

SMBC GROUP ANNUAL REPORT

2021

YEAR ENDED MARCH 31, 2021

MISSION & VISION & FIVE VALUES

MISSION

VISION

FIVE VALUES

“Our Group Mission,”
which serves as the foundation for all of our corporate activities,
portrays our mission toward stakeholders.

“Vision” is our medium- to long-term aim for the Group.

“Five Values” represent the core values we share with all SMBC Group employees.

We grow and prosper together with our customers,
by providing services of greater value to them.

We aim to maximize our shareholders’ value through the continuous growth of our business.

We create a work environment that encourages and rewards diligent and highly-motivated employees.

We contribute to a sustainable society by addressing environmental and social issues.

**A trusted global solution provider committed to the growth of
our customers and advancement of society**

INTEGRITY

As a professional, always act with sincerity and a high ethical standard.

CUSTOMER FIRST

Always look at it from the customer’s point of view, and provide value based on their individual needs.

PROACTIVE & INNOVATIVE

Embrace new ideas and perspectives, don’t be deterred by failure.

SPEED & QUALITY

Differentiate ourselves through the speed and quality of our decision-making and service delivery.

TEAM “SMBC GROUP”

Respect and leverage the knowledge and diverse talent of our global organization, as a team.



Editorial Policy

SMBC GROUP ANNUAL REPORT 2021 is designed to convey financial and non-financial information about the overall picture, business strategy, and corporate infrastructure of SMBC Group. It has been compiled with reference to the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) in December 2013.

The appendix in the back of this report contains more detailed information on the Group. Additional information on Sustainability activities can be found on the Company's corporate website.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our management with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "probability," "risk," "project," "should," "seek," "target," "will" and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward looking statements.

Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial condition and our operating results, and investors' decisions.

Scope of Report

Period covered:

FY2020 (April 2020 to March 2021)

Some subsequent information is also included.

Organizations covered:

Sumitomo Mitsui Financial Group and its subsidiaries and affiliates

Published:

August 2021



"SMBC" has been designated as the corporate group's master brand. All Group companies use the SMBC logo and promote the SMBC brand in order to enhance the brand power of the entire SMBC Group.

Rising Mark

The Rising Mark is the upward curving strip seen beside the letters "SMBC." This mark indicates our desire for the Group to grow together with our customers, shareholders, and society by providing high-value-added, cutting-edge, and revolutionary services.

Corporate Colors

The fresh green color (color of young grass) of the Rising Mark symbolizes youthfulness, intellect, and gentleness while the trad green (deep, dark green) background presents tradition, reliability, and stability.

Contents

About SMBC Group

- 004 History of SMBC Group
- 006 Financial Highlights
- 007 ESG Highlights
- 008 SMBC Group's Value Creation Process

To Our Stakeholders

- 010 Message from the Group CEO
- 022 Message from the Group CFO
- 028 Round-Table Discussion with Outside Directors
- 032 Core Policy of the Medium-Term Management Plan (FY2020–FY2022)
- 034 Response to COVID-19

Business Strategies for Creating Value

- 038 Group Structure
- 040 Retail Business Unit
- 044 Wholesale Business Unit
- 048 Global Business Unit
- 052 Global Markets Business Unit
- 056 Special Features:
SMBC Group's Digital Strategies Transcending Finance

Corporate Infrastructure Supporting Value Creation

- 070 Corporate Governance
- 084 Initiatives to Realize Sustainability
- 096 Customer-Oriented Initiatives
- 099 Internal Audit
- 100 Risk Management
- 104 Compliance
- 106 Human Resources Strategy
- 110 IT Strategy
- 112 Communication with Stakeholders
- 114 Financial Review
- 119 ESG Information

History of SMBC Group

Throughout the course of its history, SMBC Group has adapted to the changing needs of the times and shifted its businesses while enhancing the quality of its corporate infrastructure through environmental, social, and governance (ESG) initiatives.

1590–

Source of Management Enduring for Four Centuries

1590
Riemon Soga (brother-in-law of Masatomo Sumitomo) started copper refining business



1673
Takatoshi Mitsui opened Mitsui Echigoya Kimono Dealer



1876
Mitsui Bank established



1895
Sumitomo Bank established

ESG

Predecessor of Sumitomo **E S**

Predecessor of Mitsui **S**

Around 1600
Development of cutting-edge copper refining techniques

1673
Innovation of business practices (clothing sales)

1894
Tree planting at deforested copper mine site

1683
Important developer of financial infrastructure (money exchanging)

1998 **E**
Establishment of environmental policies

2001–

Birth and Growth of Comprehensive Financial Group

2001
Sumitomo Mitsui Banking Corporation formed

2002
Sumitomo Mitsui Financial Group established

2004
SMBC Consumer Finance became an equity-method affiliate

2009
SMBC Nikko Securities became a subsidiary

ESG

2002 **E**
Endorsement of United Nations Environment Programme Finance Initiative

2005 **G**
Establishment of Audit Committee (optional)

2007 **E S G**
Signing of United Nations Global Compact

2010 **G**
Listed on New York Stock Exchange



2012–

Expansion of the Scope of Operations and Target Markets

2012
SMBC Aviation Capital became a subsidiary

2012
SMBC Consumer Finance became a subsidiary

2013
SMBC Trust Bank became a subsidiary

2013
Bank BTPN became an equity-method affiliate

2015
The Bank of East Asia became an equity-method affiliate

2016
Sumitomo Mitsui Asset Management became a subsidiary

ESG

2015 **E**
First issuance of green bond

2015 **G**
Establishment of SMFG Corporate Governance Guideline

2016 **S**
Endorsement of Women's Empowerment Principles



2017–

Pursuit of Sustainable Growth through Utilization of Group Strength and Structural Reforms

2018
Group business reorganization
• THE MINATO BANK and Kansai Urban Banking Corporation deconsolidated
• Sumitomo Mitsui Finance and Leasing deconsolidated and converted into an equity-method affiliate

2019
Sumitomo Mitsui DS Asset Management established through merger of Sumitomo Mitsui Asset Management and Daiwa SB Investments

2019
Bank BTPN became a subsidiary

ESG

2017 **S**
Release of Statement on Human Rights

2017 **S**
Release of Diversity and Inclusion Statement

2017 **E**
Endorsement of recommendations of Task Force on Climate-related Financial Disclosures

2017 **G**
Transition to Company with Three Committees
Introduction of group-wide business units and CxO system

2018 **E S**
Announcement of sector-specific financing policies

2019 **E S G**
Signing of Principles for Responsible Banking

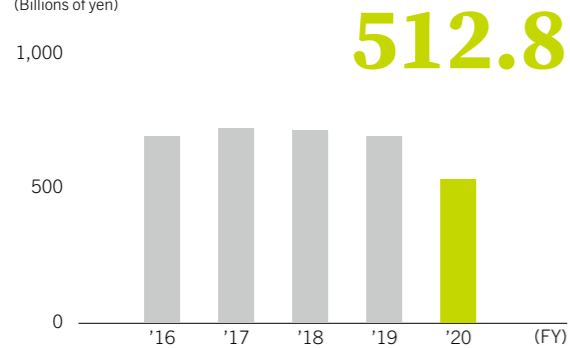
2020 **E S G**
Revision of Our Mission
Establishment of SMBC Group Statement on Sustainability

2021 **E S G**
Appointment of Group CSuO and establishment of Sustainability Committee

Financial Highlights

Profit attributable to Owners of Parent

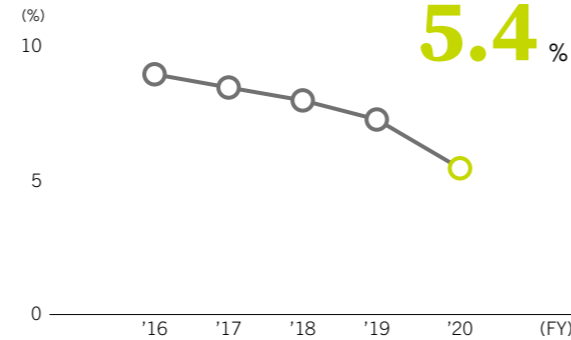
(Billions of yen)



Consolidated net business profit remained at the same level as FY2019 since the COVID-19 pandemic had both positive and negative effects. However, profit attributable to owners of parent decreased year on year due to an increase in total credit cost.

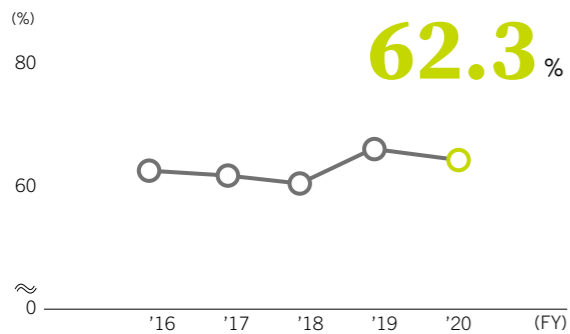
Return on Equity (ROE)

(Calculated using stockholders' equity as the denominator)



ROE was at a lower level as profit attributable to owners of parent decreased due to the increase in total credit cost as a result of the COVID-19 pandemic.

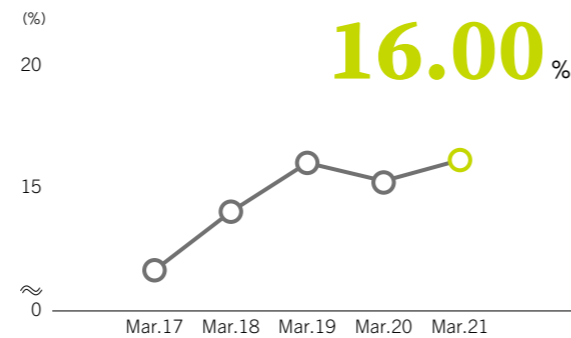
Overhead Ratio (OHR)



While allocating resources to overseas operations, OHR showed a year-on-year improvement as business expenses decreased due to the COVID-19 pandemic and group-wide cost reduction efforts.

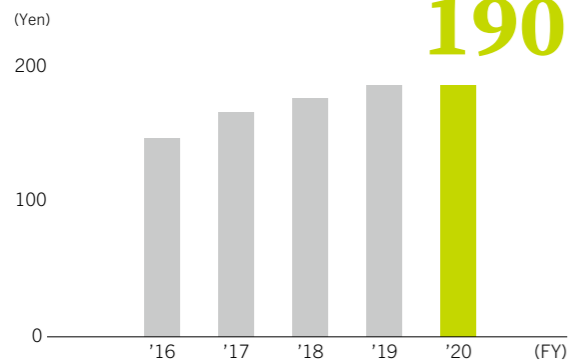
Common Equity Tier 1 Capital Ratio (CET1 Ratio)

(Basel III fully-loaded basis)



While risk-weighted assets increased from providing financial support to customers, we maintained our CET1 ratio higher than the required level due to the growth in net unrealized gains on other securities as stock prices increased.

Dividend per Share of Common Stock



To enhance shareholder returns as we presented in the Medium-Term Management Plan, we increased the FY2021 dividend forecast by ¥10 to ¥200 per share.

Credit ratings (As of June 30, 2021)

	Holding company		SMBC	
	Long-term	Short-term	Long-term	Short-term
Moody's	A1	P-1	A1	P-1
S&P	A-	—	A	A-1
Fitch	A	F1	A	F1
R&I	A+	—	AA-	a-1+
JCR	AA-	—	AA	J-1+

ESG Highlights

Sustainability Key Performance Indicators

Environment

Amount of Green Finance

Target
¥20 trillion
(From FY2020 to FY2029)

FY2020 Result
¥2.7 trillion

Green Bond Issuance

Target
One
issuance or more/year

FY2020 Result
One
issuance

Community

Retail Deposits in Asia

Target
x3
of FY2019
(By FY2022)

FY2020 Result
x2

Next Generation

Finance Education

Target
1.5 million
(from FY2020 to FY2029)

FY2020 Result
132 thousand

Human Resources

Female Managers

Target
20%
(By FY2025)

FY2020 Result
15.8%

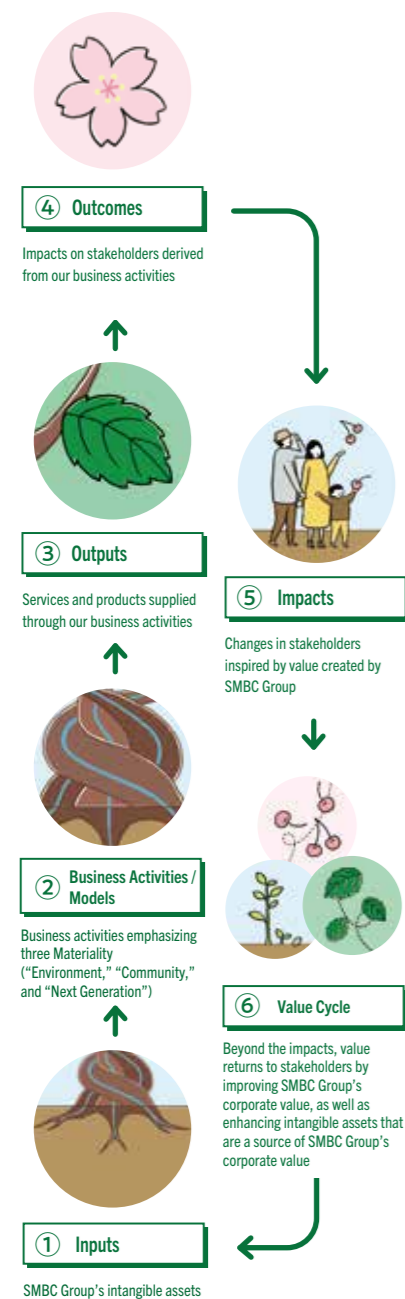
Childcare Leave (Male)*

Target
100%

FY2020 Result
100%
** Figure is for SMBC.*

SMBC Group's Value Creation Process

SMBC Group's Value Creation Cycle

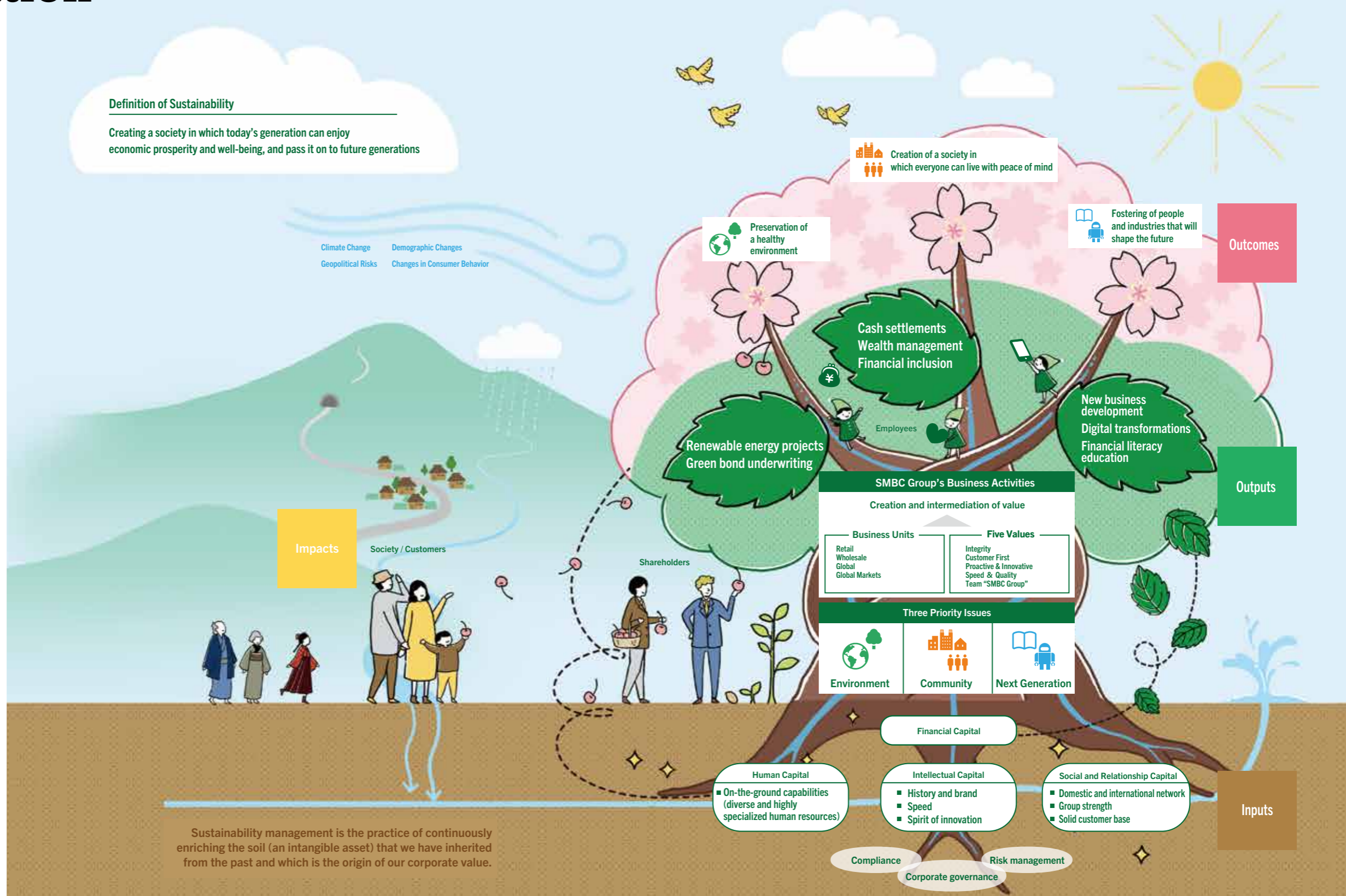


Definition of Sustainability

Creating a society in which today's generation can enjoy economic prosperity and well-being, and pass it on to future generations

Climate Change
Geopolitical Risks

Demographic Changes
Changes in Consumer Behavior



MESSAGE FROM THE GROUP CEO

CONFRONTING STRONG HEADWINDS

Jun Ohta

Director President and Group CEO



In a Calm Sea, Everyone Is a Pilot.

Japan's financial sector, our mother market, faces a challenging environment with accelerating population decline and aging, a domestic economy that continues to suffer from years of anemic growth, a negative interest rate environment, and the COVID-19 pandemic. Furthermore, we are witnessing the increasing presence of new competitors in the financial sector and the increased unbundling and re-bundling of financial and non-financial services and products. Given this trend, while the need for financial functions such as deposits, loans, and settlements may remain, there is no guarantee that customers will select traditional players such as SMBC Group to provide them with those functions.

MESSAGE FROM THE GROUP CEO

However, by no means does this challenging business environment cause me to feel any pessimism. Rather, I have every confidence that SMBC Group will continue to grow as a global financial institution in a sustainable manner.

What we must not forget is that regardless of the business environment, there will also be opportunities for growth. In recent years, we saw a rapid acceleration in the pace of technological innovation and changing customer needs, for example the shift to cashless payments in the BtoC sector and the global move toward electronic vehicles in the automobile sector followed by advancements toward the commercialization of self-driving vehicles. At the base of such changes lie irreversible megatrends with some examples being enhanced convenience due to the digital shift and increased expectations of society toward ESG. This being the case, I expect these trends to accelerate even further going forward. In such an operating environment, traditional industry status and sales networks will not always function as an advantage. In fact, they could hinder innovation due to concerns regarding legacy and sunk costs. However, I believe it is possible to realize sustainable growth in a market such as Japan where growth in the size of the overall pie is not expected if we can create alternative demand and other new needs while also building the necessary platforms to address those needs.

Furthermore, advances in technology have provided humanity with new ways of facing and fighting threats. For example, in terms of COVID-19, scientists from around the world worked to identify the underlying virus and released the results of the genome sequence analysis online in January 2020, a time when the virus was still limited to parts of China. Effective vaccines were not only developed less than one year from this

breakthrough, the large-scale production of those vaccines was realized. Furthermore, we were able to resume business activities at a level similar to that before the global health crisis through the use of web conferencing and other digital tools as we combated the spread of the virus by curbing our activities while we waited for the rollout of vaccines. Humanity was essentially powerless in its efforts to combat past pandemics such as the Spanish Flu and SARS. Past efforts were limited to quarantining infected individuals and placing restrictions on the movement of people, after which there was no real effective means that could be implemented other than to wait for the pandemic to run its course. As you can see humanity has made great progress in its ability to combat pandemics and other threats. The COVID-19 pandemic continues to have a tremendous impact on the lives of people all over the world, and I sincerely wish nothing more than to see this pandemic brought to an end at the earliest possible date, but I am also encouraged to see humanity pooling its wisdom and using innovation to minimize economic disruption while controlling the spread of the virus.

