquisition Cost | Difference |
| Securities for which Carrying Amount Exceeds Acquisition Cost | | | |
| Stocks | $ 9,356 | $ 3,844 | $ 5,513 |
| Bonds | 13,450 | 13,417 | 32 |
| Government Bonds | 9,697 | 9,693 | 4 |
| Local Government Bonds | 45 | 45 | 0 |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 3,708 | 3,680 | 28 |
| Other Securities | 12,734 | 12,145 | 590 |
| Foreign Stocks | 24 | 2 | 22 |
| Foreign Bonds | 7,612 | 7,364 | 247 |
| Others | 5,099 | 4,779 | 320 |
| Subtotal | 35,540 | 29,406 | 6,135 |
| Securities for which Carrying Amount Does Not Exceed Acquisition Cost | | | |
| Stocks | $ 862 | $ 1,109 | $ (247) |
| Bonds | 5,099 | 5,114 | (15) |
| Government Bonds | 2,840 | 2,844 | (5) |
| Local Government Bonds | 91 | 91 | (0) |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 2,168 | 2,178 | (10) |
| Other Securities | 11,659 | 12,709 | (1,049) |
| Foreign Stocks | 8 | 12 | (4) |
| Foreign Bonds | 4,872 | 5,127 | (255) |
| Others | 6,780 | 7,569 | (790) |
| Subtotal | 17,620 | 18,931 | (1,311) |
| **Total** | $ 53,160 | $ 48,337 | $ 4,824 |

**4. Held-to-Maturity Securities Sold during the Fiscal Year**

There were no held-to-maturity securities sold for the fiscal years ended March 31, 2020 and 2019.

**5. Available-for-Sale Securities Sold during the Fiscal Year**

| Year Ended March 31, 2020 | Millions of Yen | | |
|---|---|---|---|
| | Amount Sold | Gain | Loss |
| Stocks | ¥ 61,272 | ¥ 40,370 | ¥ 1,389 |
| Bonds | 372,898 | 2,542 | 2,930 |
| Government Bonds | 330,708 | 2,362 | 2,812 |
| Local Government Bonds | 2,518 | 11 | 0 |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 39,671 | 168 | 117 |
| Other Securities | 3,094,393 | 67,796 | 20,011 |
| Foreign Stocks | 2,565 | 345 | 233 |
| Foreign Bonds | 2,573,278 | 42,816 | 7,757 |
| Others | 518,549 | 24,634 | 12,020 |
| **Total** | ¥ 3,528,563 | ¥ 110,710 | ¥ 24,331 |

| Year Ended March 31, 2019 | Millions of Yen | | |
|---|---|---|---|
| | Amount Sold | Gain | Loss |
| Stocks | ¥ 59,051 | ¥ 31,224 | ¥ 4,716 |
| Bonds | 308,004 | 1,688 | 1,007 |
| Government Bonds | 248,161 | 1,460 | 954 |
| Local Government Bonds | 7,077 | 2 | 24 |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 52,766 | 225 | 28 |
| Other Securities | 4,066,610 | 30,911 | 47,967 |
| Foreign Stocks | 8,114 | 2 | 1,138 |
| Foreign Bonds | 3,278,617 | 17,131 | 21,191 |
| Others | 779,878 | 13,777 | 25,637 |
| **Total** | ¥ 4,433,666 | ¥ 63,824 | ¥ 53,691 |

| Year Ended March 31, 2020 | Millions of U.S. Dollars | | |
|---|---|---|---|
| | Amount Sold | Gain | Loss |
| Stocks | **$ 564** | **$ 371** | **$ 13** |
| Bonds | **3,431** | **23** | **27** |
| Government Bonds | **3,043** | **22** | **26** |
| Local Government Bonds | **23** | **0** | **0** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **365** | **2** | **1** |
| Other Securities | **28,470** | **624** | **184** |
| Foreign Stocks | **24** | **3** | **2** |
| Foreign Bonds | **23,675** | **394** | **71** |
| Others | **4,771** | **227** | **111** |
| **Total** | **$ 32,464** | **$ 1,019** | **$ 224** |

(Note) The above figures include “Available-for-Sale Securities” whose fair values are extremely difficult to be determined.

**6. Securities Reclassified due to the Change of the Holding Purpose**

There were no securities reclassified due to the change of the holding purpose during the fiscal years ended March 31, 2020 and 2019.

**7. Impairment of Securities**

Securities other than securities whose fair values are extremely difficult to be determined, or those deemed to be trading securities, are treated as impaired when their fair values have declined significantly from the acquisition cost and it is deemed unlikely to recover to the acquisition cost. Such securities are recorded at their fair values in the consolidated balance sheet. The difference between the acquisition cost and the fair values is recognized as an impairment loss.

Impairment losses on Stocks recognized during the fiscal years ended March 31, 2020 and 2019, were ¥14,995 million (U.S. $138 million) and ¥794 million, respectively.

The criteria for determining whether the fair values of securities have significantly declined are as follows:

For securities whose issuers are classified as “normal” under the asset self-assessment, a decline of 50% or more in the fair values compared with the acquisition cost; for securities whose issuers are classified as “close-observation borrowers,” a decline of 30% or more in the fair values compared with the acquisition cost. In addition, the fair values of some securities are deemed unrecoverable and impairment losses are recognized when their fair values have declined more than 30%, but less than 50% from acquisition cost and the fair values have continued to decline over a certain period.

**Money Held in Trust**

**1. Money Held in Trust for Trading Purposes**

There was no money held in trust for trading purposes for the fiscal years ended March 31, 2020 and 2019.

**2. Held-to-Maturity Money Held in Trust**

There was no held-to-maturity money held in trust for the fiscal years ended March 31, 2020 and 2019.

**3. Other Money Held in Trust (other than those held for trading purposes or held-to-maturity)**

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| March 31, 2020 | Carrying Amount | Acquisition Cost | Difference | Positive Difference | Negative Difference |
| Other Money Held in Trust | **¥ 1,406** | **¥ 981** | **¥ 424** | **¥ 424** | **¥ —** |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| March 31, 2019 | Carrying Amount | Acquisition Cost | Difference | Positive Difference | Negative Difference |
| Other Money Held in Trust | ¥ 1,393 | ¥ 978 | ¥ 415 | ¥ 415 | ¥ — |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| March 31, 2020 | Carrying Amount | Acquisition Cost | Difference | Positive Difference | Negative Difference |
| Other Money Held in Trust | **$ 13** | **$ 9** | **$ 4** | **$ 4** | **$ —** |

(Note) The amount of "Difference" is net of "Positive Difference" and "Negative Difference."

**Valuation Differences on Available-for-Sale Securities**

The following table shows components of Valuation Differences on Available-for-Sale Securities in the consolidated balance sheet.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| March 31 | **2020** | 2019 | **2020** |
| Valuation Differences | | | |
| Available-for-Sale Securities | **¥ 526,335** | ¥ 688,119 | **$ 4,843** |
| Other Money Held in Trust | **424** | 415 | **4** |
| Total Valuation Differences | **526,760** | 688,534 | **4,846** |
| Amount Equivalent to Deferred Tax Assets (Liabilities) | **(160,215)** | (209,008) | **(1,474)** |
| Total (Before Adjustment for Non-Controlling Interests and Parent Company's Portions in Available-for-Sale Securities Owned by its Affiliated Companies) | **366,544** | 479,525 | **3,372** |
| Non-Controlling Interests | **(74)** | (266) | **(1)** |
| Parent Company's Portions in Available-for-Sale Securities Owned by its Affiliated Companies | **3,454** | 2,663 | **32** |
| Valuation Differences on Available-for-Sale Securities | **¥ 369,924** | ¥ 481,923 | **$ 3,403** |

(Notes)

1) Foreign currency translation adjustments on available-for-sale securities, for which fair values are extremely difficult to be determined, are included in the "Available-for-Sale Securities" under "Valuation Differences."

2) The valuation difference of ¥2,132 million (U.S. $20 million) and ¥1,589 million on available-for-sale securities composing assets held by associated companies as of March 31, 2020 and 2019, respectively, is included in "Available-for-Sale Securities" under "Valuation Differences."

3) The unamortized portion of valuation difference as of the consolidated balance sheet date arising from the reclassification of the holding purpose of securities is included in “Available-for-Sale Securities” under “Valuation Differences.”

## Derivatives

### 1. Derivatives Transactions Not Qualifying for Hedge Accounting

Derivatives transactions not qualifying for hedge accounting are grouped by type of underlying transactions. The notional amounts (or the amount equivalent to the principal specified in the contracts), the fair values, and the valuation differences as of the consolidated balance sheet date, as well as the methods for determining such fair values are presented below. The notional amounts do not reflect the market risk associated with the derivatives.

(1) Interest-Related Transactions

Interest-related transactions not qualifying for hedge accounting as of March 31, 2020 and 2019, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2020 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Interest Futures | | | | | | | | |
| Sold | **¥20,873,613** | **¥ 7,936,931** | **¥ (48,309)** | **¥ (48,309)** | **$192,047** | **$ 73,024** | **$ (444)** | **$ (444)** |
| Purchased | **21,329,778** | **7,616,507** | **46,361** | **46,361** | **196,244** | **70,076** | **427** | **427** |
| Interest Options | | | | | | | | |
| Sold | **2,942,641** | **—** | **(1,175)** | **(715)** | **27,074** | **—** | **(11)** | **(7)** |
| Purchased | **2,937,903** | **—** | **1,144** | **508** | **27,030** | **—** | **11** | **5** |
| OTC | | | | | | | | |
| Forward Rate Agreements | | | | | | | | |
| Sold | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **$ —** | **$ —** | **$ —** | **$ —** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Interest Rate Swaps | | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | **50,872,014** | **39,266,116** | **2,208,234** | **2,208,234** | **468,047** | **361,267** | **20,317** | **20,317** |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | **43,837,712** | **34,523,749** | **(2,159,973)** | **(2,159,973)** | **403,328** | **317,635** | **(19,873)** | **(19,873)** |
| Floating Interest Rate Receivable/ Floating Interest Rate Payable | **22,336,839** | **17,809,579** | **3,096** | **3,096** | **205,510** | **163,857** | **28** | **28** |
| Interest Options | | | | | | | | |
| Sold | **9,925,297** | **9,906,302** | **(33,630)** | **(22,767)** | **91,317** | **91,143** | **(309)** | **(209)** |
| Purchased | **6,642,159** | **6,608,026** | **18,834** | **14,371** | **61,111** | **60,797** | **173** | **132** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ 34,583** | **¥ 40,805** | **/** | **/** | **$ 318** | **$ 375** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | |
| Interest Futures | | | | |
| Sold | ¥44,621,033 | ¥16,573,349 | ¥ (48,367) | ¥ (48,367) |
| Purchased | 44,455,416 | 16,528,250 | 47,846 | 47,846 |
| Interest Options | | | | |
| Sold | 5,228,027 | 278,836 | (303) | 528 |
| Purchased | 4,173,799 | 222,706 | 306 | (566) |
| OTC | | | | |
| Forward Rate Agreements | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — |
| Purchased | — | — | — | — |
| Interest Rate Swaps | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | 61,744,126 | 46,363,011 | 1,070,742 | 1,070,742 |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | 57,657,504 | 43,512,290 | (1,063,552) | (1,063,552) |
| Floating Interest Rate Receivable/ Floating Interest Rate Payable | 20,877,371 | 16,746,641 | 2,295 | 2,295 |
| Interest Options | | | | |
| Sold | 7,529,147 | 7,519,158 | (8,106) | 6,223 |
| Purchased | 3,541,520 | 3,537,021 | 13,810 | 7,641 |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ 14,671 | ¥ 22,789 |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values of listed derivatives transactions are based on the closing prices on the Tokyo Financial Exchange and other exchanges. The fair values of OTC derivatives transactions are calculated using the net present value method or option-pricing models.

(2) Currency-Related Transactions

Currency-related transactions not qualifying for hedge accounting as of March 31, 2020 and 2019, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2020 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Currency Futures | | | | | | | | |
| Sold | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **$ —** | **$ —** | **$ —** | **$ —** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Currency Options | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| OTC | | | | | | | | |
| Currency Swaps | **¥ 5,208,369** | **¥4,495,735** | **¥ (4,770)** | **¥ (4,770)** | **$ 47,919** | **$41,363** | **$ (44)** | **$ (44)** |
| Forward Exchange Contracts | | | | | | | | |
| Sold | **12,322,468** | **832,222** | **(78,937)** | **(78,937)** | **113,373** | **7,657** | **(726)** | **(726)** |
| Purchased | **16,353,498** | **227,010** | **30,111** | **30,111** | **150,460** | **2,089** | **277** | **277** |
| Currency Options | | | | | | | | |
| Sold | **1,170,658** | **606,930** | **(43,375)** | **8,257** | **10,771** | **5,584** | **(399)** | **76** |
| Purchased | **892,363** | **443,075** | **44,170** | **(2,909)** | **8,210** | **4,077** | **406** | **(27)** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ (52,800)** | **¥ (48,247)** | **/** | **/** | **$ (486)** | **$ (444)** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | |
| Currency Futures | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — |
| Purchased | — | — | — | — |
| Currency Options | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| OTC | | | | |
| Currency Swaps | ¥ 4,061,705 | ¥3,842,184 | ¥ 9,866 | ¥ 9,866 |
| Forward Exchange Contracts | | | | |
| Sold | 12,654,686 | 706,425 | (31,223) | (31,223) |
| Purchased | 15,911,526 | 286,942 | 50,008 | 50,008 |
| Currency Options | | | | |
| Sold | 1,292,446 | 604,105 | (40,734) | 16,433 |
| Purchased | 1,036,045 | 433,558 | 39,396 | (12,040) |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ 27,312 | ¥ 33,044 |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values are calculated using the net present value method or option-pricing models.

(3) Stock-Related Transactions

Stock-related transactions not qualifying for hedge accounting as of March 31, 2020 and 2019, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | | | | **2020** | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Stock Index Futures | | | | | | | | |
| Sold | **¥59,844** | **¥ —** | **¥(1,243)** | **¥(1,243)** | **$551** | **$ —** | **$(11)** | **$(11)** |
| Purchased | **36,429** | **—** | **2,339** | **2,339** | **335** | **—** | **22** | **22** |
| Stock Index Options | | | | | | | | |
| Sold | **26,674** | **—** | **(868)** | **(347)** | **245** | **—** | **(8)** | **(3)** |
| Purchased | **5,100** | **—** | **4** | **(35)** | **47** | **—** | **0** | **(0)** |
| OTC | | | | | | | | |
| OTC Stock Options | | | | | | | | |
| Sold | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **$ —** | **$ —** | **$ —** | **$ —** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| OTC Stock Swaps | | | | | | | | |
| Volatility of Stock Price and Other Receivable/ Short-Term Floating Interest Rate Payable | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Short-Term Floating Interest Rate Receivable/ Volatility of Stock Price and Other Payable | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ 231** | **¥ 711** | **/** | **/** | **$ 2** | **$ 7** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | |
| Stock Index Futures | | | | |
| Sold | ¥54,354 | ¥ — | ¥ (400) | ¥(400) |
| Purchased | 40,433 | — | 318 | 318 |
| Stock Index Options | | | | |
| Sold | 56,344 | — | (334) | 77 |
| Purchased | 73,517 | — | 162 | (212) |
| OTC | | | | |
| OTC Stock Options | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — |
| Purchased | — | — | — | — |
| OTC Stock Swaps | | | | |
| Volatility of Stock Price and Other Receivable/ Short-Term Floating Interest Rate Payable | — | — | — | — |
| Short-Term Floating Interest Rate Receivable/ Volatility of Stock Price and Other Payable | — | — | — | — |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ (253) | ¥(216) |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values of listed derivatives transactions are based on the closing prices on the Osaka Exchange and other exchanges. The fair values of OTC transactions are calculated using the net present value method or option-pricing models.

(4) Bond-Related Transactions

Bond-related transactions not qualifying for hedge accounting as of March 31, 2020 and 2019, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2020 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Bond Futures | | | | | | | | |
| Sold | **¥ 2,314,032** | **¥ —** | **¥ (55,526)** | **¥ (55,526)** | **$ 21,290** | **$ —** | **$ (511)** | **$ (511)** |
| Purchased | **2,407,161** | **—** | **55,375** | **55,375** | **22,147** | **—** | **509** | **509** |
| Bond Future Options | | | | | | | | |
| Sold | **66,991** | **—** | **(325)** | **99** | **616** | **—** | **(3)** | **1** |
| Purchased | **47,986** | **—** | **169** | **(42)** | **442** | **—** | **2** | **(0)** |
| OTC | | | | | | | | |
| Bond Forward Contracts | | | | | | | | |
| Sold | **¥ 20,332** | **¥ —** | **¥ (252)** | **¥ (252)** | **$ 187** | **$ —** | **$ (2)** | **$ (2)** |
| Purchased | **33,816** | **—** | **649** | **649** | **311** | **—** | **6** | **6** |
| Bond Options | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ 89** | **¥ 303** | **/** | **/** | **$ 1** | **$ 3** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | |
| Bond Futures | | | | |
| Sold | ¥ 1,785,463 | ¥ — | ¥ (25,077) | ¥ (25,077) |
| Purchased | 1,951,521 | — | 22,782 | 22,782 |
| Bond Future Options | | | | |
| Sold | 223,845 | — | (922) | (92) |
| Purchased | 160,416 | — | 742 | 388 |
| OTC | | | | |
| Bond Forward Contracts | | | | |
| Sold | ¥ 201,772 | ¥ — | ¥ (1,339) | ¥ (1,339) |
| Purchased | 68,671 | — | 393 | 393 |
| Bond Options | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ (3,420) | ¥ (2,944) |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values of listed derivative transactions are based on the closing prices on the Osaka Exchange and other exchanges. The fair values of OTC transactions are calculated using option-pricing models.

(5) Commodity-Related Transactions

There were no commodity-related transactions not qualifying for hedge accounting as of March 31, 2020 and 2019.

(6) Credit Derivatives Transactions

Credit derivatives transactions not qualifying for hedge accounting as of March 31, 2020 and 2019, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | | | | **2020** | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| OTC | | | | | | | | |
| Credit Default Swaps | | | | | | | | |
| Sold | **¥ 59,034** | **¥ 45,934** | **¥ (59)** | **¥(59)** | **$ 543** | **$ 423** | **$ (1)** | **$ (1)** |
| Purchased | **65,540** | **52,440** | **190** | **190** | **603** | **482** | **2** | **2** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ 131** | **¥131** | **/** | **/** | **$ 1** | **$ 1** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| OTC | | | | |
| Credit Default Swaps | | | | |
| Sold | ¥ 67,343 | ¥ 49,843 | ¥ 1,015 | ¥ 1,015 |
| Purchased | 64,155 | 46,655 | (955) | (955) |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ 60 | ¥ 60 |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values are calculated using the net present value method.

3) “Sold” represents transactions under which the credit risk has been assumed, and “Purchased” represents transactions under which the credit risk has been transferred to another party.

**2. Derivatives Transactions Qualifying for Hedge Accounting**

Derivatives transactions qualifying for hedge accounting are grouped by type of underlying transactions. The notional amounts (or the amount equivalent to the principal specified in the contracts) and the fair values as of the consolidated balance sheet date, as well as the methods for determining such fair values are presented below. The notional amounts do not reflect the market risk associated with the derivatives.

(1) Interest-Related Transactions

Interest-related transactions qualifying for hedge accounting as of March 31, 2020 and 2019, consist of the following:

| | | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|
| | | **2020** | | | **2020** | | |
| | | Notional Amount | | | Notional Amount | | |
| | Major Hedged Item | Total | Over One Year | Fair Value | Total | Over One Year | Fair Value |
| Deferral Method | | | | | | | |
| Interest Rate Swaps | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | Interest-Earning/ Bearing Financial Assets/Liabilities such as Loans and Bills Discounted, Available-for-Sale Securities (Bonds), Deposits, and Bonds Payable | **¥ 795,889** | **¥ 132,000** | **¥ 1,525** | **$ 7,323** | **$ 1,214** | **$ 14** |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | **1,513,915** | **1,359,935** | **(52,136)** | **13,929** | **12,512** | **(480)** |
| Interest Futures | | | | | | | |
| Sold | | — | — | — | — | — | — |
| Purchased | | — | — | — | — | — | — |
| Interest Options | | | | | | | |
| Sold | | — | — | — | — | — | — |
| Purchased | | — | — | — | — | — | — |
| Others | | | | | | | |
| Sold | | — | — | — | — | — | — |
| Purchased | | — | — | — | — | — | — |
| Exceptional Treatment for Interest Rate Swaps | | | | | | | |
| Interest Rate Swaps | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | | — | — | | — | — | |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | — | — | | — | — | |
| **Total** | | **/** | **/** | **¥(50,610)** | **/** | **/** | **$(466)** |

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2019 | | |
| | | Notional Amount | | |
| | Major Hedged Item | Total | Over One Year | Fair Value |
| Deferral Method | | | | |
| Interest Rate Swaps | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | Interest-Earning/ Bearing Financial Assets/Liabilities such as Loans and Bills Discounted, Available-for-Sale Securities (Bonds), Deposits, and Bonds Payable | ¥1,494,651 | ¥ 796,511 | ¥ 1,461 |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | 1,469,681 | 1,392,602 | (37,909) |
| Interest Futures | | | | |
| Sold | | — | — | — |
| Purchased | | — | — | — |
| Interest Options | | | | |
| Sold | | — | — | — |
| Purchased | | — | — | — |
| Others | | | | |
| Sold | | — | — | — |
| Purchased | | — | — | — |
| Exceptional Treatment for Interest Rate Swaps | | | | |
| Interest Rate Swaps | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | Borrowed Money | — | — | |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | 200 | — | (Note 3) |
| **Total** | | / | / | ¥(36,448) |

(Notes)

1) Deferred hedge accounting stipulated in Report No. 24 is applied, in principle.

2) Fair values are calculated mainly using the net present value method or option-pricing models.

3) Interest rate swaps to which exceptional treatment is applied are accounted for as part of the borrowings being hedged; therefore, their fair values are included in the fair value of Borrowed Money presented under "Financial Instruments."

(2) Currency-Related Transactions

Currency-related transactions qualifying for hedge accounting as of March 31, 2020 and 2019, consist of the following:

| | | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|
| | | 2020 | | | 2020 | | |
| | | Notional Amount | | | Notional Amount | | |
| | Major Hedged Item | Total | Over One Year | Fair Value | Total | Over One Year | Fair Value |
| Deferral Method | | | | | | | |
| Currency Swaps | | **¥ 2,301,582** | **¥ 1,214,987** | **¥ 31,261** | **$ 21,176** | **$ 11,178** | **$ 288** |
| Forward Exchange Contracts | | | | | | | |
| Sold | Loans and Bills | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | Discounted and Securities | **3,890** | **—** | **3,890** | **36** | **—** | **36** |
| Others | Denominated in Foreign | | | | | | |
| Sold | Currencies | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | | **—** | **—** | **—** | **—** | **—** | **—** |
| Method of Including Foreign Currency Translation Adjustments Arising from the Hedging Instruments in "Foreign Currency Translation Adjustments" | | | | | | | |
| Forward Exchange Contracts | | | | | | | |
| Sold | Investment in the Shares of Subsidiaries and Affiliated Companies | **¥ 88,516** | **¥ —** | **¥ 2,446** | **$ 814** | **$ —** | **$ 23** |
| Purchased | | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | | **/** | **/** | **¥ 37,597** | **/** | **/** | **$ 346** |

| | Millions of Yen | | |
|---|---|---|---|
| | 2019 | | |
| | Notional Amount | | |
| Major Hedged Item | Total | Over One Year | Fair Value |
| Deferral Method | | | |
| Currency Swaps | **¥ 1,557,814** | **¥ 955,752** | **¥ (24,756)** |
| Forward Exchange Contracts | Loans and Bills | | |
| Sold | Discounted | **6,068** | **—** | **(127)** |
| Purchased | and Securities | **17,856** | **—** | **63** |
| Others | Denominated | | | |
| Sold | in Foreign Currencies | **—** | **—** | **—** |
| Purchased | | **—** | **—** | **—** |
| Method of Including Foreign Currency Translation Adjustments Arising from the Hedging Instruments in "Foreign Currency Translation Adjustments" | | | | |
| Forward Exchange Contracts | Investment in the Shares | | | |
| Sold | of Subsidiaries and | **¥ 69,961** | **¥ —** | **¥ (391)** |
| Purchased | Affiliated Companies | **—** | **—** | **—** |
| **Total** | | **/** | **/** | **¥ (25,210)** |

(Notes)

1) Deferred hedge accounting stipulated in Report No. 25 is applied, in principle.

2) Fair values are calculated mainly using the net present value method.

(3) Stock-Related Transactions

There were no stock-related transactions qualifying for hedge accounting as of March 31, 2020 and 2019.

(4) Bond-Related Transactions

There were no bond-related transactions qualifying for hedge accounting as of March 31, 2020 and 2019.

**Retirement and Pension Plans**

**Retirement and Pension Plans for the Fiscal Years Ended March 31, 2020 and 2019**

**1. Outline of the Retirement Benefit Plans Adopted by SuMi TRUST Bank**

SuMi TRUST Bank has defined benefit plans (a corporate pension fund plan and a lump-sum retirement benefit plan). Additionally, a lump-sum retirement benefit plan is offered to contract employees according to internal rules. SuMi TRUST Bank also has a defined contribution pension plan and may provide extra retirement payments to retiring employees in some cases. SuMi TRUST Bank sets up employee retirement benefit trusts as part of its pension plan assets.

Consolidated subsidiaries have lump-sum retirement benefit plans, defined benefit corporate pension plans, and defined contribution pension plans. Some consolidated subsidiaries also participate in multiple employer pension plan.

Some consolidated subsidiaries adopt the computational shortcut method in calculating liabilities for retirement benefits and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum retirement benefit plans.

**2. Defined Benefit Plans**

(1) Reconciliation of Retirement Benefit Obligations

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Retirement Benefit Obligations (opening balance) | **¥ 464,353** | ¥ 465,406 | **$ 4,272** |
| Service Cost-Benefits Earned during the Fiscal Year | **13,697** | 14,192 | **126** |
| Interest Cost on Projected Benefit Obligations | **2,339** | 2,337 | **22** |
| Actuarial Gains and Losses that Arose during the Fiscal Year | **154** | 688 | **1** |
| Retirement Benefits Paid | **(18,326)** | (18,095) | **(169)** |
| Past Service Cost that Arose during the Fiscal Year | **—** | (176) | **—** |
| Other | **(1,344)** | — | **(12)** |
| Retirement Benefit Obligations (closing balance) | **¥ 460,872** | ¥ 464,353 | **$ 4,240** |

(2) Reconciliation of Plan Assets

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Plan Assets (opening balance) | **¥ 589,793** | ¥ 615,318 | **$ 5,426** |
| Expected Return on Plan Assets | **24,495** | 26,844 | **225** |
| Actuarial Gains and Losses that Arose during the Fiscal Year | **(72,913)** | (36,661) | **(671)** |
| Contributions by the Employer | **10,892** | 633 | **100** |
| Retirement Benefits Paid | **(16,398)** | (16,342) | **(151)** |
| Plan Assets (closing balance) | **¥ 535,869** | ¥ 589,793 | **$ 4,930** |

(3) Reconciliation between Closing Balances of Retirement Benefit Obligations and Plan Assets, and Liabilities and Assets for Retirement Benefits Recorded in the Consolidated Balance Sheet

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Retirement Benefit Obligations of Retirement Benefit Plans with Plan Assets | **¥ 450,076** | ¥ 452,344 | **$ 4,141** |
| Plan Assets | **(535,869)** | (589,793) | **(4,930)** |
| | **(85,792)** | (137,448) | **(789)** |
| Retirement Benefit Obligations of Retirement Benefit Plans without Plan Assets | **10,796** | 12,008 | **99** |
| Net of Liabilities and Assets Recorded in the Consolidated Balance Sheet | **¥ (74,996)** | ¥(125,439) | **$ (690)** |

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Liabilities for Retirement Benefits | **¥ 12,079** | ¥ 13,470 | **$ 111** |
| Assets for Retirement Benefits | **(87,075)** | (138,909) | **(801)** |
| Net of Liabilities and Assets Recorded in the Consolidated Balance Sheet | **¥(74,996)** | ¥(125,439) | **$(690)** |

(4) Breakdown of Retirement Benefit Expenses

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Service Cost-Benefits Earned during the Fiscal Year | **¥ 13,697** | ¥ 14,192 | **$ 126** |
| Interest Cost on Projected Benefit Obligations | **2,339** | 2,337 | **22** |
| Expected Return on Plan Assets | **(24,495)** | (26,844) | **(225)** |
| Amortization of Actuarial Differences | **5,674** | 3,480 | **52** |
| Amortization of Past Service Cost | **28** | 2 | **0** |
| Other | **592** | 608 | **5** |
| Retirement Benefit Expenses for Defined Benefit Obligations | **¥ (2,164)** | ¥ (6,223) | **$ (20)** |

(5) Remeasurements of Defined Benefit Plans

The breakdown of remeasurements of defined benefit plans (before tax effect) is as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Past Service Cost | **¥ 28** | ¥ 178 | **$ 0** |
| Actuarial Differences | **(67,393)** | (33,869) | **(620)** |
| **Total** | **¥(67,365)** | ¥(33,690) | **$(620)** |

(6) Remeasurements of Defined Benefit Plans

The breakdown of remeasurements of defined benefit plans (before tax effect) is as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Unrecognized Past Service Cost | **¥ (193)** | ¥ (165) | **$ (2)** |
| Unrecognized Actuarial Differences | **100,240** | 32,850 | **922** |
| **Total** | **¥100,046** | ¥32,684 | **$920** |

(7) Plan Assets

1) The asset categories and proportion of the total plan asset are as follows:

| | Proportion (%) | |
|---|---|---|
| | **2020** | 2019 |
| Debt Securities | **32** | 27 |
| Equity Securities | **53** | 59 |
| Cash and Due from Banks | **2** | 2 |
| Other | **13** | 12 |
| **Total** | **100** | 100 |

(Note) The total plan asset includes the retirement benefit trusts set up for a corporate pension plan and a lump-sum retirement benefit plan. They account for 52% and 58% of the total plan asset for the fiscal years ended March 31, 2020 and 2019, respectively.

2) Expected long-term rate of return on plan assets

In order to determine the expected long-term rate of return on plan assets, SuMi TRUST Bank considers the current and projected plan asset allocation, as well as the current and expected long-term rate of return on assets composing plan assets.

(8) Assumptions Used

Major assumptions used in actuarial calculation for the fiscal years ended March 31, 2020 and 2019, are as follows:

| | **2020** | **2019** |
|---|---|---|
| Discount Rate | **Mainly 0.5%** | Mainly 0.5% |
| Expected Long-Term Rate of Return on Plan Assets | **4.1%** | 4.3% |

**3. Defined Contribution Pension Plans**

Contributions by SuMi TRUST Bank and its consolidated subsidiaries to the defined contribution pension plans were ¥1,882 million (U.S. $17 million) and ¥2,006 million for the years ended March 31, 2020 and 2019, respectively.

**Income Taxes**

**1. Deferred Tax Assets and Liabilities**

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| Year Ended March 31 | **2020** | 2019 | **2020** |
| **Deferred Tax Assets:** | | | |
| Allowance for Loan Losses (Including Direct Write-Offs of Loans with Guarantees or Collateral) | **¥ 48,197** | ¥ 38,542 | **$ 443** |
| Impairment of Securities | **18,891** | 19,163 | **174** |
| Deferred Gains (Losses) on Hedges | **25,662** | 14,520 | **236** |
| Remeasurements of Defined Benefit Plans | **30,674** | 10,080 | **282** |
| Other | **53,922** | 53,225 | **496** |
| Subtotal | **¥ 177,347** | ¥ 135,533 | **$ 1,632** |
| Valuation Allowance | **(16,839)** | (14,830) | **(155)** |
| **Deferred Tax Assets** | **¥ 160,508** | ¥ 120,702 | **$ 1,477** |
| **Deferred Tax Liabilities:** | | | |
| Retirement Benefits | **¥ (23,034)** | ¥ (18,041) | **$ (212)** |
| Valuation Differences on Available-for-Sale Securities | **(159,820)** | (208,571) | **(1,470)** |
| Other | **(11,278)** | (12,456) | **(104)** |
| **Deferred Tax Liabilities** | **¥ (194,133)** | ¥ (239,069) | **$ (1,786)** |
| **Net Deferred Tax Assets (Liabilities)** | **¥ (33,625)** | ¥ (118,366) | **$ (309)** |

**2. Effective Income Tax Rate**

Disclosure on reconciliation between the effective statutory tax rate and the effective income tax rate is omitted since the difference was 5% or less of the effective statutory tax rate for the fiscal years ended March 31, 2020 and 2019.

**Segment Information**

**1. Reportable Segment Information**

The SuMi TRUST Bank Group's reportable segments are defined as operating segments for which discrete financial information is available. The Board of Directors and the Executive Committee of the SuMi TRUST Bank Group periodically receive reporting on the operating results and other relevant information of the reportable segments to make decisions about the allocation of management resources and to assess performance.

The reportable segments of the SuMi TRUST Bank Group are determined based on services offered by SuMi TRUST Bank.

The main activities of the reportable segment are presented below:

Retail Total Solution Services:

Provision of services to individual customers

Wholesale Financial Services:

Provision of services to corporate customers

Stock Transfer Agency Services:

Undertaking of stock-related services on behalf of customers

Real Estate:

Provision of services related to the real estate business

Fiduciary Services:

Operation of the pension business, the asset management business, and the asset administration business

Global Markets:

Marketing operations, market-making operations, investment operations, and financial management operations

**2. Method for Calculating Substantial Gross Business Profit and Net Business Profit by Each Reportable Segment**

Segment information is prepared based on internal management reports and the accounting policies used for the reportable segments are generally the same as those presented under "Significant Accounting Policies and Practices"; however, the reportable segments are accounted for in accordance with the rules for the internal management. Since each segment's information will not be used to make decisions about the allocation of resources or assess business performance at the management level, information about assets by reportable segment has not been generated.

Income earned from inter-segment and cross-segment transactions is calculated by applying the criteria (market prices) specified in the rules for internal management.

### 3. Profit or Loss by Reportable Segment

| Year Ended March 31, 2020 | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail Total Solution Services | Wholesale Financial Services | Stock Transfer Agency Services | Real Estate | Fiduciary Services | Global Markets | Others | Total |
| Gross Business Profit | **¥ 130,483** | **¥ 147,088** | **¥21,386** | **¥35,454** | **¥ 52,355** | **¥ 72,590** | **¥ (6,130)** | **¥ 453,227** |
| General and Administrative Expenses | **(123,114)** | **(44,228)** | **(3,742)** | **(9,595)** | **(22,057)** | **(15,049)** | **(28,630)** | **(246,417)** |
| Net Business Profit | **¥ 7,368** | **¥ 102,859** | **¥17,643** | **¥25,859** | **¥ 30,297** | **¥ 57,541** | **¥ (34,761)** | **¥ 206,809** |

| Year Ended March 31, 2019 | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail Total Solution Services | Wholesale Financial Services | Stock Transfer Agency Services | Real Estate | Fiduciary Services | Global Markets | Others | Total |
| Gross Business Profit | ¥ 138,028 | ¥ 137,275 | ¥21,471 | ¥32,410 | ¥ 57,452 | ¥ 45,683 | ¥ 35,015 | ¥ 467,337 |
| General and Administrative Expenses | (122,687) | (41,965) | (3,736) | (9,303) | (24,232) | (15,317) | (18,611) | (235,855) |
| Net Business Profit | ¥ 15,341 | ¥ 95,310 | ¥17,734 | ¥23,106 | ¥ 33,220 | ¥ 30,365 | ¥ 16,403 | ¥ 231,482 |

| Year Ended March 31, 2020 | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail Total Solution Services | Wholesale Financial Services | Stock Transfer Agency Services | Real Estate | Fiduciary Services | Global Markets | Others | Total |
| Gross Business Profit | **$ 1,201** | **$ 1,353** | **$ 197** | **$ 326** | **$ 482** | **$ 668** | **$ (56)** | **$ 4,170** |
| General and Administrative Expenses | **(1,133)** | **(407)** | **(34)** | **(88)** | **(203)** | **(138)** | **(263)** | **(2,267)** |
| Net Business Profit | **$ 68** | **$ 946** | **$ 162** | **$ 238** | **$ 279** | **$ 529** | **$ (320)** | **$ 1,903** |

(Notes)

1) The figures represent “Gross Business Profit” in substitution for net sales to be presented by companies in other industries.

2) The amounts of “Gross Business Profit” include net interest income, net trust fees, net fees and commissions, net trading income, and net other ordinary income and expenses.

3) “General and Administrative Expenses” include personnel expenses and rent expenses.

4) “Others” include costs of capital funding, dividends for shares for cross-shareholdings, and general and administrative expenses of headquarters.

### 4. Reconciliation Between Total Profit or Loss for Reportable Segments and Income Taxes in the Consolidated Statement of Income

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| Total Profit or Loss for Reportable Segments (Net Business Profit) | **¥ 206,809** | ¥ 231,482 | **$ 1,903** |
| Net Business Profit of Consolidated Subsidiaries that are Excluded from the Reportable Segments (Note) | **60,067** | 46,139 | **553** |
| Other Income | **93,529** | 71,551 | **676** |
| Other Expenses | **(115,262)** | (76,810) | **(876)** |
| Other Adjustments | **(29,785)** | (36,829) | **(274)** |
| Income before Income Taxes | **¥ 215,358** | ¥ 235,533 | **$ (1,981)** |

(Note) The amounts include elimination of internal transactions.

**Related Information**

**1. Information by Services**

Disclosure of information by services is omitted as similar disclosure is included in the "3. Profit or Loss by Reportable Segment" in the "Segment Information" section.

**2. Geographic Information**

(1) Income

Income by geographical area for the fiscal years ended March 31, 2020 and 2019, consists of the following:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| Year Ended March 31, 2020 | Japan | Americas | Europe | Asia and Oceania | Total |
| | **¥ 1,095,455** | **¥ 160,783** | **¥ 87,244** | **¥ 106,270** | **¥ 1,449,753** |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| Year Ended March 31, 2019 | Japan | Americas | Europe | Asia and Oceania | Total |
| | ¥ 1,088,865 | ¥ 158,870 | ¥ 87,133 | ¥ 116,967 | ¥ 1,451,837 |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| Year Ended March 31, 2020 | Japan | Americas | Europe | Asia and Oceania | Total |
| | **$ 10,079** | **$ 1,479** | **$ 803** | **$ 978** | **$ 13,338** |

(Notes)

1) The figures represent Income in substitution for net sales to be presented by companies in other industries.