“In a calm sea, everyone is a pilot.” This is the English equivalent of the saying “*Shippu ni Keiso wo Shiru*” from the *Book of the Later Han* in China which illustrates that people and organizations that remain like a *Keiso* (wind resistant blade of grass) stand out in the face of *Shippu* (strong headwinds). SMBC Group is facing a number of headwinds, and our true strength as a financial institution is being challenged. Having said this, I have no doubt that we will overcome these headwinds and realize sustainable growth through tireless innovation and by finding new opportunities for growth. I will share the reasons for my confidence in a later part of my message.

Commencing Our Journey in a Storm

We kicked-off our current Medium-Term Management Plan last spring during Japan’s first state of emergency. At that time, we were not able to predict with any level of certainty how serious the impact of this unknown pandemic would be. As such, we had to launch the Medium-Term Management Plan in a volatile and highly uncertain business environment with all SMBC Group employees having to display ingenuity on a daily basis to carry-out their responsibilities.

First, as part of the financial infrastructure on which retail and wholesale customers rely to support their daily business and nonbusiness needs, we placed the highest priority on providing undisrupted financial services. For example, SMBC continued operating all of its branches and ATMs while implementing extensive safety precautions. Furthermore, the bank also enhanced online services to allow customers to perform transactions without having to visit a branch. SMBC Group also strived to fulfill its social responsibilities as a global financial institution by committing at its peak a total of ¥10 trillion to support domestic and overseas customers to overcome the impact of the COVID-19 pandemic.

In terms of business results, although I considered our progress in the first half of FY2020 as insufficient due to a slowdown in business activities and in the execution of our various initiatives, in the second half of the year we were able to accelerate initiatives targeting

our seven key strategies by leveraging online tools and enhancing marketing-related efforts in terms of both quality and quantity. While our consumer finance, aircraft leasing, and Asia business suffered from a slowdown in the global economy and decreased consumption due to the COVID-19 pandemic, we managed to generate consolidated net business profit which was close to the FY2019 figure thanks to the strong performance of our wealth management and overseas securities businesses. In addition, our final credit cost was lower than initially anticipated due to government support and liquidity support from banks, and our bottom line, while not at a level that reflects our true capabilities, exceeded initial expectations by a substantial amount.

Although the COVID-19 pandemic continues to reap havoc around the world, vaccinations are steadily progressing, and customers and SMBC Group are using digital technology to adapt our corporate activities to the current business environment. We also now possess a much clearer picture of the impact the global health crisis is having on our financial results. While we will continue to see volatility in the business environment, I believe immediate uncertainties have cleared. Now, not only can we clearly see the path we must follow in the short-term, we can also see an end to the disruptions caused by the COVID-19 pandemic.

While we will continue to see volatility in the business environment, I believe immediate uncertainties have cleared.

MESSAGE FROM THE GROUP CEO

I have no doubt that we will overcome these headwinds and realize sustainable growth through tireless innovation and by finding new opportunities for growth.

No Change to the Path We Must Follow

The path we must follow is none other than the path laid out in the current Medium-Term Management Plan that was established as the first step toward the realization of our Vision: “A trusted global solution provider committed to the growth of our customers and the advancement of society.” The COVID-19 pandemic was an unexpected factor that was not reflected in the original planning of the Medium-Term Management Plan, but certain trends we witnessed during FY2020 such as the acceleration of cashless payments, increased momentum of ESG, and the deepening of geopolitical risks are trends that we had identified prior to the COVID-19 pandemic. What the global health crisis changed is the momentum and the applicable timelines of those trends. As such, there is no need to change the overall direction of the Medium-Term Management Plan, and we will continue to proceed with its execution with the utmost confidence.

Of course, we will finetune our strategies in a flexible and precise manner based on the issues and strategies requiring acceleration which became clearer due to our experiences during the COVID-19 pandemic.

For example, if we look at our overseas securities business, we can see that although SMBC Nikko Securities' gross profit for FY2020 was the highest since it joined SMBC Group, our competitors with more extensive and established overseas securities business operations were able to generate much larger profits. The reason is that financial markets

boomed before we could strengthen our overseas securities business framework to the extent targeted in the Medium-Term Management Plan. For cashless payments, the base of user clients and participating stores expanded due to the growing popularity of online shopping and touchless payment. We will further accelerate the strategies we established in the Medium-Term Management Plan targeting such business areas as we expect them to continue growing in the medium- to long-term.

On the other hand, our consumer finance, aircraft leasing, and Asia business were forced to operate under a challenging environment in FY2020. However, there is no change to those businesses' medium- to long-term growth potential, and they retain their competitive and strategic importance in our overall business strategy. In FY2021 we will turn to the offensive and proactively expand our activities in those markets in light of the expected normalization of domestic consumption and the global economy.

While we expect for FY2022, the final year of the Medium-Term Management Plan, to be impacted to a certain degree by the COVID-19 pandemic I am confident that we can overcome the negative impact by accelerating the above strategies and focusing very closely on opportunities to reduce costs. We will continue our efforts to realize sustainable growth and there is no change to our goal of generating bottom-line profit of more than ¥700 billion in the final year of the Medium-Term Management Plan.

One Step Ahead of Customers' Needs

I have repeatedly stressed the need to adhere to three key themes if we are to realize sustainable growth. These themes are the result of repeated deliberations aimed at identifying the role SMBC Group can play, the strengths we can leverage, and whether we can form partnerships with players from outside the financial sector to address issues in a future when the needs of customers and society will undergo a substantial change from the present day.

The first theme is data oriented.

Information and data are very valuable assets that are not represented on a company's balance sheet, and businesses around the world, not only those in the financial sector, are striving to monetize these assets.

The second theme is to build platforms.

In Japan, we provide services to 43 million individual customers and SMBC extends loans to 80 thousand companies. By leveraging this robust customer base, SMBC Group can become a platformer that uses its financial capabilities as foundations to provide a variety of services.

The third theme is to become a solutions provider.

We can add value which truly enhances our customers business only if we look beyond immediate services such as loans and payments. We must identify the reasons for customers engaging in those services and provide comprehensive, top-tier solutions by proactively collaborating with companies from outside the financial sector if required.

These three themes are not independent of each other, rather, they are closely intertwined. While all the initiatives established under the Medium-Term Management Plan reflect these themes, I will take this opportunity to share with you three examples.

Advertising Business

A tremendous amount of payment and credit data is accumulated in our banking, securities, and consumer finance businesses. In other words, you could say that we are one large platform with finance at its base. We are currently contemplating a number of new businesses which will allow us to leverage this data, and in July 2021 we established SMBC Digital Marketing, Ltd., a company that operates an advertising and marketing services business utilizing financial big data. We will strive to create new value by developing a business that uses our platform to analyze customers' needs and then transmit information and advertisements that are believed to reflect those needs. Of course, any concerns regarding the protection of personal data and the implementation of necessary security protocols will be addressed first.

Elder Business

The SMBC Elder Program is a business we launched as a result of thinking outside the traditional boundaries of the finance sector in response to the ongoing diversification of customers' needs in Japan's super-aging society. The concerns of senior citizens are not limited to securing sufficient funds to cover living expenses following their retirement. Their concerns encompass a diverse range of matters such as inheritance, health and nursing care, housework, security, and their relationship with family members. In order to offer a one-stop solution to such issues, we will develop a financial service focused platform that also provides services that SMBC Group does not offer, such as housekeeping and security, by proactively collaborating with players from outside the financial sector.

MESSAGE FROM THE GROUP CEO

We made no change to the Multi-franchise strategy as we continued to search for seeds that had the potential to blossom into future platforms.



Expanding Our Franchise in Asia

Under our Multi-franchise strategy, we are devising and implementing initiatives based upon a time span of ten or twenty years in order to build a second and third SMBC Group in Asia’s developing economies. We made three commitments when formulating our Multi-franchise strategy, which are: “We will become a full-line financial services provider in the target market,” “The franchise will have a strong home-market focus with its foundations firmly embedded in the local economy,” and “We will not retreat even when faced with changes in the business environment.” As such, even after COVID-19 spread throughout Asia, we made no change to the Multi-franchise strategy as we continued to search for seeds that had the potential to blossom into future platforms.

Such efforts allowed us to secure the opportunity to acquire a 49% stake in FE Credit, a leading Vietnamese consumer finance company. FE Credit has a robust retail business network and a highly competitive business model, allowing us to obtain a 50% market share of Vietnam’s fast growing consumer market sector. FE Credit has also maintained a high level of profitability with an ROE of more than 20% and is expected to continue experiencing robust growth in its assets and profits. Furthermore, we

entered into a capital partnership with Rizal Commercial Banking Corporation, a mid-tier commercial bank in the Philippines, while also obtaining a substantial retail finance platform in India, which is expected to become the most populous country in the world in the near future, through our acquisition of Fullerton India, a top tier nonbank that possesses a retail and SME business network throughout the country, as part of efforts to establish SMBC Group franchises in each of those countries.

Our businesses in these countries have traditionally involved the approaching of large local and Japanese firms through SMBC branches. The above deals allow SMBC Group to expand into the mid-tier corporate, SME, and fast-growing retail sectors, and combined with our earlier acquisition of BTPN in Indonesia move us one step closer to achieving our goal of establishing full-banking capabilities in Asia’s developing economies.

We will continue to pursue high quality inorganic opportunities in a disciplined manner as part of efforts to realize sustainable growth while also enhancing shareholder returns, a topic I will address later.

See page **051** for details.
Initiatives in Growth Fields in Asia and Other Markets

Passing On a Green Earth to Future Generations

There is a 460 meter “The Trails of the Earth” at Furano Field which represents the earth’s 4.6-billion-year history. Furano Field is led by the screenwriter Mr. Soh Kuramoto, and SMBC Group has extended our support since its establishment. How long do you think Homo sapiens’ 200 thousand year history is in the “The Trails of the Earth”?

A mere two centimeters. When we read history books it feels that the birth of humanity took place a very, very long time ago, but the reality is, from the earth’s perspective, the history of the human race is about the same length as your fingertip. The 200 years following the Industrial Revolution, a period which saw the start of global warming, is a mere 0.02 millimeters. “The Trails of the Earth” continues into the future and at its end lies a stone monument with the words: “We are merely borrowing the earth from future generations.” I believe that Furano Field is trying to convey a very important message through “The Trails of the Earth.” There is no special technique or method to realize sustainability. Rather, there is an obvious solution, we must create a society in which the current generation can achieve happiness and enjoy the benefits of economic growth while also ensuring that we pass on the earth to future generations in a green, vibrant state. We must also accept that humanity, in return for enjoying the benefits of advancements in civilization, rapidly advanced global warming in a time frame that is only 0.02 millimeters of the earth’s total history.

In order to pass on a green earth to future generations, SMBC Group established a long-term road map to enhance our climate change-related efforts. First, SMBC Group will achieve net zero greenhouse gas emissions by 2030. We will also execute ¥30 trillion of sustainable finance by 2030 to support customers’ climate change-related initiatives and their transition to a green business model. Furthermore, we will commence efforts to identify the greenhouse gas emissions of our loan and investment portfolio while engaging in discussions with customers regarding the decarbonization of their business models as the first step to realizing a carbon-neutral supply chain by 2050. However, the expectations of society continue to grow even as we engage in such efforts, and I believe that climate change has the potential to become a game changer not only for the financial sector but for a wide range of business sectors. We will further enhance our efforts while continuing to update our decarbonization-related procedures and action plans in a flexible manner.

In order to successfully enhance our climate change-related initiatives, I would like to stress that we must also turn our attention to the short-term and conduct calm and objective analyses of the current status of business sectors and customers, after

See page **084** for details.
Initiatives to Realize Sustainability

MESSAGE FROM THE GROUP CEO

which we would determine the best possible course of action that can be executed in the immediate future. The consistent execution of such actions must be balanced with the pursuit of long-term goals. Given our global relationships with customers from a variety of business sectors, and our role as a supplier of finance, the lifeblood of the modern economy, we must take great care in how we address the issue of climate change. If we abruptly turn to and proceed down the wrong path, not only

could we disrupt the steady supply of energy, we may also impede customers' efforts to develop technologies that could support the decarbonization of their business models and society. Together with our customers, we will strive to realize the decarbonization of society while engaging in careful discussions with all stakeholders, paying close attention to the impact our efforts will have on businesses and to trends in energy transition and innovation.



Discussion with Mr. Soh Kuramoto, the founder of Furano Field

A financial group's most important resource is its people, and the workplace is an important stage where employees can grow and pursue their aspirations.

A Work Environment Where Employees Can Realize Their Dreams

A financial group's most important resource is its people, and the workplace is an important stage where employees can grow and pursue their aspirations. An important responsibility of a CEO is to prepare a stage that is large enough for employees to truly challenge themselves and to write a script that allows them to demonstrate their unique potential, so that all employees can put on their best performance.

In recent years, we have seen a material change in employees' mindsets, especially in our younger employees, with a growing number of employees placing greater importance on how their company contributes to society. All our employees possess various ideas and have the backbone to pursue new challenges. Ever since assuming leadership of SMBC Group, I have urged employees to "Break the Mold," and I have supported employees attempting to pursue new challenges without being bound by precedent or fixed ideas. I have assigned management resources to employees who have stepped forward and established new companies for them to lead, even in cases when the employee was of a junior or mid-level rank. So far, 10 companies have been established through my "Producing CEO" initiative. The purpose of this initiative is to raise employees' motivation by instilling a "I can succeed if I try" mentality, and I look forward to seeing the new companies grow to a stage where they can contribute to SMBC Group's profitability or to the enhancement of customer services.

I will accelerate the following two initiatives so that this flow of innovation will become even stronger, diverse, and sustained.

The first is Midoriba, our internal SNS which we launched last year. More than 20 thousand employees at SMBC have joined the service with 6 thousand of those employees being active users who regularly post a variety of ideas and information. Promising business ideas receive helpful advice and constructive comments regardless of age or departments. Online communities in which employees support their colleagues in pursuing challenges are naturally developing. A number of new business ideas have already been identified as having the potential for commercialization. We plan on introducing Midoriba to other SMBC Group companies in the future.

The second is diversity and inclusion. Innovation that opens the door to the future is the result of employees with a diverse range of characteristics such as gender, age, and nationality coming together to combine their uniqueness and varied views while freely collaborating with players from outside their business sector. SMBC Group is comprised of companies that possess distinct characteristics, and its businesses are run by more than 100 thousand employees coming from diverse backgrounds spread across 40 countries and areas. We must not relax our efforts to further accelerate our diversity-related initiatives given that customers' needs and businesses are becoming increasingly diverse and global. We will strive to realize true diversity and inclusion through the diversification of our senior management team, the empowerment of female employees, and by supporting the balancing of professional responsibilities with life events.

The COVID-19 pandemic has not changed our policy of focusing on the enhancement of SMBC Group's corporate value on an ongoing basis and distributing profits to our shareholders.

Maximizing Shareholder Value from Both Financial and Non-Financial Perspectives

The COVID-19 pandemic has not changed our policy of focusing on the enhancement of SMBC Group's corporate value on an ongoing basis and distributing profits to our shareholders. A progressive dividend policy remains our principal approach to shareholder returns, and our goal is to realize a dividend payout ratio of 40% during the course of the Medium-Term Management Plan. In FY2020 we maintained our dividend payment at ¥190 although we saw a substantial decrease in our bottom line. As a result, our dividend payout ratio rose to 51% but by no means do we view this as having reached our goal. Our goal is to realize a dividend payout ratio of 40% while achieving our target profit attributable to owners of parent of over ¥700 billion. As a first step toward realizing this goal we increased our dividend forecast for FY2021 to ¥200.

We will also pursue opportunities to execute share buybacks as part of our efforts to enhance shareholder returns. We decided not to announce share buybacks when we released our financial results of FY2020 in May given the re-extension of Japan's state of emergency and other uncertainties in the business environment resulting from the COVID-19 pandemic. However, we will pursue

opportunities for share buybacks in FY2021 while continuing to pay careful attention to the ongoing impact of the COVID-19 pandemic and movements in overseas markets given our discounted share price and the fact that we expect to be able to maintain our capital levels at sufficient levels even after factoring in investments in inorganic growth opportunities.

Furthermore, in order to increase SMBC Group's corporate value over the medium- to long-term, in addition to improving ROE and other quantitative financial metrics, it is vital that we also enhance the non-financial value of SMBC Group such as data, personnel, and ESG which are not reflected on our balance sheet. We will enhance our human capital, intellectual capital, and social capital by accelerating sustainability-related initiatives and the creation of a work environment that allows employees to pursue their hopes and dreams. We will maximize the disclosure of both financial and non-financial information and engage with all of our shareholders in an appropriate manner to minimize information asymmetry and decrease the cost of shareholder's equity so that we may realize the sustained growth of SMBC Group's corporate value.

No Such Thing as Coincidence

“Have the heavens granted me this mission by coincidence? No, this is surely not the case.” This is an approximate English translation of an excerpt from literature compiled during the Song dynasty in China and illustrates the importance of carrying out one's duties, regardless of the circumstances. Roughly 40 years have passed since I joined the banking sector, and I have experienced firsthand many challenges such as the collapse of Japan's bubble economy, Japan's big bang financial reforms, the Lehman Crisis, and the current COVID-19 pandemic. However, I never forgot the importance of carrying out my responsibilities regardless of changes in the environment or the challenges I had to face.

The same can be said of companies. Bill Gates's quote, “Banking is necessary, banks are not” addresses the fundamental issue of whether “banks” as a business format are essential to society or whether finance as a “function” is essential. I view this as having its roots in the same concept as the pessimistic theory which argues that modern society does not require banks. However, since the answer

is clearly the latter choice, we must continue to be the provider of essential functions without being bound by our past track record or the fact that we are a bank. In order to accomplish the mission we have been granted by the heavens, we must identify growth opportunities and tirelessly innovate so that we can contribute to customers and society through our financial functions.

Going forward, our world will change at an even faster rate, and our future will hold both numerous opportunities and challenges. SMBC Group will strive to realize further growth by driving our roots even deeper and wider as we press onward. I would like to ask for the continued support and understanding of all our stakeholders as I will stand at the forefront of our efforts to overcome the strong headwinds, and SMBC Group will put forth a united effort to overcome the challenging environment.

I will stand at the forefront of our efforts to overcome the strong headwinds, and SMBC Group will put forth a united effort to overcome the challenging environment.



MESSAGE FROM THE GROUP CFO

Supporting our customers, society, and the economy recover from the COVID-19 pandemic while allocating our capital in a manner that balances investment for growth and shareholder returns

Toru Nakashima
Group CFO
Director Senior Managing Executive Officer




FY2020 was a year in which the world was compelled to address the various social issues that arose due to the COVID-19 pandemic, the resulting changes in peoples' mindsets and behavior, and fluctuations in financial markets. We at SMBC Group placed the highest priority on supporting customers, from both financial and non-financial perspectives, while at the same time taking the necessary steps to safeguard the wellbeing of our employees. Given this backdrop, as the Group CFO and Group CSO I paid close attention to the progress we were making in the implementation of the various initiatives established under the Medium-Term Management Plan which commenced in April 2020. In other words, I was attempting to determine whether the results we initially anticipated could be produced by the seven key strategies that were established under the core policies of "Transformation and Growth," the cost control-related initiatives that were meant to expand our competitive edge in cost efficiency, and the leveraging of our strong capital base to pursue inorganic growth opportunities by measuring our progress according to the pace expected under the very challenging business

environment brought about by the COVID-19 pandemic. The impact the COVID-19 pandemic had on our businesses became clear following our FY2020 financial results. While it was difficult to determine the impact that the Medium-Term Management Plan's initiatives were having in terms of actual figures given the negative impact of the COVID-19 pandemic, FY2020 was a year in which we were able to strengthen the profitability of our businesses, the underlying goal of many of our efforts. It is very encouraging to see that SMBC Group was able to carry out its initiatives in a consistent manner, regardless of the challenging business environment, and produce concrete results. Accelerating this trend and proactively transforming the various changes brought about by the COVID-19 pandemic into business opportunities will allow us to not only further enhance our earning capabilities in a more robust manner in FY2021; it will also position us to accomplish the goals we have set out under the Medium-Term Management Plan in FY2022, the final year of the plan.

Current Business Environment

(1) Overview of FY2020 Financial Results

Although we calculated that the COVID-19 pandemic reduced consolidated net business profit by ¥100 billion, we were still able to generate consolidated net business profit of ¥1.084 trillion, a result similar to that of FY2019. As we had anticipated at the start of the fiscal year, business sectors which we consider our strengths, namely credit cards, consumer finance, and aircraft leasing suffered due to the COVID-19 pandemic. However, in addition to the strong performance of our wealth management business and our overseas securities business due to heightened bond issuance needs, we also benefited from a fall in expenses which we had not initially foreseen. As such, the actual impact of the COVID-19 pandemic on consolidated net business profit was substantially lower than the

originally forecasted amount of ¥170 billion.

While credit cost increased in both domestic and overseas markets, thanks to the government support and liquidity support from banks, SMBC Group's credit cost was ¥360.5 billion, approximately ¥90 billion lower than originally anticipated.

As a result, we were able to achieve profit attributable to owners of parent of ¥512.8 billion although we proactively took steps to address future risks, for example, recording provision for losses on interest repayments of our consumer finance business. Once again, the COVID-19 pandemic's actual negative impact of ¥190 billion was substantially lower than the initially anticipated amount of ¥310 billion.

	FY2019		FY2020		FY2021	
	Actual	Impact of COVID-19*		Actual	Impact of COVID-19*	Forecast
		Original forecast	Actual			
Consolidated net business profit	1,085.0	(170)	(100)	1,084.0	(70)	1,120
Total credit cost	170.6	+260	+170	360.5	+100	300
Profit attributable to owners of parent	703.9	(310)	(190)	512.8	(120)	600

* Impact of COVID-19 figures are rough estimates.

MESSAGE FROM THE GROUP CFO

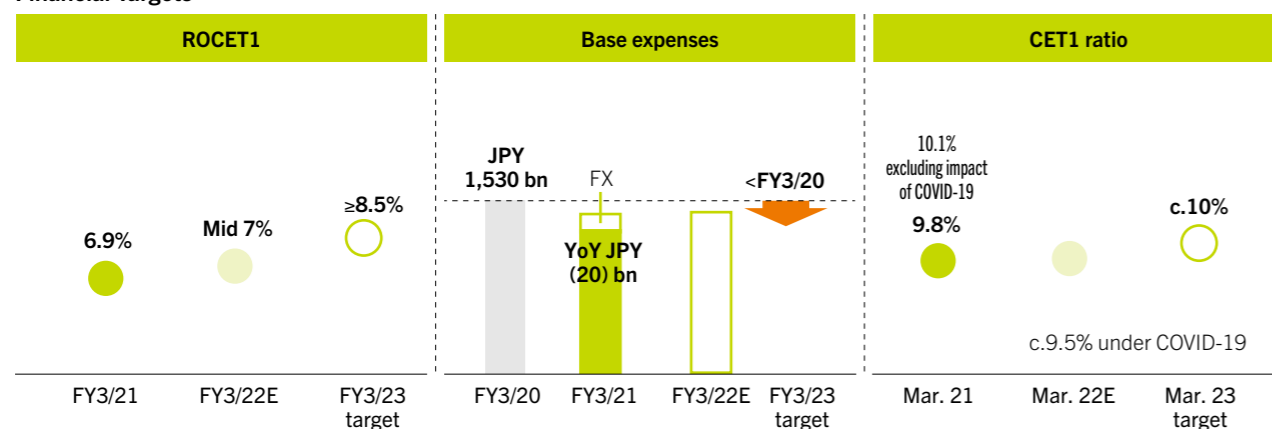
(2) Progress of the Medium-Term Management Plan

SMBC Group focuses on business efficiency when conducting our business operations, and we selected profitability, efficiency, and financial soundness as three financial targets of the current Medium-Term Management Plan. In FY2020, although we had established a target of 8.5% for ROCET1, a metric we use to measure profitability, we were only able to achieve a ROCET1 of 6.9% due to a substantial decrease in profit attributable to owners of parent. On the other hand, we were able to decrease base

expenses*¹, a metric we use to measure efficiency, by ¥20 billion on a year-on-year basis due to cost reduction measures and restrictions placed upon our business activities due to the COVID-19 pandemic. Our CET1 ratio*², a metric we use to measure financial soundness, for FY2020 was 9.8%, a figure which falls within the 9.5% (± 0.5%) range we established in response to the impact of the COVID-19 pandemic.

*1 G&A expenses excluding cost related to investment for future growth, revenue-linked variable cost, and others.
*2 Post Basel III reforms basis, excludes OCI

Financial Targets



In regards of initiatives, we focused on those related to the seven key strategies and cost control. Our profit attributable to owners of parent for FY2020 was ¥700 billion if we exclude the negative impact of the COVID-19 pandemic which has been calculated at ¥190 billion. This figure is very close to the target we originally set for the first year of the Medium-Term Management Plan and illustrates that we have been able to enhance the profitability of our businesses by successfully implementing the plan's various initiatives

For example, in our wealth management business, we strengthened our business with high net-worth individuals by integrating the related capabilities of SMBC Nikko Securities, SMBC Trust Bank, and Sumitomo Mitsui Banking Corporation. We were also able to grow our payment business at an exponential rate due to the global health crisis accelerating the trend toward cashless payments. Furthermore, we enhanced our Sales & Trading and asset management businesses as part of efforts to increase capital efficiency while we strengthened our Asia franchise as we strive to capture the region's growth. As you can see, in the first year of the current Medium-Term Management Plan we made a solid first step toward

achieving the various goals and targets that have been established under the plan.

Of course, there have also been instances when issues which we must address became even more evident due to changes in the business environment resulting from the COVID-19 pandemic and other factors. Specifically speaking, while we strive to strengthen and expand our overseas CIB business in order to grow non-interest income the gap in this business sector with our competitors increased in spite of favorable overseas bond markets.

We will make the necessary adjustments to our initiatives to reflect such changes so that we can achieve our target of increasing consolidated net business profit by ¥100 billion in the final year of the Medium-Term Management Plan.

(3) Cost Control

Our high cost-efficiency is an advantage we have over our competitors. In order to further enhance this advantage, we committed to reducing base expenses by ¥100 billion during the Medium-Term Management Plan by following three key initiatives: "Reform of domestic businesses,"

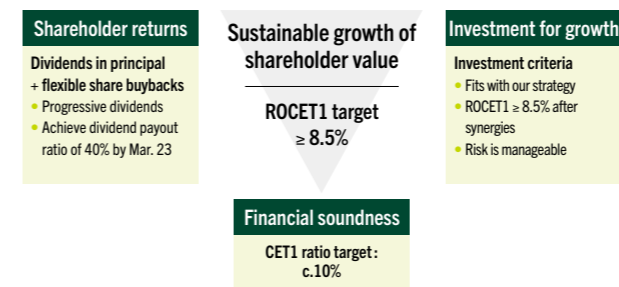
"Retail branch reorganization," and "Integration of Group operations."

While we witnessed delays in certain initiatives in FY2020 due to the COVID-19 pandemic, there were also positive developments, for example the accelerated digital shift and an unexpected fall in expenses resulting from the various constraints placed upon our business activities. Furthermore, our efforts to enhance operational efficiency lowered headcount requirements. As such, we were able to decrease base expenses by ¥35 billion. We aim to decrease base expenses by an additional ¥10 billion to ¥20 billion, on top of our original target of ¥100 billion by further

accelerating digitalization and transforming our various business models.

In addition, we will reduce costs and enhance operational efficiency by using the CEO Budget for IT-Related Investments to introduce an integrated accounting system for SMBC Group so that we can consolidate/standardize the accounting operations of SMBC Group companies over the medium-term. We will maintain a strong commitment to reaching our various targets, including the ones which were newly added, as the entire SMBC Group engages in cost control efforts.

Capital Policy



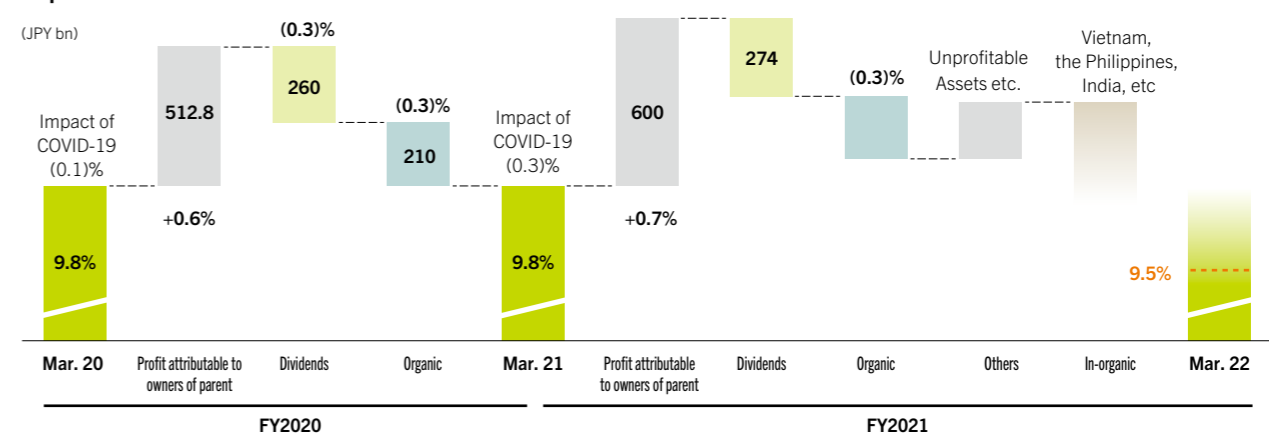
(1) Management of Capital under the COVID-19 Pandemic

We have set our target CET1 ratio at c.10%. The CET1 ratio is calculated taking into account the full implementation of Basel III reforms and excludes unrealized gains on securities. However, as we have placed the highest priority on supporting the liquidity needs of customers in and outside of Japan who have been adversely affected by the

COVID-19 pandemic, for the foreseeable future we will manage our CET1 ratio within the range of 9.5% (± 0.5%). While our total balance of COVID-19 associated credit peaked at ¥10 trillion in July 2020, a recovery in bond markets allowed obligors, especially overseas obligors, to proceed with repayments. As such, by the end of FY2020 risk weighted assets fell back within the range established at the start of the fiscal year, and we were able to achieve a CET1 ratio of 9.8% for FY2020, a figure which includes a 0.3% decrease due to COVID-19 associated credit. This result is on the high side of our range and substantially exceeds the required level of 8% per current regulations.

I believe we have succeeded in maintaining our financial soundness during the COVID-19 pandemic while at the same time securing sufficient funds for shareholder returns and investment for growth, two topics which I will address shortly. Having said this, we will continue to pay careful attention to the impact of the COVID-19 pandemic and gradually move our CET1 ratio target back to the original target of c.10%.

Capital Allocation of FY2020 and FY2021



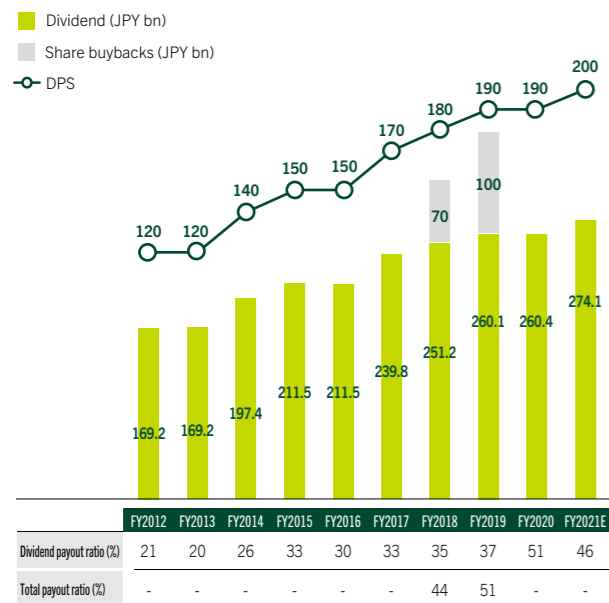
MESSAGE FROM THE GROUP CFO

(2) Enhancing Shareholder Returns

Dividends are our principal approach to shareholder returns, and we will continue to pursue a progressive dividend policy, meaning that we will at least maintain, if not increase, dividend payments. Furthermore, in FY2022, the final year of our Medium-Term Management Plan, we aim to achieve a dividend payout ratio of 40%. In FY2020, due to a decrease in profit attributable to owners of parent resulting from the COVID-19 pandemic, our dividend payout ratio increased to 51%. Please be assured that we will by no means view this as having reached our target dividend payout ratio of 40%. I would like to clarify that our goal is to realize a dividend payout ratio of 40% in FY2022 while at the same time reaching our target profit attributable to owners of parent of ¥700 billion. As a step toward this goal, we increased our dividend payout for FY2021 by ¥10 to ¥200.

On the other hand, we decided not to announce share buybacks when we released our FY2020 financial results in May given the ongoing uncertainties in the business environment due to the COVID-19 pandemic which included, but were not limited to, delays in domestic vaccinations leading to the spread of mutant strains and the repeated extension of Japan’s state of emergency. I was well aware of investor expectations at that time in regard to share buybacks given movements in our share price, and if we were to only look at our capital level, I believe that committing to share buybacks in May was possible. We will continue to pay close attention to the impact of the

Shareholder returns



COVID-19 pandemic and the recovery of Japan’s economy as we consider the execution of flexible share buybacks during the remainder of the fiscal year.

(3) Investment for Growth

“Growth” is a core policy of the current Medium-Term Management Plan, and we will pursue SMBC Group’s sustainable growth by ensuring that adequate funds are allocated to growth areas from both organic and inorganic perspectives.

In terms of inorganic growth, while maintaining financial soundness, we will select potential M&A opportunities in strict accordance with our three investment criteria: “Fits with our strategy,” “ROCET1 ≥ 8.5%,” and “Risk is manageable.” Of course, opportunities must also contribute to SMBC Group’s sustainable growth.

We are seeing attractive M&A opportunities that fall under one or more of our seven key strategies due to the COVID-19 pandemic giving rise to a global trend of industrial reorganization and the reconsideration by companies of the current state of their businesses. Our pursuit of inorganic growth opportunities will be flexible in the short-term while in the medium- to long-term we will strike a balance with share buybacks.

The focus of our investments will be: “assets that promptly raise our ROCET1” and “investments for the future.” The former refers to areas in which SMBC Group possesses global strengths, with some past examples being investments in aircraft leasing and middle market LBO financing assets. The latter refers to investments in Asia, securities businesses, asset management, and digital businesses.

In terms of asset management, we pursued the realization of one of the Medium-Term Management Plan’s seven key strategies “Enhance asset-light business on a global basis” by partnering with domestic and overseas asset management companies that adhere to distinct operational strategies. Some examples are our capital and business alliance with Affirmative Investment Management Partners Limited, a UK firm that specializes in impact bond investments, and our acquisition of a majority stake in Alternative Investment Capital Limited, a specialist PE fund investor. Sumitomo Mitsui Finance and Leasing also strengthened its real estate business through subsidiarization of the real estate asset management firm Kenedix.

In Asia, we continued implementing our Multi-franchise strategy as we strive to establish a second and third SMBC Group. Up to this point our efforts have focused on Indonesia. In 2021, we announced investments

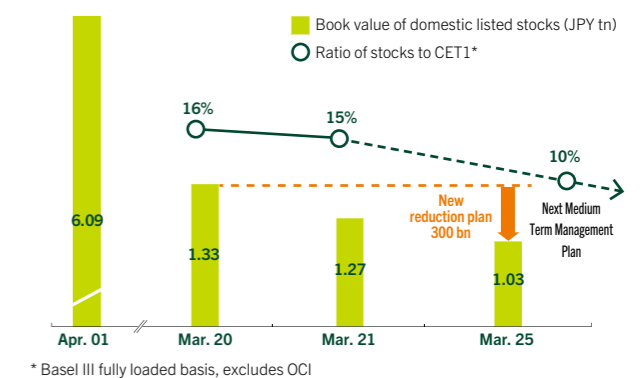
in VPBank Finance Company Limited, a major player in Vietnam’s consumer finance market; in Rizal Commercial Banking Corporation, a commercial bank in the Philippines; and in Fullerton India Credit Company Limited, a nonbank in India. By combining our new presence in the retail and SME business sector with our existing business with large corporates that we conduct through SMBC branches and existing investee companies, we moved one step closer to establishing a full-banking business platform as we strive to expand our Asia franchise as stated in our Medium-Term Management Plan.

(4) Reducing Strategic Shareholdings

After exceeding our target of reducing strategic shareholdings by ¥500 billion over a five-year period which was announced in September 2015, we announced a new plan to further reduce strategic shareholdings by ¥300 billion over a five-year period starting FY2020. In FY2020, the first year of the plan, we reduced our strategic shareholdings by ¥55 billion. Furthermore, given that we are holding unsold shares valued at ¥54 billion for which we have already obtained customers’ consent to sell, as of the end of March 2021 we have sold or have obtained consent to sell ¥109 billion worth of our strategic shareholdings.

The reduction of strategic shareholdings is also a very important facet of our capital policy as it not only reduces

stock price fluctuation risk, it also has a material impact on controlling the increase in mandatory capital requirements resulting from full Basel III reform implementation. We also expect an increasing number of customers to reduce their strategic shareholdings given the increasingly vocal positions adopted by proxy advisory firms, the Tokyo Stock Exchange’s planned realignment of its trading markets, and the revision to Japan’s Corporate Governance Code. Given this backdrop, we will do our best to further reduce our strategic shareholdings while ensuring that we continue to engage in close communications with customers.



Communicating with Our Stakeholders

In order to obtain our stakeholders’ understanding of SMBC Group’s strategies and overall status, we must disclose information in a timely and proactive manner given ongoing changes in the business environment and diversification of our operations. In FY2020, a different approach to communication was required given the impact of the COVID-19 pandemic. Regardless of such a backdrop, I believe that conducting multiple small meetings and conferences online with both domestic and overseas investors allowed us to realize the timely and necessary disclosure of information at a level which exceeded that of previous years.

Such discussions provided us with important opportunities to learn and recognize matters that had previously escaped our attention. Given investors’ heightened interest in ESG and the SDGs, SMBC Group for the first time held an investors meeting that addressed our ESG-related efforts. We also understand the strong

expectations in regard to shareholder returns, and we will reflect the feedback we received in the determination of future dividend and capital policies.

In a repeat performance of FY2019, SMBC Group was selected for the top award in the banking category of the 2020 Award for Excellence in Corporate Disclosure presented by the Securities Analysis Association of Japan. Furthermore, for the first time SMBC Group was selected for the top award in the individual investor category. I take great pride in the recognition we have received, and we will continue with our above efforts going forward.

Engaging in constructive discussions with investors and analysts is one of my key responsibilities as Group CFO. We at SMBC Group will continue to proactively disclose information that is useful for our shareholders and investors while pursuing sustainable growth and increasing our corporate value by engaging in interactive dialogue.



Round-Table Discussion with Outside Directors

The Role Financial Institutions Should Play in Supporting the Resolution of Climate Change

Group CSuO Fumihiko Ito asked Masaharu Kohno and Eriko Sakurai, both outside directors of Sumitomo Mitsui Financial Group, for their thoughts regarding SMBC Group's sustainability initiatives.

Ito Thank you for taking part in today's round-table discussion. Given the rapid pace in which global awareness regarding climate change is increasing, I would like to first ask you about the roles you see SMBC Group and other global financial institutions playing in supporting the transition to a carbon-neutral society. Ms. Sakurai, would you be kind enough to kick things off?