2) Income related to transactions by SuMi TRUST Bank (excluding oversea branches) and other domestic consolidated subsidiaries are presented under "Japan." Income related to transactions by overseas branches of SuMi TRUST Bank and foreign consolidated subsidiaries are presented under "Americas," "Europe," or "Asia and Oceania" based on the location of each overseas branch and subsidiary, reflecting their geographical proximity.

(2) Tangible Fixed Assets

More than 90% of SuMi TRUST Bank Group's tangible fixed assets on the consolidated balance sheet as of March 31, 2020 and 2019, are located in Japan; accordingly, tangible fixed assets by geographical area are not presented.

**3. Information by Major Customer**

Due to highly diversified income-generating transactions between SuMi TRUST Bank Group and a significantly large number of SuMi TRUST Bank Group's customers, transactions are not classified by major counterparty; accordingly, information by major customer is not presented.

**Information Related to Losses on Impairment of Fixed Assets by Reportable Segment**

Losses on impairment of fixed assets are not allocated to the reportable segments.

Losses on impairment of fixed assets recognized during the fiscal years ended March 31, 2020 and 2019, were ¥19,360 million (U.S. $178 million) and ¥16,817 million, respectively.

**Information Related to Amortization of Goodwill and Unamortized Balance of Goodwill by Reportable Segment**

Amortization of goodwill and unamortized balance of goodwill are not allocated to the reportable segments.

Amortization of goodwill recognized during the fiscal years ended March 31, 2020, and 2019, were ¥6,939 million (U.S. $64 million) and ¥9,968 million, respectively. Unamortized balance of goodwill as of March 31, 2019, and 2018, were ¥21,276 million (U.S. $196 million) and ¥63,091 million, respectively.

### Information Related to Gain on Negative Goodwill by Reportable Segment

There was no gain on negative goodwill by reportable segment during the fiscal years ended March 31, 2020 and 2019.

### Related Party Transactions

#### 1. Related Party Transactions

Transactions of the SuMi TRUST Bank with its parent company for the fiscal year ended March 31, 2020 and 2019, are as follows:

| Type | Company Name | Company Location | Capital: Millions of Yen (Millions of U.S. Dollars) | Type of Business | Share of Voting Rights Held (%) | Business Relationship | Transaction Details | Transaction Amounts: Millions of Yen (Millions of U.S. Dollars) | Accounts | Ending Balances: Millions of Yen (Millions of U.S. Dollars) |
|---|---|---|---|---|---|---|---|---|---|---|
| Parent company | Sumitomo Mitsui Trust Holdings, Inc. | Chiyoda-ku, Tokyo | **¥ 261,608 ($ 2,407)** | Bank holding company | Direct 100 | Money lending transaction | Borrowing of funds (Note) | **¥ 40,000 ($ 368)** | Bonds payable (Note) | **¥ 650,000 ($ 5,980)** |
| | | | | | | | Payment of interest (Note) | **¥ 8,128 ($ 75)** | Accrued Expenses | **¥ 2,452 ($ 23)** |

| Type | Company Name | Company Location | Capital: Millions of Yen | Type of Business | Share of Voting Rights Held (%) | Business Relationship | Transaction Details | Transaction Amounts: Millions of Yen | Accounts | Ending Balances: Millions of Yen |
|---|---|---|---|---|---|---|---|---|---|---|
| Parent company | Sumitomo Mitsui Trust Holdings, Inc. | Chiyoda-ku, Tokyo | ¥ 261,608 | Bank holding company | Direct 100 | Money lending transaction | Borrowing of funds (Note) | ¥100,000 | Bonds payable (Note) | ¥ 610,000 |
| | | | | | | | Payment of interest (Note) | ¥ 7,628 | Accrued Expenses | ¥ 2,393 |

Terms and conditions of transactions and policies applied in deciding the terms and conditions

(Note) Loans are all subordinated borrowings. The interest rates of the loans are determined reasonably based on the market interest rates and other rates.

#### 2. Notes on the Parent Company or Significant Affiliated Companies

(1) Parent Company

Sumitomo Mitsui Trust Holdings, Inc. (listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange)

(2) Condensed Financial Information of Significant Affiliated Companies

There was no significant condensed financial information of significant affiliated companies for the fiscal year ended March 31, 2020 to be disclosed.

### Per Share of Common Stock Information

| | Yen | | U.S. Dollars |
|---|---|---|---|
| | **2020** | 2019 | **2020** |
| Net Assets per Share of Common Stock | **¥ 1,305.26** | ¥ 1,472.33 | **$ 12.01** |
| Net Income per Share of Common Stock | **87.89** | 96.47 | **0.81** |

(Notes)

1) Net assets per share of common stock and basis for calculation are as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **As of March 31, 2020** | As of March 31, 2019 | **As of March 31, 2020** |
| Net Assets as Reported | **¥ 2,212,489** | ¥ 2,499,879 | **$ 20,356** |
| Less: | **26,769** | 34,393 | **246** |
| Non-Controlling Interests | **26,769** | 34,393 | **246** |
| Net Assets Attributable to Common Shareholders | **2,185,720** | 2,465,485 | **20,110** |
| The Number of Shares of Common Stock Outstanding (Thousands of Shares) | **1,674,537** | 1,674,537 | **1,674,537** |

2) Net income per share of common stock and basis for calculation are as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **Year Ended March 31, 2020** | Year Ended March 31, 2019 | **Year Ended March 31, 2020** |
| Net Income per Share of Common Stock | | | |
| Net Income Attributable to Owners of the Parent | **¥ 147,190** | ¥ 161,545 | **$ 1,354** |
| Net Income Not Attributable to Common Shareholders | **—** | — | **—** |
| Net Income Related to Common Stock that is Attributable to Owners of the Parent | **147,190** | 161,545 | **1,354** |
| Average Number of Shares of Common Stock Outstanding (Thousands of Shares) | **1,674,537** | 1,674,537 | **1,674,537** |

3) Diluted net income per share of common stock and basis for calculation

Diluted net income per share of common stock for the fiscal years ended March 31, 2020 and 2019 is not presented because there were no dilutive potential shares.

The potential shares that were excluded from the calculation of diluted net income per share of common stock because they have no dilutive effect are as follows:

Fiscal year ended March 31, 2020:

Consolidated subsidiary (Nikko Asset Management Co., Ltd.)

Subscription rights to shares (stock options): 7,863,700 shares of common stock

Fiscal year ended March 31, 2019:

Consolidated subsidiary (Nikko Asset Management Co., Ltd.)

Subscription rights to shares (stock options): 15,088,300 shares of common stock

Nikko Asset Management Co., Ltd. has been excluded from the scope of consolidation effective for the fiscal year ended March 31, 2020. Thus, there is no applicable information as of March 31, 2020.

**Significant Subsequent Event**

Not applicable.

KPMG

## Independent Auditor's Report

To the Board of Directors of
Sumitomo Mitsui Trust Bank, Limited:

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Trust Bank, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Mitsui Trust Bank, Limited and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Convenience Translation**
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in "Basis of Presentation of Financial Statements" to the consolidated financial statements.

KPMG AZSA LLC

June 27, 2019
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

## Financial Data:
## Consolidated Balance Sheet

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
As of March 31, 2019 and 2018

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| **Assets:** | | | |
| Cash and Due from Banks | **¥ 16,042,864** | ¥ 15,661,926 | **$ 144,595** |
| Call Loans and Bills Bought | **50,124** | 92,951 | **452** |
| Receivables under Resale Agreements | **158,734** | 63,531 | **1,431** |
| Receivables under Securities Borrowing Transactions | **759,812** | 624,048 | **6,848** |
| Monetary Claims Bought | **1,082,650** | 955,938 | **9,758** |
| Trading Assets (Notes 1, 2, and 4) | **454,978** | 363,294 | **4,101** |
| Money Held in Trust | **1,393** | 1,357 | **13** |
| Securities (Notes 2 and 4) | **5,692,564** | 5,523,148 | **51,307** |
| Loans and Bills Discounted (Notes 3, 4, and 5) | **29,022,792** | 28,000,640 | **261,584** |
| Foreign Exchanges | **36,936** | 25,554 | **333** |
| Lease Receivables and Investment Assets (Note 4) | **653,447** | 677,238 | **5,890** |
| Other Assets (Notes 4 and 8) | **1,986,352** | 1,826,996 | **17,903** |
| Tangible Fixed Assets (Note 6) | **219,309** | 221,961 | **1,977** |
| Intangible Fixed Assets (Note 7) | **152,896** | 178,131 | **1,378** |
| Assets for Retirement Benefits | **138,909** | 162,960 | **1,252** |
| Deferred Tax Assets | **30,606** | 25,098 | **276** |
| Customers' Liabilities for Acceptances and Guarantees | **557,007** | 508,930 | **5,020** |
| Allowance for Loan Losses | **(99,770)** | (102,903) | **(899)** |
| **Total Assets** | **¥ 56,941,609** | ¥ 54,810,805 | **$ 513,219** |
| **Liabilities:** | | | |
| Deposits (Notes 4 and 9) | **¥ 31,930,697** | ¥ 29,537,135 | **$ 287,794** |
| Negotiable Certificates of Deposit | **6,428,622** | 6,616,336 | **57,942** |
| Call Money and Bills Sold | **72,793** | 436,931 | **656** |
| Payables under Repurchase Agreements (Note 4) | **1,603,191** | 1,454,855 | **14,450** |
| Payables under Securities Lending Transactions (Note 4) | **104,767** | 41,299 | **944** |
| Trading Liabilities (Note 1) | **258,771** | 266,148 | **2,332** |
| Borrowed Money (Notes 4 and 10) | **4,623,801** | 4,870,083 | **41,675** |
| Foreign Exchanges | **457** | 1,984 | **4** |
| Short-Term Bonds Payable | **1,472,786** | 1,062,869 | **13,274** |
| Bonds Payable (Note 11) | **777,834** | 969,966 | **7,011** |
| Borrowed Money from Trust Account (Note 12) | **5,408,009** | 5,172,463 | **48,743** |
| Other Liabilities (Note 13) | **993,243** | 919,098 | **8,952** |
| Provision for Bonuses | **17,161** | 16,023 | **155** |
| Provision for Directors' Bonuses | **294** | 276 | **3** |
| Liabilities for Retirement Benefits | **13,470** | 13,048 | **121** |
| Provision for Reward Points Program | **18,282** | 18,457 | **165** |
| Provision for Reimbursement of Deposits | **5,250** | 3,548 | **47** |
| Provision for Contingent Losses | **3,465** | 4,628 | **31** |
| Deferred Tax Liabilities | **148,972** | 176,113 | **1,343** |
| Deferred Tax Liabilities for Land Revaluation (Note 6) | **2,847** | 3,016 | **26** |
| Acceptances and Guarantees | **557,007** | 508,930 | **5,020** |
| **Total Liabilities** | **¥ 54,441,730** | ¥ 52,093,216 | **$ 490,687** |
| **Net Assets:** | | | |
| Total Shareholders' Equity: | **¥ 2,041,013** | ¥ 2,064,444 | **$ 18,396** |
| Capital Stock | **342,037** | 342,037 | **3,083** |
| Capital Surplus | **391,397** | 455,988 | **3,528** |
| Retained Earnings | **1,307,578** | 1,266,419 | **11,785** |
| Total Accumulated Other Comprehensive Income: | **424,472** | 509,704 | **3,826** |
| Valuation Differences on Available-for-Sale Securities | **481,923** | 531,047 | **4,344** |
| Deferred Gains (Losses) on Hedges | **(36,833)** | (22,773) | **(332)** |
| Revaluation Reserve for Land (Note 6) | **(2,345)** | (1,412) | **(21)** |
| Foreign Currency Translation Adjustments | **4,394** | 2,166 | **40** |
| Adjustments for Retirement Benefits | **(22,665)** | 677 | **(204)** |
| Non-Controlling Interests | **34,393** | 143,439 | **310** |
| **Total Net Assets** | **¥ 2,499,879** | ¥ 2,717,588 | **$ 22,532** |
| **Total Liabilities and Net Assets** | **¥ 56,941,609** | ¥ 54,810,805 | **$ 513,219** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| **Net Assets per Share of Common Stock** | **¥ 1,472.33** | ¥ 1,537.23 | **$ 13.27** |

See accompanying notes.

The figures in U.S. dollars are converted from yen for the convenience of readers outside Japan at the rate of ¥110.95 to U.S. $1.00, the exchange rate prevailing as of March 31, 2019.

**Financial Data:**
**Consolidated Statement of Income**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| **Income:** | | | |
| Trust Fees | **¥ 100,301** | ¥ 94,624 | **$ 904** |
| Interest Income: | **511,540** | 431,598 | **4,611** |
| Interest on Loans and Discounts | **363,275** | 310,083 | **3,274** |
| Interest and Dividends on Securities | **92,672** | 82,503 | **835** |
| Interest on Call Loans and Bills Bought | **1,522** | 1,900 | **14** |
| Interest on Receivables under Resale Agreements | **926** | 1,295 | **8** |
| Interest on Receivables under Securities Borrowing Transactions | **0** | 5 | **0** |
| Interest on Deposits with Banks | **44,755** | 29,347 | **403** |
| Other Interest Income (Note 1) | **8,387** | 6,463 | **76** |
| Fees and Commissions | **383,437** | 380,132 | **3,456** |
| Trading Income (Note 2) | **27,926** | 10,035 | **252** |
| Other Ordinary Income (Note 3) | **357,080** | 306,724 | **3,218** |
| Other Income (Note 4) | **71,551** | 127,725 | **645** |
| **Total Income** | **¥ 1,451,837** | ¥ 1,350,842 | **$ 13,086** |
| **Expenses:** | | | |
| Interest Expenses: | **¥ 372,068** | ¥ 246,248 | **$ 3,353** |
| Interest on Deposits | **128,785** | 95,756 | **1,161** |
| Interest on Negotiable Certificates of Deposit | **81,292** | 42,334 | **733** |
| Interest on Call Money and Bills Sold | **2,213** | 1,290 | **20** |
| Interest on Payables under Repurchase Agreements | **35,615** | 16,404 | **321** |
| Interest on Payables under Securities Lending Transactions | **2,636** | 234 | **24** |
| Interest on Borrowings | **23,291** | 20,197 | **210** |
| Interest on Short-Term Bonds | **23,343** | 4,815 | **210** |
| Interest on Bonds | **16,449** | 16,888 | **148** |
| Other Interest Expenses (Note 1) | **58,439** | 48,325 | **527** |
| Fees and Commissions Payments | **109,242** | 104,778 | **985** |
| Other Ordinary Expenses (Note 3) | **250,699** | 230,440 | **2,260** |
| General and Administrative Expenses (Note 5) | **407,483** | 419,102 | **3,673** |
| Other Expenses (Note 4) | **76,810** | 115,504 | **692** |
| **Total Expenses** | **¥ 1,216,303** | ¥ 1,116,073 | **$ 10,963** |
| **Income before Income Taxes** | **¥ 235,533** | ¥ 234,768 | **$ 2,123** |
| Income Taxes: | **69,952** | 71,330 | **630** |
| Current | **64,849** | 55,739 | **584** |
| Deferred | **5,103** | 15,591 | **46** |
| **Net Income** | **¥ 165,580** | ¥ 163,437 | **$ 1,492** |
| Net Income Attributable to Non-Controlling Interests | **4,035** | 7,561 | **36** |
| **Net Income Attributable to Owners of the Parent** | **¥ 161,545** | ¥ 155,875 | **$ 1,456** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| **Net Income per Share of Common Stock** | **¥ 96.47** | ¥ 93.08 | **$ 0.87** |

See accompanying notes.

**Financial Data:**
**Consolidated Statement of Comprehensive Income**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| **Net Income** | **¥ 165,580** | ¥ 163,437 | **$ 1,492** |
| Other Comprehensive Income (Loss): | | | |
| Valuation Differences on Available-for-Sale Securities | **(50,857)** | 39,248 | **(458)** |
| Deferred Gains (Losses) on Hedges | **(13,417)** | (2,491) | **(121)** |
| Foreign Currency Translation Adjustments | **628** | 2,501 | **6** |
| Remeasurements of Defined Benefit Plans | **(23,373)** | 30,164 | **(211)** |
| Share of Other Comprehensive Income of Equity-Method Affiliated Companies | **772** | (657) | **7** |
| **Total Other Comprehensive Income (Loss) (Note)** | **¥ (86,246)** | ¥ 68,766 | **$ (777)** |
| **Comprehensive Income:** | **¥ 79,333** | ¥ 232,204 | **$ 715** |
| Comprehensive Income Attributable to Owners of the Parent | **75,391** | 224,535 | **680** |
| Comprehensive Income Attributable to Non-Controlling Interests | **3,942** | 7,668 | **36** |

See accompanying notes.

**Financial Data:**
**Consolidated Statement of Changes in Net Assets**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

From April 1, 2018 to March 31, 2019

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Year | **¥ 342,037** | **¥ 455,988** | **¥ 1,266,419** | **¥ 2,064,444** |
| Changes during the Year | | | | |
| Cash Dividends | | **(46,033)** | **(121,320)** | **(167,353)** |
| Net Income Attributable to Owners of the Parent | | | **161,545** | **161,545** |
| Decrease by Corporate Division - Split-off Type | | **(18,540)** | | **(18,540)** |
| Purchase of Shares of Consolidated Subsidiaries | | **(17)** | | **(17)** |
| Reversal of Revaluation Reserve for Land | | | **933** | **933** |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Year | **—** | **(64,590)** | **41,158** | **(23,431)** |
| Balance at the End of the Year | **¥ 342,037** | **¥ 391,397** | **¥ 1,307,578** | **¥ 2,041,013** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Adjustments for Retirement Benefits | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Net Assets |
| Balance at the Beginning of the Year | **¥ 531,047** | **¥ (22,773)** | **¥ (1,412)** | **¥ 2,166** | **¥ 677** | **¥ 509,704** | **¥ 143,439** | **¥ 2,717,588** |
| Changes during the Year | | | | | | | | |
| Cash Dividends | | | | | | | | **(167,353)** |
| Net Income Attributable to Owners of the Parent | | | | | | | | **161,545** |
| Decrease by Corporate Division - Split-off Type | | | | | | | | **(18,540)** |
| Purchase of Shares of Consolidated Subsidiaries | | | | | | | | **(17)** |
| Reversal of Revaluation Reserve for Land | | | | | | | | **933** |
| Net Changes of Items Other Than Shareholders' Equity | **(49,123)** | **(14,060)** | **(933)** | **2,227** | **(23,342)** | **(85,231)** | **(109,045)** | **(194,277)** |
| Total Changes during the Year | **(49,123)** | **(14,060)** | **(933)** | **2,227** | **(23,342)** | **(85,231)** | **(109,045)** | **(217,709)** |
| Balance at the End of the Year | **¥ 481,923** | **¥ (36,833)** | **¥ (2,345)** | **¥ 4,394** | **¥ (22,665)** | **¥ 424,472** | **¥ 34,393** | **¥ 2,499,879** |

See accompanying notes.

From April 1, 2017 to March 31, 2018

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Year | ¥ 342,037 | ¥ 492,039 | ¥ 1,165,558 | ¥ 1,999,635 |
| Changes during the Year | | | | |
| Cash Dividends | | (36,019) | (55,360) | (91,379) |
| Net Income Attributable to Owners of the Parent | | | 155,875 | 155,875 |
| Decrease by Corporate Division - Split-off Type | | — | | — |
| Purchase of Shares of Consolidated Subsidiaries | | (32) | | (32) |
| Reversal of Revaluation Reserve for Land | | | 345 | 345 |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Year | — | (36,051) | 100,861 | 64,809 |
| Balance at the End of the Year | ¥ 342,037 | ¥ 455,988 | ¥ 1,266,419 | ¥ 2,064,444 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Adjustments for Retirement Benefits | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Net Assets |
| Balance at the Beginning of the Year | ¥ 492,920 | ¥ (21,045) | ¥ (1,067) | ¥ 20 | ¥ (29,438) | ¥ 441,390 | ¥ 191,979 | ¥ 2,633,005 |
| Changes during the Year | | | | | | | | |
| Cash Dividends | | | | | | | | (91,379) |
| Net Income Attributable to Owners of the Parent | | | | | | | | 155,875 |
| Decrease by Corporate Division - Split-off Type | | | | | | | | — |
| Purchase of Shares of Consolidated Subsidiaries | | | | | | | | (32) |
| Reversal of Revaluation Reserve for Land | | | | | | | | 345 |
| Net Changes of Items Other Than Shareholders' Equity | 38,126 | (1,728) | (345) | 2,145 | 30,115 | 68,313 | (48,539) | 19,773 |
| Total Changes during the Year | 38,126 | (1,728) | (345) | 2,145 | 30,115 | 68,313 | (48,539) | 84,583 |
| Balance at the End of the Year | ¥ 531,047 | ¥ (22,773) | ¥ (1,412) | ¥ 2,166 | ¥ 677 | ¥ 509,704 | ¥ 143,439 | ¥ 2,717,588 |

See accompanying notes.

From April 1, 2018 to March 31, 2019

| | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Year | **$ 3,083** | **$ 4,110** | **$ 11,414** | **$ 18,607** |
| Changes during the Year | | | | |
| Cash Dividends | | **(415)** | **(1,093)** | **(1,508)** |
| Net Income Attributable to Owners of the Parent | | | **1,456** | **1,456** |
| Decrease by Corporate Division - Split-off Type | | **(167)** | | **(167)** |
| Purchase of Shares of Consolidated Subsidiaries | | **(0)** | | **(0)** |
| Reversal of Revaluation Reserve for Land | | | **8** | **8** |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Year | **—** | **(582)** | **371** | **(211)** |
| Balance at the End of the Year | **$ 3,083** | **$ 3,528** | **$ 11,785** | **$ 18,396** |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Adjustments for Retirement Benefits | Total Accumulated Other Comprehensive Income | Non-Controlling interests | Total Net Assets |
| Balance at the Beginning of the Year | **$ 4,786** | **$ (205)** | **$ (13)** | **$ 20** | **$ 6** | **$ 4,594** | **$ 1,293** | **$ 24,494** |
| Changes during the Year | | | | | | | | |
| Cash Dividends | | | | | | | | **(1,508)** |
| Net Income Attributable to Owners of the Parent | | | | | | | | **1,456** |
| Decrease by Corporate Division - Split-off Type | | | | | | | | **(167)** |
| Purchase of Shares of Consolidated Subsidiaries | | | | | | | | **(0)** |
| Reversal of Revaluation Reserve for Land | | | | | | | | **8** |
| Net Changes of Items Other Than Shareholders' Equity | **(443)** | **(127)** | **(8)** | **20** | **(210)** | **(768)** | **(983)** | **(1,751)** |
| Total Changes during the Year | **(443)** | **(127)** | **(8)** | **20** | **(210)** | **(768)** | **(983)** | **(1,962)** |
| Balance at the End of the Year | **$ 4,344** | **$ (332)** | **$ (21)** | **$ 40** | **$(204)** | **$ 3,826** | **$ 310** | **$ 22,532** |

See accompanying notes.

**Financial Data:**
**Consolidated Statement of Cash Flows**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| **Cash Flows from Operating Activities:** | | | |
| Income before Income Taxes | **¥ 235,533** | ¥ 234,768 | **$ 2,123** |
| Depreciation and Amortization | **32,470** | 28,319 | **293** |
| Impairment Losses | **16,817** | 7,876 | **152** |
| Amortization of Goodwill | **9,968** | 9,968 | **90** |
| Equity in Losses (Earnings) of Affiliated Companies | **(5,978)** | (5,781) | **(54)** |
| Increase (Decrease) in Allowance for Loan Losses | **(3,132)** | (12,891) | **(28)** |
| Increase (Decrease) in Provision for Bonuses | **1,138** | 294 | **10** |
| Increase (Decrease) in Provision for Directors' Bonuses | **17** | 17 | **0** |
| Decrease (Increase) in Assets for Retirement Benefits | **27,395** | (27,851) | **247** |
| Increase (Decrease) in Liabilities for Retirement Benefits | **935** | 1,928 | **8** |
| Increase (Decrease) in Provision for Reward Points Program | **(175)** | 938 | **(2)** |
| Increase (Decrease) in Provision for Reimbursement of Deposits | **1,702** | (35) | **15** |
| Increase (Decrease) in Provision for Contingent Losses | **(1,162)** | (3,145) | **(10)** |
| Interest Income | **(511,540)** | (431,598) | **(4,611)** |
| Interest Expenses | **372,068** | 246,248 | **3,353** |
| Loss (Gain) Related to Securities | **(8,915)** | (396) | **(80)** |
| Loss (Gain) on Money Held in Trust | **(72)** | (70) | **(1)** |
| Foreign Exchange Losses (Gains) | **(38,601)** | 53,813 | **(348)** |
| Loss (Gain) on Disposal of Fixed Assets | **(1,006)** | (16,299) | **(9)** |
| Net Decrease (Increase) in Trading Assets | **(91,683)** | 133,269 | **(826)** |
| Net Increase (Decrease) in Trading Liabilities | **(7,376)** | (100,730) | **(66)** |
| Net Decrease (Increase) in Loans and Bills Discounted | **(1,018,847)** | (14,672) | **(9,183)** |
| Net Increase (Decrease) in Deposits | **2,398,945** | 329,059 | **21,622** |
| Net Increase (Decrease) in Negotiable Certificates of Deposit | **(187,713)** | (772,281) | **(1,692)** |
| Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings) | **(326,251)** | 931,928 | **(2,941)** |
| Net Decrease (Increase) in Due from Banks (Excluding Due from the Bank of Japan) | **334,589** | 112,154 | **3,016** |
| Net Decrease (Increase) in Call Loans | **(179,128)** | (57,294) | **(1,614)** |
| Net Decrease (Increase) in Receivables under Securities Borrowing Transactions | **(135,764)** | (159,092) | **(1,224)** |
| Net Increase (Decrease) in Call Money | **(215,448)** | 483,959 | **(1,942)** |
| Net Increase (Decrease) in Payables under Securities Lending Transactions | **63,468** | 27,600 | **572** |
| Net Decrease (Increase) in Foreign Exchange-Assets | **(11,382)** | (9,364) | **(103)** |
| Net Increase (Decrease) in Foreign Exchange-Liabilities | **(1,526)** | 1,748 | **(14)** |
| Net Decrease (Increase) in Lease Receivables and Investment Assets | **23,791** | (9,430) | **214** |
| Net Increase (Decrease) in Short-Term Bonds Payable | **409,917** | 158,620 | **3,695** |
| Increase (Decrease) in Straight Bonds-Issuance and Redemption | **(192,132)** | (14,128) | **(1,732)** |
| Net Increase (Decrease) in Borrowed Money from Trust Account | **235,545** | 1,198,840 | **2,123** |
| Interest Received | **520,473** | 419,657 | **4,691** |
| Interest Paid | **(361,651)** | (249,546) | **(3,260)** |
| Other, Net | **(201,676)** | (84,057) | **(1,818)** |
| Subtotal | **¥ 1,183,608** | ¥2,412,342 | **$10,668** |
| Income Taxes (Paid) Refunded | **(70,244)** | (42,860) | **(633)** |
| **Net Cash Provided by (Used in) Operating Activities** | **¥ 1,113,363** | ¥2,369,481 | **$10,035** |

(Continued)

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| **Cash Flows from Investment Activities:** | | | |
| Purchase of Securities | **¥ (6,084,792)** | ¥ (7,250,600) | **$ (54,843)** |
| Proceeds from Sales of Securities | **4,399,149** | 5,436,327 | **39,650** |
| Proceeds from Redemption of Securities | **1,543,239** | 1,038,214 | **13,909** |
| Decrease in Money Held in Trust | **—** | 150 | **—** |
| Purchase of Tangible Fixed Assets | **(12,368)** | (9,936) | **(111)** |
| Proceeds from Sales of Tangible Fixed Assets | **2,645** | 25,059 | **24** |
| Purchase of Intangible Fixed Assets | **(24,719)** | (18,557) | **(223)** |
| Proceeds from Sales of Intangible Fixed Assets | **—** | 68 | **—** |
| Purchase of Shares of Affiliated Companies Accounted for Using the Equity Method | **(11,178)** | (5,536) | **(101)** |
| Proceeds from Sales of Shares of Affiliated Companies Accounted for Using the Equity Method | **—** | 961 | **—** |
| **Net Cash Provided by (Used in) Investment Activities** | **¥ (188,024)** | ¥ (783,848) | **$ (1,695)** |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from Subordinated Borrowings | **¥ 100,000** | ¥ 150,000 | **$ 901** |
| Repayments of Subordinated Borrowings | **(20,000)** | (25,000) | **(180)** |
| Payments for Redemption of Subordinated Bonds and Bonds with Subscription Rights to Shares | **—** | (50,000) | **—** |
| Purchase of Shares of Subsidiaries without Change in the Scope of Consolidation | **(47)** | (113) | **(0)** |
| Repayments to Non-Controlling Interests | **(110,000)** | (50,170) | **(991)** |
| Cash Dividends Paid | **(167,353)** | (91,379) | **(1,508)** |
| Cash Dividends Paid to Non-Controlling Interests | **(2,648)** | (5,699) | **(24)** |
| **Net Cash Provided by (Used in) Financing Activities** | **¥ (200,049)** | ¥ (72,362) | **$ (1,803)** |
| Effect of Exchange Rate Change on Cash and Cash Equivalents | **¥ (7,226)** | ¥ (8,876) | **$ (65)** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **¥ 718,064** | ¥ 1,504,394 | **$ 6,472** |
| Cash and Cash Equivalents at the Beginning of the Year | **¥13,361,241** | ¥11,856,847 | **$120,426** |
| **Net Increase (Decrease) in Cash and Cash Equivalents with Change in the Scope of Consolidation** | **¥ (2,537)** | ¥ — | **$ (23)** |
| **Cash and Cash Equivalents at the End of the Year (Note)** | **¥14,076,767** | ¥13,361,241 | **$126,875** |

See accompanying notes.

**Financial Data:**
**Notes to Consolidated Financial Statements**

**Basis of Presentation of Financial Statements**

The accompanying consolidated financial statements (banking account) have been prepared from the accounts maintained by Sumitomo Mitsui Trust Bank, Limited ("SuMi TRUST Bank") and its consolidated subsidiaries (together, "SuMi TRUST Bank Group") in accordance with the accounting principles generally accepted in Japan and certain accounting and disclosure rules under the Financial Instruments and Exchange Act of Japan and the Banking Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, the consolidated financial statements of SuMi TRUST Bank issued in Japan have been reclassified and rearranged in order to present them in a form that is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SuMi TRUST Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan. The translation has been made at the rate of ¥110.95 to U.S. $1, the approximate rate of exchange as of March 29, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts less than one million Japanese yen have been rounded down and amounts less than one million U.S. dollars have been rounded off. As a result, total balances may not be equal to the sum of individual amounts.

**Significant Accounting Policies and Practices**

**1. Scope of Consolidation**

(1) Consolidated Subsidiaries as of March 31, 2019:

55 companies

Principal Companies:

Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.

Nikko Asset Management Co., Ltd.

Sumitomo Mitsui Trust Loan & Finance Co., Ltd.

Sumitomo Mitsui Trust Realty Co., Ltd.

Sumitomo Mitsui Trust and Bank (U.S.A.) Limited

Changes in the consolidated subsidiaries during the current fiscal year are as follows:

SMTP OCEAN PTE. LTD. is newly established and included in the scope of the consolidation from the fiscal year ended March 31, 2019.

STB Preferred Capital 4 (Cayman) Limited and one other company are excluded from the scope of consolidation due to liquidation effective from the fiscal year ended March 31, 2019.

Sumitomo Mitsui Trust International Limited, previously a consolidated subsidiary of SuMi TRUST Bank, became a subsidiary of Sumitomo Mitsui Trust Asset Management Co., Ltd. due to the split of asset management functions from SuMi TRUST Bank and has been excluded from the scope of consolidation effective from the fiscal year ended March 31, 2019.

(2) Unconsolidated Subsidiaries

Principal Companies:

Hummingbird Co., Ltd.

Asia GATEWAY I, L.P.

Hummingbird Co., Ltd., and 22 other companies are excluded from the scope of consolidation in accordance with Article 5, Paragraph 1, Item 2 of the Consolidated Financial Statements Regulations, because they are operators engaged in leasing activities through silent partnership arrangements and their assets and profits/losses do not belong to the subsidiaries.

ASIA GATEWAY I, L.P., and other unconsolidated subsidiaries are excluded from the scope of consolidation, because they are immaterial to the extent that excluding such companies from consolidation would not prevent a reasonable assessment of the corporate group's financial position and financial results. Such materiality is determined based on the size of their assets, ordinary income, net income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), retained earnings (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), accumulated other comprehensive income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), and other financial data.

**2. Application of the Equity Method**

(1) Unconsolidated Subsidiaries Accounted for by the Equity Method:

None

(2) Affiliated Companies Accounted for by the Equity Method:

27 companies

Principal Companies:

SBI Sumishin Net Bank, Ltd.

Changes in affiliated companies accounted for by the equity method during the current fiscal year are as follows:

Cardif Assurance Vie Japan and two other companies are included in the scope of application of the equity method due mainly to the acquisition of their shares from the fiscal year ended March 31, 2019.

(3) Unconsolidated Subsidiaries and Affiliated Companies that are Not Accounted for by the Equity Method:

Principal Companies:

Hummingbird Co., Ltd.

Asia Gateway I, L.P.

Hummingbird Co., Ltd., and 22 other companies are excluded from the scope of application of the equity method in accordance with Article 10, Paragraph 1, Item 2 of the Consolidated Financial Statements Regulations because they are operators engaged in leasing activities through silent partnership arrangements, and their assets and profits/ losses do not belong to the subsidiaries.

ASIA GATEWAY I, L.P. and other unconsolidated subsidiaries and affiliated companies that are not accounted for by the equity method are excluded from the scope of application of the equity method because such exclusion would not materially affect the consolidated financial statements for the current fiscal year. Such materiality is determined based on the size of their net income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), retained earnings (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), accumulated other comprehensive income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), and other financial data.

**3. Balance Sheet Dates of the Consolidated Subsidiaries**

(1) Balance sheet dates of consolidated subsidiaries are as follows:

| | |
|---|---|
| April 30: | 2 companies |
| May 31: | 1 company |
| August 31: | 1 company |
| September 30: | 5 companies |
| November 30: | 1 company |
| December 31: | 6 companies |
| March 31: | 39 companies |

(2) Subsidiaries are consolidated using the financial statements as of the following dates:

- Consolidated subsidiaries with a balance sheet date of April 30: Provisionally prepared financial statements as of January 31
- A consolidated subsidiary with a balance sheet date of May 31: Provisionally prepared financial statements as of February 28
- A consolidated subsidiary with a balance sheet date of August 31: Provisionally prepared financial statements as of February 28
- Consolidated subsidiaries with a balance sheet date of September 30: Provisionally prepared financial statements as of March 31
- A consolidated subsidiary with a balance sheet date of November 30: Provisionally prepared financial statements as of February 28
- The other consolidated subsidiaries: Financial statements as of their respective balance sheet dates.

Material transactions arising between the consolidated balance sheet date, March 31, 2019, and the above balance sheet dates of subsidiaries have been reflected in the consolidated financial statements.

**4. Significant Accounting Policies**

(1) Trading Assets/Liabilities and Income/Expenses

Trading account activities are conducted to seek profits by taking advantage of short-term fluctuations in interest rates, currency rates, financial markets or other indicators, or inter-market differences (for trading purposes). The fluctuations in such items are presented as “Trading Assets” or “Trading Liabilities” in the consolidated balance sheet on a trade-date basis, and gains and losses from such transactions are presented as “Trading Income” or “Trading Expenses” in the consolidated statement of income.

For the measurement of trading assets and trading liabilities, securities and monetary claims are stated at their fair values as of the consolidated balance sheet date, and trading-related financial derivatives, such as swaps, futures, and options, are stated at the amounts that would be settled if they were terminated on the consolidated balance sheet date.

Trading income and trading expenses include interest income or expenses, adjusting valuation differences of securities and monetary claims during the fiscal year and differences in resulting gains or losses from the settlement of financial derivatives assuming that the settlement was made in cash as of March 31, 2019 and 2018.

(2) Securities

(a) Under the accounting standards for financial instruments in Japan, SuMi TRUST Bank is required to determine the purposes of holding each security and classify such security into (i) securities held for trading purposes (“Trading Securities”), (ii) debt securities intended to be held to maturity (“Held-to-Maturity Debt Securities”), (iii) equity securities issued by subsidiaries and affiliated companies, or (iv) all other securities that are not classified in any of the above categories

("Available-for-Sale Securities"). "Held-to-Maturity Debt Securities" are carried at amortized cost using the moving-average method (the straight-line method). Equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method are stated at moving-average cost. "Available-for-Sale Securities" are, in principle, valued at the market price at the balance sheet date (cost of securities sold is calculated using primarily the moving-average method). "Available-for-Sale Securities" for which their fair values are extremely difficult to be determined are carried at cost using the moving-average method.

Valuation differences on "Available-for-Sale Securities" are recorded as a separate component of net assets and reported in the consolidated balance sheet.

(Changes in Accounting Policies)

The stocks classified as "Available-for-Sale Securities" that have market value are valued at the market price at the balance sheet date effective from the year ended March 31, 2019, which were previously valued at the average market price during the final month of the fiscal year.

SuMi TRUST Bank is currently in the efforts of enhancing company-wide risk management, including reduction of market price fluctuation risk and control of economic value of the strategic shareholdings. In the midst of such circumstances, SuMi TRUST Bank adopted the above change in accounting policies since it came to a conclusion that the market price at the balance sheet date is more appropriate to represent the financial position of the SuMi TRUST Bank Group as of that date, considering the finalization of Basel III reforms in December 2017 and recent discussions over strategic shareholdings.

The new accounting policy is not applied retrospectively as its effects on the consolidated profit and loss for the fiscal year ended March 31, 2018, and cumulative effects up to the beginning of the fiscal year ended March 31, 2019, are immaterial.

(b) Securities in money held in trust are classified and accounted for in the same manner as those described in 4. (1) and 4. (2) (a) above.

(3) Financial Derivatives

Financial derivatives, excluding those for trading purposes, are stated at fair value.

(4) Depreciation and Amortization Methods

(a) Tangible fixed assets other than lease assets

Tangible fixed assets are depreciated using primarily the straight-line method.

Useful lives of major asset categories:

Buildings: 3 to 60 years
Others: 2 to 20 years

(b) Intangible fixed assets other than lease assets

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized over the useful life specified by SuMi TRUST Bank or the consolidated subsidiaries, generally five years.

(c) Lease assets

The lease assets under "Tangible Fixed Assets" and "Intangible Fixed Assets" that are related to finance leases that do not transfer ownership of the lease assets to lessees are depreciated using the straight-line method over the lease term, assuming a residual value of zero.

(5) Allowance for Loan Losses

SuMi TRUST Bank records allowance for loan losses in accordance with internally established criteria for write-offs and allowance for loan losses.

For claims against borrowers that have initiated special liquidation proceedings or other bankruptcy proceedings (“legal bankruptcy”) and against borrowers that are in substantially similar adverse condition (“virtual bankruptcy”), the allowance is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees. For claims against borrowers that have not yet initiated bankruptcy proceedings, but are very likely to become bankrupt in the future (“possible bankruptcy”), an allowance is provided for the amount deemed necessary based on the overall assessment of the borrowers’ solvency, after deducting the amount expected to be collected through the disposal of collateral or execution of guarantees from the claims.

For claims against large borrowers with certain credit risks and credit amounts that are classified as possible bankruptcy borrowers, restructured loan borrowers, or close-observation borrowers, if future cash flows from collection of the principal and interest can be reasonably estimated, the allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate prior to the loan restructuring and the carrying amount of the claim (the “estimated cash flow method”).

For claims that are classified as other than those above, the allowance is provided based on the historical loan-loss ratios during a certain period.

All claims are assessed at branches and credit supervision departments based on the criteria for self-assessment of asset quality. The Risk Management Department, which is independent from the operating sections, monitors the results of such assessments.

As for the consolidated subsidiaries, the allowance for loan losses for general claims is provided based on the historical loan-loss ratios, and the allowance for loan losses for specific claims, such as possible uncollectible claims, is provided based on the estimate of unrecoverable amount for each claim.

For claims against borrowers who are legally bankrupt or virtually bankrupt with collateral or guarantees, claims against borrowers in legal or virtual bankruptcy, net of amounts expected to be collected through the disposal of collateral or through the execution of guarantees, are directly deducted from the original amount of claims. The deducted amount was ¥17,877 million (U.S. $161 million) and ¥16,705 million as of March 31, 2019 and 2018, respectively.

(6) Provision for Bonuses

A provision for bonuses is provided for the estimated employee bonuses attributable to the current fiscal year.

(7) Provision for Directors’ Bonuses

A provision for directors’ bonuses is provided at SuMi TRUST Bank and some of the consolidated subsidiaries for the estimated directors’ bonuses attributable to the current fiscal year.

(8) Provision for Reward Points Program

A provision for reward points program is provided for the use of points granted to holders of Diners Club Card and other credit cards in the amount deemed necessary based on the reasonable estimates of the points to be used in the future.

(9) Provision for Reimbursement of Deposits in Dormant Accounts

A provision for reimbursement of deposits in dormant accounts is provided for the deposits that were derecognized as liabilities under certain conditions. Such provision is provided against the estimated future reimbursement to be requested by customers based on the past reimbursement record.

(10) Provision for Contingent Losses

A provision for contingent losses is provided for contingent losses associated with off-balance sheet transactions or trust transactions in the amount deemed necessary based on the estimated possible future losses.

(11) Accounting for Retirement Benefits

In determining the retirement benefit obligations, projected benefits to the periods up to the year ended March 31, 2019, are attributed based on the plan's benefit formula.

Past service cost and actuarial gains or losses are expensed using the following methods:

Past service cost: Past service cost is recognized using the straight-line method, primarily over 10 years within the employees' average remaining service period at incurrence.

Actuarial gains or losses: Actuarial differences are expensed using the straight-line method, primarily over 8 to 10 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

Some consolidated subsidiaries adopt the simplified method in calculating liabilities for retirement benefits and retirement benefit expenses for lump-sum retirement benefit plans, recording liabilities at amounts that would be required for voluntary termination at the year-end.

(12) Foreign Currency Translation

Assets and liabilities of SuMi TRUST Bank that are denominated in foreign currencies and overseas branch accounts are generally translated into yen at the exchange rates prevailing at the consolidated balance sheet date, except for shares of stocks in affiliated companies translated into yen at the exchange rates prevailing at the acquisition dates.

Assets and liabilities of consolidated subsidiaries that are denominated in foreign currencies are translated into yen at the exchange rates prevailing at their respective balance sheet dates.

(13) Accounting for Leases

As for the consolidated subsidiaries in Japan, income and expenses arising from transactions of finance leases that do not transfer ownerships to lessees are recognized as sales and costs of sales when lease payments are collected.

(14) Hedge Accounting

(a) Interest-related risk hedge

SuMi TRUST Bank manages interest rate risk arising from various assets and liabilities by using financial derivatives transactions. Such transactions are generally treated as deferred hedges as specified in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Auditing Committee Report No. 24 of February 13, 2002, "Report No. 24"). To evaluate the effectiveness of hedges designed to offset market fluctuations, hedged items, such as deposits, loans and bills discounted, and hedging instruments, such as interest rate swaps, are grouped by duration to maturity. The effectiveness of hedges designed to fix cash flow is evaluated by verifying the correlation between the interest volatility factors for the hedged items and those for the hedging instruments.

In accordance with "Temporary Treatment for Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Auditing Committee Report No. 15), SuMi TRUST Bank has adopted "Macro Hedge Accounting" to account for certain interest-related derivatives, which are utilized to manage interest rate risk arising from transactions, such as loans and bills discounted, and deposits. Deferred gains (losses) on hedges in the consolidated balance sheet as of the end of the current fiscal year that have resulted from existing "Macro Hedge Accounting" are amortized over the remaining period designated under "Macro Hedge Accounting" of each hedging transaction.

Deferred losses on hedges associated with “Macro Hedge Accounting” were ¥58 million (U.S. $1 million) and ¥90 million (before tax effect) as of March 31, 2019 and 2018, respectively.

(b) Currency-related risk hedge

SuMi TRUST Bank manages the foreign exchange risk arising from various assets and liabilities denominated in foreign currencies using financial derivatives transactions. Such transactions are generally treated as deferred hedges as specified in “Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry” (JICPA Industry Auditing Committee Report No. 25 of July 29, 2002, “Report No. 25”). The effectiveness of hedging instruments, such as cross-currency swaps and foreign exchange swaps, as a means of mitigating the foreign exchange risk arising from monetary claims and debts denominated in foreign currencies, is evaluated by verifying that the foreign currency positions of such hedging instruments are in amounts equivalent to the corresponding monetary claims and debts denominated in foreign currencies, which are the hedged items.

Additionally, transactions intended to hedge the foreign exchange risk associated with foreign-denominated securities (other than bonds) are treated as portfolio hedges. Fair value hedge accounting has been adopted to account for such transactions on the conditions that specific foreign-denominated securities are designated in advance as hedged items and that foreign currency payables of spot and forward foreign exchange contracts exist in excess of the acquisition cost of such foreign-denominated securities on a foreign currency basis.

The foreign exchange risk associated with investment in the shares of stocks in foreign subsidiaries and affiliated companies is individually hedged using forward exchange contracts denominated in the same currency, and foreign currency translation adjustments arising from the hedging instruments are included in “Foreign Currency Translation Adjustments.”

(c) Internal hedge transactions and others

Among derivatives transactions of SuMi TRUST Bank that take place between consolidated subsidiaries or that are made internally between designated trading accounts and some other accounts, those interest rate swaps and cross-currency swaps designated as hedging instruments are carried out in accordance with standards for cover deals with external parties, which eliminate discretion and enable strict management on hedges pursuant to Report No. 24 and Report No. 25. Accordingly, income or expenses arising from such interest rate swaps and cross-currency swaps are recognized as profits or losses, or deferred, rather than eliminated.

Deferred hedge accounting has been adopted for certain assets and liabilities by individual transactions.

Other consolidated subsidiaries account for such transactions as deferred hedges or exceptional treatment for interest rate swaps.

(15) Amortization of Goodwill

Goodwill is amortized over a period within 20 years that is reasonably determined for each case. Goodwill deemed immaterial, however, is expensed as incurred.

(16) Scope of Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

For SuMi TRUST Bank, the balance of “Cash and Cash Equivalents” in the consolidated statement of cash flows is equivalent to the balance of cash and due from the Bank of Japan under “Cash and Due from Banks” presented in the consolidated balance sheet. For the consolidated subsidiaries, the balance of “Cash and Cash Equivalents” in the consolidated statement of cash flows is equivalent to the balance of “Cash and Due from Banks” presented in the consolidated balance sheet.

(17) National and Local Consumption Taxes

National and local consumption taxes (“consumption taxes”) payable by SuMi TRUST Bank and its consolidated subsidiaries in Japan are accounted for by the tax-excluded method. However, any

nondeductible consumption taxes associated with asset purchases are recorded as expenses in the current fiscal year.

**New Accounting Standards and Interpretations Not Yet Adopted**

The following standard and guidance were issued but not yet adopted.

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

SuMi TRUST Bank is currently in the process of determining the effects of these new standards on the consolidated financial statements.

**Additional Information**

SuMi TRUST Bank and its certain consolidated subsidiaries in Japan received an approval from the commissioner of the National Tax Agency in Japan on the application of a consolidated taxation system with Sumitomo Mitsui Trust Holdings, Inc. (“SuMi TRUST Holdings”) as the parent company for consolidated filing, starting from the fiscal year ending March 31, 2020. Accordingly, accounting treatments for the fiscal year ended March 31, 2019, are on the basis of filing the consolidated tax return in accordance with the “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) (ASBJ Practical Issues Task Force (“PITF”) No. 5, January 16, 2015)” and “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2) (PITF No. 7, January 16, 2015).”

**Notes to the Consolidated Balance Sheet**

**1. Trading Assets and Trading Liabilities**

(1) Trading assets as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Securities in Trading Account | **¥ 106,883** | ¥ 18,868 | **$ 963** |
| Derivatives of Trading Securities | **—** | 162 | **—** |
| Derivatives of Securities Related to Trading Transactions | **537** | 549 | **5** |
| Trading-Related Financial Derivatives | **291,252** | 300,712 | **2,625** |
| Other Trading Assets | **56,305** | 43,001 | **507** |
| **Total** | **¥ 454,978** | ¥ 363,294 | **$ 4,101** |

(2) Trading liabilities as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Derivatives of Trading Securities | **¥ 35** | 25 | **$ 0** |
| Derivatives of Securities Related to Trading Transactions | **55** | 4 | **0** |
| Trading-Related Financial Derivatives | **258,681** | 266,118 | **2,332** |
| **Total** | **¥ 258,771** | ¥ 266,148 | **$ 2,332** |

**2. Securities**

Securities held as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Government Bonds | **¥ 420,371** | ¥ 360,634 | **$ 3,789** |
| Local Government Bonds | **8,764** | 7,284 | **79** |
| Corporate Bonds | **613,432** | 598,416 | **5,529** |
| Stocks | **1,535,280** | 1,656,099 | **13,838** |
| Other Securities | **3,114,714** | 2,900,713 | **28,073** |
| **Total** | **¥ 5,692,564** | ¥ 5,523,148 | **$ 51,307** |

"Securities" include stocks and equity investments in unconsolidated subsidiaries and affiliated companies as follows.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Stocks | **¥ 108,170** | ¥ 93,256 | **$ 975** |
| Equity Investments | **43,364** | 32,535 | **391** |

Securities borrowed under unsecured loan agreements and securities purchased under resale agreements or borrowed with cash collateral that SuMi TRUST Bank has a right to freely sell or repledge, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Securities that are Further Collateralized | **¥ 109,732** | ¥ — | **$ 989** |
| Securities that are Further Loaned | **1,400,284** | 1,116,847 | **12,621** |
| Securities Held without Selling or Repledging as of the End of the Fiscal Year | **26,550** | 27,486 | **239** |

The bonds presented under "Securities" included guarantee obligations on corporate bonds that were placed through private securities offerings (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) amounting to ¥88,611 million (U.S. $799 million) and ¥95,784 million as of March 31, 2019 and 2018, respectively.

**3. Loans and Bills Discounted**

Loans and bills discounted as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Bills Discounted | **¥ 1,709** | ¥ 1,714 | **$ 15** |
| Loans on Bills | **222,160** | 199,463 | **2,002** |
| Loans on Deeds | **27,182,656** | 26,148,000 | **244,999** |
| Overdrafts | **1,616,266** | 1,651,463 | **14,568** |
| **Total** | **¥ 29,022,792** | ¥ 28,000,640 | **$ 261,584** |

Bills discounted are treated as financial transactions in accordance with Report No. 24. SuMi TRUST Bank has a right to freely sell or (re)pledge such commercial bills. The total face value of these bills amounted to ¥1,709 million (U.S. $15 million) and ¥1,714 million as of March 31, 2019 and 2018, respectively.

Loans and bills discounted as of March 31, 2019 and 2018, included the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Loans in Bankruptcy Proceedings | **¥ 7,096** | ¥ 6,010 | **$ 64** |
| Delinquent Loans | **70,358** | 47,560 | **634** |
| Loans Past Due Three Months or More | **—** | — | **—** |
| Restructured Loans | **23,255** | 24,013 | **210** |
| **Total** | **¥ 100,710** | ¥ 77,584 | **$ 908** |

Loans in bankruptcy proceedings are loans whose interest receivable is not recorded due to delinquency in principal or interest payments for a significant period or other reasons excluding loans that have been written off ("nonaccrual loans"), and that meet the conditions as prescribed in Paragraph 1, Items 3 and 4 of Article 96 of "Enforcement Ordinance for the Corporation Tax Act" (Cabinet Order No. 97 of 1965).

Delinquent loans are nonaccrual loans other than (i) loans in bankruptcy proceedings and (ii) loans for which the terms of interest payments have been extended in connection with the borrower's business restructuring or to otherwise provide support.

Loans past due three months or more are those loans for which principal or interest payments are more than three months past due (calculated from the day following the contractual payment date), excluding loans classified as loans in bankruptcy proceedings or delinquent loans.

Restructured loans are those loans whose terms have been modified by reducing or waiving interest, granting interest payment extensions, granting principal repayment extensions, forgiving debt, or otherwise providing some arrangements favorable to the borrower in connection with the borrower's business restructuring or to otherwise provide support, excluding those loans classified as loans in bankruptcy proceedings, delinquent loans, or loans past due three months or more.

**4. Assets Pledged**

Assets pledged as collateral as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| **Assets Pledged as Collateral:** | | | |
| Trading Assets | **¥ 31,497** | ¥ 8,063 | **$ 284** |
| Securities | **745,379** | 928,202 | **6,718** |
| Loans and Bills Discounted | **5,022,262** | 5,116,148 | **45,266** |
| Lease Receivables and Investment Assets | **59,711** | 25,441 | **538** |
| Other Assets | **359,914** | 270,982 | **3,244** |
| **Total** | **¥ 6,218,765** | ¥ 6,348,839 | **$ 56,050** |
| **Corresponding Liabilities to Assets Pledged as Collateral:** | | | |
| Deposits | **¥ 7,943** | ¥ 12,894 | **$ 72** |
| Payables under Repurchase Agreements | **787,052** | 897,680 | **7,094** |
| Payables under Securities Lending Transactions | **104,767** | 41,299 | **944** |
| Borrowed Money | **2,751,266** | 2,948,698 | **24,797** |

In addition to the foregoing, the following assets have been pledged as collateral for settlement of exchange and others, or as a substitution of margin of futures and others.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Securities | **¥ 396,037** | ¥ 481,235 | **$ 3,570** |

"Other Assets" include initial margins of futures, security deposits, cash collateral pledged for financial instruments, and cash collateral pledged for repurchase agreement transactions. Such amounts are as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Initial Margins of Futures Markets | **¥ 5,752** | ¥ 8,733 | **$ 52** |
| Security Deposits | **26,621** | 24,039 | **240** |
| Cash Collateral Pledged for Financial Instruments-Assets | **609,432** | 556,806 | **5,493** |
| Cash Collateral Pledged for Repurchase Agreement Transactions | **11,067** | 10,841 | **100** |

**5. Overdraft Facility Agreements and Commitment Lines of Credit**

Overdraft facility agreements and commitment lines of credit are agreements to extend a certain amount of credit at the customer's request as long as the terms of the agreement have not been violated. The amounts of unused credit under such agreements were ¥12,344,898 million (U.S. $111,265 million) and ¥11,873,124 million, of which ¥8,098,841 million (U.S. $72,995 million) and ¥7,952,419 million were attributable to agreements expiring within one year or which may be unconditionally canceled at any time, as of March 31, 2019 and 2018, respectively.

The balance of unused credit will not necessarily affect the future cash flows of SuMi TRUST Bank and its consolidated subsidiaries because most of these agreements expire without credit being extended. Most of these agreements contain clauses allowing SuMi TRUST Bank and its consolidated subsidiaries to reject requests for credit outright or reduce the credit limits due to changed financial circumstances, the need to preserve claims, or other reasonable causes. Besides requesting collateral, such as real estate or securities, as necessary at the time of entering into the agreement, SuMi TRUST Bank has also adopted other measures to keep its credit sound, such as periodically assessing the condition of customers' businesses following the internal procedures and revising agreements, as necessary.

**6. Tangible Fixed Assets**

Tangible fixed assets as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Land | **¥ 118,008** | ¥ 126,297 | **$ 1,064** |
| Buildings | **73,759** | 72,597 | **665** |
| Lease Assets | **4,493** | 4,713 | **40** |
| Construction in Progress | **231** | 88 | **2** |
| Other | **22,817** | 18,264 | **206** |
| **Total** | **¥ 219,309** | ¥ 221,961 | **$ 1,977** |

Accumulated depreciation amounted to ¥173,813 million (U.S. $1,567 million) and ¥170,050 million, and advance depreciation amounted to ¥28,822 million (U.S. $260 million) and ¥28,850 million as of March 31, 2019 and 2018, respectively.

In accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998), land for commercial use of SuMi TRUST Bank was revalued, and the amount equivalent to the taxes on the resulting valuation difference was recorded as a "Deferred Tax Liabilities for Land Revaluation" in liabilities, and the amount net of such difference was recorded as a "Revaluation Reserve for Land" in net assets.

Revaluation date: March 31, 1998 and March 31, 1999

Revaluation method prescribed by Paragraph 3 of Article 3 of the Act:

The revaluation was calculated by reasonably adjusting the value of land based on the following prices: the posted prices for benchmark properties as prescribed by Item 1 of Article 2 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119, promulgated on March 31, 1998); the standard prices for benchmark properties as prescribed by Item 2 of Article 2, the registered prices in tax lists for such land for commercial use as prescribed by Item 3 of Article 2; and the land assessments under Item 4 of Article 2 of the same Order.

Differences between the fair value and the revalued carrying amount of the land for commercial use subject to Article 10 of the Act were ¥611 million (U.S. $6 million) and ¥3,816 million as of March 31, 2019 and 2018, respectively.

**7. Intangible Fixed Assets**

Intangible fixed assets as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Software | **¥ 81,585** | ¥ 84,971 | **$ 735** |
| Goodwill | **63,091** | 84,537 | **569** |
| Lease Assets | **0** | 2 | **0** |
| Other | **8,219** | 8,620 | **74** |
| **Total** | **¥ 152,896** | ¥ 178,131 | **$ 1,378** |

**8. Other Assets**

Other assets as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Domestic Exchange Settlement Account, Debit | **¥ 951** | ¥ 375 | **$ 9** |
| Prepaid Expenses | **6,858** | 6,219 | **62** |
| Accrued Income | **150,788** | 150,954 | **1,359** |
| Initial Margins of Futures Markets | **5,752** | 8,733 | **52** |
| Variation Margins of Futures Markets | **1,837** | 3,747 | **17** |
| Financial Derivatives Other Than Trading Assets | **295,243** | 288,732 | **2,661** |
| Receivables for Securities Transactions | **403,454** | 368,518 | **3,636** |
| Cash Collateral Pledged for Financial Instruments-Assets | **609,432** | 556,806 | **5,493** |
| Other | **512,033** | 442,909 | **4,615** |
| **Total** | **¥ 1,986,352** | ¥ 1,826,996 | **$ 17,903** |

**9. Deposits**

Deposits as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Current Deposits, Ordinary Deposits and Deposits at Notice | **¥ 9,594,661** | ¥ 6,818,062 | **$ 86,477** |
| Time Deposits | **21,147,313** | 21,417,345 | **190,602** |
| Other | **1,188,721** | 1,301,727 | **10,714** |
| **Total** | **¥ 31,930,697** | ¥ 29,537,135 | **$ 287,794** |

## 10. Borrowed Money

Borrowed money as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Subordinated Borrowings | **¥ 660,000** | ¥ 580,000 | **$ 5,949** |
| Other Borrowed Money | **3,963,801** | 4,290,083 | **35,726** |
| **Total** | **¥ 4,623,801** | ¥ 4,870,083 | **$ 41,675** |

Weighted average interest rates on borrowed money were 0.53% and 0.36% for the fiscal years ended March 31, 2019 and 2018, respectively.

Annual maturities of borrowed money as of March 31, 2019, for the next five years are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| Fiscal Years Ending March 31 | **2019** | **2019** |
| 2020 | **¥ 2,906,910** | **$ 26,200** |
| 2021 | **177,327** | **1,598** |
| 2022 | **162,694** | **1,466** |
| 2023 | **114,660** | **1,033** |
| 2024 | **57,760** | **521** |
| **Total** | **¥ 3,419,353** | **$ 30,819** |

## 11. Bonds Payable

Bonds payable as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Perpetual Subordinated Bonds | **¥ 26,100** | ¥ 26,100 | **$ 235** |
| Subordinated Bonds | **274,493** | 274,493 | **2,474** |
| Other Bonds Payable | **477,240** | 669,372 | **4,301** |
| **Total** | **¥ 777,834** | ¥ 969,966 | **$ 7,011** |

Annual maturities of bonds payable as of March 31, 2019, for the next five years are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| Fiscal Years Ending March 31 | **2019** | **2019** |
| 2020 | **¥ 1,781,413** | **$ 16,056** |
| 2021 | **232,260** | **2,093** |
| 2022 | **50,000** | **451** |
| 2023 | **50,000** | **451** |
| 2024 | **30,000** | **270** |
| **Total** | **¥ 2,143,673** | **$ 19,321** |

## 12. Borrowed Money from Trust Account

Borrowed money from trust account represents surplus funds in the trust accounts loaned to the banking account and utilized.

**13. Other Liabilities**

Other liabilities as of March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Domestic Exchange Settlement Account, Credit | **¥ 807** | ¥ 817 | **$ 7** |
| Income Taxes Payable | **23,131** | 26,077 | **208** |
| Accrued Expenses | **107,774** | 99,233 | **971** |
| Unearned Income | **78,715** | 78,660 | **709** |
| Variation Margins of Futures Markets | **—** | 1,513 | **—** |
| Financial Derivatives Other Than Trading Liabilities | **351,548** | 351,823 | **3,169** |
| Lease Obligations | **9,536** | 9,549 | **86** |
| Asset Retirement Obligations | **4,308** | 4,292 | **39** |
| Payables for Securities Transactions | **85,024** | 3,234 | **766** |
| Provision for Loss on Interest Repayment | **50** | 192 | **0** |
| Cash Collateral Accepted for Financial Instruments-Liabilities | **111,555** | 145,075 | **1,005** |
| Other | **220,790** | 198,627 | **1,990** |
| **Total** | **¥ 993,243** | ¥ 919,098 | **$ 8,952** |

**Notes to the Consolidated Statement of Income**

**1. Other Interest Income and Expenses**

(1) Other interest income for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Interest on Monetary Claims Bought | **¥ 3,872** | ¥ 3,130 | **$ 35** |
| Others | **4,515** | 3,332 | **41** |
| **Total** | **¥ 8,387** | ¥ 6,463 | **$ 76** |

(2) Other interest expenses for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Interest on Interest Rate Swaps | **¥ 36,348** | ¥ 33,358 | **$ 328** |
| Others | **22,090** | 14,966 | **199** |
| **Total** | **¥ 58,439** | ¥ 48,325 | **$ 527** |

**2. Trading Income and Expenses**

(1) Trading income for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Net Income from Trading Securities and Derivatives | **¥ 423** | ¥ 145 | **$ 4** |
| Net Income from Trading Transactions | **583** | 112 | **5** |
| Net Income from Trading-Related Financial Derivatives Transactions | **26,854** | 9,719 | **242** |
| Other Trading Income | **64** | 57 | **1** |
| **Total** | **¥ 27,926** | ¥ 10,035 | **$ 252** |

(2) Trading expenses were not incurred during the fiscal years ended March 31, 2019 and 2018.

**3. Other Ordinary Income and Expenses**

(1) Other ordinary income for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Net Gains on Foreign Exchange Transactions | **¥ 96,585** | ¥ 46,646 | **$ 871** |
| Gains on Sales and Redemption of Bonds | **19,642** | 23,439 | **177** |
| Net Income from Derivatives Other Than for Trading or Hedging | **—** | 9,144 | **—** |
| Others | **240,852** | 227,493 | **2,171** |
| **Total** | **¥ 357,080** | ¥ 306,724 | **$ 3,218** |

(2) Other ordinary expenses for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Losses on Sales and Redemption of Bonds | **¥ 23,071** | ¥ 29,132 | **$ 208** |
| Others | **227,628** | 201,307 | **2,052** |
| **Total** | **¥ 250,699** | ¥ 230,440 | **$ 2,260** |

**4. Other Income and Expenses**

(1) Other income for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Gains on Sales of Stocks and Other Securities | **¥ 44,237** | ¥ 78,769 | **$ 399** |
| Gains on Money Held in Trust | **72** | 70 | **1** |
| Recoveries of Written-Off Claims | **1,908** | 2,818 | **17** |
| Equity in Earnings of Affiliated Companies | **5,978** | 5,781 | **54** |
| Gains on Reversal of Allowance for Loan Losses | **—** | 5,289 | **—** |
| Gains on Disposal of Fixed Assets | **1,579** | 17,364 | **14** |
| Others | **17,773** | 17,631 | **160** |
| **Total** | **¥ 71,551** | ¥ 127,725 | **$ 645** |

(2) Other expenses for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Provision for Allowance for Loan Losses | **¥ 226** | ¥ — | **$ 2** |
| Losses on Sales of Loans | **11** | 487 | **0** |
| Write-Off of Loans | **4,395** | 4,538 | **40** |
| Losses on Sales of Stocks and Other Securities | **30,620** | 72,634 | **276** |
| Losses on Impairment of Stocks and Other Securities | **1,272** | 44 | **11** |
| Losses on Money Held in Trust | **—** | 0 | **—** |
| Losses on Disposal of Fixed Assets | **573** | 1,064 | **5** |
| Losses on Impairment of Fixed Assets | **16,817** | 7,876 | **152** |
| Losses on Investment in Partnerships | **2,898** | 2,140 | **26** |
| Others | **19,994** | 26,716 | **180** |
| **Total** | **¥ 76,810** | ¥ 115,504 | **$ 692** |

**5. General and Administrative Expenses**

General and administrative expenses for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Taxes Other Than Income Taxes | **¥ 15,766** | ¥ 17,120 | **$ 142** |
| Personnel Expenses | **183,028** | 202,603 | **1,650** |
| Others | **208,687** | 199,378 | **1,881** |
| **Total** | **¥ 407,483** | ¥ 419,102 | **$ 3,673** |

**Note to the Consolidated Statement of Comprehensive Income**

**Reclassification Adjustments and the Related Tax Effects Concerning Other Comprehensive Income**

Reclassification adjustments and the related tax effects concerning other comprehensive income for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Valuation Difference on Available-for-Sale Securities: | | | |
| Changes during the Period | **¥ (66,690)** | ¥ 52,664 | **$ (601)** |
| Reclassification Adjustments | **(5,844)** | 3,599 | **(53)** |
| Before Tax Effects | **(72,535)** | 56,263 | **(654)** |
| Tax Effects | **21,678** | (17,014) | **195** |
| Valuation Difference on Available-for-Sale Securities | **(50,857)** | 39,248 | **(458)** |
| Deferred Gains (Losses) on Hedges: | | | |
| Changes during the Period | **(55,594)** | (36,898) | **(501)** |
| Reclassification Adjustments | **36,309** | 33,298 | **327** |
| Before Tax Effects | **(19,285)** | (3,600) | **(174)** |
| Tax Effects | **5,867** | 1,108 | **53** |
| Deferred Gains (Losses) on Hedges | **(13,417)** | (2,491) | **(121)** |
| Foreign Currency Translation Adjustments: | | | |
| Changes during the Period | **628** | 2,607 | **6** |
| Reclassification Adjustments | **—** | (105) | **—** |
| Before Tax Effects | **628** | 2,501 | **6** |
| Tax Effects | **—** | — | **—** |
| Foreign Currency Translation Adjustments | **628** | 2,501 | **6** |
| Adjustments for Retirement Benefits: | | | |
| Changes during the Period | **(37,173)** | 27,027 | **(335)** |
| Reclassification Adjustments | **3,483** | 16,598 | **31** |
| Before Tax Effects | **(33,690)** | 43,625 | **(304)** |
| Tax Effects | **10,316** | (13,461) | **93** |
| Adjustments for Retirement Benefits | **(23,373)** | 30,164 | **(211)** |
| Share of Other Comprehensive Income of Equity-Method Affiliated Companies: | | | |
| Changes during the Period | **406** | (460) | **4** |
| Reclassification Adjustments | **366** | (196) | **3** |
| Share of Other Comprehensive Income of Equity-Method Affiliated Companies | **772** | (657) | **7** |
| Total Other Comprehensive Income (Loss) | **¥ (86,246)** | ¥ 68,766 | **$ (777)** |

**Notes to the Consolidated Statement of Changes in Net Assets**

**1. Class and the Number of Issued Shares of Common Stock**

Classes and the number of issued shares of common stock for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | Thousands of Shares | | | | |
|---|---|---|---|---|---|
| | Authorized | Number of Shares Outstanding at the Beginning of the Fiscal Year | Increase | Decrease | Number of Shares Outstanding at the End of the Fiscal Year |
| March 31, 2019 | | | | | |
| Number of Issued Shares: | | | | | |
| Common Share | **3,000,000** | **1,674,537** | **—** | **—** | **1,674,537** |

| | Thousands of Shares | | | | |
|---|---|---|---|---|---|
| | Authorized | Number of Shares Outstanding at the Beginning of the Fiscal Year | Increase | Decrease | Number of Shares Outstanding at the End of the Fiscal Year |
| March 31, 2018 | | | | | |
| Number of Issued Shares: | | | | | |
| Common Share | 3,000,000 | 1,674,537 | — | — | 1,674,537 |

**2. Subscription Rights to Shares**

Subscription rights to shares for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

| | | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | | **2019** | 2018 | **2019** |
| Consolidated Subsidiary (Nikko Asset Management Co., Ltd.) | Subscription Rights to Shares as Stock Options | **¥ —** | ¥ — | **$ —** |

**3. Dividends**

Dividends paid for the fiscal years ended March 31, 2019 and 2018, consisted of the following:

As for the fiscal year ended March 31, 2019:

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen (Millions of U.S. Dollars) | Cash Dividends per Share: Yen (U.S. Dollars) | Record Date | Effective Date |
|---|---|---|---|---|---|
| June 28, 2018 Ordinary General Meeting of Shareholders | Common Share | **¥ 45,296 ($408)** | **¥ 27.05 ($0.24)** | March 31, 2018 | June 29, 2018 |
| | | **¥ 46,033 ($415)** | **¥ 27.49 ($0.25)** | March 31, 2018 | June 29, 2018 |

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen (Millions of U.S. Dollars) | Cash Dividends per Share: Yen (U.S. Dollars) | Record Date | Effective Date |
|---|---|---|---|---|---|
| November 14, 2018 Board of Directors' Meeting | Common Share | **¥ 76,023 ($685)** | **¥ 45.40 ($0.41)** | September 30, 2018 | December 3, 2018 |

Dividends with a record date during the current fiscal year ended March 31, 2019, but whose effective date is after March 31, 2019, are as follows:

(1) Cash dividends paid

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen (Millions of U.S. Dollars) | Dividend Resources | Cash Dividends per Share: Yen (U.S. Dollars) | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| June 27, 2019 Ordinary General Meeting of Shareholders | Common Share | **¥ 36,270 ($327)** | Retained Earnings | **¥ 21.66 ($0.20)** | March 31, 2019 | June 28, 2019 |
| | | **¥ 48,544 ($438)** | Capital Surplus | **¥ 28.99 ($0.26)** | March 31, 2019 | June 28, 2019 |

(2) Dividends-in-kind distributed

| Resolution | Type of Shares | Type of Dividend Property | Carrying Amount of the Dividend Property: Millions of Yen (Millions of U.S. Dollars) | Dividend Resources | Cash Dividends per Share[(Note)]: Yen (U.S. Dollars) | Record Date | Effective Date |
|---|---|---|---|---|---|---|---|
| June 27, 2019 Ordinary General Meeting of Shareholders | Common Share | Securities | **¥ 107,921 ($973)** | Retained Earnings | **¥ — ($—)** | March 31, 2019 | July 1, 2019 |

(Note) Amounts available for dividends will be allocated in full to the sole owner of the common stock, SuMi TRUST Holdings, and therefore, the amount of cash dividends per share is not determined.

As for the fiscal year ended March 31, 2018:

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen | Cash Dividends per Share: Yen | Record Date | Effective Date |
|---|---|---|---|---|---|
| June 29, 2017 Original General Meeting of Shareholders | Common Share | ¥ 34,227 | ¥ 20.44 | March 31, 2017 | June 30, 2017 |
| | | 36,019 | 21.51 | March 31, 2017 | June 30, 2017 |

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen | Cash Dividends per Share: Yen | Record Date | Effective Date |
|---|---|---|---|---|---|
| November 14, 2017 Board of Directors' Meeting | Common Share | ¥ 21,132 | ¥ 12.62 | September 30, 2017 | December 1, 2017 |

Dividends with a record date during the fiscal year ended March 31, 2018, but whose effective date is after March 31, 2018 are as follows:

| Resolution | Type of Shares | Cash Dividends Declared: Millions of Yen | Dividend Resources | Cash Dividends per Share: Yen | Record Date | Effective Date |
|---|---|---|---|---|---|---|
| June 28, 2018 Ordinary General Meeting of Shareholders | Common Share | ¥ 45,296 | Retained Earnings | ¥ 27.05 | March 31, 2018 | June 29, 2018 |
| | | ¥ 46,033 | Capital Surplus | ¥ 27.49 | March 31, 2018 | June 29, 2018 |

**Note to the Consolidated Statement of Cash Flows**

**Reconciliation of Cash and Cash Equivalents**

The following table reconciles cash and cash equivalents in the consolidated statement of cash flows and cash and due from banks in the consolidated balance sheet as of March 31, 2019 and 2018.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Cash and Due from Banks | **¥ 16,042,864** | ¥ 15,661,926 | **$ 144,595** |
| Due from Banks (Excluding Due from the Bank of Japan) | **(1,966,096)** | (2,300,685) | **(17,721)** |
| **Cash and Cash Equivalents** | **¥ 14,076,767** | ¥ 13,361,241 | **$ 126,875** |

**Leases**

**1. Finance Leases**

As a lessee:

Finance leases that do not transfer ownership of the lease assets to lessees

1) Description of lease assets

i) Tangible fixed assets

Mainly store buildings and office equipment

ii) Intangible fixed assets

Software

2) Method for amortizing lease assets

Refer to "(4) Depreciation and Amortization Methods" of "4. Significant Accounting Policies" in the Significant Accounting Policies and Practices.

**2. Operating Leases**

As a lessee:

Total future lease payments under non-cancelable operating leases as of March 31, 2019 and 2018, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Due in One Year or Less | **¥ 3,654** | ¥ 2,590 | **$ 33** |
| Due in More Than One Year | **22,356** | 13,213 | **202** |
| **Total** | **¥ 26,010** | ¥ 15,803 | **$ 234** |

As a lessor:

Total future lease payments under non-cancelable operating leases as of March 31, 2019 and 2018, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Due in One Year or Less | **¥ 3,003** | ¥ 1,398 | **$ 27** |
| Due in More Than One Year | **11,279** | 1,052 | **102** |
| **Total** | **¥ 14,282** | ¥ 2,450 | **$ 129** |

**Financial Instruments**

**1. Circumstances of Financial Instruments**

(1) Policy on Financial Instruments

SuMi TRUST Bank Group is engaged in a variety of financial service businesses, primarily trust banking business operated by SuMi TRUST Bank. To facilitate these businesses, SuMi TRUST Bank Group raises funds through deposits from individual and corporate customers, borrowed money, and issuance of corporate bonds, and manages such funds as loans to individual and corporate customers, and securities on the investment side.

Each group company determines policies as well as measures for investing and funding financial assets and financial liabilities under its annual plan.

SuMi TRUST Holdings monitors risks associated with the group-wide financial assets and liabilities.

SuMi TRUST Bank monitors its respective risks while implementing comprehensive Asset-Liability Management (ALM). Meanwhile, SuMi TRUST Bank conducts derivatives transactions to control the market risk and other risks arising from its assets and liabilities within the level commensurate with its financial capacity. SuMi TRUST Bank is also engaged in trading securities and derivatives through trading accounts ("Trading Accounts") that are segregated from other accounts ("Banking Accounts") in accordance with Article 13-6-3 of the Ordinance for Enforcement of the Banking Act. Some consolidated subsidiaries are also engaged in trading securities.

(2) Description and Risks of Financial Instruments

1) Trading accounts

SuMi TRUST Bank Group deals with over-the-counter (OTC) and listed derivatives transactions related to interest rates, exchange rates, bonds, credits, and commodities as well as trading securities. These derivatives transactions are exposed to risks associated with fluctuation in interest rates, exchange rates, prices, credit risks, and other risks.

2) Banking accounts

Financial assets of SuMi TRUST Bank Group are primarily loans to corporations and individuals in Japan and such assets are exposed to credit risks arising from default on contracts by customers.

Securities mainly consist of stocks and bonds that are held to maturity, as strategic investments, and for business development. These securities are exposed to issuers' credit risks, and risks associated with fluctuation in interest rates and market prices.

Deposits from individuals and corporations, borrowed money, and bonds payable are exposed to liquidity risks as becoming insolvent at their maturities, such as being out of markets under certain circumstances.

SuMi TRUST Bank Group deals with OTC and listed derivatives transactions related to interest rates, exchange rates, stocks, bonds, and credits for avoiding market risks.