Sakurai For many years I have been involved in the development of environmentally friendly products in my career at a global manufacturing firm, but lately my sense that financial institutions will play a critical role in the resolution of climate change has grown even stronger. The framework financial institutions apply when determining the recipient of a loan or investment can act as a guide for customers as

they transform their business models as part of efforts to realize a carbon-neutral society. As such, I believe that one of the roles financial institutions should play is to establish frameworks that pay sufficient consideration to sustainability. Furthermore, the realization of a carbon-neutral society is an objective that can be accomplished only if all members of a supply chain strive to accomplish it. Even if a single firm were to accomplish its sustainability goals, sustainability in the true sense would not have been accomplished if the actions of the said firm resulted in the sustainability efforts of other companies in the supply chain facing an additional burden. From a neutral standpoint financial institutions can demonstrate a common vision that overcomes the boundaries separating individual corporations and impacts the activities of an entire supply chain. As you can see, the role financial institutions play

in fighting climate change will only become more important.

Kohno I agree with Ms. Sakurai in that the global community is paying close attention to the logic financial institutions are adopting in determining the types of loans and investments that are made available to customers operating in differing business sectors, and I believe that this is actually the role required of financial institutions. If we look back at global trends in sustainability, we can see that approximately 15 years ago as the concept of ESG was becoming more mainstream the issue of climate change became a major discussion topic in the international community. This in turn led to the emergence of the SDGs which expanded on the existing concept of ESG. I believe that today's global movement toward the realization of a carbon-neutral society is the result of such trends impacting multiple aspects of society and our lives. My career gave me the opportunity to participate in international society as a diplomat, and international institutions, industrialized democracies, and international NGOs played a leading role in building the movement of fighting global warming we have seen in the past 20 years. However, the involvement of the private sector is essential for this trend to produce the desired results. In efforts to address global issues such as climate change financial institutions, given they are a key source of loans and investments, are faced with a larger role and heavier responsibility than other players in the private sector.

Ito I believe that financial institutions will play an important role in pushing forward ESG in society by no longer limiting the criteria for determining a loan or investment to cash flow and other financial elements and by accurately reflecting customers' ESG initiatives and other non-financial elements in their considerations. SMBC Group will continue to discuss how we can best measure non-financial elements and reflect them in our decision-making process. Next, could you please share with us how you view the Roadmap Addressing Climate Change and Action Plan that SMBC Group announced in May 2020?

Sakurai I felt SMBC Group's strong intent to clarify its goals and communicate its future plan of action. Although specific details must still be determined, I was very impressed with the fact SMBC Group adopted a long-term perspective in the roadmap and action plan. Another item I thought stood out was that SMBC Group did not attempt a simultaneous launch of its initiatives. Rather SMBC adopted a framework in which SMBC Group first selected a number of high impact initiatives to commence work on after which they would leverage

the experience they had obtained to move on to the next stage of the roadmap. This is a highly effective method and reflects SMBC Group's intent to improve its sustainability initiatives over the course of their actual execution. I also agree with SMBC Group announcing that it would engage with customers so that it can work with those customers to realize a carbon-neutral society. More and more employees want to work at companies that have a large, positive impact on society, and customers also increasingly desire to build relationships with those companies. Involving these stakeholders in its sustainability efforts is a wonderful approach and reflects SMBC Group's character.

Kohno I agree that it was very important for SMBC Group to reveal the Roadmap Addressing Climate Change and Action Plan at its current stage to both internal and external parties. On the other hand, specific details are still yet to be determined. This is a matter which the entire SMBC Group must work together to address, and the Group CSuO is responsible for driving forward SMBC Group's sustainability efforts. The duties of the Group CSuO differ from



Masaharu Kohno

Outside Director,
Sumitomo Mitsui
Financial Group



Round-Table Discussion with Outside Directors

those of traditional banking roles but there is no doubt of the position's importance. I will continue to support efforts to deepen discussions and further improve SMBC Group's sustainability initiatives.

Ito In my role as Group CSuO I will ensure to engage in quality internal communication with SMBC Group employees, which is something I believe ties in with both of your views. The first step is for me to proactively create opportunities to communicate sustainability-related information to our employees and work together to resolve the various issues that we face. The third point of today's discussion is that in order to successfully carry out our initiatives aimed at reducing greenhouse gas emissions, it is necessary to reduce greenhouse gas emissions generated by our customers (Scope 3). As such, I expect to face situations that require careful navigation. From the perspective of an outside director, do you have any advice on how we can smoothly engage with such customers?

Sakurai In the process of working with customers to implement sustainability initiatives, there will be times when customers' business models will need to undergo substantial change. So, I believe that at times difficult discussions will need to take place. At the companies where I play a key leadership role, we engage in repeated discussions with customers in order to compare and adjust our respective visions while making sure that we keep in mind the timeframe of customers' efforts

Eriko Sakurai

Outside Director,
Sumitomo Mitsui
Financial Group



to complete their transformation. I have experienced firsthand the importance of engaging in consistent communications like what I just mentioned, and I believe this also applies to financial institutions. In order to transform a business from a sustainability perspective, it is necessary to engage in discussions that employ a long-term, future-oriented perspective in a more persistent manner. When engaging in such discussions both parties must view the transformation in question as increasing their value and leading to the realization of long-term growth. By utilizing this mindset, it is possible to develop a relationship in which both parties, at the end of the day, are happy that they worked with each other to carry out the sustainability initiative in question.

Ito In order for this to be possible, all employees of SMBC Group must share a common mindset such as the ones you shared with us, and I will make sure to spread this message through internal communication.

Sakurai Until about 10 or so years ago sustainability was viewed as "Nice to have" and only certain members

of a company's management team would be involved. Now, the attitude is "Sustainability is business" and sustainability is viewed more and more as a matter that needs to be addressed by the entire firm. As such, it is necessary for each SMBC Group employee to view sustainability as being part of their responsibilities, and not solely of the Group CSuO.

Kohno First, all members of SMBC Group's management team must be able to engage in head-on discussions regarding climate change and other sustainability-related issues. It is vital for the individuals responsible for leading SMBC Group to be able to express their views regarding these issues in their own words. This in turn will help spread the common mindset regarding sustainability that the two of you talked about earlier. Second, each and every SMBC Group's employee must properly convey the Group's awareness of issues to customers as a member of SMBC Group. We directors engaged in repeated discussions regarding customer-oriented business conduct, and I believe that new added value can be created if common issues are shared with customers and

both parties arrive at a mutual understanding. You can say that this is customer-oriented business conduct in its truest sense. Third, SMBC Group must be an organization that can present and implement a new lifestyle. The entire SMBC Group must share a sense of crisis that if it cannot act with speed and urgency, it will be left behind with no opportunity to catch-up in the future. At the same time, SMBC Group must realize that it is already standing at the entrance of this new phase.

Ito To bring today's discussion to a close, can you please share with us the roles you see yourselves playing as outside directors in SMBC Group's efforts to enhance its non-financial value and corporate sustainability capabilities?

Sakurai In a way this is an extension of what we have already discussed. SMBC Group must realize the substantial impact it has on international society and play a leadership role in the pursuit of sustainability. As I mentioned at the start of today's discussion, SMBC Group's ability to connect various industries allows it to develop sustainability friendly frameworks and other initiatives whose impact transcends industrial boundaries. I believe that such endeavors will allow SMBC Group to access new customer segments and contribute to the enhancement of the Group's corporate value. The role I am expected to play as an outside director is to support such efforts while at the same time ensuring

they receive adequate supervision. Referring to my previous comments, "Sustainability is business" and I do not expect my role in regard to SMBC Group's sustainability initiatives to differ from the role I play in the Group's business strategies.

Kohno I believe my responsibility is to provide advice and views from a global perspective given my background as a diplomat. In April 2021, the Biden Administration held a virtual world leaders' summit on climate change. What surprised me was that the Secretary of Defense participated in the sessions. In other words, the U.S. views climate change as being directly connected to national security. We need to pay close attention to these new global trends.

Next, although addressing the issue of climate change is a future-oriented initiative, we should not cut it off from past actions. Let's take a developing country that had built coal-fired power plants using overseas loans and investments. The financial institutions that had provided those loans and investments would not be fulfilling their responsibility if they just stopped providing support to

those plants due to the global move toward the realization of a carbon-neutral society. SMBC Group needs to tirelessly think about how it can continue to support clients, albeit in a different manner, as many customers have not yet made a concrete description in terms of how they would adapt to the new phase. Finally, Europe has consistently led climate change efforts over the past 10 or so years. SMBC Group must consistently pay close attention to Europe so that it is able to accurately grasp the state of world affairs which is changing daily. Climate change is a global issue that affects the entire human race, so we need to make sure that our attention is turned to the world as we engage in discussions.

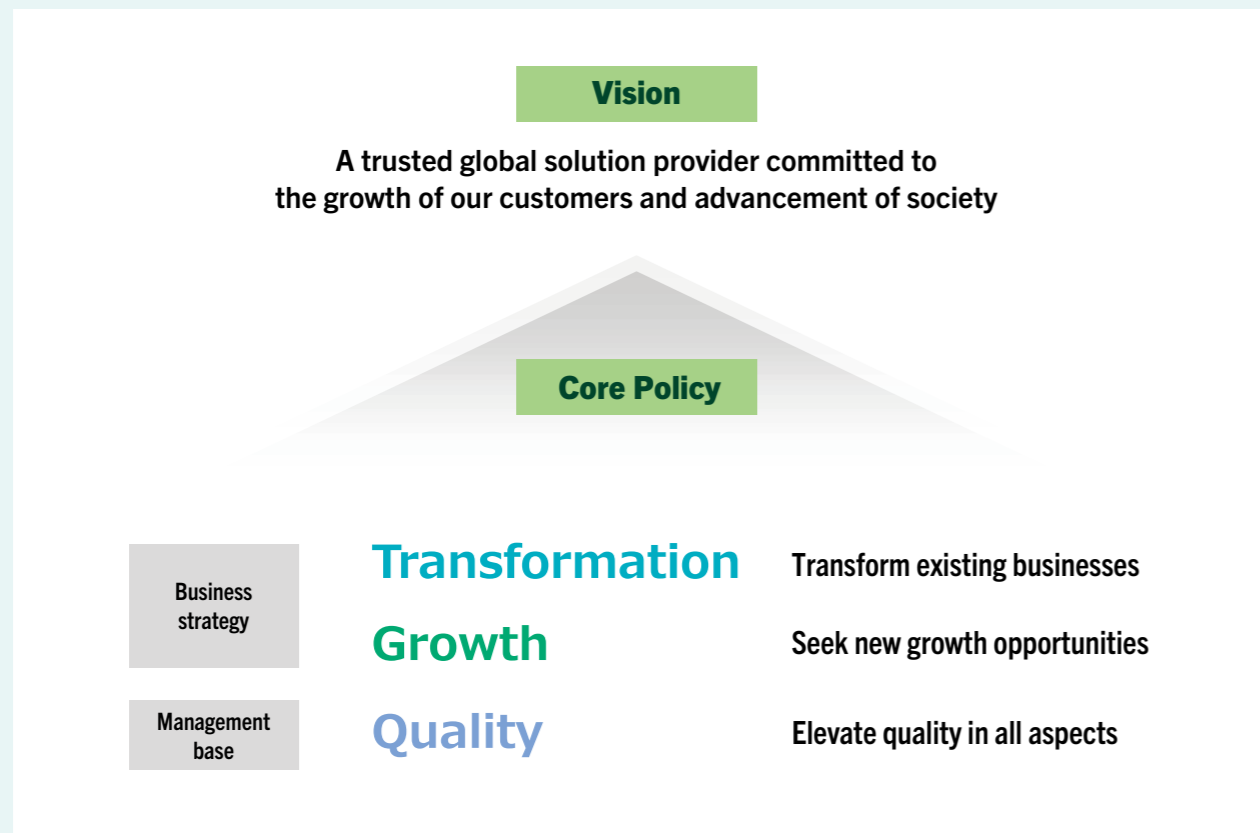
Ito Thank you very much for sharing your valuable opinions with us today. I look forward to receiving your continued advice which reflects a variety of standpoints.

Fumihiko Ito

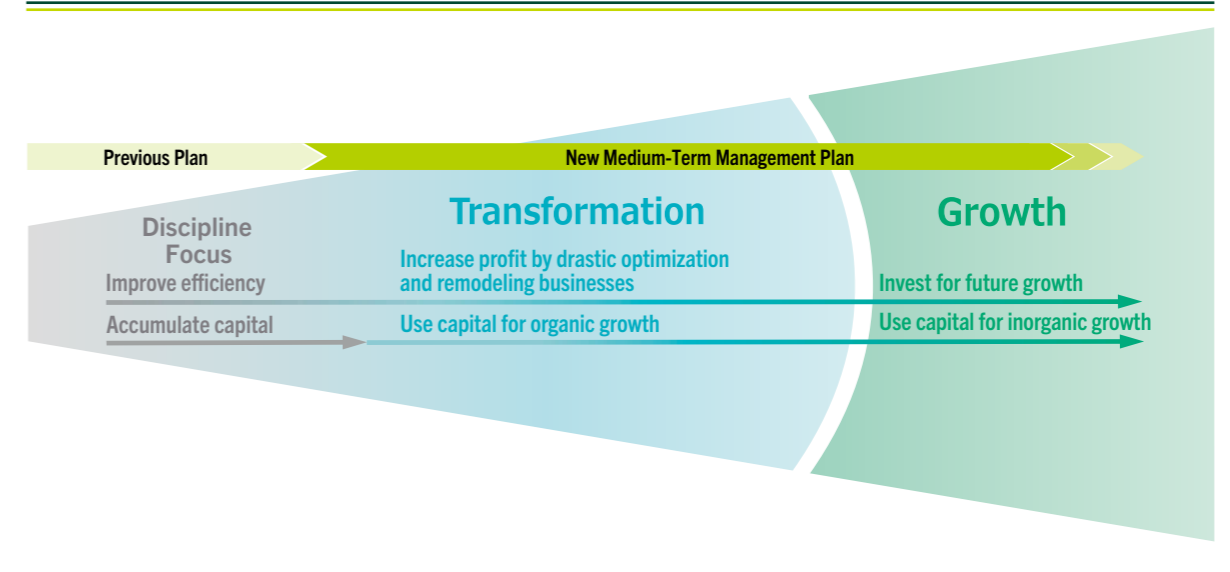
Group CSuO,
Sumitomo Mitsui
Financial Group



Core Policy of the Medium-Term Management Plan (FY2020–FY2022)



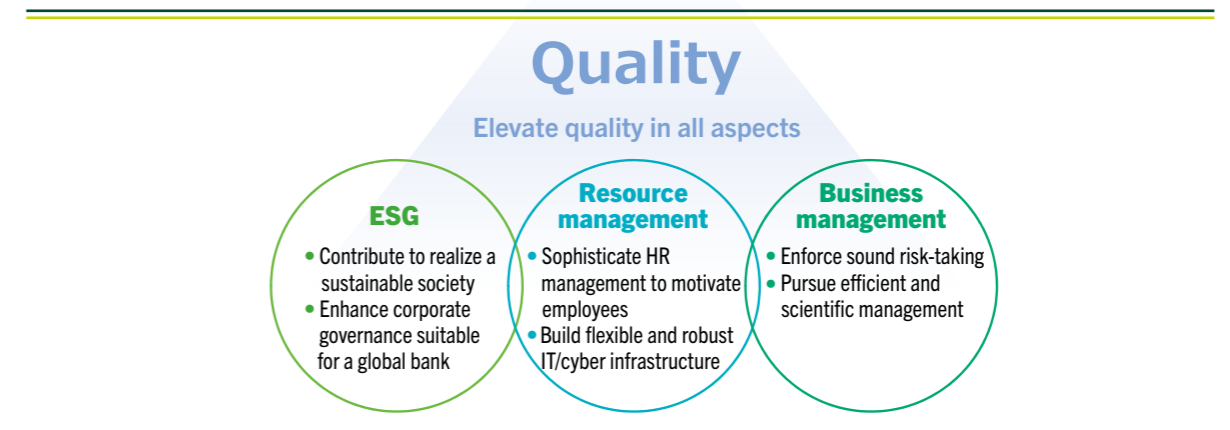
Business Strategies – Transformation & Growth –



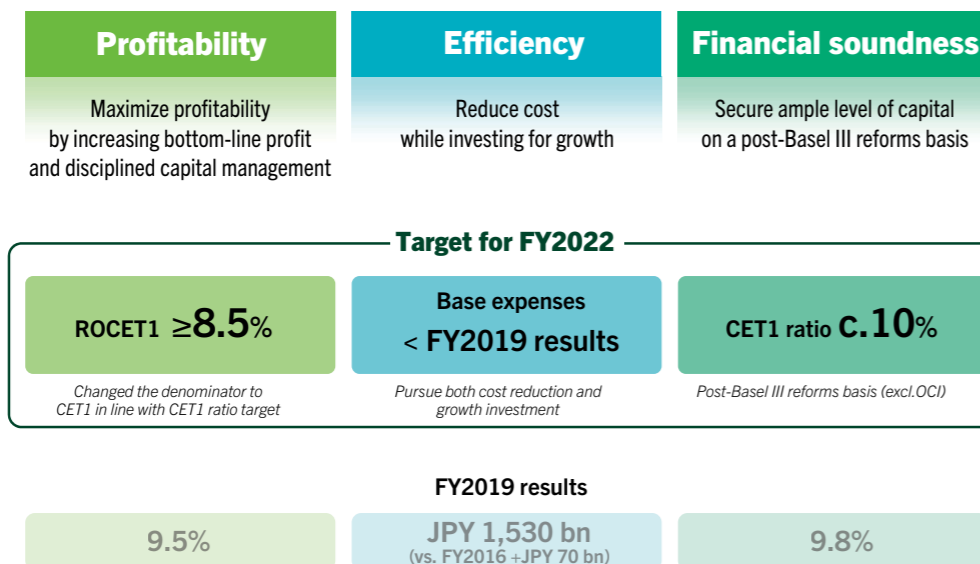
Seven Key Strategies



Management Base – Quality –



Financial Targets



Customers

Support Customers Through Financial Services

SMBC Group, as a financial institution which is a part of the social infrastructure, will fulfill its responsibility by continuing to provide services such as financing and payment. To this end, with extensive safety precautions in place, SMBC is continuing the operation of all branches and ATMs while also enhancing its online services to allow customers to perform transactions without having to visit a branch. We are responding to customer needs by performing sales activities in a non-face-to-face manner through online venues.

We are also supporting the urgent financial needs of customers by offering loan programs with special interest rates and customer reliefs such as relaxing conditions of existing loans.

SMBC Group anticipates that changes to social and economic structures will be unavoidable in the new normal that will emerge after the COVID-19 pandemic has subsided. Accordingly, we aim to support customers in the post-COVID-19 world through discussions and information provision regarding the business issues brought to light by the pandemic.

Response to COVID-19

Considering the significant impact on people's lives and the economy caused by COVID-19, SMBC Group strives to ensure the health and safety of our customers and employees. Furthermore, SMBC Group will support our customers through financial services and is committed to contributing to the medical industry and society as a whole.

Employees

Prevention of the Spread of Infection and Initiatives for Continuous Business Operation

In order to continue providing our services as a social infrastructure while preventing the spread of infection, ensuring the health of our employees as well as their families, and safety and security of our customers, we are implementing various initiatives all over the world.

To prevent the spread through droplet infection, we have installed acrylic boards at our branches. Our call centers and operational offices has been making efforts to keep conducting business operation by separating staffs into two or more teams. In addition, we will continue to limit the number of employees required to work in the office. We are also giving consideration to the health of our employees and their families through measures such as encouraging our employees who need to take care of their children to work at home via telework or to obtain special leave, and also established a health consultation counter. COVID-19 vaccinations are provided to employees in order to protect their health and help ensure business continuity by reaching a state of herd immunity.



https://www.smfg.co.jp/english/covid_19/

SMBC Group has established a page on its website detailing its response to COVID-19. Please refer to this page for more information.



Community and Society

Contributing to the Community and Society

SMBC Group donated a total of ¥1.5 billion to fund measures for combating COVID-19, and we engaged in other support activities together with customers.

Supporting Medical Research and Activities

SMBC Group donated ¥500 million to the Center for iPS Cell Research and Application, Kyoto University (CiRA), to support research on the behavior and characteristics of COVID-19 and other newly discovered viruses, in order to help develop effective means of treating these viruses. Other efforts for combating the COVID-19 pandemic have included donations, such as a donation totaling ¥100 million to the free-of-charge AI-powered COVID-19 diagnosis support project and the AI development project for predicting which cases will escalate, both of which are being conducted by M3, Inc. These donations are not limited to Japan as SMBC Group also donated €1.0 million to the Coalition for Epidemic Preparedness Innovations to support vaccine development on a global scale.

Meanwhile, steps are being taken to support the healthcare professionals fighting COVID-19 on the front lines, despite a lack of medical supplies. To aid these brave individuals, SMBC has donated to healthcare institutions the protective gear and medical-use masks that had been stockpiled for emergency situations. These are just some of our various efforts for addressing the issues caused by the COVID-19 pandemic.

Enhancing Medical Care and Education in Emerging Countries

Furthermore, we have established the “SMBC Together with You Fund” to support people and companies in Asia and other regions and made a US\$1.7 million donation through this fund. SMBC Group is also providing support by supplying daily necessity items, pharmaceuticals, healthcare services, and education through collaboration with 17 partners in nine countries. In addition, a donation of INR85 million (approximately ¥130 million) was made to healthcare institutions in India, where the impacts of the COVID-19 pandemic have been particularly severe.



Support for Malaysia

Supporting the Promotion of Cultural Activities and the Arts

The spread of this disease has various effects on cultural and artistic activities that are indispensable to a prosperous society. As part of our support to the promotion of culture and arts, SMBC Group donated ¥100 million to the “Association of Japanese Symphony Orchestras” to support 37 orchestral organizations across Japan. SMBC Group will work with these organizations to promote projects to comfort and encourage people through music.



BUSINESS STRATEGIES for CREATING VALUE



- 038 Group Structure
- 040 Retail Business Unit
- 044 Wholesale Business Unit
- 048 Global Business Unit
- 052 Global Markets Business Unit
- 056 Special Features:
 - SMBC Group's Digital Strategies Transcending Finance

Group Structure

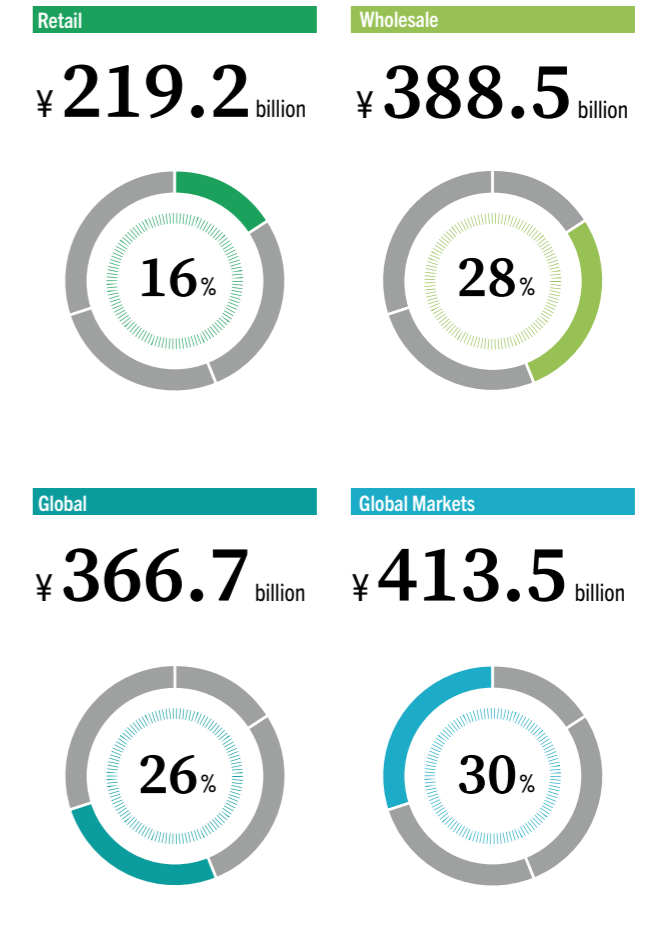
SMBC Group is a global financial group that develops operations in a wide range of fields, including banking, leasing, securities, credit cards, and consumer finance.

Under the holding company, Sumitomo Mitsui Financial Group, we have established four business units that draft and implement Group strategies based on customer segments. For head office functions, we have clarified the managers responsible for specific areas of group-wide management and planning under the CxO system. In addition, we are taking steps to share management resources and optimize the allocation of resources.

Group-Wide Business Units and CxO System

		Banking		Leasing		Securities	Credit Cards and Consumer Finance		Other Business	
		Sumitomo Mitsui Banking Corporation	SMBC Trust Bank	Sumitomo Mitsui Finance and Leasing		SMBC Nikko Securities	Sumitomo Mitsui Card Company	SMBC Consumer Finance	Japan Research Institute	Sumitomo Mitsui DS Asset Management
Business Units	Retail	●	●			●	●	●		
	Wholesale	●	●	●		●	●			
	Global	●	●	●		●	●	●		
	Global Markets	●				●				
Head Office (CxO System)		CFO Chief Financial Officer	CSO Chief Strategy Officer	CRO Chief Risk Officer	CCO Chief Compliance Officer	CHRO Chief Human Resources Officer	CIO Chief Information Officer	CDIO Chief Digital Innovation Officer	CSuO Chief Sustainability Officer	CAE Chief Audit Executive

Net Business Profit by Business Unit in FY2020



Retail Business Unit

The top-class companies in the banking, securities, credit card, and consumer finance industries that comprise the Retail Business Unit are addressing the financial needs of all individual customers through services capitalizing on the Group's comprehensive strength, striving to develop the most trusted and No. 1 Japanese retail finance business.

The Retail Business Unit possesses the No.1 business foundation in Japan in its principal business areas, including wealth management, payment service, and consumer finance businesses, backed by high-quality, face-to-face consulting capabilities and advanced payment and finance products and services.

Customer behavior is undergoing substantial change amid various megatrends affecting financial services for individuals. These trends include the normalization of cashless payments and the move toward performing all banking processes digitally witnessed amid the COVID-19 pandemic as well as the rise in concerns for health seen among senior citizens and for asset building seen among younger generations in light of the upcoming era in which people consistently live to 100. Against that backdrop, SMBC Group was swift in implementing measures to address changing customer needs in FY2020. Specific measures included focusing on digital and remote operations and introducing reservation systems at all branches.

In FY2021, the Retail Business Unit will advance the measures put forth by the Medium-Term Management Plan, namely allocating resources

to growth markets, reviewing business processes to reform cost structures, and exploring new businesses utilizing digital and IT technologies, and we are committed to maximizing the success of these measures. At the same time, we will ramp up group-wide cost structure reforms in pursuit of sustainable growth.

In the wealth management business, we will facilitate the growth of the domestic economy by supplying funds to the market while supporting healthy individual asset building to help address people's post-retirement concerns. At the same time, we will look to capitalize on the business opportunities presented by the overarching shift from saving to asset formation and investment. As for the payment service business, we provide services that are highly convenient for users and business operators alike in response to the increasingly rapid trend toward cashless payments. A unique function of banks, which are charged with protecting customers' precious assets, is to ensure the smooth transfer of wealth between generations. Recognizing the responsibility this entails, SMBC strives to supply high-value-added services that go beyond the scope of traditional financial institutions to address the diversifying concerns of senior citizens.

Contribution to Consolidated Net Business Profit (FY2020)



	FY2020	YoY*1
Gross profit (JPY bn)	1,127.4	(48.7)
Expenses (JPY bn)	910.4	(24.1)
Base expenses (JPY bn)	736.8	(15.0)
Net business profit (JPY bn)	219.2	(24.4)
ROCE1*2	9.4%	+1.6%
RwA (JPY tn)	12.3	+0.1

*1 Figures are after adjustments for interest rate and exchange rate impacts.

*2 Figures exclude provision for losses on interest repayments, etc.

Senior Managing Executive Officer
Head of Retail Business Unit

Takashi Yamashita

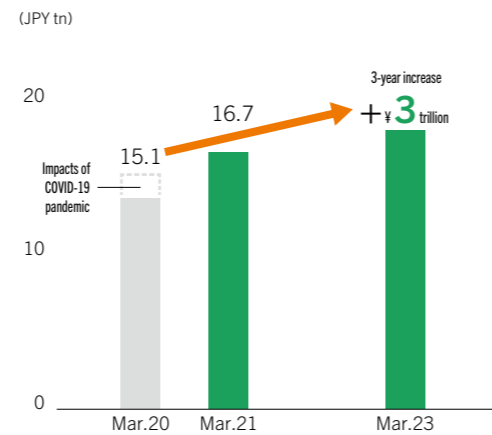
PRIORITY STRATEGY

1

Sustainable Growth in Wealth Management Business

SMBC Group is accelerating sustainable growth through a concerted group-wide effort. We are focused on consolidating assets from other companies and banks on a group-wide basis by practicing a clear division of duties between SMBC, SMBC Nikko Securities, and SMBC Trust Bank in accordance with customer needs and by strengthening systems for intra-Group coordination. For affluent business owners and other individuals, we are enhancing the lineup of products and services offered under the SMBC Private Wealth brand. We are also approaching such customers through a coordinated effort that takes advantage of the strengths of Group companies, thereby aiming to achieve sustainable growth through reliable earnings. Furthermore, we are introducing products that accommodate wide-ranging inheritance needs to bolster our group-wide response capabilities and thus grow transactions among the next-generation of customers.

Balance of Fee-Based AUM



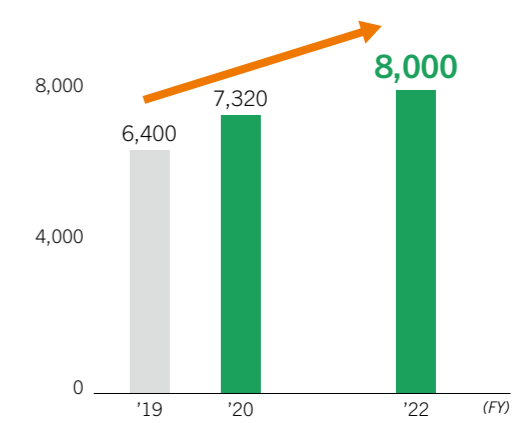
PRIORITY STRATEGY

3

Reinforcement of Consulting Businesses through Branch Reorganizations

SMBC is overhauling its SMBC app and other digital infrastructure to expand the range of processes that can be performed entirely online digitally and remotely and to enhance video chat functions. We thereby aim to improve convenience for customers while heightening operational efficiency. At the same time, we will continue efforts to boost the competitiveness of our physical branch network, seeking to raise customer satisfaction by using branches as venues for supplying local customers with the type of consulting services only possible at manned branches. Group companies, meanwhile, are coordinating to develop joint branches to supply a full lineup of services on a one-stop basis in order to improve customer convenience while also increasing the efficiency of branch operations.

Number of "SMBC Direct" Users*



* Number of customers who have logged in to SMBC Direct at least once every six months

PRIORITY STRATEGY

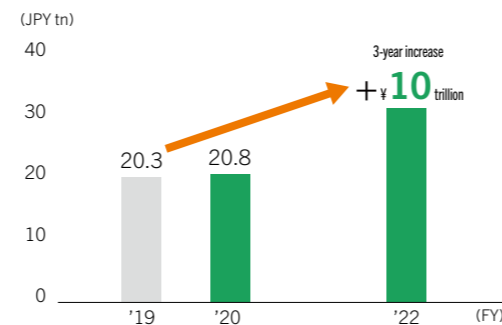
2

Pursuit of No. 1 Position in Payment Service Business

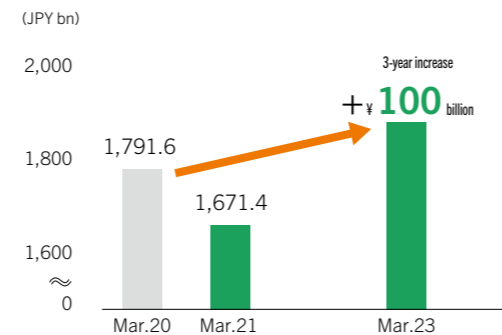
The COVID-19 pandemic triggered the acceleration of the trend toward cashless payments and digitalization. SMBC Group will respond to this trend by delivering even more convenient services. For users, we will continue to enhance our products and services in order to improve convenience and grow our customer base. For business operators, we seek to expand our market share as well as the scope of our business by introducing affordable subscription models for cashless payment terminals and content while also increasing the viability of our products through collaboration with external partners.

As for consumer finance businesses, we aim to provide highly convenient services by improving the user interface and experience of our apps based on rising digitalization needs and by utilizing Group expertise to bolster product lineups.

Sales Handled



Consumer Loan Balance



Sustainability Initiatives

The SMBC Elder Program was launched in April 2021 to support customers as they live longer and to accommodate the diversifying lifestyles among individuals in rapidly aging Japan. Capitalizing on the transactional relationships we have built with individual and corporate customers thus far and the trust earned from these customers, we will provide financial services as well as non-financial services that support health, security, and meaningful lifestyles to help build a society offering peace of mind for all.

We also look to support the realization of a sustainable society. To this end, we offer wealth management products that select investees based on their environmental, social, and governance (ESG) initiatives as well as products focused on companies committed to contributing to society. As we move forward, we will continue to expand our range of products to address a diverse range of customer needs.

SMBC Group is also improving the convenience of its internet banking services and encouraging customers to switch to online passbooks in order to cut back on the amount of paper used for such passbooks.

SMBC Group will continue to work toward sustainability through the services it provides to customers going forward.



Pamphlet for promoting the switch to online passbooks

Wholesale Business Unit

The Wholesale Business Unit contributes to the development of the Japanese economy by providing financial solutions that respond to the diverse needs of domestic companies in relation to financing, investment management, M&A advisory, and leases through a united Group effort.

Faced with Japan's negative interest rate policy and a continuously challenging operating environment, the Wholesale Business Unit mustered the collective strength of SMBC Group to deliver sophisticated solutions and carry out operations with an extensive focus on profitability. It was thereby able to maintain high levels of asset efficiency.

In FY2020, our focus was supporting the business continuity of customers and providing smooth funding support in response to the COVID-19 pandemic. At the same time, we addressed, as a united group, the rapid changes in customers' management issues and needs seen amid the transformation of social structures. Our approach entailed supplying an array of solutions for business reorganization alongside the solutions of its cashless and payment service businesses and real estate businesses. We were thereby able to bring a number of proposals and projects to fruition. As a result, all Group companies in the Wholesale Business Unit achieved their net business profit targets while the unit as a whole posted consolidated net business profit of ¥388.5 billion, an increase of ¥21.5 billion year on year.

Deputy President and
Executive Officer
Co-Head of Wholesale Business Unit

Masahiko Oshima

In FY2021, the second year of the Medium-Term Management Plan, the Wholesale Business Unit will bolster coordination among domestic and overseas bases and Group companies to exercise the strength of our group-based comprehensive solutions to the greatest extent possible. At the same time, we will increase the degree to which management resources are allocated to growth fields. Social structures and trends are changing rapidly as the COVID-19 pandemic accelerates digitalization and cashless payment trends and the move to transition to a carbon-neutral society advances. Such changes are causing customers' management issues to become more complex and sophisticated. Fully committed to addressing these issues, SMBC is ramping up efforts to create new businesses together with customers. Going forward, we will further bolster our strengths, including our keen ability to make proposals, speed, and pioneering spirit, to provide high-value-added solutions through coordination between front-office service and headquarter divisions and thereby contribute to the growth of customers and of the Japanese economy.

Senior Managing Executive
Officer
Co-Head of Wholesale Business Unit

Muneo Kanamaru

Contribution to Consolidated Net Business Profit (FY2020)



	FY2020	YoY*1
Gross profit (JPY bn)	634.9	+14.8
Expenses (JPY bn)	299.9	(3.7)
Base expenses (JPY bn)	292.3	(4.4)
Net business profit (JPY bn)	388.5	+21.5
ROCE1*2	5.6%	(4.6)%
RwA (JPY tn)	33.4	+2.6

*1 Figures are after adjustments for interest rate and exchange rate impacts.

*2 Figures exclude medium- to long-term foreign currency funding costs.



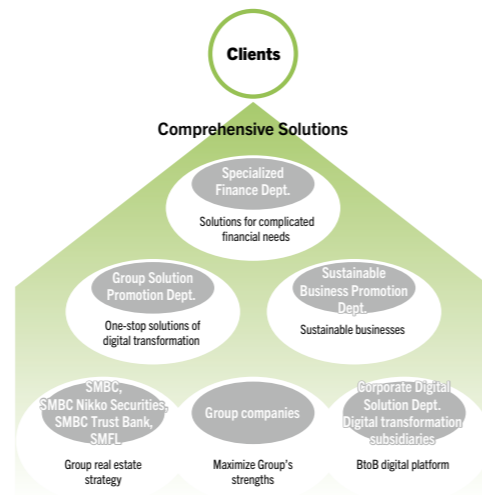
PRIORITY STRATEGY

1

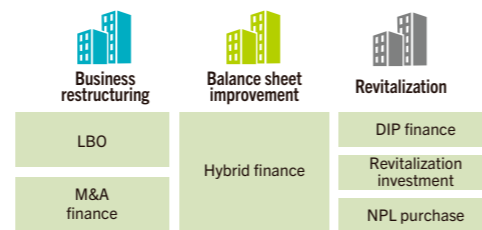
Group-Based Comprehensive Solutions

Social structures and trends are changing rapidly due to the COVID-19 pandemic and the move to transition to a carbon-neutral society, and thus we are bolstering our ability to respond to the massive changes seen in customers' management issues and in social issues. As part of this process, we will unite our front-office and solution providing departments to provide comprehensive solutions while proactively allocating management resources to expanding business areas so that we can grow together with customers.

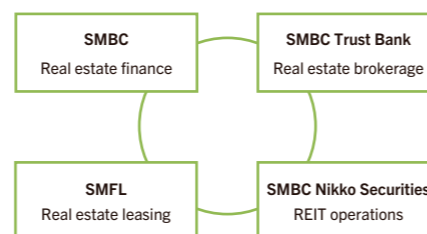
In addition, we are enhancing our sector approach through coordination between domestic and overseas bases and Group companies to cater to the needs of large corporations active on the global stage. To this end, we are developing systems for delivering swift and high-quality proposals in response to increasingly complex and sophisticated management issues pertaining to such matters as business portfolio revision and global M&A activities. We also seek to address the business reorganization, finance improvement, and corporate revitalization needs of customers that are becoming increasingly common amid the COVID-19 pandemic. In catering to these needs, we will supply hybrid finance, corporate revitalization investment, and other solutions based on customers' circumstances and needs. Promoted on a group-wide basis, these solutions will be offered through the Specialized Finance Department, which was established in April 2021. Meanwhile, we will allocate management resources to real estate businesses while bolstering coordination among Group companies to enhance efforts to propose solutions to customers utilizing real estate through a group-wide approach.



Solutions for Complicated Financial Needs



SMBC Group Real Estate Businesses



PRIORITY STRATEGY

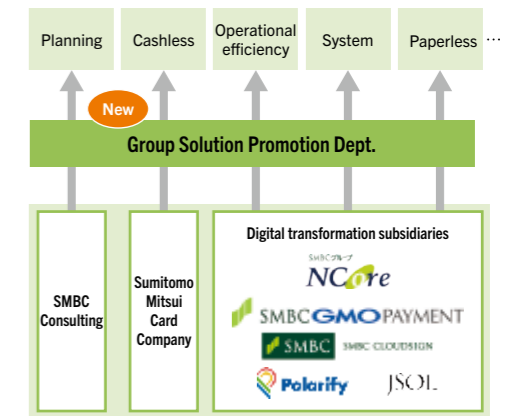
2

Corporate Digital Solutions

SMBC Group's efforts to utilize digital technologies go beyond the conventional aims of improving operational efficiency; we are increasingly looking to develop new businesses and transform existing businesses to address digital innovation and digital transformation needs. For the purpose of addressing the diversifying needs of customers, the Group Solution Promotion Department was established to help provide one-stop services of the Group companies' digital solutions. Through this new department, we will propose solutions tailor-made to the complex digital needs of customers.