To reduce interest rate risk, a major risk, SuMi TRUST Bank Group comprehensively manages various financial assets and liabilities, such as loans and bills discounted and deposits, by categorizing them based on characteristics of their interest rate risks, and applies hedge accounting to hedge such risk using interest rate swaps designated as hedging instruments. The hedge accounting is applied to some assets and liabilities by individual transaction.

To mitigate the exchange rate risk arising from various financial assets and liabilities of SuMi TRUST Bank denominated in foreign currencies, hedge accounting is applied to the exchange rate risk of foreign currency assets and liabilities designated as hedged items, using currency swaps and foreign exchange swaps designated as hedging instruments.

The details of hedge accounting are described in "Significant Accounting Policies and Practices."

(3) Risk Management for Financial Instruments

SuMi TRUST Bank Group considers that the basis of group-wide risk management is to ensure the effectiveness of PDCA (Plan, Do, Check, Action) cycles for each risk category according to the "Risk Management Policy" established by the board of directors.

The risk management framework of each risk category is as follows:

1) Credit risk management

Credit risk is the risk of financial loss of SuMi TRUST Bank Group when a customer or counterparty fails to meet its contractual obligations, and such risk is generated from claims, mainly loans, bills discounted, and securities. Credit risk is the most basic financial risk related to a credit creating function. SuMi TRUST Bank Group continuously diversifies its credit portfolios and builds up a stronger customer base by expanding its credit risk management framework further, and by meeting a new and sound demand for credit.

(a) Risk management policy on credit risk

The basic policy of SuMi TRUST Bank Group on credit risk management calls for "a diversified credit portfolio" and "strict management for individual credits."

For the former, SuMi TRUST Bank Group manages credit exposures of each customer based on its limited credit amount, and periodically reviews impacts of identified risks to large customers and concentration in industry sectors, including the measurement of the credit risk. SuMi TRUST Bank Group makes efforts to mitigate credit concentration risk on a country-by-country basis by managing the diversification of the overall credit portfolio.

For the latter, SuMi TRUST Bank Group manages individual credits through processes such as credit screening, self-assessment, and internal credit ratings. Credit ratings indicate the credit status of customers and the possibility of defaults on a scale, and provide the basis for credit screening of individual transactions and credit portfolio management. SuMi TRUST Bank Group continuously evaluates solvency and collectability of credits based on the analysis, for instance the customer's financial condition, cash flows, and earning capacity through the self-assessment.

(b) Risk management framework for credit risk

In SuMi TRUST Bank, the board of directors decides on important matters related to credit risk management when developing management plans. The board of directors also decides on credit strategy and economic capital allocation plans, and approves the Self-Assessment Rules based on reports on credit risk management, including asset-assessment management, to ensure the soundness of the assets. As for screening and credit management of each case, the Global Credit Supervision Department is segregated from branches as part of a check-and-balance system. Furthermore, the Research Department evaluates credit risks by implementing internal credit ratings based on industry research and credit analysis of individual companies along with performing quantitative analysis from a neutral standpoint. SuMi TRUST Bank periodically holds a meeting of the Executive Committee and Credit Risk Committee to deliberate on material matters of controlling and managing credit risks. SuMi TRUST Bank has built up an appropriate management framework for risk management through the check-and-balance function, the committees' discussions, and the validation of the credit risk management and operation by the Risk Management Department.

2) Market risk management

Market risk is the risk of financial loss of SuMi TRUST Bank Group through changes in income and value of assets and liabilities held, including off-balance items, due to fluctuations in various market risk factors, such as interest rates, exchange rates, equity prices, commodity prices, and credit spreads.

(a) Risk management policy on market risk

In managing market risk, SuMi TRUST Bank Group ensures the soundness of its business by appropriately controlling risks, and strives to secure reasonable profits which correspond to strategic goals, the scale and nature of its operations, and risk profiles through an advanced risk management framework.

(b) Risk management framework for market risk

With regard to market risk, SuMi TRUST Bank Group maintains a basic policy for setting and controlling various risk limits and segregation of organizations related to market risk under its Rules for Risk Management. The practical application of the basic policy is stated in the Rules for Market Risk Management. Divisions that execute transactions (the front office) are clearly segregated from divisions that process transactions (the back office) for independent check purposes, and the Risk Management Department, which is independent from both of the front and back offices, centrally manages market risk. This department identifies and analyzes group-wide risk, tracks adherence to risk limits, and reports to respective directors in charge on a daily basis and to the board of directors periodically.

In SuMi TRUST Bank, the board of directors resolves ALM basic plans and risk management plans as important matters related to market risk under management plans. The ALM Committee resolves basic matters of ALM basic plans and risk management plans related to market risk regarding company-wide comprehensive risk management for assets and liabilities.

In SuMi TRUST Bank, the Risk Management Department is responsible for planning and implementing market risk management. The role of the Risk Management Department includes measuring risk levels and profits or losses and monitoring the status of market risk managed under ALM basic plans and the status of compliance with risk limits. The department reports its findings to the members of the ALM Committee on a daily basis, and to the ALM Committee as well as the board of directors periodically.

(c) Market risk management approach

SuMi TRUST Bank Group uses Value at Risk (“VaR”) to measure market risk exposures. VaR uses historical market fluctuation to statistically predict the maximum expected losses under specific conditions. Based on an internal model developed by SuMi TRUST Bank Group, SuMi TRUST Bank manages market risks by measuring VaR, calculating various risk management indicators, and carrying out various simulations.

VaR based on the internally developed model is calculated basically using the historical simulation method. Market risk can be classified into categories, such as interest rate risk, stock price risk, exchange rate risk, and others according to its characteristics. SuMi TRUST Bank calculates market risk by simply adding up the risks of all categories without considering the correlation among these categories.

(d) Quantitative information related to market risk

(i) Trading accounts

SuMi TRUST Bank Group uses VaR for managing risks associated with trading securities and some currency and interest-related derivatives transactions held in the Trading Accounts. The VaR model used is primarily based on the historical simulation method (with a holding period of 10 business days, confidence interval of 99%, and observation period of 1,300 business days).

As of March 31, 2019, the total amount of market risk (estimated potential loss) of financial instruments held by SuMi TRUST Bank Group in the Trading Accounts was ¥4.5 billion (U.S. $41 million).

SuMi TRUST Bank Group performs back testing that compares the results of VaR calculations based on its internal model with actual profits or losses. The back testing for the fiscal year ended March 31, 2019, resulted in zero instance where actual losses were in excess of VaR; therefore, SuMi

TRUST Bank Group considers that the measurement model properly captures market risk with sufficient accuracy. However, as VaR measures the amount of market risk under certain probabilities statistically calculated based on the past volatility, it may not properly capture those risks under extreme market movements.

(ii) Banking accounts

SuMi TRUST Bank Group uses VaR for managing risks associated with financial assets and liabilities held in the Banking Accounts. The historical simulation method is the primary measurement method (with a holding period of a maximum of one year according to a position; confidence interval of 99%; and observation period of 1,300 business days).

As of March 31, 2019, the total amount of market risk (estimated potential loss) of financial instruments held by SuMi TRUST Bank Group in the Banking Account was ¥687.8 billion (U.S. $6,199 million).

SuMi TRUST Bank Group performs back testing on certain positions held in the "Banking Accounts" that compares the results of VaR calculations based on its internal model with actual profits or losses regarding financial assets and liabilities subject to measurement. SuMi TRUST Bank Group considers that the measurement model properly captures market risk with sufficient accuracy. However, as VaR measures the amount of market risk under certain probabilities statistically calculated based on past volatility in the market, it may not properly capture those risks under extreme market movements.

3) Funding liquidity risk management

Funding liquidity risk is the risks of financial loss to SuMi TRUST Bank Group when the Group fails to raise necessary funds or is forced to raise funds at significantly higher rates.

(a) Funding liquidity risks management policy

With regard to funding liquidity risk, SuMi TRUST Bank Group designs and implements a policy to build up a risk management framework for funding liquidity risk, recognizing that financial difficulties due to exposure to such risks could possibly lead SuMi TRUST Bank Group directly to bankruptcy under certain circumstances.

(b) Funding liquidity risk management framework and methods

Funding liquidity risk management departments determine the extent of SuMi TRUST Bank Group's cash crunch appropriately in cooperation with the liquidity management departments, while gathering and analyzing information related to both the internal environment, such as SuMi TRUST Bank Group's risk profiles, and external environment, such as economic circumstances or market conditions, based on the risk management plan approved by the board of directors semiannually.

To reduce funding liquidity risks, the liquidity management departments manage cash flow within the predetermined appropriate limits, and the liquidity management departments monitor its compliance.

(4) Supplementary Explanation Concerning Fair Value of Financial Instruments

Fair value of financial instruments is based on quoted prices in markets. If a quoted price is not available, a reasonably calculated amount is used as fair value. Calculation of such amounts involves certain assumptions and may vary when different assumptions are employed.

2. Fair Values of Financial Instruments

The carrying amounts on the consolidated balance sheet and fair values of financial instruments as of March 31, 2019 and 2018, as well as the differences between these values are presented below. The fair values of unlisted stocks are excluded from the following table because such fair values are extremely difficult to be determined (see Note 2).

| | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2019 | | |
| | Carrying Amount | Fair Value | Difference | Carrying Amount | Fair Value | Difference |
| (1) Cash and Due from Banks (*1) | ¥ 16,042,791 | ¥ 16,042,791 | ¥ — | $ 144,595 | $ 144,595 | $ — |
| (2) Call Loans and Bills Bought | 50,124 | 50,124 | — | 452 | 452 | — |
| (3) Receivables under Resale Agreements | 158,734 | 158,734 | — | 1,431 | 1,431 | — |
| (4) Receivables under Securities Borrowing Transactions | 759,812 | 759,812 | — | 6,848 | 6,848 | — |
| (5) Monetary Claims Bought (*1) | 1,071,381 | 1,072,265 | 883 | 9,656 | 9,664 | 8 |
| (6) Trading Assets | | | | | | |
| Trading Securities | 163,188 | 163,188 | — | 1,471 | 1,471 | — |
| (7) Money Held in Trust | 1,293 | 1,293 | — | 12 | 12 | — |
| (8) Securities | | | | | | |
| Held-to-Maturity Debt Securities | 189,663 | 211,291 | 21,627 | 1,709 | 1,904 | 195 |
| Available-for-Sale Securities | 5,183,912 | 5,183,912 | — | 46,723 | 46,723 | — |
| (9) Loans and Bills Discounted | 29,022,792 | | | 261,584 | | |
| Allowance for Loan Losses (*2) | (90,216) | | | (813) | | |
| | 28,932,576 | 29,195,077 | 262,501 | 260,771 | 263,137 | 2,366 |
| (10) Foreign Exchanges | 36,936 | 36,936 | — | 333 | 333 | — |
| (11) Lease Receivables and Investment Assets (*1) | 650,859 | 666,194 | 15,335 | 5,866 | 6,004 | 138 |
| Total Assets | ¥ 53,241,275 | ¥ 53,541,623 | ¥ 300,348 | $ 479,867 | $ 482,574 | $ 2,707 |
| (1) Deposits | ¥ 31,930,697 | ¥ 31,952,731 | ¥ 22,034 | $ 287,794 | $ 287,992 | $ 199 |
| (2) Negotiable Certificates of Deposit | 6,428,622 | 6,428,622 | — | 57,942 | 57,942 | — |
| (3) Call Money and Bills Sold | 72,793 | 72,793 | — | 656 | 656 | — |
| (4) Payables under Repurchase Agreements | 1,603,191 | 1,603,191 | — | 14,450 | 14,450 | — |
| (5) Payables under Securities Lending Transactions | 104,767 | 104,767 | — | 944 | 944 | — |
| (6) Borrowed Money | 4,623,801 | 4,646,002 | 22,200 | 41,675 | 41,875 | 200 |
| (7) Foreign Exchanges | 457 | 457 | — | 4 | 4 | — |
| (8) Short-Term Bonds Payable | 1,472,786 | 1,472,786 | — | 13,274 | 13,274 | — |
| (9) Bonds Payable | 777,834 | 795,153 | 17,319 | 7,011 | 7,167 | 156 |
| (10) Borrowed Money from Trust Account | 5,408,009 | 5,408,009 | — | 48,743 | 48,743 | — |
| Total Liabilities | ¥ 52,422,962 | ¥ 52,484,517 | ¥ 61,554 | $ 472,492 | $ 473,047 | $ 555 |
| Derivatives Transactions (*3) | | | | | | |
| Derivatives Transactions Not Qualifying for Hedge Accounting | ¥ 38,370 | ¥ 38,370 | ¥ — | $ 346 | $ 346 | $ — |
| Derivatives Transactions Qualifying for Hedge Accounting | (61,658) | (61,658) | — | (556) | (556) | — |
| Total Derivatives Transactions | ¥ (23,288) | ¥ (23,288) | ¥ — | $ (210) | $ (210) | $ — |

| | Millions of Yen | | |
|---|---|---|---|
| | 2018 | | |
| | Carrying Amount | Fair Value | Difference |
| (1) Cash and Due from Banks (*1) | ¥ 15,661,847 | ¥ 15,661,847 | ¥ — |
| (2) Call Loans and Bills Bought | 92,951 | 92,951 | — |
| (3) Receivables under Resale Agreements | 63,531 | 63,531 | — |
| (4) Receivables under Securities Borrowing Transactions | 624,048 | 624,048 | — |
| (5) Monetary Claims Bought (*1) | 940,615 | 941,642 | 1,026 |
| (6) Trading Assets | | | |
| Trading Securities | 61,869 | 61,869 | — |
| (7) Money Held in Trust | 1,257 | 1,257 | — |
| (8) Securities | | | |
| Held-to-Maturity Debt Securities | 183,909 | 205,711 | 21,801 |
| Available-for-Sale Securities | 5,069,107 | 5,069,107 | — |
| (9) Loans and Bills Discounted | 28,000,640 | | |
| Allowance for Loan Losses (*2) | (90,357) | | |
| | 27,910,282 | 28,123,802 | 213,520 |
| (10) Foreign Exchanges | 25,554 | 25,554 | — |
| (11) Lease Receivables and Investment Assets (*1) | 674,807 | 688,973 | 14,165 |
| Total Assets | ¥ 51,309,784 | ¥ 51,560,297 | ¥ 250,513 |
| (1) Deposits | ¥ 29,537,135 | ¥ 29,563,808 | ¥ 26,673 |
| (2) Negotiable Certificates of Deposit | 6,616,336 | 6,616,336 | — |
| (3) Call Money and Bills Sold | 436,931 | 436,931 | — |
| (4) Payables under Repurchase Agreements | 1,454,855 | 1,454,855 | — |
| (5) Payables under Securities Lending Transactions | 41,299 | 41,299 | — |
| (6) Borrowed Money | 4,870,083 | 4,888,995 | 18,911 |
| (7) Foreign Exchanges | 1,984 | 1,984 | — |
| (8) Short-Term Bonds Payable | 1,062,869 | 1,062,869 | — |
| (9) Bonds Payable | 969,966 | 988,675 | 18,709 |
| (10) Borrowed Money from Trust Account | 5,172,463 | 5,172,463 | — |
| Total Liabilities | ¥ 50,163,925 | ¥ 50,228,220 | ¥ 64,294 |
| Derivatives Transactions (*3) | | | |
| Derivatives Transactions Not Qualifying for Hedge Accounting | ¥ 24,134 | ¥ 24,134 | ¥ — |
| Derivatives Transactions Qualifying for Hedge Accounting | (51,950) | (51,950) | — |
| Total Derivatives Transactions | ¥ (27,815) | ¥ (27,815) | ¥ — |

(*1) The allowance for credit losses corresponding to Cash and Due from Banks, Monetary Claims Bought, and Lease Receivables and Investment Assets is directly debducted from the carrying amounts on the consolidated balance sheet because the balance of the allowance is immaterial.

(*2) A general allowance for loan losses and specific allowances for loan losses are deducted from Loans and Bills Discounted.

(*3) Derivatives transactions recorded in Trading Assets and Trading Liabilities or in Other Assets and Other Liabilities are presented collectively.

Receivables and payables arising from derivatives transactions are presented on a net basis. Negative figures represent a liability balance after netting.

(Note 1) Method for Calculating Fair Values of Financial Instruments

**Assets**

(1) Cash and Due from Banks, (2) Call Loans and Bills Bought, (3) Receivables under Resale Agreements, (4) Receivables under Securities Borrowing Transactions, and (10) Foreign Exchanges

These instruments with transactions without stated maturities are stated at their carrying amounts because the carrying amounts approximate fair value. For transactions with stated maturities, corresponding instruments are stated at their carrying amounts because most of such transactions have short contractual terms (one year or less) and the carrying amounts approximate fair value.

(5) Monetary Claims Bought

Fair values of monetary claims bought for which counterparties' quoted prices or dealer/broker-quoted prices are available are stated at such prices. Fair values for all other claims are calculated by classifying them according to their internal ratings and maturities and discounting future cash flows to their present values.

(6) Trading Assets

Bonds and other securities held for trading purposes are stated at dealer association prices or counterparties' quoted prices. For short-term corporate bonds, their fair values are calculated by discounting future cash flows to their present values.

(7) Money Held in Trust

Securities managed as trust assets in money held in trust, which are individually managed with the principal objective of securities portfolio management, are stated at quoted market prices or dealer/broker-quoted prices. Notes regarding money held in trust by holding purposes are presented under the "Money Held in Trust" section.

(8) Securities

Stocks are stated at quoted market prices. Bonds are stated at quoted market prices, dealer association prices, counterparties' quoted prices, or dealer/broker-quoted prices. Investment trusts are stated at published reference prices.

Fair values of privately placed bonds guaranteed by SuMi TRUST Bank are calculated by classifying them according to their internal ratings and maturities, and discounting future cash flows to their present value.

Notes regarding securities by their holding purpose are presented under the "Securities" section.

(9) Loans and Bills Discounted

Fair values of loans and bills discounted are calculated by grouping loans according to loan terms, internal ratings, and maturities; and discounting the aggregate principal and interest by the assumed interest rate for similar new loans. However, floating-rate loans for which their carrying amounts are deemed to approximate fair value, due to the nature of the loan or the borrower's credit situation subsequent to the execution of the loans, are stated at their carrying amounts.

For claims executed to borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy, estimated loan losses are calculated based on the present value of estimated future cash flows or the expected recoverable amounts from collateral or guarantees. Therefore, fair values for these claims are stated at the amounts by deducting the allowance for loan losses from the amounts in the consolidated balance sheet at the consolidated balance sheet date, because such deducted amounts approximate fair value.

Loans without stated maturities (as the amount of credit is limited to the value of the collateral or due to some other special characteristics) are stated at their carrying amounts as the carrying amounts are deemed to approximate the fair values because of the expected repayment periods and the interest terms.

(11) Lease Receivables and Investment Assets

Fair values of lease receivables and investment assets are calculated by grouping these assets according to their internal ratings and maturities, and discounting the aggregate principal and interest by the assumed interest rate for similar new agreements.

**Liabilities**

(1) Deposits and (2) Negotiable Certificates of Deposit

Demand deposits are stated at the amount that would have to be paid on demand at the consolidated balance sheet date (carrying amount).

Yen fixed-rate time deposits are grouped by product type and stated at the present value of their future cash flows discounted by the rates that would be paid on new deposits. Fixed-rate time deposits with short maturities (one year or less) and floating-rate time deposits are generally stated at their carrying amounts because the carrying amounts approximate the fair values.

(3) Call Money and Bills Sold, (4) Payables under Repurchase Agreements, (5) Payables under Securities Lending Transactions, (7) Foreign Exchanges, (8) Short-Term Bonds Payable, and (10) Borrowed Money from Trust Account

The obligations without stated maturities are stated at the amounts that would have to be paid on demand at the consolidated balance sheet date (carrying amount). Obligations with stated maturities are stated at their carrying amounts because most of obligations have short contractual terms (one year or less) and the carrying amounts approximate the fair values.

(6) Borrowed Money

Borrowed money at floating rates is stated at their carrying amounts. The carrying amounts are deemed to approximate fair value because such amounts reflect short-term market interest rates, and there have been no significant changes in credit condition subsequent to undertaking the borrowed money. Fair values of borrowed money at fixed rates are calculated by discounting their future cash flows by the assumed interest rate on similar borrowings. Fair values for obligations with short maturities (one year or less) are stated at their carrying amounts because they approximate fair value.

(9) Bonds Payable

Bonds issued by SuMi TRUST Bank and its consolidated subsidiaries are stated at market prices, if such prices are available. Fair values for other bonds are calculated by discounting future cash flows to their present values by the assumed interest rate on issuance of similar bonds.

**Derivatives Transactions**

Notes regarding fair values of derivatives are presented under the “Derivatives” section.

(Note 2) The amounts of financial instruments on the consolidated balance sheet whose fair values are extremely difficult to be determined are as stated below, and such amounts are not included in the fair value information for financial instruments presented under the “Assets, (5) Monetary Claims Bought” or “Assets, (8) Available-for-Sale Securities” section.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| | Carrying Amount | Carrying Amount | Carrying Amount |
| Monetary Claims Bought | **¥ 10,508** | ¥ 14,562 | **$ 95** |
| Securities | **167,454** | 144,337 | **1,509** |
| (1) Unlisted Stocks (*3) | **61,281** | 61,240 | **552** |
| (2) Investments in Associations | **74,773** | 63,724 | **674** |
| (3) Others (*3) | **31,398** | 19,372 | **283** |
| Total | **¥ 177,962** | ¥ 158,900 | **$ 1,604** |

(*1) The above financial instruments are excluded from the fair value disclosure because there are no quoted market prices, and therefore, there is no reliable measure of fair value.

(*2) Stocks of subsidiaries and affiliated companies are not included in the above table.

(*3) During the fiscal year ended March 31, 2019, impairment losses of ¥477 million (U.S. $4 million) were recognized against Unlisted Stocks.

During the fiscal year ended March 31, 2018, impairment losses of ¥3 million and ¥0 million were recognized against Unlisted Stocks and Others, respectively.

(Note 3) Redemption Schedule of Monetary Claims and Securities with Maturity after March 31, 2019 and 2018

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2019 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Due from Banks | **¥ 15,857,622** | **¥ 10,863** | **¥ —** | **¥ —** | **¥ —** | **¥ —** |
| Call Loans and Bills Bought | **50,124** | **—** | **—** | **—** | **—** | **—** |
| Receivables under Resale Agreements | **136,544** | **22,190** | **—** | **—** | **—** | **—** |
| Receivables under Securities Borrowing Transactions | **759,812** | **—** | **—** | **—** | **—** | **—** |
| Monetary Claims Bought (*1) | **860,447** | **98,801** | **40,846** | **21,837** | **23,039** | **36,619** |
| Money Held in Trust | **100** | **—** | **1,293** | **—** | **—** | **—** |
| Securities | **660,837** | **362,284** | **1,098,426** | **467,921** | **616,206** | **667,284** |
| Held-to-Maturity Debt Securities | **25,636** | **—** | **—** | **4,779** | **40,000** | **115,606** |
| Government Bonds | **—** | **—** | **—** | **60** | **40,000** | **75,000** |
| Corporate Bonds | **—** | **—** | **—** | **—** | **—** | **33,200** |
| Available-for-Sale Securities with Maturity | **635,200** | **362,284** | **1,098,426** | **463,142** | **576,206** | **551,678** |
| Government Bonds | **269,506** | **15,154** | **—** | **—** | **—** | **15,000** |
| Local Government Bonds | **—** | **1,228** | **1,675** | **564** | **5,240** | **—** |
| Corporate Bonds | **18,152** | **109,488** | **157,385** | **185,850** | **61,602** | **44,971** |
| Loans and Bills Discounted (*2) | **4,427,885** | **5,431,777** | **4,467,195** | **3,162,082** | **2,235,338** | **6,690,158** |
| Lease Receivables and Investment Assets (*3) | **163,976** | **236,967** | **115,046** | **66,938** | **43,513** | **13,139** |
| **Total** | **¥ 22,917,352** | **¥ 6,162,883** | **¥ 5,722,808** | **¥ 3,718,779** | **¥ 2,918,097** | **¥ 7,407,202** |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2018 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Due from Banks | ¥ 15,536,528 | ¥ 477 | ¥ — | ¥ — | ¥ — | ¥ — |
| Call Loans and Bills Bought | 92,951 | — | — | — | — | — |
| Receivables under Resale Agreements | 42,283 | 21,248 | — | — | — | — |
| Receivables under Securities Borrowing Transactions | 624,048 | — | — | — | — | — |
| Monetary Claims Bought (*1) | 715,449 | 84,416 | 47,263 | 28,145 | 21,660 | 52,635 |
| Money Held in Trust | — | 100 | — | 1,257 | — | — |
| Securities | 391,640 | 465,847 | 958,207 | 247,695 | 975,971 | 554,760 |
| Held-to-Maturity Debt Securities | — | 24,400 | — | 1,651 | 20,000 | 134,249 |
| Government Bonds | — | — | — | 60 | 20,000 | 95,000 |
| Corporate Bonds | — | — | — | — | — | 29,000 |
| Available-for-Sale Securities with Maturity | 391,640 | 441,447 | 958,207 | 246,043 | 955,971 | 420,510 |
| Government Bonds | 128,286 | 75,007 | 99 | — | 10,000 | 27,000 |
| Local Government Bonds | — | 1,228 | 1,170 | — | 4,889 | — |
| Corporate Bonds | 37,355 | 129,899 | 151,062 | 110,743 | 89,493 | 48,741 |
| Loans and Bills Discounted (*2) | 4,414,880 | 5,528,821 | 3,896,401 | 2,952,507 | 2,262,366 | 6,538,375 |
| Lease Receivables and Investment Assets (*3) | 164,339 | 245,491 | 117,564 | 42,594 | 70,465 | 23,548 |
| **Total** | ¥ 21,982,222 | ¥ 6,346,402 | ¥ 5,019,437 | ¥ 3,272,200 | ¥ 3,330,464 | ¥ 7,169,320 |

| March 31, 2019 | Millions of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Due from Banks | $ 142,926 | $ 98 | $ — | $ — | $ — | $ — |
| Call Loans and Bills Bought | 452 | — | — | — | — | — |
| Receivables under Resale Agreements | 1,231 | 200 | — | — | — | — |
| Receivables under Securities Borrowing Transactions | 6,848 | — | — | — | — | — |
| Monetary Claims Bought (*1) | 7,755 | 891 | 368 | 197 | 208 | 330 |
| Money Held in Trust | 1 | — | 12 | — | — | — |
| Securities | 5,956 | 3,265 | 9,900 | 4,217 | 5,554 | 6,014 |
| Held-to-Maturity Debt Securities | 231 | — | — | 43 | 361 | 1,042 |
| Government Bonds | — | — | — | 1 | 361 | 676 |
| Corporate Bonds | — | — | — | — | — | 299 |
| Available-for-Sale Securities with Maturity | 5,725 | 3,265 | 9,900 | 4,174 | 5,193 | 4,972 |
| Government Bonds | 2,429 | 137 | — | — | — | 135 |
| Local Government Bonds | — | 11 | 15 | 5 | 47 | — |
| Corporate Bonds | 164 | 987 | 1,419 | 1,675 | 555 | 405 |
| Loans and Bills Discounted (*2) | 39,909 | 48,957 | 40,263 | 28,500 | 20,147 | 60,299 |
| Lease Receivables and Investment Assets (*3) | 1,478 | 2,136 | 1,037 | 603 | 392 | 118 |
| **Total** | $ 206,556 | $ 55,546 | $ 51,580 | $ 33,518 | $ 26,301 | $ 66,762 |

(*1) The balances exclude Monetary Claims Bought for borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy that are not expected to be collected, amounting to ¥100 million (U.S. $1million) and ¥55 million as of March 31, 2019 and 2018, respectively.

(*2) The balances exclude Loans and Bills Discounted for borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy that are not expected to be collected, amounting to ¥77,454 million (U.S. $698 million) and ¥53,571 million, and those without maturity, amounting to ¥2,530,900 million (U.S. $22,811 million) and ¥2,353,715 million as of March 31, 2019 and 2018, respectively.

(*3) The balances exclude Lease Receivables and Investment Assets for borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy that are not expected to be collected, amounting to ¥1,229 million (U.S. $11 million) and ¥738 million, and the sum of guaranteed residual values by lessee and estimated salvage values, amounting to ¥12,635 million (U.S. $114 million) and ¥12,495 million as of March 31, 2019 and 2018, respectively.

(Note 4) Repayment Schedule of Bonds, Borrowed Money, and Other Interest-Bearing Liabilities after March 31, 2019 and 2018

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2019 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Deposits (*1) | **¥ 24,618,014** | **¥ 5,169,969** | **¥ 2,140,992** | **¥ 1,313** | **¥ 406** | **¥ —** |
| Negotiable Certificates of Deposit | **6,244,373** | **184,249** | **—** | **—** | **—** | **—** |
| Call Money and Bills Sold | **72,793** | **—** | **—** | **—** | **—** | **—** |
| Payables under Repurchase Agreements | **1,603,191** | **—** | **—** | **—** | **—** | **—** |
| Payables under Securities Lending Transactions | **104,767** | **—** | **—** | **—** | **—** | **—** |
| Borrowed Money (*2) | **2,906,910** | **340,021** | **172,421** | **225,283** | **299,659** | **339,506** |
| Short-Term Bonds Payable | **1,476,650** | **—** | **—** | **—** | **—** | **—** |
| Bonds Payable (*3) | **304,763** | **282,260** | **80,000** | **6,500** | **78,000** | **—** |
| Borrowed Money from Trust Account | **5,408,009** | **—** | **—** | **—** | **—** | **—** |
| Total | **¥ 42,739,474** | **¥ 5,976,500** | **¥ 2,393,414** | **¥ 233,097** | **¥ 378,065** | **¥ 339,506** |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2018 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Deposits (*1) | ¥ 22,144,136 | ¥ 5,422,224 | ¥ 1,959,951 | ¥ 10,685 | ¥ 137 | ¥ — |
| Negotiable Certificates of Deposit | 6,571,336 | 45,000 | — | — | — | — |
| Call Money and Bills Sold | 436,931 | — | — | — | — | — |
| Payables under Repurchase Agreements | 1,348,615 | 106,240 | — | — | — | — |
| Payables under Securities Lending Transactions | 41,299 | — | — | — | — | — |
| Borrowed Money (*2) | 3,257,220 | 339,225 | 193,960 | 107,749 | 359,166 | 302,761 |
| Short-Term Bonds Payable | 1,064,645 | — | — | — | — | — |
| Bonds Payable (*3) | 308,816 | 465,648 | 90,000 | 6,500 | 73,000 | — |
| Borrowed Money from Trust Account | 5,172,463 | — | — | — | — | — |
| Total | ¥ 40,345,465 | ¥ 6,378,337 | ¥ 2,243,911 | ¥ 124,935 | ¥ 432,303 | ¥ 302,761 |

| | Millions of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| March 31, 2019 | Within 1 Year | 1 to 3 Years | 3 to 5 Years | 5 to 7 Years | 7 to 10 Years | More Than 10 Years |
| Deposits (*1) | **$ 221,884** | **$ 46,597** | **$ 19,297** | **$ 12** | **$ 4** | **$ —** |
| Negotiable Certificates of Deposit | **56,281** | **1,661** | **—** | **—** | **—** | **—** |
| Call Money and Bills Sold | **656** | **—** | **—** | **—** | **—** | **—** |
| Payables under Repurchase Agreements | **14,450** | **—** | **—** | **—** | **—** | **—** |
| Payables under Securities Lending Transactions | **944** | **—** | **—** | **—** | **—** | **—** |
| Borrowed Money (*2) | **26,200** | **3,065** | **1,554** | **2,030** | **2,701** | **3,060** |
| Short-Term Bonds Payable | **13,309** | **—** | **—** | **—** | **—** | **—** |
| Bonds Payable (*3) | **2,747** | **2,544** | **721** | **59** | **703** | **—** |
| Borrowed Money from Trust Account | **48,743** | **—** | **—** | **—** | **—** | **—** |
| Total | **$ 385,214** | **$ 53,867** | **$ 21,572** | **$ 2,101** | **$ 3,408** | **$ 3,060** |

(*1) The balance of demand deposits is included in “Within 1 Year.” Deposits include balances of current accounts.

(*2) The balances exclude perpetual subordinated debts without maturity, amounting to ¥340,000 million (U.S. $3,064 million) and ¥310,000 million as of March 31, 2019 and 2018, respectively.

(*3) The balances exclude perpetual subordinated bonds without maturity, amounting to ¥26,100 million (U.S. $235 million) and ¥26,100 million as of March 31, 2019 and 2018, respectively.

**Securities**

In addition to the “Securities” presented in the consolidated balance sheet, the following information includes securities in trading account and short-term corporate bonds under “Trading Assets” and loan-backed trust deeds reported under “Monetary Claims Bought.”

**1. Trading Securities**

| | Valuation Difference Reflected in the Statement of Income | | |
|---|---|---|---|
| | Millions of Yen | | Millions of U.S. Dollars |
| | **2019** | 2018 | **2019** |
| Trading Securities | **¥ 396** | ¥ (126) | **$ 4** |

**2. Held-to-Maturity Securities with Fair Value**

| | Millions of Yen | | |
|---|---|---|---|
| March 31, 2019 | Carrying Amount | Fair Value | Difference |
| Securities for which Fair Value Exceeds Carrying Amount | | | |
| Government Bonds | **¥ 118,785** | **¥ 139,413** | **¥ 20,628** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **33,200** | **33,777** | **577** |
| Other Bonds | **105,701** | **106,290** | **589** |
| Foreign Bonds | **32,958** | **33,421** | **462** |
| Others | **72,742** | **72,869** | **127** |
| Subtotal | **257,686** | **279,481** | **21,795** |
| Securities for which Fair Value Does Not Exceed Carrying Amount | | | |
| Government Bonds | **¥ —** | **¥ —** | **¥ —** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **—** | **—** | **—** |
| Other Bonds | **4,719** | **4,678** | **(40)** |
| Foreign Bonds | **4,719** | **4,678** | **(40)** |
| Others | **—** | **—** | **—** |
| Subtotal | **4,719** | **4,678** | **(40)** |
| **Total** | **¥ 262,405** | **¥ 284,160** | **¥ 21,755** |

| March 31, 2018 | Millions of Yen | | |
|---|---|---|---|
| | Carrying Amount | Fair Value | Difference |
| Securities for which Fair Value Exceeds Carrying Amount | | | |
| Government Bonds | ¥ 119,163 | ¥ 138,997 | ¥ 19,834 |
| Local Government Bonds | — | — | — |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 29,000 | 29,535 | 535 |
| Other Bonds | 116,775 | 118,328 | 1,553 |
| Foreign Bonds | 35,746 | 37,177 | 1,430 |
| Others | 81,028 | 81,150 | 122 |
| Subtotal | 264,938 | 286,861 | 21,923 |
| Securities for which Fair Value Does Not Exceed Carrying Amount | | | |
| Government Bonds | ¥ — | ¥ — | ¥ — |
| Local Government Bonds | — | — | — |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | — | — | — |
| Other Bonds | — | — | — |
| Foreign Bonds | — | — | — |
| Others | — | — | — |
| Subtotal | — | — | — |
| **Total** | ¥ 264,938 | ¥ 286,861 | ¥ 21,923 |

| March 31, 2019 | Millions of U.S. Dollars | | |
|---|---|---|---|
| | Carrying Amount | Fair Value | Difference |
| Securities for which Fair Value Exceeds Carrying Amount | | | |
| Government Bonds | **$ 1,071** | **$ 1,257** | **$ 186** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **299** | **304** | **5** |
| Other Bonds | **953** | **958** | **5** |
| Foreign Bonds | **297** | **301** | **4** |
| Others | **656** | **657** | **1** |
| Subtotal | **2,323** | **2,519** | **196** |
| Securities for which Fair Value Does Not Exceed Carrying Amount | | | |
| Government Bonds | **$ —** | **$ —** | **$ —** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **—** | **—** | **—** |
| Other Bonds | **43** | **42** | **(0)** |
| Foreign Bonds | **43** | **42** | **(0)** |
| Others | **—** | **—** | **—** |
| Subtotal | **43** | **42** | **(0)** |
| **Total** | **$ 2,365** | **$ 2,561** | **$ 196** |

### 3. Available-for-Sale Securities

| March 31, 2019 | Millions of Yen | | |
|---|---|---|---|
| | Carrying Amount | Acquisition Cost | Difference |
| **Securities for which Carrying Amount Exceeds Acquisition Cost** | | | |
| **Stocks** | **¥ 1,322,686** | **¥ 510,373** | **¥ 812,313** |
| **Bonds** | **549,521** | **545,928** | **3,592** |
| **Government Bonds** | **128,921** | **128,559** | **362** |
| **Local Government Bonds** | **7,202** | **7,143** | **59** |
| **Short-Term Corporate Bonds** | **—** | **—** | **—** |
| **Corporate Bonds** | **413,397** | **410,226** | **3,170** |
| **Other Securities** | **1,048,184** | **1,013,984** | **34,199** |
| **Foreign Stocks** | **2,655** | **194** | **2,461** |
| **Foreign Bonds** | **713,975** | **704,807** | **9,168** |
| **Others** | **331,552** | **308,982** | **22,570** |
| **Subtotal** | **2,920,392** | **2,070,287** | **850,104** |
| **Securities for which Carrying Amount Does Not Exceed Acquisition Cost** | | | |
| **Stocks** | **¥ 48,927** | **¥ 64,770** | **¥ (15,843)** |
| **Bonds** | **341,062** | **341,475** | **(413)** |
| **Government Bonds** | **172,664** | **172,688** | **(24)** |
| **Local Government Bonds** | **1,562** | **1,564** | **(1)** |
| **Short-Term Corporate Bonds** | **—** | **—** | **—** |
| **Corporate Bonds** | **166,835** | **167,223** | **(387)** |
| **Other Securities** | **1,900,226** | **2,047,460** | **(147,233)** |
| **Foreign Stocks** | **3,461** | **3,926** | **(465)** |
| **Foreign Bonds** | **741,247** | **745,713** | **(4,466)** |
| **Others** | **1,155,517** | **1,297,820** | **(142,302)** |
| **Subtotal** | **2,290,215** | **2,453,706** | **(163,490)** |
| **Total** | **¥ 5,210,608** | **¥ 4,523,993** | **¥ 686,614** |

| March 31, 2018 | Millions of Yen | | |
|---|---|---|---|
| | Carrying Amount | Acquisition Cost | Difference |
| Securities for which Carrying Amount Exceeds Acquisition Cost | | | |
| Stocks | ¥ 1,454,004 | ¥ 539,214 | ¥ 914,789 |
| Bonds | 476,390 | 473,400 | 2,990 |
| Government Bonds | 110,841 | 110,659 | 182 |
| Local Government Bonds | 2,930 | 2,912 | 18 |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 362,618 | 359,828 | 2,790 |
| Other Securities | 767,142 | 746,652 | 20,489 |
| Foreign Stocks | 15,230 | 12,359 | 2,870 |
| Foreign Bonds | 517,619 | 512,690 | 4,928 |
| Others | 234,293 | 221,601 | 12,691 |
| Subtotal | 2,697,537 | 1,759,267 | 938,270 |
| Securities for which Carrying Amount Does Not Exceed Acquisition Cost | | | |
| Stocks | ¥ 52,687 | ¥ 68,345 | ¥ (15,657) |
| Bonds | 341,781 | 342,488 | (706) |
| Government Bonds | 130,629 | 130,646 | (16) |
| Local Government Bonds | 4,354 | 4,375 | (20) |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 206,797 | 207,466 | (669) |
| Other Securities | 2,009,346 | 2,171,291 | (161,945) |
| Foreign Stocks | 1,235 | 1,274 | (39) |
| Foreign Bonds | 786,071 | 808,778 | (22,706) |
| Others | 1,222,038 | 1,361,238 | (139,199) |
| Subtotal | 2,403,815 | 2,582,125 | (178,309) |
| **Total** | ¥ 5,101,353 | ¥ 4,341,392 | ¥ 759,960 |

| March 31, 2019 | Millions of U.S. Dollars | | |
|---|---|---|---|
| | Carrying Amount | Acquisition Cost | Difference |
| Securities for which Carrying Amount Exceeds Acquisition Cost | | | |
| Stocks | $ 11,921 | $ 4,600 | $ 7,321 |
| Bonds | 4,953 | 4,920 | 32 |
| Government Bonds | 1,162 | 1,159 | 3 |
| Local Government Bonds | 65 | 64 | 1 |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 3,726 | 3,697 | 29 |
| Other Securities | 9,447 | 9,139 | 308 |
| Foreign Stocks | 24 | 2 | 22 |
| Foreign Bonds | 6,435 | 6,352 | 83 |
| Others | 2,988 | 2,785 | 203 |
| Subtotal | 26,322 | 18,660 | 7,662 |
| Securities for which Carrying Amount Does Not Exceed Acquisition Cost | | | |
| Stocks | $ 584 | $ 441 | $ (143) |
| Bonds | 3,078 | 3,074 | (4) |
| Government Bonds | 1,556 | 1,556 | (0) |
| Local Government Bonds | 14 | 14 | (0) |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 1,507 | 1,504 | (3) |
| Other Securities | 18,454 | 17,127 | (1,327) |
| Foreign Stocks | 35 | 31 | (4) |
| Foreign Bonds | 6,721 | 6,681 | (40) |
| Others | 11,697 | 10,415 | (1,283) |
| Subtotal | 22,115 | 20,642 | (1,474) |
| **Total** | $ 40,775 | $ 46,964 | $ 6,189 |

**4. Held-to-Maturity Securities Sold during the Fiscal Year**

There were no held-to-maturity securities sold for the fiscal years ended March 31, 2019 and 2018.