Meanwhile, PlariTown, the corporate digital solution platform launched in FY2020 will be a central component in our efforts to supply various financial and non-financial solutions together with external partners. This is the approach through which we will work to support the digitalization of mid-sized corporations and SMEs and to create new business opportunities.

For more information on PlariTown, please refer to page 066.



Sustainability Initiatives

In addition to its prior renewable energy project finance initiatives, the Wholesale Business Unit is promoting engagement with customers through the Sustainable Business Promotion Department, which was established in April 2020 as part of its focus on co-creating businesses to facilitate sustainability-related business reorganizations and the development of sustainable social foundations.

We used around ¥1 trillion to conduct such sustainability-related financing in Japan during FY2020. In addition, we established the GREEN×GLOBE Partners community to work toward resolutions to environmental and social issues together with customers. Moreover, we began offering green deposits in April 2021. Money in these deposits is only lent to eligible green projects related to the environment, particularly renewable energy, in order to provide opportunities for customers to utilize their assets for ESG purposes.

Going forward, the Wholesale Business Unit will continue to contribute to the realization of a sustainable society by supporting customers in resolving sustainability-related management issues, such as those pertaining to the fight against climate change and the transition to a carbon-neutral society.

GREEN×GLOBE Partners

環境・社会課題解決の「意識」と「機会」を流通させる

Global Business Unit

The Global Business Unit supports the global business operations of domestic and overseas customers by leveraging SMBC Group's extensive global network and products and services in which we possess strengths.

In FY2020, the COVID-19 pandemic became normalized throughout society. Despite the difficult operating environment seen centered on operations in Indonesia and aircraft businesses, the Global Business Unit achieved growth in consolidated net business profit through a concerted Group effort to meet customers' funding needs and to flexibly implement the measures prescribed by the Medium-Term Management Plan in response to the changing operating environment. Thus, we feel that the unit achieved a high degree of success in the first year of the plan.

In FY2021, the second year of the Medium-Term Management Plan, we will maintain a consistent course with regard to implementing our priority measures. At the same time, we will seek to advance our business activities with an appropriately balanced focus on growth fields, such as sustainability and digital technologies, to accelerate our evolution to a global solution provider proficient at addressing customers' management issues.

One specific area of focus will be bolstering overseas securities, a business where there is substantial room to grow from the perspectives of business lines and customer base expansion, in order to accelerate initiatives in our corporate investment banking business, which merges our

banking business with our securities business. We thereby aim to enhance our ability to propose solutions in response to the various corporate events of customers. Meanwhile, we will work to develop foundations for medium- to long-term growth in Asia by advancing inorganic growth strategies in Vietnam, the Philippines, and India. The goal of these strategies will be to establish a franchise capable of providing a broad assortment of services to customers ranging from individuals to large corporations.

The Global Business Unit also recognizes that customers are ramping up climate change and other ESG initiatives. We are responding by augmenting our advisory functions for sustainability fields and boosting our capacity to provide solutions for issues faced in ESG strategies. At the same time, we are strategically developing digital businesses to address the rise in needs related to non-contact interactions seen amid the COVID-19 pandemic. Meanwhile, in the trade finance field, an area of strength for SMBC Group, we aim to develop digital platforms a step ahead of the competition to provide new settlement and finance methods.

Through these initiatives, we will advance a concerted Group effort to achieve sustainable growth in high-growth-potential overseas markets.

Senior Managing Corporate
Executive Officer
Co-Head of Global Business Unit

Ryuji Nishisaki

Senior Managing Corporate
Executive Officer
Co-Head of Global Business Unit

Akihiro Fukutome

Contribution to Consolidated Net Business Profit (FY2020)



	FY2020	YoY*1
Gross profit (JPY bn)	723.7	+42.9
Expenses (JPY bn)	383.3	+12.4
Base expenses (JPY bn)	372.1	+6.5
Net business profit (JPY bn)	366.7	+3.9
ROCE1*2	6.2%	(1.3)%
RwA (JPY tn)	35.6	(0.1)

*1 Figures are after adjustments for interest rate and exchange rate impacts.

*2 Figures exclude medium- to long-term foreign currency funding costs.



PRIORITY STRATEGY

1

Reinforcement of CIB Business

The Global Business Unit is accelerating initiatives in its corporate & investment banking business, which merges its banking business with its securities business.

Banks and securities are becoming increasingly linked on a global basis, and thus there has been a rise in opportunities to provide advisory services pertaining to cross-border M&A activities by Japanese and non-Japanese companies. By enhancing coordination in global sectors, we will leverage the strengths of our product capabilities and global network to better propose solutions in response to customers' business portfolio reconstruction and other management issues.

Furthermore, we are enhancing our overseas securities services, which have significant potential for growth, to strengthen core functions for making our corporate investment banking business more sophisticated. Particular areas of focus include developing bond sales and trading businesses and selectively expanding customer base in the United States to develop a stronger market presence.

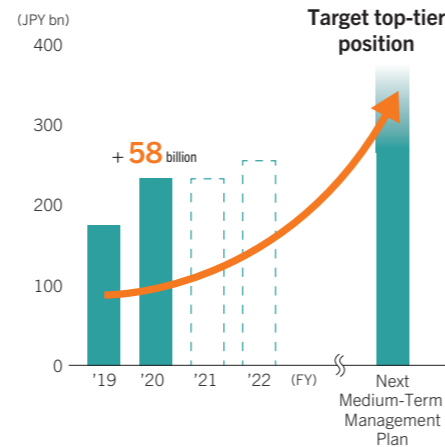
Sustainability Initiatives

In response to the ever-changing circumstances surrounding climate change and other sustainability issues, the Global Business Unit is augmenting its solution providing capabilities to better address customers' management issues.

In FY2020, we accelerated our green finance initiative in Europe, the United States, and other overseas markets, thereby climbing to the No. 2 position in global league tables with regard to green loan amounts. At the same time, we took steps to enhance our proposal capabilities as a global solution provider. Specific areas targeted included advisory services pertaining to customers' ESG strategies and disclosure as well as peripheral advisory services related to financing arrangement and asset portfolio reconstruction to incorporate decarbonization and energy transactions. As one such initiative, in February 2021 we provided a loan to the U.S. subsidiary of a Japanese company in the US\$1,100 million financing bracket that receives preferential interest rates based on ESG ratings, a first for a Japanese bank. Looking ahead, we will accelerate our initiatives by taking part in various cutting-edge projects.

Moreover, through Bank BTPN, we began providing BTPN Wow!, a service that allows customers without bank accounts with Bank BTPN to perform banking transactions through messaging services. In addition, its subsidiary, Bank BTPN Syariah Tbk PT provides financing that conforms to the requirements of the Islamic faith primarily to low-income women. In these ways, we are working to provide financial services that can be used by a wide range of people.

Gross Profit in Corporate Investment Banking Business in Europe and the United States*1



*1 Figures are on a managerial accounting basis (non-Japanese companies in Europe and the United States, fund-related services, etc.).

Global League Table
(Green Loan Amounts*2)

	Financial institution	Share
1	Credit Agricole	10.0%
2	SMBC	7.8%
3	BNP Paribas	7.4%

*2 Source: Dealogic Ltd. (FY2020)

PRIORITY STRATEGY

2

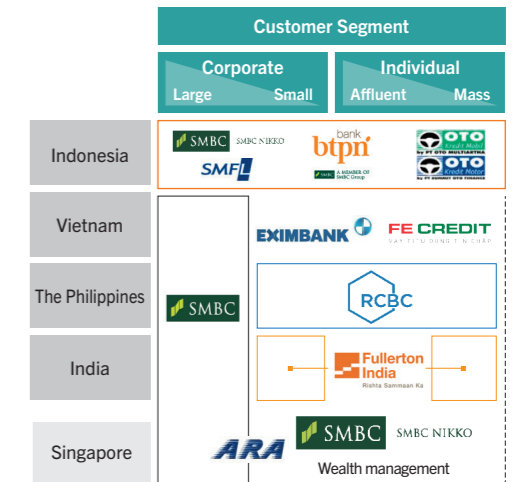
Initiatives in Growth Fields in Asia and Other Markets

In pursuit of medium- to long-term growth in Asia, the Global Business Unit is developing a financial franchise that supplies services to customers ranging from individuals to large corporations.

Our operations in Indonesia were impacted by the COVID-19 pandemic in FY2020. Regardless, there has been no change to our policy of developing growth foundations centered on Bank BTPN, and we are advancing our business in this country through means such as enhancing digital banking and approaching the middle-income demographic. In FY2021, we announced investments in non-banking companies in Vietnam and India and in a commercial banking company in the Philippines. Going forward, we will expand our platforms for operations targeting SMEs and for retail businesses.

Other initiatives included efforts to expand into new business areas such as asset management through investment in ARA Asset Management of Singapore, an increase in our stake in Ares Management Corporation in the United States, and other means.

Expansion of Financial Franchise in Asia



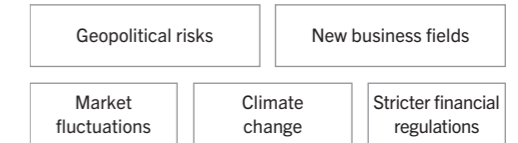
PRIORITY STRATEGY

3

Establishing Business Foundations That Meet the Needs of a Global Financial Group

In response to market environment changes, rising geopolitical risks, and the implementation of stricter financial regulations, the Global Business Unit continues to prioritize the allocation of resources to areas such as corporate governance, risk management systems, and compliance. Efforts to support SMBC Group's overseas businesses and achieve sustainable growth as a global financial group will require us to predict various risks and develop proactive management foundations on a group-wide basis to address these risks.

Furthermore, we will continue to diligently streamline our operations by utilizing digitalization, revising business promotion frameworks, and consolidating administrative functions so that we may secure resources that can be allocated to priority fields while increasing investments in new businesses.



Proactive responses to market fluctuations and overseas regulatory requirements



Global Markets Business Unit

The Global Markets Business Unit offers solutions through foreign exchange, derivatives, bonds, stocks, and other marketable financial products and also undertakes asset liability management (“ALM”) operations that comprehensively control balance sheet liquidity risks and interest rate risks.

The Global Markets Business Unit is, as market risk professionals, committed to enhancing risk-taking skills for our investment portfolio while continuously supplying customers with high levels of value. To support these efforts, we are focused on analyzing the various phenomena that occur throughout the world based on the Three “I” s of Insight, Imagination, and Intelligence in order to forecast the market trends that will emerge in the future or, in other words, discern the underlying essence of world affairs.

In FY2020, the COVID-19 pandemic had a massive impact on the flow of people and goods and on the market environment itself. In our portfolio management efforts, we assessed that market participants would be looking to transition from a phase of crisis response to a phase of preemptively acting in anticipation of future economic recovery. We responded by flexibly rebalancing our holdings of equities and bonds and thereby succeeded in generating a profit. At the same time, we maintained stable foreign currency funding to meet the funding

needs of customers. In sales and trading, meanwhile, we sought to develop a full understanding of customer needs so that we could address these needs by providing the optimal solutions.

Currently, governments and central banks around the world are continuously providing economic support to an unprecedented degree, making the outlook pertaining to asset prices and inflation increasingly uncertain. In addition, customer needs are constantly growing more diverse, as indicated by the advancement of the digitalization trend and the growing interest in social issues. In FY2021, the second year of the Medium-Term Management Plan, we will need to keep demonstrating our true value by reading the market trends emerging to create solutions that customers choose. Accordingly, the Global Markets Business Unit will continue to dedicate ourselves to face the markets sincerely with an even greater commitment to contributing to the growth of customers and of SMBC Group.

Contribution to Consolidated Net Business Profit (FY2020)



	FY2020	YoY*1
Gross profit (JPY bn)	460.7	+22.1
Expenses (JPY bn)	82.9	+3.3
Base expenses (JPY bn)	79.6	+1.9
Net business profit (JPY bn)	413.5	+22.0
ROCE1*2	20.4%	+0.2%
RwA (JPY tn)	5.4	+0.3

*1 Figures are after adjustments for interest rate and exchange rate impacts.

*2 Figures include internal risk capital related to IRRBB (Interest-Rate Risk in the Banking Book).



Senior Managing Executive Officer
Head of Global Markets Business Unit

Masamichi Koike

PRIORITY STRATEGY

1

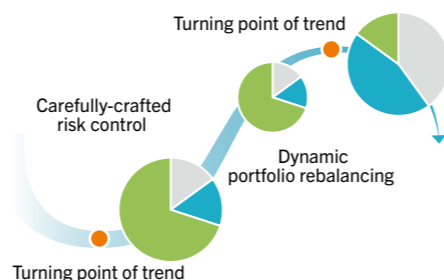
Flexible Portfolio Management in Response to Market Changes

The strength of the Global Markets Business Unit lies in its ability to dynamically adjust its portfolio to maximize earnings by accurately capturing market trends through proactive observation of market fluctuations.

By making use of the Three "I" s, each unit employee collects and analyzes information with regard to various phenomena and thoroughly discusses these phenomena with others. Then, they make positions in accordance with the scenarios formulated through this work, after which they review the results and validity of these positions. The consistent application of this iterative process is the only way we can hone our ability to read the markets.

The Medium-Term Management Plan calls on us to enhance our portfolio management by branching out from managing assets mainly in developed countries to exploring new revenue sources through means such as dealing in a more diverse range of investment products and employing investment methods that take advantage of alternative data.

Overview of Portfolio Rebalancing



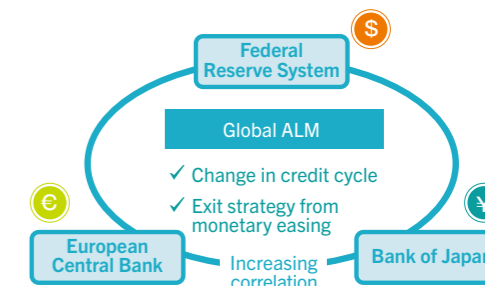
PRIORITY STRATEGY

3

Development of Robust Foreign Currency Funding Base

The Global Markets Business Unit is taking steps for foreign currency funding to balance between ensuring stability and pursuing cost efficiency so that it can continue to support customers' businesses through lending. For this purpose, we seek to expand our investor base and diversify funding methods. Initiatives toward these ends have included issuing foreign currency denominated covered bonds along with regular straight bonds and utilizing cross-currency repo transactions.* In addition, we make funding strategies by taking into account the structure of SMBC Group's balance sheet and the market environments. Furthermore, we have integrated our ALM departments that were in charge of JPY and foreign currency to create a system for proactively responding to changes in various aspects of the global financial market, including financial regulations. This integration was conducted to facilitate effective balance sheet control from a long-term perspective.

*Cross-currency repo transactions are forms of foreign currency funding backed by Japanese government bonds, etc.



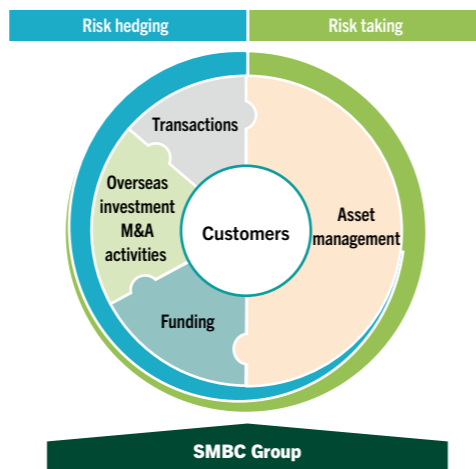
- Effective management for cash flows and collaterals
- Medium- to long-term funding strategy based on market environments

PRIORITY STRATEGY

2

Enhancement of Solutions Provided through Marketable Financial Products

The Global Markets Business Unit is expanding its product lineup and enhancing coordination between domestic and overseas product sales teams in order to respond to the risk-hedging needs associated with customers' businesses and balance sheets and the risk-taking needs related to customers' asset management and investment activities. By visualizing what kind of market risks customers are facing, we continue to deliver solutions tailor-made to the circumstances of each customer. We are also developing and strengthening systems on a global basis for supplying various products based on customer needs. Furthermore, we are addressing the rise in electronic transactions by enhancing foreign exchange platforms to provide higher levels of convenience to customers.



Sustainability Initiatives

The Global Markets Business Unit regularly issues green bonds from which procured funds are only used for eco-friendly projects, such as renewable energy projects.

In October 2015, we became the first Japanese private financial institution to issue U.S. dollar-denominated green bonds. In the years that followed, we proceeded to expand the scope of investors served with our green bonds, becoming the first private company in Japan to issue green bonds for individual investors in December 2018 and then issuing green bonds through a public offering in the United States in January 2021. To date, we have floated five green bond issues in

Japan and overseas, procuring a total of approximately US\$2.5 billion. In these issues, we carefully explained our sustainability initiatives to investors to foster mutual understanding.

SMBC Group possesses a strong track record in project finance for domestic and overseas solar and wind power generation projects and other renewable energy projects. Going forward, we will seek to make greater contributions to market growth and to environmental preservation as Japan's leading issuer of green bonds.



SMBC Group's Digital Strategies Transcending Finance

- 057 Development of a Next-Generation Core Banking System to Support the Digital Era
- 060 Creation of the Financial Group Most Chosen by Customers through the Power of Design
- 064 Digital Solutions for Corporate Clients Breaking the Mold of a Financial Group

Special Feature 1



Senior Managing Executive Officer
Group CIO
Shoji Masuda

Development of a Next-Generation Core Banking System to Support the Digital Era

SMBC has begun the development of a next-generation core banking system for the purpose of supporting the digitalization of the improvement of customer service and work processes. In this feature, we look at the background for our efforts to develop a system that builds upon our reputation for reliability and efficiency while also offering the flexibility and speed necessary for responding to future changes.

Pursuit of Banking Services Available Anywhere and at Any Time

One goal of the development of a next-generation core banking system is to provide non-stop online services that can be used at any time of day. As transactions become increasingly diverse and global, demand is rising among customers for online services that can be accessed around the clock. Under existing systems, however, online services have to be halted on Sunday nights to undergo maintenance. The next-generation core banking system currently under development will make it possible to conduct online bank transfers and to perform withdrawals or deposits at convenience store ATMs at any time of day. Moreover, this system will offer an expanded range of features, including services for immediate global transactions, such as overseas money transfers, and extended processing windows to increase customer convenience.

Special Features

Special Features: SMBC Group's Digital Strategies Transcending Finance

Construction of Forward-Looking Foundations

An important element of redeveloping our systems is to further build upon our reputation for reliability and efficiency while also ensuring that the new system offers the flexibility and speed necessary for responding to future changes.

SMBC has always been swift to update its banking systems. In 1994, then Sumitomo Bank undertook a complete overhaul of its banking systems a step ahead of the rest of the industry. This overhaul entailed the installation of a cutting-edge system for performing large-scale batch processing of account transfer transactions on an individual transaction basis (online batch processing). Furthermore, we were able to integrate our systems at low cost during the 2002 merger, which combined large-scale banks to create Japan's first megabank, by incorporating systems into the banking systems of the former Sumitomo Bank. Later, in 2009 we developed the frameworks necessary for operating all banking programs through open systems. This transformation gave us the option of adopting lower system costs while making it easier to incorporate the latest technologies. The current project for developing a next-generation core banking system uses the approach of expanding systems based on our online systems.