**5. Available-for-Sale Securities Sold during the Fiscal Year**

| Year Ended March 31, 2019 | Millions of Yen | | |
|---|---|---|---|
| | Amount Sold | Gain | Loss |
| Stocks | ¥ 59,051 | ¥ 31,224 | ¥ 4,716 |
| Bonds | 308,004 | 1,688 | 1,007 |
| Government Bonds | 248,161 | 1,460 | 954 |
| Local Government Bonds | 7,077 | 2 | 24 |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 52,766 | 225 | 28 |
| Other Securities | 4,066,610 | 30,911 | 47,967 |
| Foreign Stocks | 8,114 | 2 | 1,138 |
| Foreign Bonds | 3,278,617 | 17,131 | 21,191 |
| Others | 779,878 | 13,777 | 25,637 |
| **Total** | ¥ 4,433,666 | ¥ 63,824 | ¥ 53,691 |

| Year Ended March 31, 2018 | Millions of Yen | | |
|---|---|---|---|
| | Amount Sold | Gain | Loss |
| Stocks | ¥ 75,851 | ¥ 40,030 | ¥ 426 |
| Bonds | 556,186 | 734 | 636 |
| Government Bonds | 468,028 | 573 | 553 |
| Local Government Bonds | 6,129 | 2 | 18 |
| Short-Term Corporate Bonds | — | — | — |
| Corporate Bonds | 82,029 | 159 | 64 |
| Other Securities | 5,121,070 | 60,579 | 100,704 |
| Foreign Stocks | 6,718 | 578 | — |
| Foreign Bonds | 3,740,837 | 22,300 | 28,272 |
| Others | 1,373,515 | 37,700 | 72,431 |
| **Total** | ¥ 5,753,109 | ¥ 101,345 | ¥ 101,767 |

| Year Ended March 31, 2019 | Millions of U.S. Dollars | | |
|---|---|---|---|
| | Amount Sold | Gain | Loss |
| Stocks | **$ 532** | **$ 281** | **$ 43** |
| Bonds | **2,776** | **15** | **9** |
| Government Bonds | **2,237** | **13** | **9** |
| Local Government Bonds | **64** | **0** | **0** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **476** | **2** | **0** |
| Other Securities | **36,653** | **279** | **432** |
| Foreign Stocks | **73** | **0** | **10** |
| Foreign Bonds | **29,550** | **154** | **191** |
| Others | **7,029** | **124** | **231** |
| **Total** | **$ 39,961** | **$ 575** | **$ 484** |

(Note) The above figures include “Available-for-Sale Securities” whose fair values are extremely difficult to be determined.

**6. Securities Reclassified due to the Change of the Holding Purpose**

There were no securities reclassified due to the change of the holding purpose during the fiscal years ended March 31, 2019 and 2018.

**7. Impairment of Securities**

Securities other than securities whose fair values are extremely difficult to be determined, or those deemed to be trading securities, are treated as impaired when their fair values have declined significantly from the acquisition cost and it is deemed unlikely to recover to the acquisition cost. Such securities are recorded at their fair values in the consolidated balance sheet. The difference between the acquisition cost and the fair values is recognized as an impairment loss.

Impairment losses on Stocks recognized during the fiscal years ended March 31, 2019 and 2018, were ¥794 million (U.S. $7 million) and ¥41 million, respectively.

The criteria for determining whether the fair values of securities have significantly declined are as follows:

For securities whose issuers are classified as “normal” under the asset self-assessment, a decline of 50% or more in the fair values compared with the acquisition cost; for securities whose issuers are classified as “close-observation borrowers,” a decline of 30% or more in the fair values compared with the acquisition cost. In addition, the fair values of some securities are deemed unrecoverable and impairment losses are recognized when their fair values have declined more than 30%, but less than 50% from acquisition cost and the fair values have continued to decline over a certain period.

**Money Held in Trust**

**1. Money Held in Trust for Trading Purposes**

There was no money held in trust for trading purposes for the fiscal years ended March 31, 2019 and 2018.

**2. Held-to-Maturity Money Held in Trust**

There was no held-to-maturity money held in trust for the fiscal years ended March 31, 2019 and 2018.

**3. Other Money Held in Trust (other than those held for trading purposes or held-to-maturity)**

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| March 31, 2019 | Carrying Amount | Acquisition Cost | Difference | Positive Difference | Negative Difference |
| Other Money Held in Trust | **¥ 1,393** | **¥ 978** | **¥ 415** | **¥ 415** | **¥ —** |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| March 31, 2018 | Carrying Amount | Acquisition Cost | Difference | Positive Difference | Negative Difference |
| Other Money Held in Trust | ¥ 1,357 | ¥ 975 | ¥ 382 | ¥ 382 | ¥ — |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| March 31, 2019 | Carrying Amount | Acquisition Cost | Difference | Positive Difference | Negative Difference |
| Other Money Held in Trust | **$ 13** | **$ 9** | **$ 4** | **$ 4** | **$ —** |

(Note) The amount of "Difference" is net of "Positive Difference" and "Negative Difference."

**Valuation Differences on Available-for-Sale Securities**

The following table shows components of Valuation Differences on Available-for-Sale Securities in the consolidated balance sheet.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| March 31 | **2019** | 2018 | **2019** |
| Valuation Differences | | | |
| Available-for-Sale Securities | **¥ 688,119** | ¥ 760,681 | **$ 6,202** |
| Other Money Held in Trust | **415** | 382 | **4** |
| Total Valuation Differences | **688,534** | 761,064 | **6,206** |
| Amount Equivalent to Deferred Tax Assets (Liabilities) | **(209,008)** | (230,665) | **(1,884)** |
| Total (before Adjustment for Non-Controlling Interests and Parent Company's Portions in Available-for-Sale Securities Owned by its Affiliated Companies) | **479,525** | 530,399 | **4,322** |
| Non-Controlling Interests | **(266)** | (359) | **(2)** |
| Parent Company's Portions in Available-for-Sale Securities Owned by its Affiliated Companies | **2,663** | 1,007 | **24** |
| Valuation Differences on Available-for-Sale Securities | **¥ 481,923** | ¥ 531,047 | **$ 4,344** |

(Notes)

1) Foreign currency translation adjustments on available-for-sale securities, for which fair values are extremely difficult to be determined, are included in the "Available-for-Sale Securities" under "Valuation Differences."

2) The valuation difference of ¥1,589 million (U.S. $14 million) and ¥1,213 million on available-for-sale securities composing assets held by associated companies as of March 31, 2019 and 2018, respectively, is included in "Available-for-Sale Securities" under "Valuation Differences."

3) The unamortized portion of valuation difference as of the consolidated balance sheet date arising from the reclassification of the holding purpose of securities is included in “Available-for-Sale Securities” under “Valuation Differences.”

## Derivatives

### 1. Derivatives Transactions Not Qualifying for Hedge Accounting

Derivatives transactions not qualifying for hedge accounting are grouped by type of underlying transactions. The notional amounts (or the amount equivalent to the principal specified in the contracts), the fair values, and the valuation differences as of the consolidated balance sheet date, as well as the methods for determining such fair values are presented below. The notional amounts do not reflect the market risk associated with the derivatives.

(1) Interest-Related Transactions

Interest-related transactions not qualifying for hedge accounting as of March 31, 2019 and 2018, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2019 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Interest Futures | | | | | | | | |
| Sold | ¥44,621,033 | ¥16,573,349 | ¥ (48,367) | ¥ (48,367) | $402,172 | $149,377 | $ (436) | $ (436) |
| Purchased | 44,455,416 | 16,528,250 | 47,846 | 47,846 | 400,680 | 148,970 | 431 | 431 |
| Interest Options | | | | | | | | |
| Sold | 5,228,027 | 278,836 | (303) | 528 | 47,121 | 2,513 | (3) | 5 |
| Purchased | 4,173,799 | 222,706 | 306 | (566) | 37,619 | 2,007 | 3 | (5) |
| OTC | | | | | | | | |
| Forward Rate Agreements | | | | | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — | $ — | $ — | $ — | $ — |
| Purchased | — | — | — | — | — | — | — | — |
| Interest Rate Swaps | | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | 61,744,126 | 46,363,011 | 1,070,742 | 1,070,742 | 556,504 | 417,873 | 9,651 | 9,651 |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | 57,657,504 | 43,512,290 | (1,063,552) | (1,063,552) | 519,671 | 392,179 | (9,586) | (9,586) |
| Floating Interest Rate Receivable/ Floating Interest Rate Payable | 20,877,371 | 16,746,641 | 2,295 | 2,295 | 188,169 | 150,939 | 21 | 21 |
| Interest Options | | | | | | | | |
| Sold | 7,529,147 | 7,519,158 | (8,106) | 6,223 | 67,861 | 67,771 | (73) | 56 |
| Purchased | 3,541,520 | 3,537,021 | 13,810 | 7,641 | 31,920 | 31,879 | 124 | 69 |
| Others | | | | | | | | |
| Sold | — | — | — | — | — | — | — | — |
| Purchased | — | — | — | — | — | — | — | — |
| **Total** | / | / | ¥ 14,671 | ¥ 22,789 | / | / | $ 132 | $ 205 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2018 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | |
| Interest Futures | | | | |
| Sold | ¥ 20,899,819 | ¥ 7,118,121 | ¥ 16,895 | ¥ 16,895 |
| Purchased | 20,676,102 | 6,690,133 | (15,416) | (15,416) |
| Interest Options | | | | |
| Sold | 4,624,808 | 189,094 | (1,321) | (579) |
| Purchased | 3,189,370 | 101,734 | 1,264 | 477 |
| OTC | | | | |
| Forward Rate Agreements | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — |
| Purchased | — | — | — | — |
| Interest Rate Swaps | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | 69,311,282 | 52,495,761 | 688,658 | 688,658 |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | 64,890,775 | 49,857,111 | (675,074) | (675,074) |
| Floating Interest Rate Receivable/ Floating Interest Rate Payable | 24,352,590 | 16,065,746 | 4,068 | 4,068 |
| Interest Options | | | | |
| Sold | 5,993,299 | 5,969,378 | 9,401 | 26,359 |
| Purchased | 2,751,013 | 2,751,013 | 8,635 | 728 |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ 37,111 | ¥ 46,117 |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values of listed derivatives transactions are based on the closing prices on the Tokyo Financial Exchange and other exchanges. The fair values of OTC derivatives transactions are calculated using the net present value method or option-pricing models.

(2) Currency-Related Transactions

Currency-related transactions not qualifying for hedge accounting as of March 31, 2019 and 2018, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2019 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Currency Futures | | | | | | | | |
| Sold | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **$ —** | **$ —** | **$ —** | **$ —** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Currency Options | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| OTC | | | | | | | | |
| Currency Swaps | **¥ 4,061,705** | **¥3,842,184** | **¥ 9,866** | **¥ 9,866** | **$ 36,608** | **$34,630** | **$ 89** | **$ 89** |
| Forward Exchange Contracts | | | | | | | | |
| Sold | **12,654,686** | **706,425** | **(31,223)** | **(31,223)** | **114,058** | **6,367** | **(281)** | **(281)** |
| Purchased | **15,911,526** | **286,942** | **50,008** | **50,008** | **143,412** | **2,586** | **451** | **451** |
| Currency Options | | | | | | | | |
| Sold | **1,292,446** | **604,105** | **(40,734)** | **16,433** | **11,649** | **5,445** | **(367)** | **148** |
| Purchased | **1,036,045** | **433,558** | **39,396** | **(12,040)** | **9,338** | **3,908** | **355** | **(109)** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ 27,312** | **¥ 33,044** | **/** | **/** | **$ 246** | **$ 298** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2018 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | |
| Currency Futures | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — |
| Purchased | — | — | — | — |
| Currency Options | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| OTC | | | | |
| Currency Swaps | ¥ 3,233,710 | ¥2,766,086 | ¥ 6,203 | ¥ 6,203 |
| Forward Exchange Contracts | | | | |
| Sold | 14,529,056 | 369,272 | 82,172 | 82,172 |
| Purchased | 18,239,528 | 348,180 | (100,230) | (100,230) |
| Currency Options | | | | |
| Sold | 1,179,704 | 555,407 | (39,929) | 13,630 |
| Purchased | 1,055,874 | 470,286 | 45,076 | (4,855) |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ (6,707) | ¥ (3,079) |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values are calculated using the net present value method or option-pricing models.

(3) Stock-Related Transactions

Stock-related transactions not qualifying for hedge accounting as of March 31, 2019 and 2018, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | | | | **2019** | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Stock Index Futures | | | | | | | | |
| Sold | **¥ 54,354** | **¥ —** | **¥ (400)** | **¥ (400)** | **$ 490** | **$—** | **$ (4)** | **$ (4)** |
| Purchased | **40,433** | **—** | **318** | **318** | **364** | **—** | **3** | **3** |
| Stock Index Options | | | | | | | | |
| Sold | **56,344** | **—** | **(334)** | **77** | **508** | **—** | **(3)** | **1** |
| Purchased | **73,517** | **—** | **162** | **(212)** | **663** | **—** | **1** | **(2)** |
| OTC | | | | | | | | |
| OTC Stock Options | | | | | | | | |
| Sold | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **$ —** | **$—** | **$ —** | **$ —** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| OTC Stock Swaps | | | | | | | | |
| Volatility of Stock Price and Other Receivable/ Short-Term Floating Interest Rate Payable | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Short-Term Floating Interest Rate Receivable/ Volatility of Stock Price and Other Payable | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ (253)** | **¥ (216)** | **/** | **/** | **$ (2)** | **$ (2)** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2018 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | |
| Stock Index Futures | | | | |
| Sold | ¥ 94,748 | ¥— | ¥ 1,168 | ¥ 1,168 |
| Purchased | 82,445 | — | (1,027) | (1,027) |
| Stock Index Options | | | | |
| Sold | 50,976 | — | (553) | (155) |
| Purchased | 5,683 | — | 133 | 95 |
| OTC | | | | |
| OTC Stock Options | | | | |
| Sold | ¥ — | ¥— | ¥ — | ¥ — |
| Purchased | — | — | — | — |
| OTC Stock Swaps | | | | |
| Volatility of Stock Price and Other Receivable/ Short-Term Floating Interest Rate Payable | — | — | — | — |
| Short-Term Floating Interest Rate Receivable/ Volatility of Stock Price and Other Payable | — | — | — | — |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ (278) | ¥ 81 |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values of listed derivatives transactions are based on the closing prices on the Osaka Exchange and other exchanges. The fair values of OTC transactions are calculated using the net present value method or option-pricing models.

(4) Bond-Related Transactions

Bond-related transactions not qualifying for hedge accounting as of March 31, 2019 and 2018, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2019 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Bond Futures | | | | | | | | |
| Sold | **¥ 1,785,463** | **¥ —** | **¥ (25,077)** | **¥ (25,077)** | **$ 16,093** | **$ —** | **$ (226)** | **$ (226)** |
| Purchased | **1,951,521** | **—** | **22,782** | **22,782** | **17,589** | **—** | **205** | **205** |
| Bond Future Options | | | | | | | | |
| Sold | **223,845** | **—** | **(922)** | **(92)** | **2,018** | **—** | **(8)** | **(1)** |
| Purchased | **160,416** | **—** | **742** | **388** | **1,446** | **—** | **7** | **3** |
| OTC | | | | | | | | |
| Bond Forward Contracts | | | | | | | | |
| Sold | **¥ 201,772** | **¥ —** | **¥ (1,339)** | **¥ (1,339)** | **$ 1,819** | **$ —** | **$ (12)** | **$ (12)** |
| Purchased | **68,671** | **—** | **393** | **393** | **619** | **—** | **4** | **4** |
| Bond Options | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ (3,420)** | **¥ (2,944)** | **/** | **/** | **$ (31)** | **$ (27)** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2018 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | |
| Bond Futures | | | | |
| Sold | ¥ 1,746,476 | ¥ — | ¥ (14,140) | ¥ (14,140) |
| Purchased | 1,251,702 | — | 10,247 | 10,247 |
| Bond Future Options | | | | |
| Sold | 236,915 | — | (1,409) | (597) |
| Purchased | 74,593 | — | 65 | (14) |
| OTC | | | | |
| Bond Forward Contracts | | | | |
| Sold | ¥ 178,508 | ¥ — | ¥ (1,120) | ¥ (1,120) |
| Purchased | 152,639 | — | 493 | 493 |
| Bond Options | | | | |
| Sold | 12,837 | — | (103) | (61) |
| Purchased | 17,889 | — | 178 | 75 |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ (5,790) | ¥ (5,118) |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values of listed derivatives transactions are based on the closing prices on the Osaka Exchange and other exchanges. The fair values of OTC transactions are calculated using option-pricing models.

(5) Commodity-Related Transactions

There were no commodity-related transactions not qualifying for hedge accounting as of March 31, 2019 and 2018.

(6) Credit Derivatives Transactions

Credit derivatives transactions not qualifying for hedge accounting as of March 31, 2019 and 2018, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2019 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| OTC | | | | | | | | |
| Credit Default Swaps | | | | | | | | |
| Sold | **¥ 67,343** | **¥ 49,843** | **¥ 1,015** | **¥ 1,015** | **$ 607** | **$ 449** | **$ 9** | **$ 9** |
| Purchased | **64,155** | **46,655** | **(955)** | **(955)** | **578** | **421** | **(9)** | **(9)** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ 60** | **¥ 60** | **/** | **/** | **$ 1** | **$ 1** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2018 | | | |
| | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference |
| OTC | | | | |
| Credit Default Swaps | | | | |
| Sold | ¥ 81,400 | ¥ 56,600 | ¥ 1,416 | ¥ 1,416 |
| Purchased | 92,024 | 67,224 | (1,616) | (1,616) |
| Others | | | | |
| Sold | — | — | — | — |
| Purchased | — | — | — | — |
| **Total** | / | / | ¥ (199) | ¥ (199) |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the consolidated statement of income.

2) The fair values are calculated using the net present value method.

3) “Sold” represents transactions under which the credit risk has been assumed, and “Purchased” represents transactions under which the credit risk has been transferred to another party.

**2. Derivatives Transactions Qualifying for Hedge Accounting**

Derivatives transactions qualifying for hedge accounting are grouped by type of underlying transactions. The notional amounts (or the amount equivalent to the principal specified in the contracts) and the fair values as of the consolidated balance sheet date, as well as the methods for determining such fair values are presented below. The notional amounts do not reflect the market risk associated with the derivatives.

(1) Interest-Related Transactions

Interest-related transactions qualifying for hedge accounting as of March 31, 2019 and 2018, consist of the following:

| | | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|
| | | **2019** | | | **2019** | | |
| | | Notional Amount | | | Notional Amount | | |
| | Major Hedged Item | Total | Over One Year | Fair Value | Total | Over One Year | Fair Value |
| Deferral Method | | | | | | | |
| Interest Rate Swaps | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | Interest-Earning/Bearing Financial Assets/Liabilities such as Loans and Bills Discounted, Available-for-Sale Securities (Bonds), Deposits, and Bonds Payable | **¥ 1,494,651** | **¥ 796,511** | **¥ 1,461** | **$ 13,471** | **$ 7,179** | **$ 13** |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | **1,469,681** | **1,392,602** | **(37,909)** | **13,246** | **12,552** | **(342)** |
| Interest Futures | | | | | | | |
| Sold | | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | | **—** | **—** | **—** | **—** | **—** | **—** |
| Interest Options | | | | | | | |
| Sold | | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | | **—** | **—** | **—** | **—** | **—** | **—** |
| Others | | | | | | | |
| Sold | | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | | **—** | **—** | **—** | **—** | **—** | **—** |
| Exceptional Treatment for Interest Rate Swaps | | | | | | | |
| Interest Rate Swaps | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | Borrowed Money | **—** | **—** | | **—** | **—** | |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | **200** | **—** | (Note 3) | **2** | **—** | (Note 3) |
| **Total** | | **/** | **/** | **¥ (36,448)** | **/** | **/** | **$ (329)** |

| | Millions of Yen | | |
|---|---|---|---|
| | 2018 | | |
| | Notional Amount | | |
| Major Hedged Item | Total | Over One Year | Fair Value |
| Deferral Method | | | |
| Interest Rate Swaps | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | Interest-Earning/Bearing Financial Assets/Liabilities such as Loans and Bills Discounted, Available-for-Sale Securities (Bonds), Deposits, and Bonds Payable | ¥ 2,923,400 | ¥ 1,487,704 | ¥ (588) |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | 1,239,085 | 1,172,805 | (25,769) |
| Interest Futures | | | | |
| Sold | | — | — | — |
| Purchased | | — | — | — |
| Interest Options | | | | |
| Sold | | — | — | — |
| Purchased | | — | — | — |
| Others | | | | |
| Sold | | — | — | — |
| Purchased | | — | — | — |
| Exceptional Treatment for Interest Rate Swaps | | | | |
| Interest Rate Swaps | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | Borrowed Money | — | — | |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | 600 | 400 | (Note 3) |
| **Total** | | / | / | ¥ (26,357) |

(Notes)

1) Deferred hedge accounting stipulated in Report No. 24 is applied, in principle.

2) Fair values are calculated mainly using the net present value method or option-pricing models.

3) Interest rate swaps to which exceptional treatment is applied are accounted for as part of the borrowings being hedged; therefore, their fair values are included in the fair value of Borrowed Money presented under "Financial Instruments."

(2) Currency-Related Transactions

Currency-related transactions qualifying for hedge accounting as of March 31, 2019 and 2018, consist of the following:

| | | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|
| | | **2019** | | | **2019** | | |
| | | Notional Amount | | | Notional Amount | | |
| | Major Hedged Item | Total | Over One Year | Fair Value | Total | Over One Year | Fair Value |
| Deferral Method | | | | | | | |
| Currency Swaps | | **¥ 1,557,814** | **¥ 955,752** | **¥ (24,756)** | **$ 14,041** | **$ 8,614** | **$ (223)** |
| Forward Exchange Contracts | Loans and Bills Discounted and Securities Denominated in Foreign Currencies | | | | | | |
| Sold | | **6,068** | **—** | **(127)** | **55** | **—** | **(1)** |
| Purchased | | **17,856** | **—** | **63** | **161** | **—** | **1** |
| Others | | | | | | | |
| Sold | | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | | **—** | **—** | **—** | **—** | **—** | **—** |
| Method of Including Foreign Currency Translation Adjustments Arising from the Hedging Instruments in "Foreign Currency Translation Adjustments" | | | | | | | |
| Forward Exchange Contracts | Investment in the Shares of Subsidiaries and Affiliated Companies | | | | | | |
| Sold | | **¥ 69,961** | **¥ —** | **¥ (391)** | **$ 631** | **$ —** | **$ (4)** |
| Purchased | | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | | **/** | **/** | **¥ (25,210)** | **/** | **/** | **$ (227)** |

| | | Millions of Yen | | |
|---|---|---|---|---|
| | | 2018 | | |
| | | Notional Amount | | |
| | Major Hedged Item | Total | Over One Year | Fair Value |
| Deferral Method | | | | |
| Currency Swaps | | ¥ 2,495,792 | ¥ 837,237 | ¥ (26,721) |
| Forward Exchange Contracts | Loans and Bills Discounted and Securities Denominated in Foreign Currencies | | | |
| Sold | | 10,415 | — | 358 |
| Purchased | | 39,576 | — | (172) |
| Others | | | | |
| Sold | | — | — | — |
| Purchased | | — | — | — |
| Method of Including Foreign Currency Translation Adjustments Arising from the Hedging Instruments in "Foreign Currency Translation Adjustments" | | | | |
| Forward Exchange Contracts | Investment in the Shares of Subsidiaries and Affiliated Companies | | | |
| Sold | | ¥ 37,879 | ¥ — | ¥ 943 |
| Purchased | | — | — | — |
| **Total** | | / | / | ¥ (25,592) |

(Notes)

1) Deferred hedge accounting stipulated in Report No. 25 is applied, in principle.

2) Fair values are calculated mainly using the net present value method.

(3) Stock-Related Transactions

There were no stock-related transactions qualifying for hedge accounting as of March 31, 2019 and 2018.

(4) Bond-Related Transactions

There were no bond-related transactions qualifying for hedge accounting as of March 31, 2019 and 2018.

**Retirement and Pension Plans**

**Retirement and Pension Plans for the Fiscal Years Ended March 31, 2019 and 2018**

**1. Outline of the Retirement Benefit Plans Adopted by SuMi TRUST Bank**

SuMi TRUST Bank has defined benefit plans (a corporate pension fund plan and a lump-sum retirement benefit plan). Additionally, a lump-sum retirement benefit plan is offered to contract employees according to internal rules. SuMi TRUST Bank also has a defined contribution pension plan and may provide extra retirement payments to retiring employees in some cases. SuMi TRUST Bank sets up employee retirement benefit trusts as part of its pension plan assets.

Consolidated subsidiaries have lump-sum retirement benefit plans, defined benefit corporate pension plans, defined contribution pension plans, and plans administered under an employees' pension fund system. Some consolidated subsidiaries also participate in multiple employer pension plan.

Some consolidated subsidiaries adopt the computational shortcut method in calculating liabilities for retirement benefits and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum retirement benefit plans.

**2. Defined Benefit Plans**

(1) Reconciliation of Retirement Benefit Obligations

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Retirement Benefit Obligations (opening balance) | **¥ 465,406** | ¥ 465,692 | **$ 4,195** |
| Service Cost-Benefits Earned during the Fiscal Year | **14,192** | 14,496 | **128** |
| Interest Cost on Projected Benefit Obligations | **2,337** | 2,353 | **21** |
| Actuarial Gains and Losses that Arose during the Fiscal Year | **688** | 720 | **6** |
| Retirement Benefits Paid | **(18,095)** | (17,856) | **(163)** |
| Past Service Cost that Arose during the Fiscal Year | **(176)** | — | **(2)** |
| Retirement Benefit Obligations (closing balance) | **¥ 464,353** | ¥ 465,406 | **$ 4,185** |

(2) Reconciliation of Plan Assets

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Plan Assets (opening balance) | **¥ 615,318** | ¥ 571,449 | **$ 5,546** |
| Expected Return on Plan Assets | **26,844** | 25,722 | **242** |
| Actuarial Gains and Losses that Arose during the Fiscal Year | **(36,661)** | 27,748 | **(330)** |
| Contributions by the Employer | **633** | 6,507 | **6** |
| Retirement Benefits Paid | **(16,342)** | (16,108) | **(147)** |
| Plan Assets (closing balance) | **¥ 589,793** | ¥ 615,318 | **$ 5,316** |

(3) Reconciliation between Closing Balances of Retirement Benefit Obligations and Plan Assets, and Liabilities and Assets for Retirement Benefits Recorded in the Consolidated Balance Sheet

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Retirement Benefit Obligations of Retirement Benefit Plans with Plan Assets | **¥ 452,344** | ¥ 453,999 | **$ 4,077** |
| Plan Assets | **(589,793)** | (615,318) | **(5,316)** |
| | **(137,448)** | (161,319) | **(1,239)** |
| Retirement Benefit Obligations of Retirement Benefit Plans without Plan Assets | **12,008** | 11,407 | **108** |
| Net of Liabilities and Assets Recorded in the Consolidated Balance Sheet | **¥ (125,439)** | ¥ (149,911) | **$ (1,131)** |

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Liabilities for Retirement Benefits | **¥ 13,470** | ¥ 13,048 | **$ 121** |
| Assets for Retirement Benefits | **(138,909)** | (162,960) | **(1,252)** |
| Net of Liabilities and Assets Recorded in the Consolidated Balance Sheet | **¥ (125,439)** | ¥ (149,911) | **$ (1,131)** |

(4) Breakdown of Retirement Benefit Expenses

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Service Cost-Benefits Earned during the Fiscal Year | **¥ 14,192** | ¥ 14,496 | **$ 128** |
| Interest Cost on Projected Benefit Obligations | **2,337** | 2,353 | **21** |
| Expected Return on Plan Assets | **(26,844)** | (25,722) | **(242)** |
| Amortization of Actuarial Differences | **3,480** | 16,547 | **31** |
| Amortization of Past Service Cost | **2** | 51 | **0** |
| Other | **608** | 1,068 | **5** |
| Retirement Benefit Expenses for Defined Benefit Obligations | **¥ (6,223)** | ¥ 8,795 | **$ (56)** |

(5) Adjustments for Retirement Benefits

The breakdown of adjustments for retirement benefits (before tax effect) is as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Past Service Cost | **¥ 178** | ¥ 51 | **$ 2** |
| Actuarial Differences | **(33,869)** | 43,574 | **(305)** |
| **Total** | **¥ (33,690)** | ¥ 43,625 | **$ (304)** |

(6) Accumulated Adjustments for Retirement Benefits

The breakdown of accumulated adjustments for retirement benefits (before tax effect) is as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Unrecognized Past Service Cost | **¥ (165)** | ¥ 13 | **$ (1)** |
| Unrecognized Actuarial Differences | **32,850** | (1,018) | **296** |
| **Total** | **¥ 32,684** | ¥ (1,005) | **$ 295** |

(7) Plan Assets

1) The asset categories and proportion of the total plan asset are as follows:

| | Proportion (%) | |
|---|---|---|
| | **2019** | 2018 |
| Debt Securities | **27** | 20 |
| Equity Securities | **59** | 60 |
| Cash and Due from Banks | **2** | 2 |
| Other | **12** | 18 |
| **Total** | **100** | 100 |

(Note) The total plan asset includes the retirement benefit trusts set up for a corporate pension plan and a lump-sum retirement benefit plan. They account for 58% and 60% of the total plan asset for the fiscal years ended March 31, 2019 and 2018, respectively.

2) Expected long-term rate of return on plan assets

In order to determine the expected long-term rate of return on plan assets, SuMi TRUST Bank considers the current and projected plan asset allocation, as well as the current and expected long-term rate of return on assets composing plan assets.

(8) Assumptions Used

Major assumptions used in actuarial calculation for the fiscal years ended March 31, 2019 and 2018, are as follows:

| | **2019** | 2018 |
|---|---|---|
| Discount Rate | **Mainly 0.5%** | Mainly 0.5% |
| Expected Long-Term Rate of Return on Plan Assets | **4.3%** | 4.5% |

**3. Defined Contribution Pension Plans**

Contributions by SuMi TRUST Bank and its consolidated subsidiaries to the defined contribution pension plans were ¥2,006 million (U.S. $18 million) and ¥1,841 million for the years ended March 31, 2019 and 2018, respectively.

**Stock Option Plans**

**1. Expenses Recorded in Connection with Stock Options during the Fiscal Years Ended March 31, 2019 and 2018**

There were no corresponding items for the fiscal years ended March 31, 2019 and 2018.

**2. Description of Stock Options**

Consolidated Subsidiary: Nikko Asset Management Co., Ltd.

The following tables show stock options effective as of March 31, 2019. The number of stock options represents the number of shares after converting into equivalent shares.

(1) Description of Stock Options

| Year Ended March 31, 2019 | Resolution during Fiscal Year 2009 | |
|---|---|---|
| Number of Eligible Persons and their Position | Directors and employees of Nikko Asset Management Co., Ltd. and its subsidiaries and affiliated companies: 271 | Directors and employees of Nikko Asset Management Co., Ltd. and its subsidiaries and affiliated companies: 48 |
| Number of Stock Options Granted by Class of Share | Common stock: 19,724,100 shares | Common stock: 1,702,800 shares |
| Grant Date | February 8, 2010 | August 20, 2010 |
| Vesting Conditions | The recipient must, in principle, be a director or an employee of Nikko Asset Management Co., Ltd., as of January 22, 2012 (“First Exercisable Date”); on the date immediately after which one full year has passed since the First Exercisable Date; and on the date immediately after which two full years have passed since the First Exercisable Date. In those periods, one half, one fourth and one fourth of the options held by the recipient will be vested, respectively. Nikko Asset Management Co., Ltd., must have implemented the IPO at the time of the exercise of any of these options. | Same as on the left |
| Eligible Service Period | From the grant date until two full years have passed since the First Exercisable Date | Same as on the left |
| Exercise Period | From January 22, 2012, to January 21, 2020 | Same as on the left |

| | Resolution during the Fiscal Year 2011 | Resolution during the Fiscal Year 2016 |
|---|---|---|
| Number of Eligible Persons and their Position | Directors and employees of Nikko Asset Management Co., Ltd. and its subsidiaries and affiliated companies: 186 | Directors and employees of Nikko Asset Management Co., Ltd. and its subsidiaries and affiliated companies: 16 |
| Number of Stock Options Granted by Class of Share | Common stock: 6,101,700 shares | Common stock: 4,437,000 shares |
| Grant Date | October 7, 2011 | July 15, 2016 |
| Vesting Conditions | The recipient must, in principle, be a director or an employee of Nikko Asset Management Co., Ltd., as of October 7, 2013 (“First Exercisable Date”); on the date immediately after which one full year has passed since the First Exercisable Date; and on the date immediately after which two full years have passed since the First Exercisable Date. In those periods, one half, one fourth and one fourth of the options held by the recipient will be vested, respectively. Nikko Asset Management Co., Ltd., must have implemented the IPO at the time of the exercise of any of these options. | The recipient must, in principle, be a director or an employee of Nikko Asset Management Co., Ltd., as of July 15, 2018 (“First Exercisable Date”); on the date immediately after which one full year has passed since the First Exercisable Date; and on the date immediately after which two full years have passed since the First Exercisable Date. In those periods, one third, one third and one third of the options held by the recipient will be vested, respectively. Nikko Asset Management Co., Ltd., must have implemented the IPO at the time of the exercise of any of these options. |
| Eligible Service Period | From the grant date until two full years have passed since the First Exercisable Date | From the grant date until two full years have passed since the First Exercisable Date |
| Exercise Period | From October 7, 2013, to October 6, 2021 | From July 15, 2018, to July 31, 2026 |

| | Resolution during the Fiscal Year 2016 | Resolution during the Fiscal Year 2017 |
|---|---|---|
| Number of Eligible Persons and their Position | Directors and employees of Nikko Asset Management Co., Ltd. and its subsidiaries and affiliated companies: 31 | Directors and employees of Nikko Asset Management Co., Ltd. and its subsidiaries and affiliated companies: 36 |
| Number of Stock Options Granted by Class of Share | Common stock: 4,409,000 shares | Common stock: 4,422,000 shares |
| Grant Date | April 27, 2017 | April 27, 2018 |
| Vesting Conditions | The recipient must, in principle, be a director or an employee of Nikko Asset Management Co., Ltd., as of April 27, 2019 (“First Exercisable Date”); on the date immediately after which one full year has passed since the First Exercisable Date; and on the date immediately after which two full years have passed since the First Exercisable Date. In those periods, one third, one third and one third of the options held by the recipient will be vested, respectively. Nikko Asset Management Co., Ltd., must have implemented the IPO at the time of the exercise of any of these options. | The recipient must, in principle, be a director or an employee of Nikko Asset Management Co., Ltd., as of April 27, 2020 (“First Exercisable Date”); on the date immediately after which one full year has passed since the First Exercisable Date; and on the date immediately after which two full years have passed since the First Exercisable Date. In those periods, one third, one third and one third of the options held by the recipient will be vested, respectively. Nikko Asset Management Co., Ltd., must have implemented the IPO at the time of the exercise of any of these options. |
| Eligible Service Period | From the grant date until two full years have passed since the First Exercisable Date | From the grant date until two full years have passed since the First Exercisable Date |
| Exercise Period | From April 27, 2019 to April 30, 2027 | From April 27, 2020 to April 30, 2028 |

(2) Volume and Changes in Stock Options

1) Number of stock options

| Year Ended March 31, 2019 | Shares | |
|---|---|---|
| | Resolution during Fiscal Year 2009 | |
| Grant Date | February 8, 2010 | August 20, 2010 |
| Unvested Stock Options | | |
| At the Beginning of the Fiscal Year | 1,494,900 | 108,900 |
| Granted | — | — |
| Forfeited | 323,400 | 33,000 |
| Vested | — | — |
| At the End of the Fiscal Year | 1,171,500 | 75,900 |
| Vested Stock Options | | |
| At the Beginning of the Fiscal Year | — | — |
| Vested | — | — |
| Exercised | — | — |
| Forfeited | — | — |
| At the End of the Fiscal Year | — | — |

| | Shares | |
|---|---|---|
| | Resolution during Fiscal Year 2011 | Resolution during Fiscal Year 2016 |
| Grant Date | October 7, 2011 | July 15, 2016 |
| Unvested Stock Options | | |
| At the Beginning of the Fiscal Year | 2,686,200 | 3,618,000 |
| Granted | — | — |
| Forfeited | 630,300 | — |
| Vested | — | — |
| At the End of the Fiscal Year | 2,055,900 | 3,618,000 |
| Vested Stock Options | | |
| At the Beginning of the Fiscal Year | — | — |
| Vested | — | — |
| Exercised | — | — |
| Forfeited | — | — |
| At the End of the Fiscal Year | — | — |

| | Shares | |
|---|---|---|
| | Resolution during Fiscal Year 2016 | Resolution during Fiscal Year 2017 |
| Grant Date | April 27, 2017 | April 27, 2018 |
| Unvested Stock Options | | |
| At the Beginning of the Fiscal Year | 3,877,000 | — |
| Granted | — | 4,422,000 |
| Forfeited | 66,000 | 66,000 |
| Vested | — | — |
| At the End of the Fiscal Year | 3,811,000 | 4,356,000 |
| Vested Stock Options | | |
| At the Beginning of the Fiscal Year | — | — |
| Vested | — | — |
| Exercised | — | — |
| Forfeited | — | — |
| At the End of the Fiscal Year | — | — |

2) Unit price information

| Year Ended March 31, 2019 | Resolution during Fiscal Year 2009 | |
|---|---|---|
| Grant Date | February 8, 2010 | August 20, 2010 |
| Exercise Price | ¥ 625 | ¥ 625 |
| Fair Price on the Grant Date (Note 1) | 0 | 0 |

| | Resolution during Fiscal Year 2011 | Resolution during Fiscal Year 2016 |
|---|---|---|
| Grant Date | October 7, 2011 | July 15, 2016 |
| Exercise Price | ¥ 737 (Note 3) | ¥ 558 |
| Fair Price on the Grant Date (Note 1) | 0 | 0 |

| | Resolution during Fiscal Year 2016 | Resolution during Fiscal Year 2017 |
|---|---|---|
| Grant Date | April 27, 2017 | April 27, 2018 |
| Exercise Price | ¥ 553 | ¥694 |
| Fair Price on the Grant Date (Note 1) | 0 | 0 |

(Notes)

1) In lieu of fair value per share, the fair price refers to an estimate of each option's intrinsic value (the difference between the fair value of the share calculated by the comparable transaction price method and the exercise price).