Evolution of SMBC's Banking System

	1994	2002	2009	2016	2021-2025
	4th online development	System integration	Verification of completely open system	Function revision / BCP enhancement	Next-generation banking platform
Characteristics	Online batch processing, compartmentalization, etc.	Integration of banking systems of Sumitomo Bank and Sakura Bank	Completion of verification, partial commercial operation	Mutual backup systems for east and west Japan operations	Open platforms / mainframes; optimal mix architecture
Investment	¥60 billion	¥60 billion	¥5 billion	¥30 billion	¥50 billion
Development	20 thousand man-months	20 thousand man-months	3 thousand man-months	5 thousand man-months	20 thousand man-months

Low-Cost Development through the Utilization of Existing Systems

In renovating our systems, we examined the possibility of completely overhauling systems in ways that included rebuilding existing online systems from scratch. However, a survey of our existing systems produced favorable scores with regard to indicators of program complexity and volume, and there were no aspects of systems that had become inaccessible black boxes. It was therefore judged that there was no need for a complete overhaul of our systems, leading us to take the option of renovating systems while using the existing systems as a base. This approach is projected to allow us to limit system renovation costs to ¥50 billion, as opposed to the hundreds of billions estimated to be necessary for a complete overhaul.

The next-generation core banking system will include an open platform for the utilization of advanced technologies. Through this platform, a ledger mirror database will be compiled by copying the entirety of the general ledger in real time. This methodology will allow for the swift, low-cost development of new functions and products without placing additional burden on the mainframe that monitors the ledger while also making it possible to analyze the ledger in its entirety in real time. In the past, SMBC used an event-based marketing

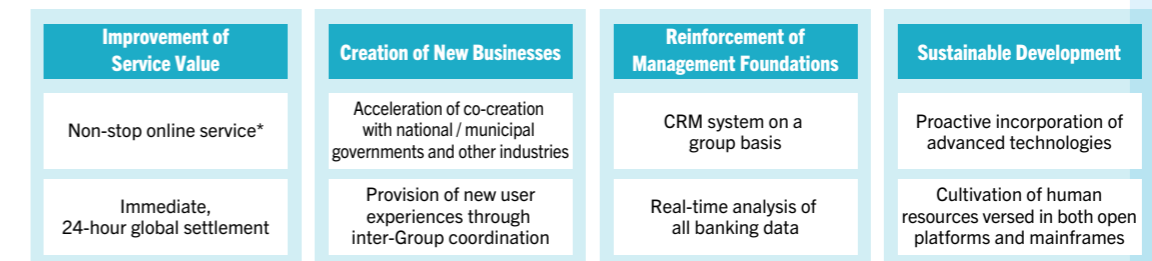
approach through which products were proposed based on customers' transaction histories. Going forward, however, we will use the new system to adopt a one-to-one marketing approach through which we propose the ideal product for each individual customer based on swift analysis of more dynamic customer data. We are also eyeing the development of new businesses as a platform holder. To this end, we are implementing a banking application programming interface (API) for realizing substantial improvements in the connectivity of internal and external systems while accelerating flexible coordination with various partner companies.

At the same time, we will partner with NEC Corporation to outfit the banking system for managing ledgers with a next-generation NEC mainframe to further build upon the reputation for reliability and efficiency we have cultivated thus far.

Optimal Mix of Open Platforms and Mainframes

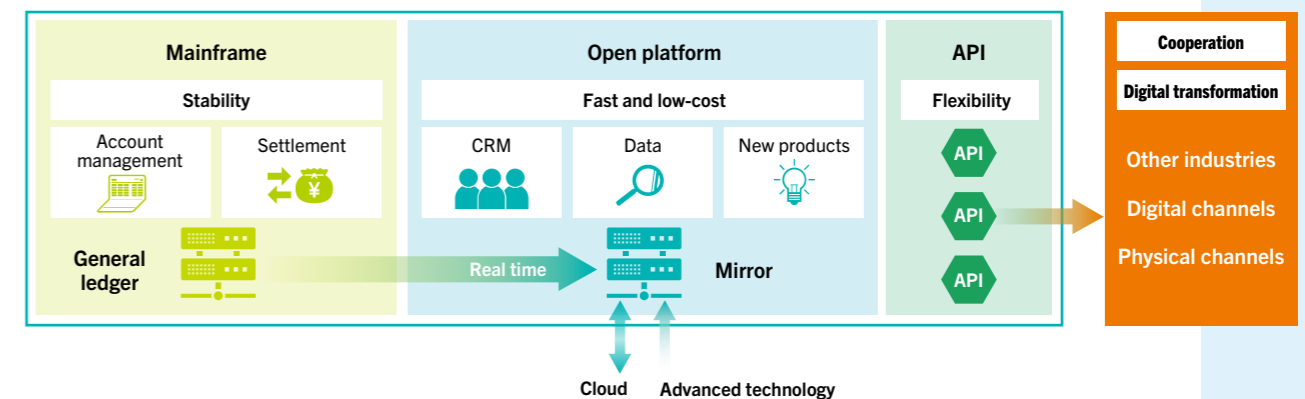
To create a system featuring an optimal mix of open platforms and mainframes, which could be said to be an amalgamation of past system development initiatives, we are utilizing technologies developed in preparation for the transition from our existing systems. Few of the world's financial institutions employ this type of system, and we will have a huge lead on other megabanks in terms of services and functions after the completion of our new system. Going forward, SMBC Group will continue its quest to create unprecedented value in order to accommodate the advancement of the digitalization trend.

Characteristics of Next-Generation Core Banking System



* Excluding days for implementing disaster response drills and other special measures

Transition to a stable and flexible architecture that can respond quickly to environmental changes



Special Features

Special Features: SMBC Group's Digital Strategies Transcending Finance

Special Feature 2

DESIGN SHIFT

創造する、銀行の未来を。



Creation of the Financial Group Most Chosen by Customers through the Power of Design

In-House Designers' Efforts to Design Experiences

Customers are at the heart of SMBC Group's digitalization efforts. Through digitalization, we aim to deliver services with the same level of hospitality and dedication as on-site transactions and to provide new experiences that can only be realized through digital technologies. In this feature, we introduce the efforts of the in-house designers who are designing such new experiences to break the mold of their traditional roles and to create new digital services that are unique to SMBC Group.

Design Team

SMBC Group's design team is a group of professionals who passionately believe that design can transform traditional banking culture.

This team has put forth a four-part mission statement (shown on the next page) that guides its members in their uncompromising pursuit of higher-quality services for customers as they seek to strike a balance between business viability and design.

Designer Mission Statement

Strong Presence

A company's presence is reflective of an ability to accomplish goals and influence others.

We believe that design has the power to create positive value for banks as well as for the rest of society, and we will therefore continue our efforts to develop a stronger presence through design.

Core of Design Management

The role of design management is to improve corporate competitiveness through enhanced brand image and increased capacity for innovation.

As an organization that is core to design management, we must remain, in our daily efforts, aware that design, right down to the most minute details of our craft, is directly linked to corporate competitiveness.

First-Rate Personnel, First-Rate Quality

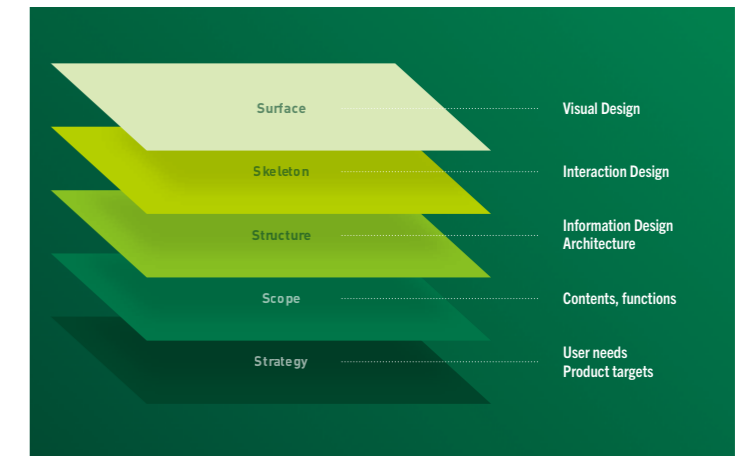
It is a given that customers will be supplied with the desired quality, based on the differences that can only be seen through a professional's eye, at the ideal time.

Our first-rate personnel seek to provide new standards for first-rate quality that overwrite customer expectations.

Self-Sculpted Environment for Excellence

Designers give form to ideas with no tangible form and therefore must be ready, at times, to create the necessary tools for this task.

It is unsightly to complain about lacking the necessary environment; if the environment is lacking, we will sculpt it ourselves.



Role and Domain of In-House Designers

In-house designers are expected to understand SMBC Group's culture and values and to call upon their robust experience and masterful techniques to design services.



Hiroshi Kanazawa

Hiroshi Kanazawa completed a graduate textile design program at Musashino Art University in 2008. After graduating from this program, he went on to act as a modeling artist and a web designer while also working as a fine arts professor before joining a web design company in 2011. At this company, Kanazawa was responsible for developing websites for major companies and on-site online banking services. He became the first designer at SMBC in 2016 and is currently providing his services as a specialist in the Human-Centered Design approach of Human-Centered Design Organization (HCD-Net).



Naoki Kaneko

After graduating from university, Naoki Kaneko joined a recruitment firm in 2004, where he was responsible for corporate marketing. He then started his own company together with a colleague in 2006. His role in this company centered around e-commerce website operation and website and smartphone app planning and production. He moved on in 2013, taking up a website planning, production, and operation position at the marketing arm of a major advertising firm before joining SMBC in 2017. He is also a specialist in the Human-Centered Design approach of HCD-Net.



Yuko Hori

Yuko Hori joined SMBC in 2017 and took up a position designing banking applications, webpages, and banking system user interface and experience. Participating in projects from the upstream design phase, which includes usability tests, user interface specification design, and visual design, she has been involved in proposing and producing concrete design and visual concepts. She is also a specialist in the Human-Centered Design approach of HCD-Net.

Special Features

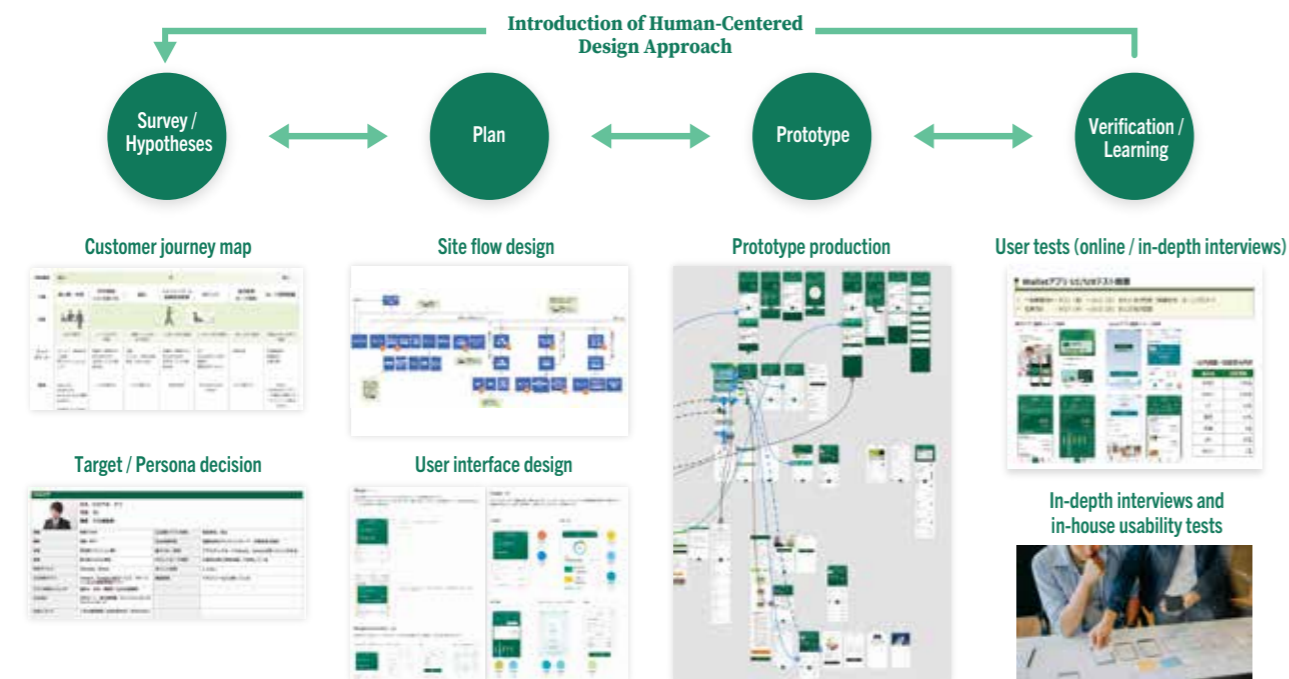
Special Features: SMBC Group's Digital Strategies Transcending Finance

Efforts of In-House Designers 1

Redesigning of the SMBC App

Creation of an App That is Easy to Use for Digital Novices and Experts Alike
SMBC views its app as providing an exclusive branch, or approximately 9 million branches* in all, for every customer who downloads the app. This app was redesigned in March 2019. In redesigning the app, in-house designers carefully crafted everything from the function menu, control feel, and coloring to create digital branches that offer the same ease of everyday use and reliable service in times of need that SMBC is known for.

* Approximate number of app downloads as of June 30, 2021



Column

Review of the March 2019 App Redesign

In redesigning our app, we adopted a Human-Centered Design approach that entailed developing the interface based on observations of the natural behavior of people and of user-friendliness.

Through this process and through repeated user tests, we verified every aspect of the app, ranging from button locations and colors to how the screen reacts to taps. At the time, we were among the first in the industry to identify customer demand for a way to track the history of transactions with other, non-SMBC financial institutions in an integrated manner. This recognition prompted us to link data and functions with the Sumitomo Mitsui Card app as well as with the

Moneytree personal finance management app. Other companies have since followed suit. The inclusion of additional functions increases convenience while also creating the risk of making an app too complicated to use. For this reason, the utmost attention was paid to ensuring use was intuitive.

A year-on-year increase of 80% was seen in new downloads in the three-month period after the launch of the redesigned app, and we were even presented with an award for this app in the 2019 GOOD DESIGN AWARD program. Going forward, SMBC Group will ramp up its design initiatives to further the evolution of this app.

Efforts of In-House Designers 2

SMBC Website Redesign

SMBC's website serves as the digital entryway for the Company. On March 22, 2021, a redesigned version of this website was launched. The redesign was based on the concept of providing courteous customer service that is on par with our face-to-face service. In the redesign process, in-house designers fundamentally reinvented the user interface and then went on to install new experiences, such as a questionnaire function that allows us to solicit information on the desires of customers.



Efforts of In-House Designers 3

SMBC Tablets

Digital technologies are transforming how we communicate with customers even in face-to-face settings. Seeking to make our time with customers more meaningful, members of our sales staff teamed up with in-house designers to reinvent our sales-use tablets through a process of ongoing discussion and user tests. The reinvented tablets feature several new functions, such as favorite registries and "My Folder" functions that contribute to smooth sales proposals.



Efforts of In-House Designers 4

Design System

SMBC Group is committed to providing its customers with consistent service, even as its range of customer contact points expands to include venues such as its website, internet banking, apps, and SMBC tablets. To facilitate service consistency, we have prepared a design system as a shared development tool through an effort centered on in-house designers. This design system will be used as the basis for the services that we supply going forward.



Other Design Team Efforts



Official note Account

In-house designers operate our official note account that provides information on design-related activities.



Designer Website

SMBC Group has created a website that displays designer profiles and introduces the projects of these designers. Also, we have ramped up the recruitment of mid-career designers.

Special Feature 3

Digital Solutions for Corporate Clients Breaking the Mold of a Financial Group

SMBC Group is keen to support the growth of SMEs by helping them address their operational streamlining issues with digital tools.

Ryo Namiki

President & CEO
Plari Town, Inc.

Ryo Namiki joined SMBC in 2008. After holding positions in corporate marketing, the Wholesale Banking Unit, and the Corporate Digital Solution Department, he became president & CEO of Plari Town, Inc., in May 2020.

SMBC Group has defined the development of digital solutions for corporate clients as one of the key strategies of its Medium-Term Management Plan. This strategy is aimed at resolving the management issues of corporate clients and at creating new business value.

The forerunners of our digital strategies are SMBC CLOUDSIGN, Inc., and Plari Town, Inc. SMBC Group is encouraging in-house entrepreneurial ventures by supporting the ambitious and unprecedented undertakings of employees through a CEO production project. Both SMBC CLOUDSIGN and Plari Town, Inc., are led by CEOs in their 30s who have been appointed through this project.

In this feature, we look at the new endeavors of these two companies that break the mold of a financial group.

Through partnerships between large and venture companies, we aim to provide new solutions that go beyond the traditional domain of banks.

Hideki Mishima

President & CEO
SMBC CLOUDSIGN, Inc.

Hideki Mishima entered SMBC as a mid-career hire in 2018. He was initially assigned responsibility for overseeing our digital innovation center, "hoops link tokyo," and for developing new businesses. He became president & CEO of SMBC CLOUDSIGN in October 2019.

Special Features

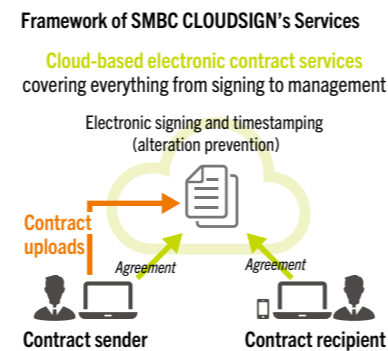
Special Features: SMBC Group's Digital Strategies Transcending Finance

New Standard for Contracts

SMBC CLOUDSIGN

SMBC CLOUDSIGN was established in October 2019 as a joint venture between Bengo4.com, Inc., and SMBC Group to provide electronic contract services. Based on its business vision of transforming Japanese legacy cultures and business processes centered on contracts, this company supplies cloud-based electronic contract services that allow all aspects of contract conclusion, ranging from signing to storage, to be performed online. SMBC CLOUDSIGN's services allow users to upload contracts for which negotiations have been completed to a cloud server, after which the counterparty can confirm and approve the contract online, resulting in its conclusion. This process expedites contract conclusion while reducing costs and making it easier to search for contract details.

The COVID-19 pandemic is spurring a shift away from traditional paper-based contract procedures, and cloud-based electronic contract services are gathering attention amid this transformation in traditional paper-based contract procedures.

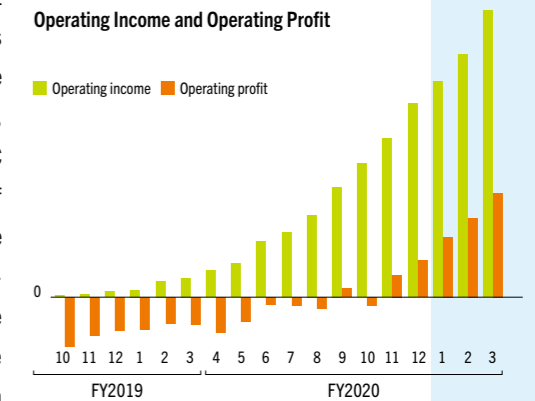


Source of Competitiveness for Winning Out in the Electronic Contract Market

The electronic contract market is currently home to fierce competition stimulated by the increasing entry of new players. SMBC CLOUDSIGN is able to exhibit competitiveness in this market by capitalizing on its large market share and the reliability associated with the SMBC brand. The combined market shares of SMBC CLOUDSIGN and Bengo4.com make for the top share of the domestic electronic contract market. Furthermore, SMBC CLOUDSIGN can utilize SMBC Group's base of corporate clients in its sales activities. This advantage makes it easier for SMBC CLOUDSIGN to approach large companies and those with long histories than it would be for a standard venture company. In this manner, the business of SMBC CLOUDSIGN will be advanced while coordinating with SMBC Group through means such as calling upon the Group's marketing resources to conduct demand surveys of companies.

New Value Born Out of Partnerships between Large and Venture Companies

SMBC Group aims to become a global solution provider, and the accomplishment of that will require branching out from finance to resolve customer issues in their entirety. In this endeavor, partnerships between large and venture companies will be an important theme for creating new businesses based on ideas from employees. Through these partnerships, we aim to provide new solutions that go beyond the traditional domain of banks. SMBC CLOUDSIGN achieved profitability on a full-year basis in FY2020, a mere year and a half after its inception, with profit that erased the aggregate losses recorded thus far. One contributor to the company was the rise in attempts to move away from traditional paper-based procedures in response to the COVID-19 pandemic. SMBC CLOUDSIGN will continue building its track record in the pursuit of greater contributions to group-wide performance going forward as its management makes daily efforts to be an ongoing source of stimulation for employees as a successful case study for the CEO production project.