2) The total amount of intrinsic value of the options was ¥2,128 million (U.S. $19 million) as of March 31, 2019.

3) If the IPO price is set as any amount exceeding ¥737 (U.S. $7), the Exercise Price shall be adjusted to an amount equal to the IPO Price on the IPO Date (the Exercise Price shall be adjusted to reflect appropriately the nature of any split or consolidation of shares after the Allotment Date, if any).

**Income Taxes**

**1. Deferred Tax Assets and Liabilities**

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| Year Ended March 31 | **2019** | 2018 | **2019** |
| **Deferred Tax Assets:** | | | |
| Allowance for Loan Losses (including Direct Write-Offs of Loans with Guarantees or Collateral) | **¥ 38,542** | ¥ 40,233 | **$ 347** |
| Impairment of Securities | **19,163** | 19,213 | **173** |
| Deferred Gains (Losses) on Hedges | **14,520** | 8,722 | **131** |
| Adjustments for Retirement Benefits | **10,080** | 210 | **91** |
| Other | **53,225** | 54,700 | **480** |
| Subtotal | **¥ 135,533** | ¥ 123,081 | **$ 1,222** |
| Valuation Allowance | **(14,830)** | (18,418) | **(134)** |
| **Deferred Tax Assets** | **¥ 120,702** | ¥ 104,662 | **$ 1,088** |
| **Deferred Tax Liabilities:** | | | |
| Retirement Benefits | **¥ (18,041)** | ¥ (11,416) | **$ (163)** |
| Valuation Differences on Available-for-Sale Securities | **(208,571)** | (230,198) | **(1,880)** |
| Other | **(12,456)** | (14,063) | **(112)** |
| **Deferred Tax Liabilities** | **¥ (239,069)** | ¥ (255,676) | **$ (2,155)** |
| **Net Deferred Tax Assets (Liabilities)** | **¥ (118,366)** | ¥ (151,015) | **$ (1,067)** |

**2. Effective Income Tax Rate**

Disclosure on reconciliation between the effective statutory tax rate and the effective income tax rate is omitted since the difference was 5% or less of the effective statutory tax rate for the fiscal years ended March 31, 2019 and 2018.

**Business Combinations**

**Transactions under Common Control**

**Split and Integration of the Asset Management Function**

(1) Overview of transactions

1) Name of the business and its description subject to the transactions

Name of the business:

Asset management business of SuMi TRUST Bank

Description of the business:

Asset management services for corporate and institutional investors

2) Date of the business combination

October 1, 2018

3) Legal form of the business combination

An absorption-type company split between SuMi TRUST Bank as the splitting company, and SuMi TRUST Asset Management Co., Ltd., a consolidated subsidiary of SuMi TRUST Holdings, which is the parent company of SuMi TRUST Bank, as the successor company

4) Name of the company after the business combination

Sumitomo Mitsui Trust Asset Management Co., Ltd.

5) Other matters relating to the overview of the transactions

The purpose of this business split and integration is to strengthen the asset management business, which is positioned as a growth area for SuMi TRUST Group. In the transactions, the asset management function is split from SuMi TRUST Bank, which provides asset management services for corporate and institutional investors with high-level know-how and quality, and the function is strategically integrated into SuMi TRUST Asset Management Co., Ltd., which has developed its businesses for individual customers, focusing on defined contribution pension plans, wrap accounts, and index funds.

(2) Overview of the accounting treatment applied

The business combination is accounted for as transactions under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

**Segment Information**

**1. Reportable Segment Information**

The SuMi TRUST Bank Group's reportable segments are defined as operating segments for which discrete financial information is available. The board of directors and the Executive Committee of the SuMi TRUST Bank Group periodically receive reporting on the operating results and other relevant information of the reportable segments to make decisions about the allocation of management resources and to assess performance.

The reportable segments of the SuMi TRUST Bank Group are determined based on services offered by SuMi TRUST Bank.

The main activities of the reportable segment are presented below:

Retail Total Solution Services:

Provision of services to individual customers

Wholesale Financial Services:

Provision of services to corporate customers

Stock Transfer Agency Services:

Undertaking of stock-related services on behalf of customers

Real Estate:

Provision of services related to the real estate business

Fiduciary Services:

Operation of the pension business, the asset management business, and the asset administration business

Global Markets:

Marketing operations, market-making operations, investment operations, and financial management operations

**(Changes in Reportable Segments)**

With an aim to gain clarity around its business model that places focal points in provision of optimal and total solutions to suit the varying need of both individual and corporate customers, the SuMi TRUST Bank Group has been reforming its business portfolio since the fiscal year ended March 31, 2018. Based on the solid progress made during the previous fiscal year, the reportable segments have been revised to operating segments that are based on the components of services provided by the SuMi TRUST Bank for the fiscal year ended March 31, 2019.

Note that segment information for the fiscal year ended March 31, 2018, is presented based on the new reportable segments.

**2. Method for Calculating Substantial Gross Business Profit and Net Business Profit by Each Reportable Segment**

Segment information is prepared based on internal management reports and the accounting policies used for the reportable segments are generally the same as those presented under “Significant Accounting Policies and Practices”; however, the reportable segments are accounted for in accordance with the rules for the internal management. Since each segment’s information will not be used to make decisions about the allocation of resources or assess business performance at the management level, information about assets by reportable segment has not been generated.

Income earned from inter-segment and cross-segment transactions is calculated by applying the criteria (market prices) specified in the rules for internal management.

**(Changes in the Calculation of Profit or Loss by Each Reportable Segment)**

Following the changes in reportable segments effective from the fiscal year ended March 31, 2019, income earned from inter-segment and cross-segment transactions, which was previously calculated using third-party transaction prices, is calculated in accordance with the rules for internal management (using market prices).

Note that segment information for the fiscal year ended March 31, 2018, is presented based on the revised calculations.

**3. Profit or Loss by Reportable Segment**

| Fiscal Year Ended March 31, 2019 | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail Total Solution Services | Wholesale Financial Services | Stock Transfer Agency Services | Real Estate | Fiduciary Services | Global Markets | Others | Total |
| **Gross Business Profit** | **¥ 138,028** | **¥ 137,275** | **¥ 21,471** | **¥ 32,410** | **¥ 57,452** | **¥ 45,683** | **¥ 35,015** | **¥ 467,337** |
| **General and Administrative Expenses** | **(122,687)** | **(41,965)** | **(3,736)** | **(9,303)** | **(24,232)** | **(15,317)** | **(18,611)** | **(235,855)** |
| **Net Business Profit** | **¥ 15,341** | **¥ 95,310** | **¥ 17,734** | **¥ 23,106** | **¥ 33,220** | **¥ 30,365** | **¥ 16,403** | **¥ 231,482** |

| Fiscal Year Ended March 31, 2018 | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail Total Solution Services | Wholesale Financial Services | Stock Transfer Agency Services | Real Estate | Fiduciary Services | Global Markets | Others | Total |
| Gross Business Profit | ¥ 132,856 | ¥128,666 | ¥20,143 | ¥32,126 | ¥ 62,742 | ¥ 54,426 | ¥ (4,109) | ¥ 426,852 |
| General and Administrative Expenses | (121,717) | (39,496) | (3,442) | (8,988) | (26,768) | (15,051) | (21,635) | (237,099) |
| Net Business Profit | ¥ 11,139 | ¥ 89,169 | ¥16,700 | ¥23,138 | ¥ 35,974 | ¥ 39,375 | ¥(25,745) | ¥ 189,752 |

| Fiscal Year Ended March 31, 2019 | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail Total Solution Services | Wholesale Financial Services | Stock Transfer Agency Services | Real Estate | Fiduciary Services | Global Markets | Others | Total |
| **Gross Business Profit** | **$ 1,244** | **$ 1,237** | **$ 194** | **$ 292** | **$ 518** | **$ 412** | **$ 316** | **$ 4,212** |
| **General and Administrative Expenses** | **(1,106)** | **(378)** | **(34)** | **(84)** | **(218)** | **(138)** | **(168)** | **(2,126)** |
| **Net Business Profit** | **$ 138** | **$ 859** | **$ 160** | **$ 208** | **$ 299** | **$ 274** | **$ 148** | **$ 2,086** |

(Notes)

1) The figures represent “Gross Business Profit” in substitution for net sales to be presented by companies in other industries.

2) The amounts of “Gross Business Profit” include net interest income, net trust fees, net fees and commissions, net trading income, and net other ordinary income and expenses.

3) “General and Administrative Expenses” include personnel expenses and rent expenses.

4) “Others” include costs of capital funding, dividends for shares for cross-shareholdings, and general and administrative expenses of headquarters.

**4. Reconciliation Between Total Profit or Loss for Reportable Segments and Income before Income Taxes in the Consolidated Statement of Income**

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Total Profit or Loss for Reportable Segments (Net Business Profit) | **¥ 231,482** | ¥ 189,752 | **$ 2,086** |
| Net Business Profit of Consolidated Subsidiaries that are Excluded from the Reportable Segments and Others (Note) | **46,139** | 78,906 | **416** |
| Other Income | **71,551** | 127,725 | **645** |
| Other Expenses | **(76,810)** | (115,504) | **(692)** |
| Other Adjustments | **(36,829)** | (46,112) | **(332)** |
| Income before Income Taxes | **¥ 235,533** | ¥ 234,768 | **$ 2,123** |

(Note) The amounts include elimination of internal transactions.

**Related Information**

**1. Information by Services**

Disclosure of information by services is omitted as similar disclosure is included in the “3. Profit or Loss by Reportable Segment” in the “Segment Information” section.

**2. Geographic Information**

(1) Income

Income by geographical area for the fiscal years ended March 31, 2019 and 2018, consists of the following:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| Fiscal Year Ended March 31, 2019 | Japan | Americas | Europe | Asia and Oceania | Total |
| | **¥ 1,088,865** | **¥ 158,870** | **¥ 87,133** | **¥ 116,967** | **¥ 1,451,837** |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| Fiscal Year Ended March 31, 2018 | Japan | Americas | Europe | Asia and Oceania | Total |
| | ¥ 1,097,384 | ¥ 105,263 | ¥ 58,362 | ¥ 89,831 | ¥ 1,350,842 |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| Fiscal Year Ended March 31, 2019 | Japan | Americas | Europe | Asia and Oceania | Total |
| | **$ 9,814** | **$ 1,432** | **$ 785** | **$ 1,054** | **$ 13,086** |

(Notes)

1) The figures represent Income in substitution for net sales to be presented by companies in other industries.

2) Income related to transactions by SuMi TRUST Bank (excluding oversea branches) and other domestic consolidated subsidiaries are presented under “Japan.” Income related to transactions by overseas branches of SuMi TRUST Bank and foreign consolidated subsidiaries are presented under “Americas,” “Europe,” or “Asia and Oceania” based on the location of each overseas branch and subsidiary, reflecting their geographical proximity.

(2) Tangible Fixed Assets

More than 90% of SuMi TRUST Bank Group’s tangible fixed assets on the consolidated balance sheet as of March 31, 2019 and 2018, are located in Japan; accordingly, tangible fixed assets by geographical area are not presented.

### 3. Information by Major Customer

Due to highly diversified income-generating transactions between SuMi TRUST Bank Group and a significantly large number of SuMi TRUST Bank Group's customers, transactions are not classified by major counterparty; accordingly, information by major customer is not presented.

### Information Related to Losses on Impairment of Fixed Assets by Reportable Segment

Losses on impairment of fixed assets are not allocated to the reportable segments.

Losses on impairment of fixed assets recognized during the fiscal years ended March 31, 2019 and 2018, were ¥16,817 million (U.S. $152 million) and ¥7,876 million, respectively.

### Information Related to Amortization of Goodwill and Unamortized Balance of Goodwill by Reportable Segment

Amortization of goodwill and unamortized balance of goodwill are not allocated to the reportable segments.

Amortization of goodwill recognized during the fiscal years ended March 31, 2019, and 2018, were ¥9,968 million (U.S. $90 million) and ¥9,968 million, respectively. Unamortized balance of goodwill as of March 31, 2019, and 2018, were ¥63,091 million (U.S. $569 million) and ¥84,537 million, respectively.

### Information Related to Gain on Negative Goodwill by Reportable Segment

There was no gain on negative goodwill by reportable segment during the fiscal years ended March 31, 2019 and 2018.

### Related Party Transactions

### 1. Related Party Transactions

Transactions of the SuMi TRUST Bank with its parent company for the fiscal year ended March 31, 2019, are as follows:

| | | | Capital | | | | Transaction Amounts | | Ending Balances |
|---|---|---|---|---|---|---|---|---|---|
| Type | Company Name | Company Location | Millions of Yen (Millions of U.S. Dollars) | Type of Business | Share of Voting Rights Held (%) | Business Relationship | Transaction Details | Millions of Yen (Millions of U.S. Dollars) | Accounts | Millions of Yen (Millions of U.S. Dollars) |
| Parent company | Sumitomo Mitsui Trust Holdings, Inc. | Chiyoda-ku,Tokyo | ¥261,608 ($2,358) | Bank holding company | Direct 100 | Money lending transaction | Borrowing of funds (Note) | ¥100,000 ($901) | Bonds payable (Note) | ¥610,000 ($5,498) |
| | | | | | | | Payment of interest (Note) | ¥ 7,628 ($69) | Accrued Expenses | ¥2,393 ($22) |

Terms and conditions of transactions and policies applied in deciding the terms and conditions

(Note) Loans are all subordinated borrowings. The interest rates of the loans are determined reasonably based on the market interest rates and other rates.

There were no material transactions that need to be disclosed for the fiscal years ended March 31, 2018.

### 2. Notes on the Parent Company or Significant Affiliated Companies

(1) Parent Company

Sumitomo Mitsui Trust Holdings, Inc. (listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange)

(2) Condensed Financial Information of Significant Affiliated Companies

There was no significant condensed financial information of significant affiliated companies for the fiscal year ended March 31, 2019 to be disclosed.

**Per Share of Common Stock Information**

| | Yen | | U.S. Dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Net Assets per Share of Common Stock | **¥ 1,472.33** | ¥ 1,537.23 | **$ 13.27** |
| Net Income per Share of Common Stock | **96.47** | 93.08 | **0.87** |

(Notes)

1) Net assets per share of common stock and basis for calculation are as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **As of March 31, 2019** | As of March 31, 2018 | **As of March 31, 2019** |
| Net Assets as Reported | **¥ 2,499,879** | ¥ 2,717,588 | **$ 22,532** |
| Less: | **34,393** | 143,439 | **310** |
| Non-Controlling Interests | **34,393** | 143,439 | **310** |
| Net Assets Attributable to Common Shareholders | **2,465,485** | 2,574,149 | **22,222** |
| The Number of Shares of Common Stock Outstanding (Thousands of Shares) | **1,674,537** | 1,674,537 | **1,674,537** |

2) Net income per share of common stock and basis for calculation are as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **Fiscal Year Ended March 31, 2019** | Fiscal Year Ended March 31, 2018 | **Fiscal Year Ended March 31, 2019** |
| Net Income per Share of Common Stock | | | |
| Net Income Attributable to Owners of the Parent | **¥ 161,545** | ¥ 155,875 | **$ 1,456** |
| Net Income Not Attributable to Common Shareholders | **—** | — | **—** |
| Net Income Related to Common Stock that is Attributable to Owners of the Parent | **161,545** | 155,875 | **1,456** |
| Average Number of Shares of Common Stock Outstanding (Thousands of Shares) | **1,674,537** | 1,674,537 | **1,674,537** |

3) Diluted net income per share of common stock and basis for calculation

Diluted net income per share of common stock for the fiscal years ended March 31, 2019 and 2018 is not presented because there were no dilutive potential shares.

The potential shares that were excluded from the calculation of diluted net income per share of common stock because they have no dilutive effect are as follows:

Consolidated subsidiary (Nikko Asset Management Co., Ltd.)

A description of these securities is presented in the subsection of the Notes to Consolidated Financial Statements “Stock Option Plans.”

**Significant Subsequent Event**

**(Changes in a Subsidiary through Dividends in Kind)**

At the general meeting of shareholders held on June 27, 2019, SuMi TRUST Bank decided to transfer the shares of Nikko Asset Management Co., Ltd. owned by SuMi TRUST Bank to SuMi TRUST Holdings, the parent company of SuMi TRUST Bank, as dividends in kind to be effected as of July 1, 2019. As a result, Nikko Asset Management Co., Ltd., currently a consolidated subsidiary of SuMi TRUST Bank, will be excluded from the scope of consolidation.

(To come)

**Financial Data:**
**Consolidated Balance Sheets (Unaudited)**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
As of September 30, 2020 and March 31, 2020

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **As of Sep. 30, 2020** | As of Mar. 31, 2020 | **As of Sep. 30, 2020** |
| **Assets:** | | | |
| Cash and Due from Banks | **¥ 17,445,206** | ¥ 13,087,816 | **$ 164,873** |
| Call Loans and Bills Bought | **21,818** | 71,236 | **206** |
| Receivables under Resale Agreements | **145,010** | 1,220,761 | **1,370** |
| Receivables under Securities Borrowing Transactions | **779,616** | 740,658 | **7,368** |
| Monetary Claims Bought | **760,573** | 999,705 | **7,188** |
| Trading Assets (Note 1) | **462,094** | 507,646 | **4,367** |
| Money Held in Trust | **1,343** | 1,406 | **13** |
| Securities (Notes 1, 7, and 13) | **6,641,471** | 6,343,103 | **62,768** |
| Loans and Bills Discounted (Notes 2, 3, 4, 5, 6, 7, and 8) | **30,140,335** | 29,703,375 | **284,853** |
| Foreign Exchanges | **46,173** | 36,952 | **436** |
| Lease Receivables and Investment Assets (Note 7) | **666,424** | 673,880 | **6,298** |
| Other Assets (Note 7) | **1,679,190** | 2,072,673 | **15,870** |
| Tangible Fixed Assets (Notes 9 and 10) | **220,156** | 220,936 | **2,081** |
| Intangible Fixed Assets | **100,545** | 100,915 | **950** |
| Assets for Retirement Benefits | **98,594** | 87,075 | **932** |
| Deferred Tax Assets | **28,304** | 29,142 | **268** |
| Customers' Liabilities for Acceptances and Guarantees | **520,768** | 518,811 | **4,922** |
| Allowance for Loan Losses | **(124,896)** | (127,205) | **(1,180)** |
| **Total Assets** | **¥ 59,632,732** | ¥ 56,288,892 | **$ 563,583** |
| **Liabilities:** | | | |
| Deposits (Note 7) | **¥ 34,100,465** | ¥ 30,717,040 | **$ 322,280** |
| Negotiable Certificates of Deposit | **7,117,204** | 5,989,292 | **67,264** |
| Call Money and Bills Sold | **24,348** | 142,974 | **230** |
| Payables under Repurchase Agreements (Note 7) | **1,379,058** | 1,558,919 | **13,033** |
| Trading Liabilities | **325,463** | 371,950 | **3,076** |
| Borrowed Money (Notes 7 and 11) | **6,231,590** | 6,496,384 | **58,894** |
| Foreign Exchanges | **1,866** | 3,213 | **18** |
| Short-Term Bonds Payable | **2,532,452** | 1,707,097 | **23,934** |
| Bonds Payable (Note 12) | **597,082** | 485,368 | **5,643** |
| Borrowed Money from Trust Account | **3,517,414** | 4,750,289 | **33,243** |
| Other Liabilities | **914,733** | 1,221,403 | **8,645** |
| Provision for Bonuses | **11,031** | 12,881 | **104** |
| Provision for Directors' Bonuses | **—** | 74 | **—** |
| Provision for Stocks Payment | **302** | 219 | **3** |
| Liabilities for Retirement Benefits | **12,116** | 12,079 | **115** |
| Provision for Reward Points Program | **16,707** | 16,889 | **158** |
| Provision for Reimbursement of Deposits | **4,415** | 4,867 | **42** |
| Provision for Contingent Losses | **1,455** | 1,440 | **14** |
| Deferred Tax Liabilities | **64,293** | 62,767 | **608** |
| Deferred Tax Liabilities for Land Revaluation (Note 9) | **2,439** | 2,439 | **23** |
| Acceptances and Guarantees | **520,768** | 518,811 | **4,922** |
| **Total Liabilities** | **¥ 57,375,211** | ¥ 54,076,402 | **$ 542,248** |
| **Net Assets:** | | | |
| Total Shareholders' Equity: | **¥ 2,000,539** | ¥ 1,948,981 | **$ 18,907** |
| Capital Stock | **342,037** | 342,037 | **3,233** |
| Capital Surplus | **342,853** | 342,853 | **3,240** |
| Retained Earnings | **1,315,648** | 1,264,091 | **12,434** |
| Total Accumulated Other Comprehensive Income: | **229,860** | 236,738 | **2,172** |
| Valuation Differences on Available-for-Sale Securities | **360,751** | 369,924 | **3,409** |
| Deferred Gains (Losses) on Hedges | **(58,318)** | (57,389) | **(551)** |
| Revaluation Reserve for Land (Note 9) | **(3,901)** | (3,901) | **(37)** |
| Foreign Currency Translation Adjustments | **(3,527)** | (2,493) | **(33)** |
| Remeasurements of Defined Benefit Plans | **(65,143)** | (69,401) | **(616)** |
| Non-Controlling Interests | **27,120** | 26,769 | **256** |
| **Total Net Assets** | **¥ 2,257,520** | ¥ 2,212,489 | **$ 21,336** |
| **Total Liabilities and Net Assets** | **¥ 59,632,732** | ¥ 56,288,892 | **$ 563,583** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| **Net Assets per Share of Common Stock** | **¥ 1,331.94** | ¥ 1,305.26 | **$ 12.59** |

See accompanying notes.

The figures in U.S. dollars are converted from yen for the convenience of readers outside Japan at the rate of ¥105.81 to U.S. $1.00, the exchange rate as of September 30, 2020.

**Financial Data:**
**Consolidated Statements of Income (Unaudited)**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the Six Months Ended September 30, 2020 and 2019

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **Six Months Ended Sep. 30, 2020** | Six Months Ended Sep. 30, 2019 | **Six Months Ended Sep. 30, 2020** |
| **Income:** | | | |
| Trust Fees | **¥ 50,272** | ¥ 49,094 | **$ 475** |
| Interest Income: | **183,732** | 253,976 | **1,736** |
| Interest on Loans and Discounts | **140,867** | 181,424 | **1,331** |
| Interest and Dividends on Securities | **33,599** | 45,495 | **318** |
| Fees and Commissions | **124,107** | 168,137 | **1,173** |
| Trading Income | **17,562** | 42,831 | **166** |
| Other Ordinary Income | **173,480** | 181,784 | **1,640** |
| Other Income (Note 1) | **23,896** | 21,275 | **226** |
| **Total Income** | **¥ 573,052** | ¥ 717,100 | **$ 5,416** |
| **Expenses:** | | | |
| Interest Expenses: | **¥ 80,988** | ¥ 193,982 | **$ 765** |
| Interest on Deposits | **27,062** | 65,698 | **256** |
| Fees and Commissions Payments | **42,165** | 48,457 | **399** |
| Trading Expenses | **—** | 110 | **—** |
| Other Ordinary Expenses | **134,984** | 126,718 | **1,276** |
| General and Administrative Expenses (Note 2) | **181,078** | 195,794 | **1,711** |
| Other Expenses (Note 3) | **31,979** | 14,462 | **302** |
| **Total Expenses** | **¥ 471,196** | ¥ 579,527 | **$ 4,453** |
| **Income before Income Taxes** | **¥ 101,856** | ¥ 137,573 | **$ 963** |
| Income Taxes: | **28,130** | 39,643 | **266** |
| Current | **25,509** | 35,602 | **241** |
| Deferred | **2,621** | 4,041 | **25** |
| **Net Income** | **73,726** | 97,929 | **697** |
| Net Income Attributable to Non-Controlling Interests | **433** | 768 | **4** |
| **Net Income Attributable to Owners of the Parent** | **¥ 73,292** | ¥ 97,161 | **$ 693** |
| | Yen | | U.S. Dollars |
| **Net Income per Share of Common Stock** | **¥ 43.76** | ¥ 58.02 | **$ 0.41** |

See accompanying notes.

**Financial Data:**
**Consolidated Statements of Comprehensive Income (Unaudited)**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the Six Months Ended September 30, 2020 and 2019

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **Six Months Ended Sep. 30, 2020** | Six Months Ended Sep. 30, 2019 | **Six Months Ended Sep. 30, 2020** |
| **Net Income** | **¥ 73,726** | ¥ 97,929 | **$ 697** |
| Other Comprehensive Income (Loss): | | | |
| Valuation Differences on Available-for-Sale Securities | **(8,892)** | ¥ (27,121) | **$ (84)** |
| Deferred Gains (Losses) on Hedges | **(1,476)** | (11,355) | **(14)** |
| Foreign Currency Translation Adjustments | **(433)** | (1,437) | **(4)** |
| Remeasurements of Defined Benefit Plans | **4,253** | 1,993 | **40** |
| Share of Other Comprehensive Income of Equity-Method Affiliated Companies | **(381)** | (357) | **(4)** |
| **Total Other Comprehensive Income (Loss)** | **¥ (6,930)** | ¥ (38,277) | **$ (65)** |
| **Comprehensive Income:** | **¥ 66,795** | ¥ 59,652 | **$ 631** |
| Comprehensive Income Attributable to Owners of the Parent | **¥ 66,414** | ¥ 58,929 | **$ 628** |
| Comprehensive Income Attributable to Non-Controlling Interests | **381** | 722 | **4** |

**Financial Data:**
**Consolidated Statements of Changes in Net Assets (Unaudited)**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the Six Months Ended September 30, 2020 and 2019

For the Six Months Ended September 30, 2020

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Period | **¥ 342,037** | **¥ 342,853** | **¥ 1,264,091** | **¥ 1,948,981** |
| Changes during the Period | | | | |
| Cash Dividends | | | **(21,735)** | **(21,735)** |
| Net Income Attributable to Owners of the Parent | | | **73,292** | **73,292** |
| Change in the Scope of Consolidation | | | | **—** |
| Reversal of Revaluation Reserve for Land | | | | **—** |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Period | **—** | **—** | **51,557** | **51,557** |
| Balance at the End of the Period | **¥ 342,037** | **¥ 342,853** | **¥ 1,315,648** | **¥ 2,000,539** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Net Assets |
| Balance at the Beginning of the Period | **¥ 369,924** | **¥ (57,389)** | **¥ (3,901)** | **¥ (2,493)** | **¥ (69,401)** | **¥ 236,738** | **¥ 26,769** | **¥ 2,212,489** |
| Changes during the Period | | | | | | | | |
| Cash Dividends | | | | | | | | **(21,735)** |
| Net Income Attributable to Owners of the Parent | | | | | | | | **73,292** |
| Change in the Scope of Consolidation | | | | | | | | **—** |
| Reversal of Revaluation Reserve for Land | | | | | | | | **—** |
| Net Changes of Items Other Than Shareholders' Equity | **(9,172)** | **(928)** | **—** | **(1,033)** | **4,257** | **(6,878)** | **351** | **(6,526)** |
| Total Changes during the Period | **(9,172)** | **(928)** | **—** | **(1,033)** | **4,257** | **(6,878)** | **351** | **45,030** |
| Balance at the End of the Period | **¥ 360,751** | **¥ (58,318)** | **¥ (3,901)** | **¥ (3,527)** | **¥ (65,143)** | **¥ 229,860** | **¥ 27,120** | **¥ 2,257,520** |

See accompanying notes.

For the Six Months Ended September 30, 2019

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Period | ¥ 342,037 | ¥ 391,397 | ¥ 1,307,578 | ¥ 2,041,013 |
| Changes during the Period | | | | |
| Cash Dividends | | (48,544) | (144,192) | (192,737) |
| Net Income Attributable to Owners of the Parent | | | 97,161 | 97,161 |
| Change in the Scope of Consolidation | | | 9,228 | 9,228 |
| Reversal of Revaluation Reserve for Land | | | 1,063 | 1,063 |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Period | — | (48,544) | (36,739) | (85,284) |
| Balance at the End of the Period | ¥ 342,037 | ¥ 342,853 | ¥ 1,270,838 | ¥ 1,955,728 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Net Assets |
| Balance at the Beginning of the Period | ¥ 481,923 | ¥ (36,833) | ¥ (2,345) | ¥ 4,394 | ¥ (22,665) | ¥ 424,472 | ¥ 34,393 | ¥ 2,499,879 |
| Changes during the Period | | | | | | | | |
| Cash Dividends | | | | | | | | (192,737) |
| Net Income Attributable to Owners of the Parent | | | | | | | | 97,161 |
| Change in the Scope of Consolidation | | | | | | | | 9,228 |
| Reversal of Revaluation Reserve for Land | | | | | | | | 1,063 |
| Net Changes of Items Other Than Shareholders' Equity | (26,384) | (12,365) | (1,063) | (6,787) | 2,005 | (44,594) | (7,099) | (51,693) |
| Total Changes during the Period | (26,384) | (12,365) | (1,063) | (6,787) | 2,005 | (44,594) | (7,099) | (136,978) |
| Balance at the End of the Period | ¥ 455,538 | ¥ (49,198) | ¥ (3,409) | ¥ (2,393) | ¥ (20,659) | ¥ 379,878 | ¥ 27,294 | ¥ 2,362,901 |

See accompanying notes.

For the Six Months Ended September 30, 2020

| | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | Shareholders' Equity | | | |
| | Capital Stock | Capital Surplus | Retained Earnings | Total Shareholders' Equity |
| Balance at the Beginning of the Period | **$ 3,233** | **$ 3,240** | **$ 11,947** | **$ 18,420** |
| Changes during the Period | | | | |
| Cash Dividends | | | **(205)** | **(205)** |
| Net Income Attributable to Owners of the Parent | | | **693** | **693** |
| Change in the Scope of Consolidation | | | | **—** |
| Reversal of Revaluation Reserve for Land | | | | **—** |
| Net Changes of Items Other Than Shareholders' Equity | | | | |
| Total Changes during the Period | **—** | **—** | **487** | **487** |
| Balance at the End of the Period | **$ 3,233** | **$ 3,240** | **$ 12,434** | **$ 18,907** |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Valuation Differences on Available-for-Sale Securities | Deferred Gains (Losses) on Hedges | Revaluation Reserve for Land | Foreign Currency Translation Adjustments | Remeasurements of Defined Benefit Plans | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Net Assets |
| Balance at the Beginning of the Period | **$ 3,496** | **$ (542)** | **$ (37)** | **$ (24)** | **$ (656)** | **$ 2,237** | **$ 253** | **$ 20,910** |
| Changes during the Period | | | | | | | | |
| Cash Dividends | | | | | | | | **(205)** |
| Net Income Attributable to Owners of the Parent | | | | | | | | **693** |
| Change in the Scope of Consolidation | | | | | | | | **—** |
| Reversal of Revaluation Reserve for Land | | | | | | | | **—** |
| Net Changes of Items Other Than Shareholders' Equity | **(87)** | **(9)** | **—** | **(10)** | **40** | **(65)** | **3** | **(62)** |
| Total Changes during the Period | **(87)** | **(9)** | **—** | **(10)** | **40** | **(65)** | **3** | **426** |
| Balance at the End of the Period | **$ 3,409** | **$ (551)** | **$ (37)** | **$ (33)** | **$ (616)** | **$ 2,172** | **$ 256** | **$ 21,336** |

See accompanying notes.

**Financial Data:**
**Consolidated Statements of Cash Flows (Unaudited)**

Sumitomo Mitsui Trust Bank, Limited and its Consolidated Subsidiaries
For the Six Months Ended September 30, 2020 and 2019

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **Six Months Ended Sep. 30, 2020** | Six Months Ended Sep. 30, 2019 | **Six Months Ended Sep. 30, 2020** |
| **Cash Flows from Operating Activities:** | | | |
| Income before Income Taxes | **¥ 101,856** | ¥ 137,573 | **$ 963** |
| Depreciation and Amortization | **16,667** | 16,734 | **158** |
| Impairment Losses | **164** | 124 | **2** |
| Amortization of Goodwill | **2,199** | 3,762 | **21** |
| Equity in Losses (Earnings) of Affiliated Companies | **(3,830)** | (3,751) | **(36)** |
| Increase (Decrease) in Allowance for Loan Losses | **(2,309)** | (10,501) | **(22)** |
| Increase (Decrease) in Provision for Bonuses | **(1,849)** | (4,550) | **(17)** |
| Increase (Decrease) in Provision for Directors' Bonuses | **(74)** | (280) | **(1)** |
| Increase (Decrease) in Provision for Stocks Payment | **82** | 109 | **1** |
| Decrease (Increase) in Assets for Retirement Benefits | **(5,356)** | (8,464) | **(51)** |
| Increase (Decrease) in Liabilities for Retirement Benefits | **(39)** | (3) | **(0)** |
| Increase (Decrease) in Provision for Reward Points Program | **(181)** | (785) | **(2)** |
| Increase (Decrease) in Provision for Reimbursement of Deposits | **(451)** | (975) | **(4)** |
| Increase (Decrease) in Provision for Contingent Losses | **15** | (2,080) | **0** |
| Interest Income | **(183,732)** | (253,976) | **(1,736)** |
| Interest Expenses | **80,988** | 193,982 | **765** |
| Loss (Gain) Related to Securities | **(26,105)** | (21,760) | **(247)** |
| Loss (Gain) on Money Held in Trust | **(34)** | (34) | **(0)** |
| Foreign Exchange Losses (Gains) | **18,401** | 49,178 | **174** |
| Loss (Gain) on Disposal of Fixed Assets | **331** | (288) | **3** |
| Net Decrease (Increase) in Trading Assets | **45,552** | 25,448 | **431** |
| Net Increase (Decrease) in Trading Liabilities | **(46,486)** | 45,610 | **(439)** |
| Net Decrease (Increase) in Loans and Bills Discounted | **(436,959)** | (60,864) | **(4,130)** |
| Net Increase (Decrease) in Deposit | **3,383,425** | (1,179,124) | **31,976** |
| Net Increase (Decrease) in Negotiable Certificates of Deposit | **1,127,912** | 589,993 | **10,660** |
| Net Increase (Decrease) in Borrowed Money (excluding Subordinated Borrowings) | **(304,794)** | 47,089 | **(2,881)** |
| Net Decrease (Increase) in Due from Banks (excluding Due from the Bank of Japan) | **631,829** | 223,342 | **5,971** |
| Net Decrease (Increase) in Call Loans | **1,364,313** | 237,483 | **12,894** |
| Net Decrease (Increase) in Receivables under Securities Borrowing Transactions | **(38,957)** | 18,462 | **(368)** |
| Net Increase (Decrease) in Call Money | **(298,486)** | 1,817,958 | **(2,821)** |
| Net Increase (Decrease) in Payables under Securities Lending Transactions | **—** | 36,388 | **—** |
| Net Decrease (Increase) in Foreign Exchange-Assets | **(9,220)** | 4,781 | **(87)** |
| Net Increase (Decrease) in Foreign Exchange-Liabilities | **(1,347)** | (109) | **(13)** |
| Net Decrease (Increase) in Lease Receivables and Investment Assets | **7,455** | (14,594) | **70** |
| Net Increase (Decrease) in Short-Term Bonds Payable | **825,354** | 405,276 | **7,800** |
| Increase (Decrease) in Straight Bonds-Issuance and Redemption | **161,713** | (175,152) | **1,528** |
| Net Increase (Decrease) in Borrowed Money from Trust Account | **(1,232,875)** | (1,442,748) | **(11,652)** |
| Proceeds from Fund Management | **205,692** | 265,147 | **1,944** |
| Payment for Finance | **(95,302)** | (201,522) | **(901)** |
| Other, Net | **18,754** | (158,250) | **177** |
| Subtotal | **¥ 5,304,316** | ¥ 578,625 | **$ 50,131** |
| Income Taxes (Paid) Refunded | **(42,372)** | (28,175) | **(400)** |
| **Net Cash Provided by (Used in) Operating Activities** | **¥ 5,261,944** | ¥ 550,449 | **$ 49,730** |

(Continued)

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **Six Months Ended Sep. 30, 2020** | Six Months Ended Sep. 30, 2019 | **Six Months Ended Sep. 30, 2020** |
| **Cash Flows from Investing Activities:** | | | |
| Purchase of Securities | **¥ (2,578,366)** | ¥ (2,800,812) | **$ (24,368)** |
| Proceeds from Sales of Securities | **1,010,884** | 1,872,171 | **9,554** |
| Proceeds from Redemption of Securities | **1,351,201** | 783,887 | **12,770** |
| Purchase of Tangible Fixed Assets | **(4,059)** | (10,524) | **(38)** |
| Proceeds from Sales of Tangible Fixed Assets | **46** | 2,217 | **0** |
| Purchase of Intangible Fixed Assets | **(14,243)** | (15,050) | **(135)** |
| Purchase of Shares of Subsidiaries Resulting in Change in the Scope of Consolidation | **—** | (400) | **—** |
| Purchase of Shares of Affiliated Companies Accounted for using the Equity Method | **(22)** | — | **(0)** |
| **Net Cash Provided by (Used in) Investing Activities** | **¥ (234,558)** | ¥ (168,510) | **$ (2,217)** |
| **Cash Flows from Financing Activities:** | | | |
| Increase in Subordinated Borrowings | **¥ 40,000** | ¥ 40,000 | **$ 378** |
| Payments for Redemption of Subordinated Bonds and Bonds with Subscription Rights to Shares | **(50,000)** | (10,000) | **(473)** |
| Cash Dividends Paid | **(21,735)** | (84,815) | **(205)** |
| Cash Dividends Paid to Non-Controlling Interests | **(29)** | (391) | **(0)** |
| **Net Cash Provided by (Used in) Financing Activities** | **¥ (31,765)** | ¥ (55,206) | **$ (300)** |
| Effect of Exchange Rate Change on Cash and Cash Equivalents | **¥ (6,401)** | ¥ (9,714) | **$ (61)** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **¥ 4,989,219** | ¥ 317,018 | **$ 47,153** |
| Cash and Cash Equivalents at the Beginning of the Period | **¥10,906,648** | ¥14,076,767 | **$103,078** |
| Net Increase (Decrease) in Cash and Cash Equivalents with Change in the Scope of Consolidation | **¥ —** | ¥ (36,598) | **$ —** |
| **Cash and Cash Equivalents at the End of the Period (Note 1)** | **¥15,895,867** | ¥14,357,187 | **$150,230** |

See accompanying notes.

**Financial Data:**
**Notes to the Interim Consolidated Financial Statements (Unaudited)**

## Basis of Presentation of Financial Statements

The accompanying interim consolidated financial statements (banking account) have been prepared from the accounts maintained by Sumitomo Mitsui Trust Bank, Limited ("SuMi TRUST Bank") and its consolidated subsidiaries (together, the "SuMi TRUST Bank Group") in accordance with accounting principles generally accepted in Japan and certain accounting and disclosure rules under the Financial Instruments and Exchange Act of Japan and the Banking Act of Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these interim consolidated financial statements, the interim consolidated financial statements of SuMi TRUST Bank issued in Japan have been reclassified and rearranged in order to present them in a form that is more familiar to readers outside Japan.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which SuMi TRUST Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan. The translation has been made at the rate of ¥105.81 to U.S. $1, the approximate rate of exchange as of September 30, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts less than one million Japanese yen have been rounded down and amounts less than one million U.S. dollars have been rounded off. As a result, total balances may not be equal to the sum of individual amounts.

## Significant Accounting Policies and Practices

### 1. Scope of Consolidation

(1) Consolidated Subsidiaries as of September 30, 2020:

39 companies

Principal Companies:

Sumitomo Mitsui Trust Loan & Finance Co., Ltd.

Sumitomo Mitsui Trust Realty Co., Ltd.

Sumitomo Mitsui Trust Club Co., Ltd.

Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.

Sumitomo Mitsui Trust and Bank (U.S.A.) Limited

There are no changes in the consolidated subsidiaries during the interim period ended September 30, 2020.

(2) Unconsolidated Subsidiaries

Principal Companies:

Hummingbird Co., Ltd

ASIA GATEWAY I, L.P.

Hummingbird Co., Ltd. and 21 other companies are excluded from the scope of consolidation in accordance with Article 5, Paragraph 1, Item 2 of "Ordinance on Terminology, Forms and Preparation Methods of Interim Financial Statements, etc.," because they are operators engaged in leasing activities through silent partnership arrangements and their assets and profits/losses do not belong to the subsidiaries.

ASIA GATEWAY I, L.P. and other unconsolidated subsidiaries are excluded from the scope of consolidation, because they are immaterial to the extent that excluding such companies from consolidation would not prevent a reasonable assessment of the corporate group's financial position and financial results. Such materiality is determined based on the size of their assets, ordinary income, net income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), retained earnings (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), accumulated other comprehensive income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries), and other financial data.

**2. Application of the Equity Method**

(1) Unconsolidated Subsidiaries Accounted for by the Equity Method:

None

(2) Affiliated Companies Accounted for by the Equity Method:

23 companies

Principal Company:

SBI Sumishin Net Bank, Ltd.

There are no changes to the affiliated companies accounted for by the equity method during the interim period ended September 30, 2020.

(3) Unconsolidated Subsidiaries and Affiliated Companies That Are Not Accounted for by the Equity Method

Principal Companies:

Hummingbird Co., Ltd.

ASIA GATEWAY I, L.P.

Hummingbird Co., Ltd. and 21 other companies are excluded from the scope of the application of the equity method in accordance with Article 7, Paragraph 1, Item 2 of "Ordinance on Terminology, Forms and Preparation Methods of Interim Financial Statements, etc.," because they are operators engaged in leasing activities through silent partnership arrangements, and their assets and profits/losses do not belong to the subsidiaries.

ASIA GATEWAY I, L.P. and other unconsolidated subsidiaries and affiliated companies that are not accounted for by the equity method are excluded from the scope of application of the equity method because such exclusion would not materially affect the interim consolidated financial statements. Such materiality is determined based on the size of their net income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), retained earnings (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), accumulated other comprehensive income (amount corresponding to SuMi TRUST Bank's interest in subsidiaries and affiliated companies), and other financial data.

**3. Interim Balance Sheet Dates of the Consolidated Subsidiaries**

(1) The interim balance sheet dates of consolidated subsidiaries are as follows:

| | |
|---|---|
| October 31: | 2 companies |
| November 30: | 1 company |
| February 29: | 1 company |
| March 31: | 5 companies |
| May 31: | 1 company |
| June 30: | 4 companies |
| September 30: | 25 companies |

(2) Subsidiaries are consolidated using the interim financial statements as of the following dates:

- Subsidiaries with an interim balance sheet date of October 31: Provisionally prepared interim financial statements as of July 31

- A subsidiary with an interim balance sheet date of November 30: Provisionally prepared interim financial statements as of August 31
- A subsidiary with an interim balance sheet date of February 29: Provisionally prepared interim financial statements as of August 31
- Subsidiaries with an interim balance sheet date of March 31: Provisionally prepared interim financial statements as of September 30
- A subsidiary with an interim balance sheet date of May 31: Provisionally prepared interim financial statements as of August 31
- Other subsidiaries: Interim financial statements as of their respective interim balance sheet dates.

Material transactions arising between the interim consolidated balance sheet date, September 30, 2020, and the above interim balance sheet dates of consolidated subsidiaries have been reflected in the interim consolidated financial statements.

**4. Significant Accounting Policies**

(1) Trading Assets/Liabilities and Income/Expenses

Trading account activities are conducted to seek profits by taking advantage of short-term fluctuations in interest rates, currency rates, financial markets or other indicators, or intermarket differences (for trading purposes). The fluctuations in such items are presented as “Trading Assets” or “Trading Liabilities” in the interim consolidated balance sheets on a trade-date basis, and gains and losses from such transactions are presented as “Trading Income” or “Trading Expenses” in the interim consolidated statements of income.

For the measurement of trading assets and trading liabilities, securities and monetary claims are stated at their fair values as of the interim consolidated balance sheet date, and trading-related financial derivatives, such as swaps, futures, and options, are stated at the amounts that would be settled if they were terminated on the interim consolidated balance sheet date.

Trading income and trading expenses include interest income or expenses, adjusting valuation differences of securities and monetary claims during the interim period and differences in resulting gains or losses from the settlement of financial derivatives assuming that the settlement was made as of September 30, 2020.

(2) Securities

(a) Under the accounting standards for financial instruments in Japan, SuMi TRUST Bank is required to determine the purposes for holding each security and classify such security into (i) securities held for trading purposes (“Trading Securities”), (ii) debt securities intended to be held to maturity (“Held-to-Maturity Debt Securities”), (iii) equity securities issued by subsidiaries and affiliated companies, or (iv) all other securities that are not classified in any of the above categories (“Available-for-Sale Securities”). “Held-to-Maturity Debt Securities” are carried at amortized cost using the moving-average method (the straight-line method). Equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method are stated at moving-average cost. “Available-for-Sale Securities” are, in principle, valued at the market price at the interim balance sheet date (cost of securities sold is calculated using primarily the moving-average method). “Available-for-Sale Securities” for which their fair values are extremely difficult to be determined are carried at cost using the moving-average method.

Valuation differences on “Available-for-Sale Securities” are recorded as a separate component of net assets and reported in the interim consolidated balance sheets. (b) Securities in money held in trust are classified and accounted for in the same manner as those described in 4. (1) and 4. (2) (a) above.

(3) Financial Derivatives

Financial derivatives, excluding those for trading purposes, are stated at fair value.

(4) Depreciation and Amortization Methods

(a) Tangible fixed assets other than lease assets

Tangible fixed assets are depreciated using primarily the straight-line method.

Useful lives of major asset categories:

Buildings: 3 to 60 years
Others: 2 to 20 years

(b) Intangible fixed assets other than lease assets

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized over the useful life specified by SuMi TRUST Bank or the consolidated subsidiaries, which is generally five years.

Goodwill is amortized over a reasonable number of years, determined for each case, up to a maximum of 20 years. However, if immaterial, goodwill is expensed in its entirety in the year in which it arises.

(c) Lease assets

The lease assets under “Tangible Fixed Assets” and “Intangible Fixed Assets” that are related to finance leases that do not transfer ownership of the lease assets to lessees are depreciated using the straight-line method over the lease term, assuming a residual value of zero.

(5) Allowance for Loan Losses

SuMi TRUST Bank records allowance for loan losses in accordance with internally established criteria for write-offs and allowance for loan losses.

For claims against borrowers that have initiated special liquidation proceedings or other bankruptcy proceedings (“legal bankruptcy”) and against borrowers that are in a substantially similar adverse condition (“virtual bankruptcy”), the allowance is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees. For claims against borrowers that have not yet initiated bankruptcy proceedings, but are very likely to become bankrupt in the future (“possible bankruptcy”), an allowance is provided for the amount deemed necessary based on the overall assessment of the borrowers’ solvency, after deducting the amount expected to be collected through the disposal of collateral or execution of guarantees from the claims.

For claims against large borrowers with certain credit risks and credit amounts that are classified as possible bankruptcy borrowers, restructured loan borrowers, or close-observation borrowers, if future cash flows from the collection of the principal and interest can be reasonably estimated, the allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate prior to the loan restructuring and the carrying amount of the claim (the “estimated cash flow method”).

For claims that are classified as other than those above, the allowance is primarily provided based on the estimated loan losses over the next one to three years, which are calculated based on the average historical loan-loss ratios during a certain period on the basis of historical loan losses over the past one to three years.

All claims are assessed at branches and credit supervision departments based on the criteria for self-assessment of asset quality. The Risk Management Department, which is independent from operating sections, monitors the results of such assessments.

As for the other consolidated subsidiaries, the allowance for loan losses for general claims is provided based on the historical loan-loss ratios, and the allowance for loan losses for specific claims, such as possible uncollectible claims, is provided based on the estimate of unrecoverable amount for each claim.

For claims against borrowers who are legally bankrupt or virtually bankrupt with collateral or guarantees, claims against borrowers in legal or virtual bankruptcy, net of amounts expected to be collected through the disposal of collateral or through the execution of guarantees, are directly deducted from the original amount of claims. The deducted amount was ¥24,123 million (U.S. $228 million) for the six months ended September 30, 2020.

(Additional Information)

For the fiscal year ended March 31, 2020, SuMi TRUST Bank and some of its consolidated subsidiaries made necessary modifications to their historical loan-loss ratios, to incorporate the impact of the spread of COVID-19 on borrowers.

In particular, SuMi TRUST Bank and some of its consolidated subsidiaries identified industries and products (collectively the “industries and Others”) that may be affected by a downturn in business performance due to the spread of COVID-19. Therefore, they recorded an additional allowance for loan losses for anticipated future credit losses, assuming that internal ratings of certain credits of the Industries and Others will be downgraded to some extent.

There is no significant change to this assumption for the six-month period ended September 30, 2020.

(6) Provision for Bonuses

A provision for bonuses is provided for the estimated employee bonuses attributable to the current interim period.

(7) Provision for Directors’ Bonuses

A provision for directors’ bonuses is provided for the estimated directors’ bonuses attributable to the current interim period.

(8) Provision for Stocks Payment

A provision for stocks payment is provided for estimated stock-based payments to directors of SuMi TRUST Bank under a stock-based compensation scheme that have been earned by September 30, 2020.

(9) Provision for Reward Points Program

A provision for reward points program is provided for the use of points granted to holders of Diners Club Card and other credit cards in the amount deemed necessary based on the reasonable estimates of the points to be used in the future.

(10) Provision for Reimbursement of Deposits in Dormant Accounts

At SuMi TRUST Bank, a provision for reimbursement of deposits in dormant accounts is provided for the deposits that were derecognized as liabilities under certain conditions. Such provision is provided against the estimated future reimbursement to be requested by customers based on the past reimbursement record.

(11) Provision for Contingent Losses

A provision for contingent losses is provided for losses associated with off-balance-sheet transactions or trust transactions in the amount deemed necessary based on the estimated possible future losses.

(12) Accounting for Retirement Benefits

In determining the retirement benefit obligations, projected benefits to the periods up to the interim period ended September 30, 2020, are attributed based on the plan's benefit formula. Past service cost and actuarial gains or losses are expensed using the following methods:

Past service cost:

Past service cost is recognized using the straight-line method, primarily over 10 years, within the employees' average remaining service period at incurrence.

Actuarial gains or losses:

Actuarial differences are expensed using the straight-line method, primarily over 10 years, within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

Some consolidated subsidiaries adopt the simplified method in calculating liabilities for retirement benefits and retirement benefit expenses for lump-sum retirement benefit plans, recording liabilities at amounts that would be required for voluntary termination at the end of the current interim period.

(13) Foreign Currency Translation

Assets and liabilities of SuMi TRUST Bank that are denominated in foreign currencies and overseas branch accounts are generally translated into yen at the exchange rates prevailing at the interim consolidated balance sheet date, except for shares of stocks in affiliated companies translated into yen at the exchange rates prevailing at the acquisition dates.

Assets and liabilities of consolidated subsidiaries that are denominated in foreign currencies are translated into yen at the exchange rates prevailing at their respective interim balance sheet dates.

(14) Accounting for Leases

As for the consolidated subsidiaries in Japan, income and expenses arising from transactions of finance leases that do not transfer ownership to lessees are recognized as sales and costs of goods sold when lease payments are collected.

(15) Hedge Accounting

(a) Interest-related risk hedge

SuMi TRUST Bank manages interest rate risk arising from various assets and liabilities by using financial derivative transactions. Such transactions are generally treated as deferred hedges as specified in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Auditing Committee Report No. 24 of February 13, 2002, "Report No. 24"). To evaluate the effectiveness of hedges designed to offset market fluctuations, hedged items, such as deposits, loans and bills discounted, and hedging instruments, such as interest rate swaps, are grouped by duration to maturity. The effectiveness of hedges designed to fix cash flow is evaluated by verifying the correlation between the interest volatility factors for the hedged items and those for the hedging instruments.

In accordance with "Temporary Treatment for Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Auditing Committee Report No. 15), SuMi TRUST Bank has adopted "Macro Hedge Accounting" to account for certain interest-related derivatives, which are utilized to manage interest rate risk arising from transactions, such as loans and bills discounted, and deposits. Deferred gains (losses) on hedges in the interim consolidated balance sheet as of the end of the current interim period that have resulted from existing "Macro Hedge Accounting" are amortized over the remaining period designated under "Macro Hedge Accounting" for each hedging transaction.

Deferred losses on hedges associated with "Macro Hedge Accounting" during the interim period ended September 30, 2020, totaled ¥25 million (U.S. $0.2 million) (before tax effect).

(b) Currency-related risk hedge

SuMi TRUST Bank manages the foreign exchange risk arising from various assets and liabilities denominated in foreign currencies using financial derivative transactions. Such transactions are generally treated as deferred hedges as specified in “Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry” (JICPA Industry Auditing Committee Report No. 25 of July 29, 2002, “Report No. 25”).

The effectiveness of hedging instruments, such as cross-currency swaps and foreign exchange swaps, as a means of mitigating the foreign exchange risk arising from monetary claims and debts denominated in foreign currencies, is evaluated by verifying that the foreign currency positions of such hedging instruments are in amounts equivalent to the corresponding monetary claims and debts denominated in foreign currencies, which are the hedged items.

Additionally, transactions intended to hedge the foreign exchange risk associated with foreign currency-denominated securities (other than bonds) are treated as portfolio hedges. Fair value hedge accounting has been adopted to account for such transactions on the conditions that specific foreign currency-denominated securities are designated in advance as hedged items and that foreign currency payables of spot and forward foreign exchange contracts exist in excess of the acquisition cost of such foreign currency-denominated securities on a foreign currency basis.

The foreign exchange risk associated with investment in the shares of stocks in foreign subsidiaries and affiliated companies is individually hedged using forward exchange contracts denominated in the same currency, and foreign currency translation adjustments arising from the hedging instruments are included in “Foreign Currency Translation Adjustments.”

(c) Internal hedge transactions and others

Among derivative transactions of SuMi TRUST Bank that take place between consolidated subsidiaries or that are made internally between designated trading accounts and some other accounts, those interest rate swaps and cross-currency swaps designated as hedging instruments are carried out in accordance with standards for cover deals with external parties, which eliminate discretion and enable strict management on hedges pursuant to Report No. 24 and Report No. 25. Accordingly, income or expenses arising from such interest rate swaps and cross-currency swaps are recognized as profits or losses, or deferred, rather than eliminated.

Deferred hedge accounting has been adopted for certain assets and liabilities by individual transactions.

Other consolidated subsidiaries account for such transactions as deferred hedges or exceptional treatment for interest rate swaps by individual transactions.

(16) Scope of Cash and Cash Equivalents in the Interim Consolidated Statements of Cash Flows

For SuMi TRUST Bank, the balance of “Cash and Cash Equivalents” in the interim consolidated statements of cash flows is equivalent to the balance of cash and due from the Bank of Japan under “Cash and Due from Banks” presented in the interim consolidated balance sheets. For the consolidated subsidiaries, the balance of “Cash and Cash Equivalents” in the interim consolidated statements of cash flows is equivalent to the balance of “Cash and Due from Banks” presented in the interim consolidated balance sheets.

(17) National and Local Consumption Taxes

National and local consumption taxes (“consumption taxes”) payable by SuMi TRUST Bank and its consolidated subsidiaries in Japan are accounted for by the tax-excluded method. However, any nondeductible consumption taxes associated with asset purchases are recorded as expenses in the current interim period.

(18) Adoption of Consolidated Tax Return System

SuMi TRUST Bank adopts the consolidated tax return system.

(19) Adoption of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

SuMi TRUST Bank and some of its consolidated subsidiaries in Japan did not adopt Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) in accordance with Paragraph 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020) and account for deferred tax assets and deferred tax liabilities based on the tax regulations before the revision. Such treatment is adopted on items transitioned to group tax sharing system established under "The Law Revising a Portion of Income Tax Law" (Act No. 8, 2020) and single taxation system items revised in conjunction with the transition to the group tax sharing system.

**Notes to the Interim Consolidated Balance Sheets**

**1. Securities**

"Securities" include stocks and equity investments in unconsolidated subsidiaries and affiliated companies.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Stocks | ¥ 106,014 | $ 1,002 |
| Equity Investments | 27,796 | 263 |

Unsecured securities borrowed under loan agreements and securities purchased under resale agreements, and securities received under lending transactions with cash collateral that SuMi TRUST Bank has a free disposal rights to sell or (re)pledge.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Securities That Are Further Collateralized | ¥ 134,648 | $ 1,273 |
| Securities That Are Further Loaned | 1,017,883 | 9,620 |
| Securities Held without Selling or Repledging as of the End of the Current Period | 10,071 | 95 |

**2. Loans and Bills Discounted**

Loans and bills discounted as of September 30, 2020, consist of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Loans in Bankruptcy Proceedings | ¥ 2,468 | $ 23 |
| Delinquent Loans | 74,611 | 705 |

Loans in bankruptcy proceedings are loans whose interest receivable is not recorded due to delinquency in principal or interest payments for a significant period or other reasons excluding loans that have been written off ("nonaccrual loans") and due to the reasons as prescribed in Paragraph 1, Items 3 and 4 of Article 96 of "Enforcement Ordinance for the Corporation Tax Act" (Cabinet Order No. 97 of 1965).

Delinquent loans are nonaccrual loans other than (i) loans in bankruptcy proceedings and (ii) loans for which the terms of interest payments have been extended in connection with the borrower's business restructuring or to otherwise provide support.

**3. Loans Past Due Three Months or More**

Loans past due three months or more as of September 30, 2020, consist of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Loans Past Due Three Months or More | ¥ 6,531 | $ 62 |

Loans past due three months or more are those loans for which principal or interest payments are more than three months past due (calculated from the day following the contractual payment date), excluding loans classified as loans in bankruptcy proceedings or delinquent loans.

**4. Restructured Loans**

Restructured loans as of September 30, 2020, consist of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Restructured Loans | **¥ 42,022** | **$ 397** |

Restructured loans are those loans whose terms have been modified by reducing or waiving interest, granting interest payment extensions, granting principal repayment extensions, forgiving debt, or otherwise providing some arrangements favorable to the borrower in connection with the borrower's business restructuring or to otherwise provide support, excluding those loans classified as loans in bankruptcy proceedings, delinquent loans, or loans past due three months or more.

**5. Total of Loans in Bankruptcy Proceedings, Delinquent Loans, Loans Past Due Three Months or More, and Restructured Loans**

Total of loans in bankruptcy proceedings, delinquent loans, loans past due three months or more, and restructured loans as of September 30, 2020, consists of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Total of Loans in Bankruptcy Proceedings, Delinquent Loans, Loans Past Due Three Months or More, and Restructured Loans | **¥ 125,634** | **$ 1,187** |

The amounts presented in Notes 2 through 5 are before deducting allowances for loan losses.

**6. Bills Discounted**

Bills discounted are treated as financial transactions in accordance with Report No. 24. SuMi TRUST Bank has a free disposal right to sell or (re)pledge such commercial bills. The total face value of such bills is as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Bills Discounted | **¥ 746** | **$ 7** |

**7. Assets Pledged as Collateral**

Assets pledged as collateral as of September 30, 2020, consist of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Assets Pledged as Collateral: | | |
| Securities | **¥ 2,092,410** | **$ 19,775** |
| Loans and Bills Discounted | **5,019,313** | **47,437** |
| Lease Receivables and Investment Assets | **54,196** | **512** |
| Other Assets | **6,242** | **59** |
| **Total** | **¥ 7,172,163** | **$ 67,783** |
| Corresponding Liabilities to Assets Pledged as Collateral: | | |
| Deposits | **¥ 27,683** | **$ 262** |
| Payables under Repurchase Agreements | **392,903** | **3,713** |
| Borrowed Money | **4,330,880** | **40,931** |

In addition to the foregoing, the following assets have been pledged as collateral for settlement of exchange and others, or as a substitution of margin of futures and others.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Securities | **¥ 122,351** | **$ 1,156** |

"Other Assets" include initial margins of futures, security deposits, and cash collateral paid for financial instruments. Such amounts are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Initial Margins of Futures Markets | **¥ 38,916** | **$ 368** |
| Security Deposits | **23,763** | **225** |
| Cash Collateral Pledged for Financial Instruments-Assets | **802,430** | **7,584** |

**8. Overdraft Facility Agreements and Commitment Lines of Credit**

Overdraft facility agreements and committed lines of credit are agreements to extend a certain amount of credit at the customer's request as long as the terms of the agreement have not been violated. The amount of unused credit under such agreements is as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Amount of Unused Credit under Agreements | **¥ 13,404,348** | **$ 126,683** |
| Attributable to Agreements Expiring within One Year or which May Be Unconditionally Canceled at Any Time | **8,480,524** | **80,149** |

The balance of unused credit will not necessarily affect the future cash flows of SuMi TRUST Bank and its consolidated subsidiaries because most of these agreements expire without credit being extended. Most of these agreements contain clauses allowing SuMi TRUST Bank and its consolidated subsidiaries to reject requests for credit outright or reduce the credit limits due to changes in financial circumstances, the need to preserve claims, or other reasonable causes. Besides requesting collateral, such as real estate or securities, as necessary at the time of entering into the agreement, the SuMi TRUST Bank Group has also adopted other measures to keep its credit sound, such as periodically assessing the condition of customers' businesses following internal procedures and revising agreements, as necessary.

**9. Revaluation Reserve for Land**

In accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998), land for commercial use of SuMi TRUST Bank was revalued, and the amount equivalent to the taxes on the resulting valuation difference was recorded as a "Deferred Tax Liability for Land Revaluation" in liabilities, and the amount net of such differences was recorded as a "Revaluation Reserve for Land" in net assets.

Revaluation date: March 31, 1998 and March 31, 1999

Revaluation method prescribed by Paragraph 3 of Article 3 of the Act:

The revaluation is calculated by reasonably adjusting the value of land based on the following prices: the posted prices for benchmark properties as prescribed by Item 1 of Article 2 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119, promulgated on March 31, 1998); the standard prices for benchmark properties as prescribed by Item 2 of Article 2, the registered prices in tax lists for such land for commercial use as prescribed by Item 3 of Article 2; and the land assessments under Item 4 of Article 2 of the same Order.

**10. Accumulated Depreciation of Tangible Fixed Assets**

Accumulated depreciation of tangible fixed assets as of September 30, 2020, consists of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Accumulated Depreciation of Tangible Fixed Assets | ¥ 175,341 | $ 1,657 |

**11. Borrowed Money**

Borrowed money includes subordinated borrowings with lower priority for fulfillment of obligation than other debts.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Subordinated Borrowings | ¥ 740,000 | $ 6,994 |
| Subordinated Borrowings with a Debt Relief Clause at the Contractual Point of Non-Viability | 690,000 | 6,521 |

**12. Bonds Payable**

Bonds payable includes subordinated bonds.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Subordinated Bonds | ¥ 240,595 | $ 2,274 |

**13. Guarantee Obligations on Corporate Bonds Placed through Private Securities Offerings**

The bonds presented under “Securities” include guarantee obligations on corporate bonds that were placed through private securities offerings (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act).

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Guarantee Obligations on Corporate Bonds Placed through Private Securities Offerings | ¥ 80,800 | $ 764 |

**14. Principal of Guaranteed Trust Accounts**

The principal amount of the trusts held by SuMi TRUST Bank through guaranteed trust agreements is as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Money Trusts | ¥ 3,309,878 | $ 31,281 |

**Notes to the Interim Consolidated Statements of Income**

**1. Other Income**

Other income for the six months ended September 30, 2020, consists of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Gains on Sales of Stocks and Other Securities | ¥ 17,018 | $ 161 |
| Equity in Earnings of Affiliated Companies | 3,830 | 36 |

**2. General and Administrative Expenses**

General and administrative expenses for the six months ended September 30, 2020, consist of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Salaries and Allowances | **¥ 69,428** | **$ 656** |

**3. Other Expenses**

Other expenses for the six months ended September 30, 2020, consist of the following:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Losses on Sales of Stocks and Other Securities | **¥ 3,883** | **$ 37** |
| Losses on Devaluation of Stocks and Other Securities | **585** | **6** |
| Expenses on Stock-Related Derivatives | **11,591** | **110** |

**Notes to the Interim Consolidated Statements of Changes in Net Assets**

**1. Class and Number of Issued Shares of Common Stock**

The class and number of issued shares of common stock for the six months ended September 30, 2020, consist of the following:

| | Thousands of Shares | | | | |
|---|---|---|---|---|---|
| | Authorized | Number of Shares Outstanding at the Beginning of the Current Period | Increase | Decrease | Number of Shares Outstanding at the End of the Current Period |
| For the Six Months Ended September 30, 2020 | | | | | |
| Number of Issued Shares: | | | | | |
| Common Share | **3,000,000** | **1,674,537** | **—** | **—** | **1,674,537** |

**2. Subscription Rights to Shares**

There were no subscription rights to shares for the six months ended September 30, 2020.

**3. Dividends**

(1) Dividends paid for the six months ended September 30, 2020, consist of the following:

| | | Cash Dividends Declared | | Cash Dividends per Share | | |
|---|---|---|---|---|---|---|
| Resolution | Type of Shares | Millions of Yen ( Millions of U.S. Dollars) | Dividend Resources | Yen (U.S. Dollars) | Record Date | Effective Date |
| June 26, 2020 Ordinary General Meeting of Shareholders | Common Share | **¥ 21,735 ($205)** | Retained Earnings | **¥ 12.98 ($0.12)** | March 31, 2020 | June 29, 2020 |

(2) Dividends with a record date during the current interim period ended September 30, 2020, but whose effective date is after September 30, 2020, are as follows:

| | | Cash Dividends Declared | | Cash Dividends per Share | | |
|---|---|---|---|---|---|---|
| Resolution | Type of Shares | Millions of Yen ( Millions of U.S. Dollars) | Dividend Resources | Yen (U.S. Dollars) | Record Date | Effective Date |
| November 12, 2020 Board of Directors' Meeting | Common Share | **¥ 28,132 ($266)** | Retained Earnings | **¥ 16.80 ($0.16)** | September 30, 2020 | December 1, 2020 |

**Note to the Interim Consolidated Statements of Cash Flows**

**1. Reconciliation of Cash and Cash Equivalents**

The following table reconciles cash and cash equivalents in the interim consolidated statements of cash flows and cash and due from banks in the interim consolidated balance sheets as of September 30, 2020.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Cash and Due from Banks | ¥ 17,445,206 | $ 164,873 |
| Due from Banks (excluding Due from the Bank of Japan) | 1,549,338 | 14,643 |
| **Cash and Cash Equivalents** | ¥ 15,895,867 | $ 150,230 |

**Leases**

**1. Finance Leases**

As a lessee:

Finance leases that do not transfer ownership of the lease assets to lessees

1) Description of lease assets

i) Tangible fixed assets

Mainly store buildings and office equipment

ii) Intangible fixed assets

Software

2) Method for depreciating and amortizing lease assets

Refer to "(4) Depreciation and Amortization Methods" of "4. Significant Accounting Policies" in the Significant Accounting Policies and Practices.

**2. Operating Leases**

As a lessee:

Total future lease payments under non-cancelable operating leases as of September 30, 2020, are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Due in One Year or Less | ¥ 2,578 | $ 24 |
| Due in More than One Year | 12,572 | 119 |
| **Total** | ¥ 15,151 | $ 143 |

As a lessor:

Total future lease payments under non-cancelable operating leases as of September 30, 2020, are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | Sep. 30, 2020 | Sep. 30, 2020 |
| Due in One Year or Less | ¥ 4,777 | $ 45 |
| Due in More than One Year | 23,028 | 218 |
| **Total** | ¥ 27,805 | $ 263 |

## Financial Instruments

### Fair Values of Financial Instruments

The carrying amounts on the interim consolidated balance sheets and fair values of financial instruments as of September 30, 2020, as well as the differences between these values are presented below. The fair values of unlisted shares are excluded from the following table because such fair values are extremely difficult to be determined (See Note 2).

| | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| | Sep. 30, 2020 | | | Sep. 30, 2020 | | |
| | Carrying Amount | Fair Value | Difference | Carrying Amount | Fair Value | Difference |
| (1) Cash and Due from Banks (*1) | ¥ 17,445,044 | ¥ 17,445,044 | ¥ — | $ 164,871 | $ 164,871 | $ — |
| (2) Call Loans and Bills Bought | 21,818 | 21,818 | — | 206 | 206 | — |
| (3) Receivables under Resale Agreements | 145,010 | 145,010 | — | 1,370 | 1,370 | — |
| (4) Receivables under Securities Borrowing Transactions | 779,616 | 779,616 | — | 7,368 | 7,368 | — |
| (5) Monetary Claims Bought (*1) | 753,330 | 754,035 | 705 | 7,120 | 7,126 | 7 |
| (6) Trading Assets | | | | | | |
| Trading Securities | 34,716 | 34,716 | — | 328 | 328 | — |
| (7) Money Held in Trust | 1,243 | 1,243 | — | 12 | 12 | — |
| (8) Securities | | | | | | |
| Held-to-Maturity Securities | 259,514 | 276,454 | 16,939 | 2,453 | 2,613 | 160 |
| Available-for-Sale Securities | 6,048,029 | 6,048,029 | — | 57,159 | 57,159 | — |
| (9) Loans and Bills Discounted | 30,140,335 | | | 284,853 | | |
| Allowance for Loan Losses (*2) | (110,829) | | | (1,047) | | |
| | 30,029,506 | 30,346,598 | 317,092 | 283,806 | 286,803 | 2,997 |
| (10) Foreign Exchanges | 46,173 | 46,173 | — | 436 | 436 | — |
| (11) Lease Receivables and Investment Assets (*1) | 660,060 | 674,624 | 14,563 | 6,238 | 6,376 | 138 |
| Total Assets | ¥ 56,224,066 | ¥ 56,573,366 | ¥ 349,300 | $ 531,368 | $ 534,669 | $ 3,301 |
| (1) Deposits | ¥ 34,100,465 | ¥ 34,121,819 | ¥ 21,353 | $ 322,280 | $ 322,482 | $ 202 |
| (2) Negotiable Certificates of Deposit | 7,117,204 | 7,117,204 | — | 67,264 | 67,264 | — |
| (3) Call Money and Bills Sold | 24,348 | 24,348 | — | 230 | 230 | — |
| (4) Payables under Repurchase Agreements | 1,379,058 | 1,379,058 | — | 13,033 | 13,033 | — |
| (5) Borrowed Money | 6,231,590 | 6,239,571 | 7,980 | 58,894 | 58,970 | 75 |
| (6) Foreign Exchanges | 1,866 | 1,866 | — | 18 | 18 | — |
| (7) Short-Term Bonds Payable | 2,532,452 | 2,532,452 | — | 23,934 | 23,934 | — |
| (8) Bonds Payable | 597,082 | 606,754 | 9,671 | 5,643 | 5,734 | 91 |
| (9) Borrowed Money from Trust Account | 3,517,414 | 3,517,414 | — | 33,243 | 33,243 | — |
| Total Liabilities | ¥ 55,501,483 | ¥ 55,540,488 | ¥ 39,005 | $ 524,539 | $ 524,908 | $ 369 |
| Derivative Transactions (*3) | | | | | | |
| Derivative Transactions Not Qualifying for Hedge Accounting | ¥ (17,310) | ¥ (17,310) | ¥ — | $ (164) | $ (164) | $ — |
| Derivative Transactions Qualifying for Hedge Accounting | (26,070) | (26,070) | — | (246) | (246) | — |
| Total Derivative Transactions | ¥ (43,380) | ¥ (43,380) | ¥ — | $ (410) | $ (410) | $ — |

(*1) The allowance for credit losses corresponding to “Cash and Due from Banks,” “Monetary Claims Bought,” and “Lease Receivables and Investment Assets” is directly deducted from the carrying amounts on the interim consolidated balance sheets because the balance of the allowance is immaterial.

(*2) A general allowance for loan losses and specific allowances for loan losses are deducted from “Loans and Bills Discounted.”

(*3) Derivative transactions recorded in “Trading Assets” and “Trading Liabilities” or in “Other Assets” and “Other Liabilities” are presented collectively.

Receivables and payables arising from derivative transactions are presented on a net basis. Negative figures represent a liability balance after netting.

(Note 1) Method for Calculating Fair Values of Financial Instruments

**Assets**

(1) Cash and Due from Banks, (2) Call Loans and Bills Bought, (3) Receivables under Resale Agreements, (4) Receivables under Securities Borrowing Transactions, and (10) Foreign Exchanges

These instruments with transactions without stated maturities are stated at their carrying amounts because the carrying amounts approximate fair value. For transactions with stated maturities, corresponding instruments are stated at their carrying amounts because most of such transactions have short contractual terms (one year or less) and the carrying amounts approximate fair value.

(5) Monetary Claims Bought

Fair values of monetary claims bought for which counter-parties' quoted prices or dealer/broker-quoted prices are available are stated at such prices. Fair values for all other such claims are calculated by classifying them according to their internal ratings and maturities, and discounting future cash flows to their present values.

(6) Trading Assets

Bonds and other securities held for trading purposes are stated at dealer association prices or counterparties' quoted prices. For short-term corporate bonds, their fair values are calculated by discounting future cash flows to their present values.

(7) Money Held in Trust

Securities managed as trust assets in money held in trust, which are individually managed with the principal objective of securities portfolio management, are stated at quoted market prices or dealer/broker-quoted prices. Notes regarding money held in trust by holding purposes are presented under the "Money Held in Trust" section.

(8) Securities

Stocks are stated at quoted market prices. Bonds are stated at quoted market prices, dealer association prices, counterparties' quoted prices, or dealer/broker-quoted prices. Investment trusts are stated at published reference prices.

Fair values of privately placed bonds guaranteed by SuMi TRUST Bank are calculated by classifying them according to their internal ratings and maturities, and discounting future cash flows to their present value.

Notes regarding securities by holding purposes are presented under the "Securities" section.

(9) Loans and Bills Discounted

Fair values of loans and bills discounted are calculated by grouping loans according to loan terms, internal ratings, and maturities and discounting the aggregate principal and interest by the assumed interest rate for similar new loans. However, floating-rate loans for which their carrying amounts are deemed to approximate fair value, due to the nature of the loan or the borrower's credit situation subsequent to the execution of the loans, are stated at their carrying amounts.

For claims executed to borrowers who went into legal bankruptcy, virtual bankruptcy, and possible bankruptcy, estimated loan losses are calculated based on the present value of estimated future cash flows or the expected recoverable amounts from collateral or guarantees. Therefore, fair values for these claims are stated at the amounts by deducting the allowance for loan losses from the amounts in the interim consolidated balance sheets at the interim consolidated balance sheet date, because such deducted amounts approximate fair value.

Loans without stated maturities (as the amount of credit is limited to the value of the collateral or due to some other special characteristics) are stated at their carrying amounts as the carrying amounts are deemed to approximate the fair value because of the expected repayment periods and the interest terms.

(11) Lease Receivables and Investment Assets

Fair values of lease receivables and investment assets are calculated by grouping these assets according to their internal ratings and maturities, and discounting the aggregate principal and interest by the assumed interest rate for similar new agreements.

**Liabilities**

(1) Deposits and (2) Negotiable Certificates of Deposit

Demand deposits are stated at the amount that would have to be paid on demand at the interim consolidated balance sheet date (carrying amount).

Yen fixed-rate time deposits are grouped by product type and stated at the present value of their future cash flows discounted by the rates that would be paid on new deposits. Fixed-rate time deposits with short maturities (one year or less) and floating-rate time deposits are generally stated at their carrying amounts because the carrying amounts approximate the fair value.

(3) Call Money and Bills Sold, (4) Payables under Repurchase Agreements, (6) Foreign Exchanges, (7) Short-Term Bonds Payable, and (9) Borrowed Money from Trust Accounts

The obligations without stated maturities are stated at the amounts that would have to be paid on demand at the interim consolidated balance sheet date (carrying amount). Obligations with stated maturities are stated at their carrying amounts because most of the obligations have short contractual terms (one year or less) and the carrying amounts approximate the fair values.

(5) Borrowed Money

Borrowed money at floating rates is stated at their carrying amounts. The carrying amounts are deemed to approximate fair value because such amounts reflect short-term market interest rates, and there have been no significant changes in credit condition subsequent to undertaking the borrowed money.

Fair values of borrowed money at fixed rates are calculated by discounting their future cash flows by the assumed interest rate on similar borrowings. Fair values for obligations with short maturities (one year or less) are stated at their carrying amounts because they approximate fair value.

(8) Bonds Payable

Bonds issued by SuMi TRUST Bank and its consolidated subsidiaries are stated at market prices, if such prices are available. Fair values for other bonds are calculated by discounting future cash flows to their present values by the assumed interest rate on issuance of similar bonds.

**Derivatives**

Notes regarding fair values of derivatives are presented under the “Derivatives” section.

(Note 2) The amounts of financial instruments on the interim consolidated balance sheets whose fair values are extremely difficult to be determined are as stated below, and such amounts are not included in the fair values information for financial instruments presented under the “Assets, (5) Monetary Claims Bought” or “Assets, (8) Available-for-Sale Securities” section.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | **Sep. 30, 2020** | **Sep. 30, 2020** |
| | Carrying Amount | Carrying Amount |
| Monetary Claims Bought | **¥ 6,635** | **$ 63** |
| Securities | **200,120** | **1,891** |
| Unlisted Stocks (*3) | **59,676** | **564** |
| Investments in Associations | **105,988** | **1,002** |
| Others (*3) | **34,455** | **326** |
| Total | **¥ 206,755** | **$ 1,954** |

(*1) The above financial instruments are excluded from the fair value disclosure because there are no quoted market prices, and therefore, there is no reliable measure of fair value.

(*2) Stocks of subsidiaries and affiliated companies are not included in the above table.

(*3) During the current interim period ended September 30, 2020, impairment losses of ¥309 million (U.S. $3 million) are recognized against Unlisted Stocks.

**Securities**

*1. In addition to the "Securities" presented in the interim consolidated balance sheets, the following information includes loan-backed trust deeds reported under "Monetary Claims Bought."

*2. "Stocks in Subsidiaries and Affiliated Companies" are presented as a note to the interim financial statements.

**1. Held-to-Maturity Securities with Fair Value**

Held-to-maturity securities with fair value as of September 30, 2020, consist of the following:

| | Millions of Yen | | |
|---|---|---|---|
| September 30, 2020 | Carrying Amount | Fair Value | Difference |
| Securities for which Fair Value Exceeds Carrying Amount | | | |
| Government Bonds | **¥ 118,218** | **¥ 135,439** | **¥ 17,220** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **33,200** | **33,610** | **410** |
| Other Securities | **77,089** | **77,219** | **130** |
| Foreign Bonds | **21,162** | **21,174** | **12** |
| Others | **55,927** | **56,045** | **117** |
| Subtotal | **228,508** | **246,269** | **17,760** |
| Securities for which Fair Value Does Not Exceed Carrying Amount | | | |
| Government Bonds | **¥ —** | **¥ —** | **¥ —** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **—** | **—** | **—** |
| Other Securities | **86,934** | **86,229** | **(704)** |
| Foreign Bonds | **86,934** | **86,229** | **(704)** |
| Others | **—** | **—** | **—** |
| Subtotal | **86,934** | **86,229** | **(704)** |
| **Total** | **¥ 315,442** | **¥ 332,499** | **¥ 17,056** |

| September 30, 2020 | Millions of U.S. Dollars<br>Carrying Amount | Fair Value | Difference |
|---|---|---|---|
| Securities for which Fair Value Exceeds Carrying Amount | | | |
| Government Bonds | **$ 1,117** | **$ 1,280** | **$ 163** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **314** | **318** | **4** |
| Other Securities | **729** | **730** | **1** |
| Foreign Bonds | **200** | **200** | **0** |
| Others | **529** | **530** | **1** |
| Subtotal | **2,160** | **2,327** | **168** |
| Securities for which Fair Value Does Not Exceed Carrying Amount | | | |
| Government Bonds | **$ —** | **$ —** | **$ —** |
| Local Government Bonds | **—** | **—** | **—** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **—** | **—** | **—** |
| Other Securities | **822** | **815** | **(7)** |
| Foreign Bonds | **822** | **815** | **(7)** |
| Others | **—** | **—** | **—** |
| Subtotal | **822** | **815** | **(7)** |
| **Total** | **$ 2,981** | **$ 3,142** | **$ 161** |

**2. Available-for-Sale Securities**

Available-for-sale securities as of September 30, 2020, consist of the following:

| September 30, 2020 | Millions of Yen<br>Carrying Amount | Acquisition Cost | Difference |
|---|---|---|---|
| Securities for which Carrying Amount Exceeds Acquisition Cost | | | |
| Stocks | **¥ 1,183,481** | **¥ 426,488** | **¥ 756,993** |
| Bonds | **1,734,329** | **1,730,239** | **4,090** |
| Government Bonds | **1,249,360** | **1,248,840** | **519** |
| Local Government Bonds | **8,131** | **8,095** | **36** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **476,837** | **473,303** | **3,534** |
| Other Securities | **760,151** | **735,679** | **24,471** |
| Foreign Stocks | **2,878** | **185** | **2,692** |
| Foreign Bonds | **637,042** | **623,059** | **13,983** |
| Others | **120,229** | **112,434** | **7,795** |
| Subtotal | **3,677,962** | **2,892,408** | **785,554** |
| Securities for which Carrying Amount Does Not Exceed Acquisition Cost | | | |
| Stocks | **¥ 77,026** | **¥ 105,149** | **¥ (28,122)** |
| Bonds | **607,014** | **608,749** | **(1,734)** |
| Government Bonds | **392,460** | **393,408** | **(948)** |
| Local Government Bonds | **11,144** | **11,168** | **(23)** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **203,410** | **204,172** | **(761)** |
| Other Securities | **1,725,974** | **1,969,597** | **(243,622)** |
| Foreign Stocks | **787** | **1,285** | **(498)** |
| Foreign Bonds | **655,775** | **659,188** | **(3,412)** |
| Others | **1,069,411** | **1,309,123** | **(239,712)** |
| Subtotal | **2,410,016** | **2,683,496** | **(273,480)** |
| **Total** | **¥ 6,087,979** | **¥ 5,575,904** | **¥ 512,074** |

| September 30, 2020 | Millions of U.S. Dollars | | |
|---|---|---|---|
| | Carrying Amount | Acquisition Cost | Difference |
| Securities for which Carrying Amount Exceeds Acquisition Cost | | | |
| Stocks | **$11,185** | **$ 4,031** | **$ 7,154** |
| Bonds | **16,391** | **16,352** | **39** |
| Government Bonds | **11,808** | **11,803** | **5** |
| Local Government Bonds | **77** | **77** | **0** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **4,507** | **4,473** | **33** |
| Other Securities | **7,184** | **6,953** | **231** |
| Foreign Stocks | **27** | **2** | **25** |
| Foreign Bonds | **6,021** | **5,888** | **132** |
| Others | **1,136** | **1,063** | **74** |
| Subtotal | **34,760** | **27,336** | **7,424** |
| Securities for which Carrying Amount Does Not Exceed Acquisition Cost | | | |
| Stocks | **$ 728** | **$ 994** | **$ (266)** |
| Bonds | **5,737** | **5,753** | **(16)** |
| Government Bonds | **3,709** | **3,718** | **(9)** |
| Local Government Bonds | **105** | **106** | **(0)** |
| Short-Term Corporate Bonds | **—** | **—** | **—** |
| Corporate Bonds | **1,922** | **1,930** | **(7)** |
| Other Securities | **16,312** | **18,614** | **(2,302)** |
| Foreign Stocks | **7** | **12** | **(5)** |
| Foreign Bonds | **6,198** | **6,230** | **(32)** |
| Others | **10,107** | **12,372** | **(2,265)** |
| Subtotal | **22,777** | **25,361** | **(2,585)** |
| **Total** | **$57,537** | **$52,697** | **$ 4,840** |

**3. Impairment of Securities**

Securities other than securities whose fair values are extremely difficult to be determined, or those deemed to be trading securities, are treated as impaired when their fair values have declined significantly from the acquisition cost and it is deemed unlikely to recover to the acquisition cost. Such securities are recorded at their fair values in the interim consolidated balance sheets. The difference between the acquisition cost and the fair values is recognized as an impairment loss.

Impairment losses of ¥ 275 million (U.S. $3 million) on stocks were recognized during the current interim period.

The criteria for determining whether the fair values of securities have significantly declined are as follows:

- For securities whose issuers are classified as “normal” under the asset self-assessment, a decline of 50% or more in the fair values compared with the acquisition cost is deemed to be significant;
- For securities whose issuers are classified as “close-observation borrowers,” a decline of 30% or more in the fair values compared with the acquisition cost is deemed to be significant; and
- The fair values of some securities are deemed unrecoverable and impairment losses are recognized when their fair values have declined more than 30% but less than 50% from the acquisition cost and the fair values have continued to decline over a certain period.

**Money Held in Trust**

**1. Held-to-Maturity Money Held in Trust**

There is no held-to-maturity money held in trust as of September 30, 2020.

**2. Other Money Held in Trust (other than those held for trading purposes or held-to-maturity)**

Other money held in trust (other than those held for trading purposes or held-to-maturity) as of September 30, 2020, consists of the following:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| September 30, 2020 | Carrying Amount | Acquisition Cost | Difference | Positive Difference | Negative Difference |
| Other Money Held in Trust | **¥ 1,343** | **¥ 983** | **¥ 360** | **¥ 360** | **¥ —** |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| September 30, 2020 | Carrying Amount | Acquisition Cost | Difference | Positive Difference | Negative Difference |
| Other Money Held in Trust | **$ 13** | **$ 9** | **$ 3** | **$ 3** | **$ —** |

(Note) The amount of "Difference" is net of "Positive Difference" and "Negative Difference."

**Valuation Differences on Available-for-Sale Securities**

The following table shows components of "Valuation Differences on Available-for-Sale Securities" in the interim consolidated balance sheets.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | **Sep. 30, 2020** | **Sep. 30, 2020** |
| Valuation Differences | | |
| Available-for-Sale Securities | **¥ 513,361** | **$ 4,852** |
| Other Money Held in Trust | **360** | **3** |
| Total Valuation Differences | **513,721** | **4,855** |
| Amount Equivalent to Deferred Tax Assets (Liabilities) | **(156,070)** | **(1,475)** |
| Total (Before Adjustment for Non-Controlling Interests and Parent Company's Portions in Available-for-Sale Securities Owned by its Affiliated Companies) | **357,651** | **3,380** |
| Non-Controlling Interests | **(72)** | **(1)** |
| Parent Company's Portions in Available-for-Sale Securities Owned by Its Affiliated Companies | **3,172** | **30** |
| Valuation Differences on Available-for-Sale Securities | **¥ 360,751** | **$ 3,409** |

(Notes)

1) Foreign currency translation adjustments on available-for-sale securities, for which fair values are extremely difficult to be determined, are included in the "Available-for-Sale Securities" under "Valuation Differences."

2) The valuation difference of ¥ 1,286 million (U.S. $12 million) on available-for-sale securities composing assets held by associated companies is included in "Available-for-Sale Securities" under "Valuation Differences."

**Derivatives**

**1. Derivative Transactions Not Qualifying for Hedge Accounting**

Derivative transactions not qualifying for hedge accounting are grouped by type of underlying transaction. The notional amounts (or the amount equivalent to the principal specified in the contracts), the fair values, and the valuation differences as of the interim consolidated balance sheet date, as well as the methods for determining such fair values are presented below. The notional amounts do not reflect the market risk associated with the derivatives.

(1) Interest-Related Transactions

Interest-related transactions not qualifying for hedge accounting as of September 30, 2020, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | Sep. 30, 2020 | | | | Sep. 30, 2020 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Interest Futures | | | | | | | | |
| Sold | **¥ 14,722,272** | **¥ 4,685,668** | **¥ (33,585)** | **¥ (33,585)** | **$ 139,139** | **$ 44,284** | **$ (317)** | **$ (317)** |
| Purchased | **14,794,708** | **4,596,540** | **33,444** | **33,444** | **139,823** | **43,441** | **316** | **316** |
| Interest Options | | | | | | | | |
| Sold | **2,494,548** | **—** | **(647)** | **(347)** | **23,576** | **—** | **(6)** | **(3)** |
| Purchased | **2,440,767** | **—** | **679** | **289** | **23,067** | **—** | **6** | **3** |
| OTC | | | | | | | | |
| Forward Rate Agreements | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Interest Rate Swaps | | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | **47,248,260** | **35,511,841** | **2,026,388** | **2,026,388** | **446,539** | **335,619** | **19,151** | **19,151** |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | **39,958,821** | **31,628,243** | **(1,996,161)** | **(1,996,161)** | **377,647** | **298,915** | **(18,866)** | **(18,866)** |
| Floating Interest Rate Receivable/ Floating Interest Rate Payable | **22,419,954** | **18,047,194** | **70** | **70** | **211,889** | **170,562** | **1** | **1** |
| Interest Options | | | | | | | | |
| Sold | **9,500,003** | **9,488,477** | **(850)** | **8,276** | **89,784** | **89,675** | **(8)** | **78** |
| Purchased | **6,752,922** | **6,731,049** | **7,407** | **2,890** | **63,821** | **63,614** | **70** | **27** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ 36,744** | **¥ 41,265** | **/** | **/** | **$ 347** | **$ 390** |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the interim consolidated statements of income.

2) The fair values of listed derivative transactions are based on the closing prices on the Tokyo Financial Exchange and other exchanges. The fair values of over-the-counter (OTC) derivative transactions are calculated using the net present value method or option-pricing models.

(2) Currency-Related Transactions

Currency-related transactions not qualifying for hedge accounting as of September 30, 2020, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | Sep. 30, 2020 | | | | Sep. 30, 2020 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Currency Futures | | | | | | | | |
| Sold | ¥ — | ¥ — | ¥ — | ¥ — | $ — | $ — | $ — | $ — |
| Purchased | — | — | — | — | — | — | — | — |
| Currency Options | | | | | | | | |
| Sold | — | — | — | — | — | — | — | — |
| Purchased | — | — | — | — | — | — | — | — |
| OTC | | | | | | | | |
| Currency Swaps | **5,776,803** | **4,958,684** | **24,170** | **24,170** | **54,596** | **46,864** | **228** | **228** |
| Forward Exchange Contracts | | | | | | | | |
| Sold | **11,184,900** | **809,548** | **(34,451)** | **(34,451)** | **105,707** | **7,651** | **(326)** | **(326)** |
| Purchased | **16,663,092** | **236,891** | **(36,319)** | **(36,319)** | **157,481** | **2,239** | **(343)** | **(343)** |
| Currency Options | | | | | | | | |
| Sold | **1,156,527** | **654,385** | **(42,597)** | **11,774** | **10,930** | **6,185** | **(403)** | **111** |
| Purchased | **883,885** | **446,929** | **37,907** | **(7,626)** | **8,354** | **4,224** | **358** | **(72)** |
| Others | | | | | | | | |
| Sold | — | — | — | — | — | — | — | — |
| Purchased | — | — | — | — | — | — | — | — |
| **Total** | **/** | **/** | **¥ (51,289)** | **¥ (42,451)** | **/** | **/** | **$ (485)** | **$ (401)** |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the interim consolidated statements of income.

2) The fair values are calculated using the net present value method or option-pricing models.

(3) Stock-Related Transactions

Stock-related transactions not qualifying for hedge accounting as of September 30, 2020, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | Sep. 30, 2020 | | | | Sep. 30, 2020 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Stock Index Futures | | | | | | | | |
| Sold | **¥ 43,576** | **¥ —** | **¥(528)** | **¥ (528)** | **$ 412** | **$ —** | **$ (5)** | **$ (5)** |
| Purchased | **31,848** | **—** | **70** | **70** | **301** | **—** | **1** | **1** |
| Stock Index Options | | | | | | | | |
| Sold | **99,967** | **—** | **(750)** | **223** | **945** | **—** | **(7)** | **2** |
| Purchased | **108,081** | **—** | **226** | **(1,178)** | **1,021** | **—** | **2** | **(11)** |
| OTC | | | | | | | | |
| OTC Stock Options | | | | | | | | |
| Sold | — | — | — | — | — | — | — | — |
| Purchased | — | — | — | — | — | — | — | — |
| OTC Stock Swaps | | | | | | | | |
| Volatility of Stock Price and Other Receivable/ Short-Term Floating Interest Rate Payable | — | | — | — | — | — | — | — |
| Short-Term Floating Interest Rate Receivable/ Volatility of Stock Price and Other Payable | — | | — | — | — | — | — | — |
| Others | | | | | | | | |
| Sold | — | | — | — | — | — | — | — |
| Purchased | — | | — | — | — | — | — | — |
| **Total** | **/** | **/** | **¥(982)** | **¥ (1,413)** | **/** | **/** | **$ (9)** | **$ (13)** |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the interim consolidated statements of income.

2) The fair values of listed derivative transactions are based on the closing prices on the Osaka Exchange and other exchanges. The fair values of OTC derivative transactions are calculated using the net present value method or option-pricing models.

(4) Bond-Related Transactions

Bond-related transactions not qualifying for hedge accounting as of September 30, 2020, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | Sep. 30, 2020 | | | | Sep. 30, 2020 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| Listed | | | | | | | | |
| Bond Futures | | | | | | | | |
| Sold | **¥ 535,500** | **¥ —** | **¥ (1,696)** | **¥ (1,696)** | **$ 5,061** | **$ —** | **$ (16)** | **$ (16)** |
| Purchased | **560,239** | **—** | **133** | **133** | **5,295** | **—** | **1** | **1** |
| Bond Future Options | | | | | | | | |
| Sold | **368,016** | **—** | **(673)** | **530** | **3,478** | **—** | **(6)** | **5** |
| Purchased | **142,996** | **—** | **148** | **(191)** | **1,351** | **—** | **1** | **(2)** |
| OTC | | | | | | | | |
| Bond Forward Contracts | | | | | | | | |
| Sold | **112,279** | **—** | **52** | **52** | **1,061** | **—** | **0** | **0** |
| Purchased | **113,956** | **—** | **251** | **251** | **1,077** | **—** | **2** | **2** |
| Bond Options | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ (1,782)** | **¥ (918)** | **/** | **/** | **$ (17)** | **$ (9)** |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the interim consolidated statements of income.

2) The fair values of listed derivative transactions are based on the closing prices on the Osaka Exchange and other exchanges. The fair values of OTC derivative transactions are calculated using option-pricing models.

(5) Commodity-Related Transactions

There are no commodity-related transactions not qualifying for hedge accounting as of September 30, 2020.

(6) Credit Derivative Transactions

Credit derivative transactions not qualifying for hedge accounting as of September 30, 2020, consist of the following:

| | Millions of Yen | | | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | Sep. 30, 2020 | | | | Sep. 30, 2020 | | | |
| | Notional Amount | | | | Notional Amount | | | |
| | Total | Over One Year | Fair Value | Valuation Difference | Total | Over One Year | Fair Value | Valuation Difference |
| OTC | | | | | | | | |
| Credit Default Swaps | | | | | | | | |
| Sold | **¥ 53,600** | **¥ 36,000** | **¥ 936** | **¥ 936** | **$ 507** | **$ 340** | **$ 9** | **$ 9** |
| Purchased | **53,600** | **36,000** | **(936)** | **(936)** | **507** | **340** | **(9)** | **(9)** |
| Others | | | | | | | | |
| Sold | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | **/** | **/** | **¥ (0)** | **¥ (0)** | **/** | **/** | **$ (0)** | **$ (0)** |

(Notes)

1) The above transactions are stated at their fair values and valuation differences are recorded in the interim consolidated statements of income.

2) The fair values are calculated using the net present value method.

3) “Sold” represents transactions under which the credit risk has been assumed, and “Purchased” represents transactions under which the credit risk has been transferred to another party.

**2. Derivative Transactions Qualifying for Hedge Accounting**

Derivative transactions qualifying for hedge accounting are grouped by type of underlying transaction. The notional amounts (or the amount equivalent to the principal specified in the contracts) and the fair values as of the interim consolidated balance sheet date, as well as the methods for determining such fair values are presented below. The notional amounts do not reflect the market risk associated with the derivatives.

(1) Interest-Related Transactions

Interest-related transactions qualifying for hedge accounting as of September 30, 2020, consist of the following:

| | | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|
| | | **Sep. 30, 2020** | | | **Sep. 30, 2020** | | |
| | | Notional Amount | | | Notional Amount | | |
| | Major Hedged Item | Total | Over One Year | Fair Value | Total | Over One Year | Fair Value |
| Deferral Method | | | | | | | |
| Interest Rate Swaps | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | | **¥ 541,717** | **¥ 293,620** | **¥ 1,501** | **$ 5,120** | **$ 2,775** | **$ 14** |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | Financial Assets/ Liabilities such as Loans and Bills Discounted, Available-for-Sale Securities (Bonds), Deposits, and Bonds Payable | **1,484,562** | **1,307,571** | **(49,727)** | **14,030** | **12,358** | **(470)** |
| Interest Futures | | | | | | | |
| Sold | | — | — | — | — | — | — |
| Purchased | | — | — | — | — | — | — |
| Interest Options | | | | | | | |
| Sold | | — | — | — | — | — | — |
| Purchased | | — | — | — | — | — | — |
| Others | | | | | | | |
| Sold | | — | — | — | — | — | — |
| Purchased | | — | — | — | — | — | — |
| Exceptional Treatment for Interest Rate Swaps | | | | | | | |
| Interest Rate Swaps | | | | | | | |
| Fixed Interest Rate Receivable/ Floating Interest Rate Payable | | — | — | — | — | — | — |
| Floating Interest Rate Receivable/ Fixed Interest Rate Payable | | — | — | — | — | — | — |
| **Total** | | **/** | **/** | **¥ (48,226)** | **/** | **/** | **$ (456)** |

(Notes)

1) Deferred hedge accounting stipulated in Report No. 24 is applied, in principle.

2) Fair values are calculated mainly using the net present value method or option-pricing models.

(2) Currency-Related Transactions

Currency-related transactions qualifying for hedge accounting as of September 30, 2020, consist of the following:

| | | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|
| | | Sep. 30, 2020 | | | Sep. 30, 2020 | | |
| | | Notional Amount | | | Notional Amount | | |
| | Major Hedged Item | Total | Over One Year | Fair Value | Total | Over One Year | Fair Value |
| Deferral Method | | | | | | | |
| Currency Swaps | | **¥ 2,804,809** | **¥ 1,846,989** | **¥ 20,104** | **$ 26,508** | **$ 17,456** | **$ 190** |
| Forward Exchange Contracts | | | | | | | |
| Sold | Loans and Bills Discounted | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | and Securities Denominated | **76,183** | **—** | **900** | **720** | **—** | **9** |
| Others | in Foreign Currencies | | | | | | |
| Sold | | **—** | **—** | **—** | **—** | **—** | **—** |
| Purchased | | **—** | **—** | **—** | **—** | **—** | **—** |
| Method of Including Foreign Currency Translation Adjustments Arising from the Hedging Instruments in “Foreign Currency Translation Adjustments” | | | | | | | |
| Forward Exchange Contracts | Investment in the Shares of | | | | | | |
| Sold | Subsidiaries and Affiliated | **¥ 88,207** | **¥ —** | **¥ 1,151** | **$ 834** | **$ —** | **$ 11** |
| Purchased | Companies | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total** | | **/** | **/** | **¥ 22,156** | **/** | **/** | **$ 209** |

(Notes)

1) Deferred hedge accounting stipulated in Report No. 25 is applied, in principle.

2) Fair values are calculated mainly using the net present value method.

(3) Stock-Related Transactions

There are no stock-related transactions qualifying for hedge accounting as of September 30, 2020.

(4) Bond-Related Transactions

There are no bond-related transactions qualifying for hedge accounting as of September 30, 2020.

**Stock Option Plans**

There are no corresponding items as of September 30, 2020.

**Segment Information**

**1. Reportable Segment Information**

The SuMi TRUST Bank Group’s reportable segments are defined as operating segments for which discrete financial information is available. The Board of Directors and the Executive Committee of the SuMi TRUST Group periodically receive reporting on the operating results and other relevant information from each of the reportable segments to make decisions about the allocation of management resources and to assess performance.

The reportable segments of the SuMi TRUST Bank Group comprises services of SuMi TRUST Bank on a non-consolidated basis and are presented below:

Retail Total Solution Services:

Provision of services to individual customers Wholesale Financial Services (Wholesale Total Solution Services Business and Wholesale Asset Management Business):

Provision of services to corporate customers

Stock Transfer Agency Services:

Undertaking of stock-related services on behalf of customers

Real Estate:

Provision of services related to the real estate business

Fiduciary Services:

Operation of the pension business, the asset management business, and the asset administration business

Global Markets:

Marketing operations, market-making operations, investment operations, and financial management operations

**2. Method for Calculating Gross Business Profit and Net Business Profit**

Segment information is prepared based on internal management reports and the accounting policies used for the reportable segments are generally the same as those presented under "Significant Accounting Policies and Practices"; however, the reportable segments are accounted for in accordance with the rules for internal management. Since each segment's information will not be used to make decisions about the allocation of resources or assess business performance at the management level, information about assets by reportable segment has not been generated.

Income earned from inter-segment and cross-segment transactions is calculated by applying the criteria (market prices) specified in the rules for internal management.

**3. Profit or Loss by Reportable Segment**

The details and amounts of profit or loss by reportable segment for the six months ended September 30, 2020, are as follows:

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | SuMi TRUST Bank | | | | | | | |
| Six Months Ended September 30, 2020 | Retail Total Solution Services | Wholesale Financial Services | Stock Transfer Agency Services | Real Estate | Fiduciary Services | Global Markets | Others | Total |
| Gross Business Profit | **¥ 58,678** | **¥ 68,794** | **¥12,683** | **¥ 8,483** | **¥ 26,199** | **¥36,094** | **¥ 14,044** | **¥ 224,979** |
| General and Administrative Expenses | **(61,467)** | **(23,144)** | **(1,856)** | **(4,852)** | **(11,952)** | **(7,574)** | **(11,616)** | **(122,464)** |
| Net Business Profit | **¥ (2,789)** | **¥ 45,649** | **¥10,827** | **¥ 3,631** | **¥ 14,246** | **¥28,520** | **¥ 2,427** | **¥ 102,514** |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | SuMi TRUST Bank | | | | | | | |
| Six Months Ended September 30, 2020 | Retail Total Solution Services | Wholesale Financial Services | Stock Transfer Agency Services | Real Estate | Fiduciary Services | Global Markets | Others | Total |
| Gross Business Profit | **$ 555** | **$ 650** | **$120** | **$ 80** | **$ 248** | **$341** | **$ 133** | **$ 2,126** |
| General and Administrative Expenses | **(581)** | **(219)** | **(18)** | **(46)** | **(113)** | **(72)** | **(110)** | **(1,157)** |
| Net Business Profit | **$ (26)** | **$ 431** | **$102** | **$ 34** | **$ 135** | **$270** | **$ 23** | **$ 969** |

(Notes)

1) The figures represent “Gross Business Profit” in substitution for net sales to be presented by companies in other industries.

2) The amounts of “Gross Business Profit” include net interest income, net trust fees, net fees and commissions, net trading income, and net other ordinary income and expenses.

3) “General and Administrative Expenses” include personnel expenses and rent expenses.

4) “Others” include costs of capital funding, dividends for shares for cross-shareholdings, and general and administrative expenses of headquarters.

**4. Reconciliation Between Total Profit or Loss for Reportable Segments and Income before Income Taxes in the Interim Consolidated Statements of Income**

The details of reconciliation between total profit or loss for reportable segments and income before income taxes in the consolidated statements of income for the six months ended September 30, 2020, are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | 2020 | 2020 |
| Total Profit or Loss for Reportable Segments (Net Business Profit) | **¥ 102,514** | **$ 969** |
| Net Business Profit of Consolidated Subsidiaries that are Excluded from the Reportable Segments (Note) | **23,644** | **223** |
| Other Income | **23,896** | **226** |
| Other Expenses | **(31,979)** | **(302)** |
| Other Adjustments | **(15,723)** | **(149)** |
| Income before Income Taxes | **¥ 102,352** | **$ 967** |

**Related Information**

**1. Information by Services**

Disclosure of information by services is omitted as similar disclosure is included in the “3. Profit or Loss by Reportable Segment” in the “Segment Information” section.

**2. Geographic Information**

(1) Income

Income by geographical area for the six months ended September 30, 2020, consists of the following:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| Six Months Ended September 30, 2020 | Japan | Americas | Europe | Asia and Oceania | Total |
| | **¥ 481,376** | **¥ 41,806** | **¥ 24,232** | **¥ 25,636** | **¥ 573,052** |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| Six Months Ended September 30, 2020 | Japan | Americas | Europe | Asia and Oceania | Total |
| | **$ 4,549** | **$ 395** | **$ 229** | **$ 242** | **$ 5,416** |

(Notes)

1) The figures represent income in substitution for net sales to be presented by companies in other industries.

2) Income related to transactions by SuMi TRUST Bank (excluding overseas branches) and other domestic consolidated subsidiaries are presented under “Japan.” Income related to transactions by overseas branches of SuMi TRUST Bank and foreign consolidated subsidiaries are presented under “Americas,” “Europe,” or “Asia and Oceania” based on the location of each overseas branch and subsidiary, reflecting their geographical proximity.

(2) Tangible Fixed Assets

More than 90% of the SuMi TRUST Bank Group's tangible fixed assets on the interim consolidated balance sheets are located in Japan; accordingly, tangible fixed assets by geographical area are not presented.

**3. Information by Major Customer**

Due to highly diversified income-generating transactions between the SuMi TRUST Bank Group and a significantly large number of the SuMi TRUST Bank Group's customers, transactions are not classified by counterparty; accordingly, information by major customer is not presented.

**Information Related to Losses on Impairment of Fixed Assets by Reportable Segment**

Losses on impairment of fixed assets are not allocated to reportable segments. Losses on impairment of fixed assets recognized during the six months ended September 30, 2020, are ¥164 million (U.S. $2 million).

**Information Related to Amortization of Goodwill and Unamortized Balance of Goodwill by Reportable Segment**

Amortization of goodwill and unamortized balance of goodwill are not allocated to reportable segments. Amortization of goodwill recognized during the six months ended September 30, 2020 is ¥2,199 million (U.S. $21 million). Unamortized balance of goodwill as of September 30, 2020, is ¥19,077 million (U.S. $180 million).

**Information Related to Gain on Negative Goodwill by Reportable Segment**

There is no gain on negative goodwill by reportable segment during the six months ended September 30, 2020.

**Per Share of Common Stock Information**

**1. Net Assets per Share of Common Stock and Basis for Calculation**

The details of net assets per share of common stock and the basis for calculation for the six months ended September 30, 2020, are as follows:

| Six Months Ended September 30, 2020 | Net Assets [Millions of Yen] (Numerator) | The Number of Shares of Common Stock Outstanding [Thousands of Shares] (Denominator) | Amount per Share of Common Stock [Yen] |
|---|---|---|---|
| Net Assets as Reported | **¥ 2,257,520** | | |
| Less: | **27,120** | | |
| Non-Controlling Interests | **27,120** | | |
| Net Assets Attributable to Common Shareholders | **¥ 2,230,399** | **1,674,537** | **¥ 1,331.94** |

| Six Months Ended September 30, 2020 | Net Assets [Millions of U.S. Dollars] (Numerator) | The Number of Shares of Common Stock Outstanding [Thousands of Shares] (Denominator) | Amount per Share of Common Stock [U.S. Dollars] |
|---|---|---|---|
| Net Assets as Reported | **$ 21,336** | | |
| Less: | **256** | | |
| Non-Controlling Interests | **256** | | |
| Net Assets Attributable to Common Shareholders | **$ 21,079** | **1,674,537** | **$ 12.59** |

**2. Net Income per Share of Common Stock and Basis for Calculation**

The details of net income per share of common stock and the basis for calculation for the six months ended September 30, 2020, are as follows:

| Six Months Ended September 30, 2020 | Net Income (Loss) [Millions of Yen] (Numerator) | Average Number of Shares of Common Stock Outstanding [Thousands of Shares] (Denominator) | Amount per Share of Common Stock [Yen] |
|---|---|---|---|
| Net Income per Share of Common Stock | | | |
| Net Income Attributable to Owners of the Parent | **¥ 73,292** | | |
| Net Income Not Attributable to Common Shareholders | **—** | | |
| Net Income Related to Common Stock that is Attributable to Owners of the Parent | **¥ 73,292** | **1,674,537** | **¥ 43.76** |

| Six Months Ended September 30, 2020 | Net Income (Loss) [Millions of U.S. Dollars] (Numerator) | Average Number of Shares of Common Stock Outstanding [Thousands of Shares] (Denominator) | Amount per Share of Common Stock [U.S. Dollars] |
|---|---|---|---|
| Net Income per Share of Common Stock | | | |
| Net Income Attributable to Owners of the Parent | **$ 693** | | |
| Net Income Not Attributable to Common Shareholders | **—** | | |
| Net Income Related to Common Stock that is Attributable to Owners of the Parent | **$ 693** | **1,674,537** | **$ 0.41** |

(Note) Fully diluted net income per share of common stock is not presented because there are no dilutive potential shares. There are no potential shares that are excluded from the calculation of fully diluted net income per share of common stock because they have no dilutive effect.

**Significant Subsequent Event**

Not applicable.

(This page is intentionally left blank)

**ISSUER**

**Sumitomo Mitsui Trust Bank, Limited**
4-1, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-8233
Japan

**TRUSTEE**

**The Bank of New York Mellon**

240 Greenwich Street
New York, NY 10286
United States of America

**DTC REGISTRAR, DTC TRANSFER AGENT AND DTC PAYING AGENT**

**The Bank of New York Mellon**
240 Greenwich Street
New York, NY 10286
United States of America

**ICSD PAYING AGENT**

**The Bank of New York Mellon, London Branch**
One Canada Square
London E14 5AL
United Kingdom

**ICSD TRANSFER AGENT**

**The Bank of New York Mellon SA/NV, Luxembourg Branch**
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

**LEGAL ADVISORS TO THE ISSUER**

*as to Japanese law*
**Nagashima Ohno & Tsunematsu**
JP Tower
7-2, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-7036
Japan

*as to U.S. law*
**Davis Polk & Wardwell LLP**
Izumi Garden Tower, 33rd Floor
6-1, Roppongi 1-chome
Minato-ku, Tokyo 106-6033
Japan

**LEGAL ADVISORS TO THE DEALERS**

*as to U.S. law*
**Linklaters**
10th Floor, Alexandra House
Chater Road
Hong Kong

**INDEPENDENT AUDITORS**

**KPMG AZSA LLC**
AZSA Center Building
1-2, Tsukudo-cho
Shinjuku-ku, Tokyo 162-8551
Japan

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this document. You must not rely on any unauthorized information or representations. This document is an offer to sell only the Notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this document is current only as of its date.

## TABLE OF CONTENTS


| | Page |
|---|---|
| Summary | 1 |
| Risk Factors | 11 |
| Use of Proceeds | 29 |
| Capitalization and Indebtedness | 30 |
| Selected Financial Data and Other Information | 31 |
| Management's Discussion and Analysis of Financial Condition and Results of Operations | 35 |
| Business | 83 |
| Additional Financial Information | 106 |
| Management | 113 |
| Principal Subsidiaries and Affiliates | 117 |
| Japanese Banking and Trust Banking Industry | 119 |
| Supervision and Regulation | 123 |
| Description of the Notes | 141 |
| Transfer Restrictions | 161 |
| Certain Benefit Plan Investor Considerations | 163 |
| Taxation | 165 |
| Plan of Distribution | 176 |
| Legal Matters | 182 |
| Independent Auditors | 182 |
| Index to Financial Statements | F-1 |


# Sumitomo Mitsui Trust Bank, Limited

U.S.$30,000,000,000
Global Medium Term Notes Program

SUMITOMO MITSUI TRUST BANK

***Co-Arrangers***

**Goldman Sachs & Co. LLC**
**J.P. Morgan**

***Dealers***

**Goldman Sachs & Co. LLC**
**J.P. Morgan**