Support for the Digitalization of Mid-Sized Companies and SMEs

Plari Town, Inc.

Plari Town, Inc., was established in May 2020. At the same time, this company launched its PlariTown corporate digital platform for supporting the digitalization efforts of mid-tier companies and small-medium enterprises (SMEs) in Japan. The full-fledged provision of services through this platform was commenced in December 2020.

PlariTown coordinates with not just SMBC Group services but also the business apps and services of partner service providers to provide individualized information and digital services matched to customer needs. These services exceed the boundaries of finance to contribute to increased competitiveness by addressing customer issues related to operational streamlining and other aspects of management.



Comprehensive Supply of Digital Services Necessary for Daily Operation

When Plari Town President & CEO Ryo Namiki was working in corporate marketing at SMBC, he often fielded questions from customers about management issues related to operational streamlining. There was a limit to the extent to which the services offered by a bank could be used to address such customer issues. The desire to help resolve these issues was what led to the creation of Plari Town, Inc.

A major characteristic of the Plari Town digital platform of this company is how it spreads beyond the boundaries of financial services to offer various services for supporting daily operations, including accounting, marketing, human resource management, legal affairs, and planning services, on a one-stop basis. As the digitalization trend advances, SMBC Group is keen, as a global solution provider, to support the growth of SMEs by helping them address their operational streamlining issues with digital tools.

Development of a High-Value-Added Digital Platform

A major advantage at the time of the establishment of Plari Town, Inc., was the ability to assemble a team of human resources from both inside and outside of SMBC Group. From SMBC Group, individuals with highly specialized knowledge pertaining to legal affairs, taxation, IT, and other subjects were called. Meanwhile, project members were recruited from among like-minded individuals at various outside partner companies. Having an environment conducive to such a project is a valuable asset to SMBC Group. The thinking and speed of outside partners also helped inform various steps of the process. Such outside perspectives are something to be incorporated into SMBC Group going forward. Plari Town, Inc., will continue to coordinate with various internal and external organizations to heighten value and develop a digital platform for the entire Group.

PlariTown Service Examples





CORPORATE INFRASTRUCTURE SUPPORTING VALUE CREATION



- 070 Corporate Governance
- 084 Initiatives to Realize Sustainability
- 096 Customer-Oriented Initiatives
- 099 Internal Audit
- 100 Risk Management
- 104 Compliance
- 106 Human Resources Strategy
- 110 IT Strategy
- 112 Communication with Stakeholders
- 114 Financial Review
- 119 ESG Information

Corporate Governance

Our Approach

We position “Our Mission” as the universal philosophy underpinning the management of SMBC Group and as the foundation for all of our corporate activities. We are working toward effective corporate governance as we consider the strengthening and enhancement of corporate governance to be one of our top priorities in realizing “Our Mission.”

Initiatives for Improving Corporate Governance

2002	<ul style="list-style-type: none"> Establishment of Sumitomo Mitsui Financial Group Voluntary establishment of Nominating Committee, Compensation Committee, and Risk Committee as internal committees of the Board of Directors
2005	<ul style="list-style-type: none"> Voluntary establishment of Audit Committee as internal committee of the Board of Directors
2006	<ul style="list-style-type: none"> Formulation of “Basic Policy on Internal Control Systems” through internal control resolution made based on “Our Mission” and “Code of Conduct” in order to establish frameworks for ensuring appropriate operations
2010	<ul style="list-style-type: none"> Listing of shares on the New York Stock Exchange in order to improve transparency of financial reporting, increase convenience for investors, and diversify fund procurement methods
2015	<ul style="list-style-type: none"> Establishment of the “SMFG Corporate Governance Guideline” Increase in the number of outside directors to five and in the number of outside corporate auditors to three
2016	<ul style="list-style-type: none"> Strengthening of Group governance by appointing the chairman of SMBC Nikko Securities as a director of Sumitomo Mitsui Financial Group along with the president of SMBC Commencement of evaluations of the effectiveness of the Board of Directors
2017	<ul style="list-style-type: none"> Transition to a Company with Three Committees; increase in the number of outside directors to seven; establishment of voluntary Risk Committee together with legally mandated Nomination Committee, Compensation Committee, and Audit Committee; and appointment of outside directors as chairmen of three legally mandated committees Institution of new Group governance system through introduction of group-wide Business Units and CxO system
2019	<ul style="list-style-type: none"> Transition to the Company with Audit and Supervisory Committee structure by core subsidiaries SMBC and SMBC Nikko Securities Decrease in the number of directors from 17 to 15 and increase in the ratio of outside directors to 47%
2020	<ul style="list-style-type: none"> Appointment of an outside director as the chairman of the Risk Committee
2021	<ul style="list-style-type: none"> Appointment of Group CSuO Voluntary establishment of the Sustainability Committee

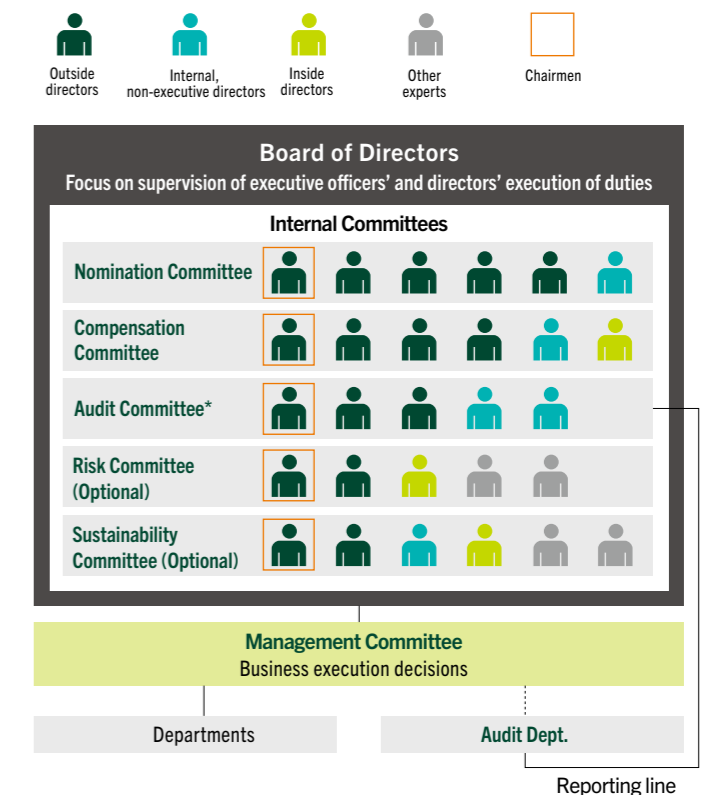
Sumitomo Mitsui Financial Group’s Corporate Governance System

In addition to fulfilling our responsibilities to stakeholders, which we consider to be “Our Mission,” SMBC Group has set forth a Vision for our medium- to long-term goals and Five Values as the core values to be shared by all executives and employees, and will seek to make the Vision and Five Values known as guiding principles for the group by all its directors and employees. Also, the “SMFG Corporate Governance Guideline,” a guideline for corporate governance, has been formulated and disclosed. We are promoting awareness and understanding regarding these guidelines among all SMBC Group officers and employees.

SMBC Group employs the Company with Three Committees structure. This structure was adopted in order to establish a corporate governance system that is globally recognized and is aligned with international banking regulations and supervision requirements and achieve enhanced oversight of the exercise of duties by the Board of Directors and expedite this exercise of duties. In addition, core subsidiaries SMBC and SMBC Nikko Securities employ the Company with Audit and Supervisory Committee system described in the Companies Act.

Through the implementation of effective corporate governance systems, we aim to prevent scandals and other forms of corporate misconduct while also achieving ongoing growth and medium- to long-term improvements in corporate value. We realize that there is no perfect form for corporate governance structures. Accordingly, we will continue working toward the strengthening and enhancement of corporate governance in order to realize higher levels of effectiveness.

Corporate Governance System



* The Audit Committee holds the right to consent regarding personal affairs of the Group CAE.

Corporate Governance

Board of Directors

■ Role of the Board of Directors

The Board of Directors of the Company is primarily responsible for making decisions on the matters that are within its legally mandated scope of authority, such as basic management policies, as well as for overseeing the exercise of duties of executive officers and directors. Authority for execution decisions other than those legally required to be made by the Board of Directors will, in principle, be delegated to executive officers. The purpose for this delegation is to enhance the oversight function of the Board of Directors and to expedite the exercise of duties.

The Board of Directors works toward the realization of “Our Mission” and the long-term growth of corporate value and the common interests of the shareholders. Any action that may impede those objectives will be addressed with impartial decisions and response measures.

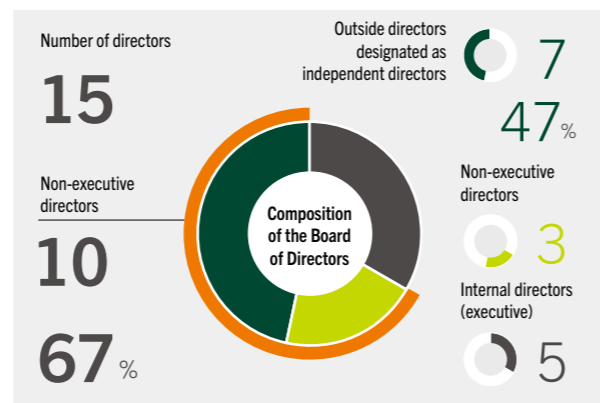
Furthermore, the Board of Directors is responsible for establishing an environment that supports appropriate risk taking by executive officers. It will develop a system for ensuring the appropriateness of SMBC Group’s business operations pursuant to the Companies Act and other relevant legislation in order to maintain sound management. Another responsibility of the Board of Directors is to exercise highly effective oversight of executive officers from an independent and objective standpoint. Accordingly, the Board of Directors endeavors to appropriately evaluate company performance and reflect these evaluations in its assessment of executive officers.

■ Composition of the Board of Directors

The Board of Directors is comprised of directors with various backgrounds and diverse expertise and experience.

As of June 29, 2021, the Board of Directors was comprised of 15 directors. Ten of the 15 directors did not have business execution responsibilities at the Company or its subsidiaries, with seven of these 10 directors being outside directors. The chairman of Sumitomo Mitsui Financial Group, who does not have business execution responsibilities, served as the chairman of the Board of Directors. This membership ensures an objective stance toward supervising the exercise of duties by executive officers and directors.

Outside directors serve as chairmen and members of the Company’s legally mandated and voluntarily established committees when necessary, outside directors will request reports on compliance, risk management, or other matters from the relevant divisions in order to promote appropriate coordination and supervision.



List of the Expertise of Outside Directors (Skills Matrix)

	Appointed	Expected knowledge and experience in particular				
		Corporate management	Finance	Global	Law	Financial accounting
Masayuki Matsumoto	2017	👤				
Arthur M. Mitchell	2015	👤	📊	🌐	⚖️	
Shozo Yamazaki	2017					📄
Masaharu Kohno	2015			🌐		
Yoshinobu Tsutsui	2017	👤	📊			
Katsuyoshi Shinbo	2017				⚖️	
Eriko Sakurai	2015	👤		🌐		

Note: The items listed in “Expected knowledge and experience in particular” are areas particularly expected of the relevant directors and do not represent all of the knowledge and experience possessed by the directors.

Internal Committees

■ Nomination Committee

The Nomination Committee is responsible for preparing proposals regarding the appointment and dismissal of directors to be submitted to the general meeting of shareholders. This committee also deliberates on matters regarding personnel decisions pertaining to officers of the Company and major subsidiaries and the selection of successors to the president of the Company, outside directors, and president of SMBC. The Nomination Committee comprises one internal director and five outside directors. In order to ensure transparency in deliberations on officer personnel decisions, an outside director has been appointed to serve as the chairman of this committee.

■ Compensation Committee

The Compensation Committee is responsible for deciding policies for determining the compensation of directors and executive officers of the Company as well as compensation amounts of individual directors and executive officers of the Company based on those policies. In addition, this committee deliberates on the policies for determining the compensation of the executive officers of major subsidiaries and the compensation amounts of individual executive officers of the Company. The Compensation Committee is comprised of two internal directors and four outside directors. In order to ensure transparency in deliberations on officer compensation, an outside director has been appointed to serve as the chairman of this committee.

■ Audit Committee

The Audit Committee is responsible for the auditing of the execution of duties by the executive officers and directors of the Company, preparation of audit reports, and determination of the content of proposals for election, dismissal, or non-reelection of the accounting auditor to be submitted to the general meeting of shareholders. Committee members are appointed by this committee to perform audits of the operations and assets of the Company and its subsidiaries. The Audit Committee is comprised of two internal directors and three outside directors. An outside director has been appointed to serve as the chairman of this committee in order to guarantee the objectivity of audits and independence from business execution. In principle, at least one member of this committee is to possess specialized expertise in finance.

■ Risk Committee

The Risk Committee is responsible for deliberation on matters relating to environmental and risk awareness, the operation of the Risk Appetite Framework, and the implementation of risk management systems as well as other important matters pertaining to risk management and reporting to the Board of Directors on these matters. The Risk Committee is comprised of one internal director, two outside directors, and two outside experts.

Composition of Internal Committees and Meeting Attendance (FY2020)

		Composition of Internal Committees and Meeting Attendance (FY2020)			
		Nomination Committee (1 inside director, 5 outside directors)	Compensation Committee (2 inside directors, 4 outside directors)	Audit Committee (2 inside directors, 3 outside directors)	Risk Committee (1 inside director, 2 outside directors, and 2 outside experts)
Masayuki Matsumoto	Outside director	●	●	●	
Arthur M. Mitchell	Outside director	●	●		
Shozo Yamazaki	Outside director			●	●
Masaharu Kohno	Outside director	●			●
Yoshinobu Tsutsui	Outside director	●	●		
Katsuyoshi Shinbo	Outside director		●	●	
Eriko Sakurai	Outside director	●	●		
Takeshi Kunibe	Chairman of the Board	●	●		
Jun Ohta	Director President		●		
Toru Nakashima	Director Senior managing corporate executive officer				●
Atsuhiko Inoue	Director			●	
Toru Mikami	Director			●	
Hirohide Yamaguchi ^{*1}	Outside expert				●
Tatsuo Yamasaki ^{*2}	Outside expert				●

*1 Chairman of the Advisory Board of Nikko Research Center, Inc., former Deputy Governor of the Bank of Japan

*2 Specially appointed professor of International University of Health and Welfare

Corporate Governance

Sustainability Committee

The Sustainability Committee was established to deliberate with and advise the Board of Directors on the progress of sustainability initiatives, domestic and overseas sustainability trends, and other matters related to sustainability. This committee is comprised of two internal directors, two outside directors, and two internal and external experts. In addition, the chairman of the Sustainability Committee is an outside director.

- Participation in meetings of general managers of core Group companies and other executive team meetings, tours of bases of Group companies, and discussions with presidents of Group companies for facilitating a greater understanding of business operations and business activities
- Informal exchanges of opinion with internal officers by area of responsibility
- Explanatory forums on Board of Directors' meeting agenda items prior to Board meetings to assist in understanding of items
- Study sessions for outside directors led by external lecturers on topics such as U.S.–China conflict and cybersecurity
- Distribution of PCs to outside directors for use in timely and effective provision of information such as details on the proceedings of internal meetings

Support Systems for Outside Directors

The Company recognizes that outside directors require an in-depth understanding of the Group's business operations and business activities. Accordingly, we endeavor to continually supply outside directors with the information and insight on business activities that are necessary to supervise management while also providing the opportunities needed to fulfill their roles.

Initiatives to support directors in FY2020 included those indicated to the right.

Outside Director and Corporate Auditor Independence Standards

In order for an outside director or outside corporate auditor ("Outside Director or Corporate Auditor") of the Company to be classified as independent, they must not fall under, or have recently fallen under, any of the following categories:

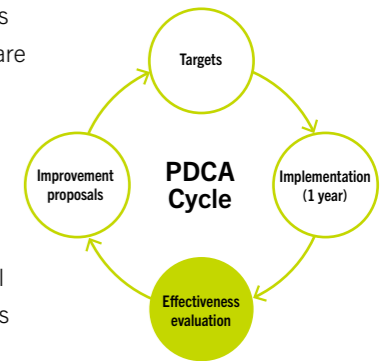
1 Major Business Partner	<ul style="list-style-type: none"> • An entity that has the Company or SMBC as a major business partner or an executive director, officer, or other person engaged in the execution of business of such an entity. • An entity that is a major business partner of the Company or SMBC or an executive director, officer, or other person engaged in the execution of business of such an entity.
2 Specialist	<ul style="list-style-type: none"> • A legal expert, accounting expert, or consultant who has received money or other property from the Company or SMBC averaging more than JPY 10 million per year over the last three years, in addition to any compensation received as a director or corporate auditor. • A member of a Juridical Person, etc. or other organization that provides specialist services, such as a law firm, accounting firm, or consulting firm, which has received large amounts of money or other property from the Company or SMBC.
3 Donations	A person who has received—or an executive director, officer, or other person engaged in the execution of business of an entity which has received—on average over the last three years, donations or other payments from the Company or SMBC in excess of the greater of JPY 10 million per year and 2% of the recipient's annual revenue.
4 Major Shareholder	A major shareholder of the Company or an executive director, officer, or other person engaged in the execution of business of a major shareholder (including anyone who has been a major shareholder, or an executive director, officer, or other person engaged in the execution of business of a major shareholder, within the last three years).
5 Close Relative	A close relative of any person (excluding non-material personnel) who falls under any of the following: (1) A person who falls under any of 1 through 4 above; or (2) A director, corporate auditor, executive officer, or other person engaged in the execution of business of the Company or a subsidiary thereof.

 Please see Reference 6 of the "SMFG Corporate Governance Guideline" for more information.
https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf

Evaluation of the Board of Directors' Effectiveness

The "SMFG Corporate Governance Guideline" contains provisions on evaluating the effectiveness of the Board of Directors. In accordance with these provisions, annual analyses and evaluations are conducted by the Board of Directors to determine whether or not it is executing its duties in line with the guideline, and the results of these analyses and evaluations are disclosed.

In FY2020, the evaluation focused on the three areas described below, which are areas for which provisions exist in Japan's Corporate Governance Code and the "SMFG Corporate Governance Guideline." All seven outside directors were asked for their opinions regarding these areas at meetings of the Board of Directors held in April and May 2021, and interviews of internal directors were conducted thereafter. The primary subject of interviews with internal directors was their expectations of outside directors. Discussions based on the findings took place at Board of Directors' meetings in June, after which analyses and evaluations were carried out to determine whether or not the Board of Directors was executing its duties in line with the "SMFG Corporate Governance Guideline." Moreover, reviews by external specialists with expertise from developed nations are received at each stage of the evaluation process.



Overview of Results of Evaluation of the Board of Directors' Effectiveness

1. Role of the Board of Directors

- Steps are taken to invigorate discussions based on the highly specialized expertise of the outside directors. These discussions were geared toward medium- to long-term improvements in corporate value based on the interests of various stakeholders while incorporating important matters related to business strategies to contribute to the fulfillment of "Our Mission." In FY2020, the Board of Directors took part in discussions that carefully incorporated the input of outside directors on inorganic growth strategies and on important themes defined out of consideration for operating environment changes to be seen during and after the COVID-19 pandemic.
- Based on the executive-side discussions of the Management Committee, matters related to business plans and other basic management policies as well as the status of business execution were presented and reported on several occasions. As a result, effective deliberations on these matters were able to take place and oversight functions were exercised properly.
- It is important for the Board of Directors to fulfill its role based on mutual understanding among inside and outside directors facilitated through discussions about sustainability and other matters prioritized by society and investors.

2. Proceedings of the Board of Directors and Support Systems for Outside Directors

- The number and content of agenda items as well as the amount of time dedicated to discussion of agenda items were more or less at the appropriate level. Amid the COVID-19 pandemic, web conference tools were utilized, among other measures, for facilitating the continuation of brisk discussions.

- The Board of Directors continues to make flexible management decisions amid the changing operating environment. Members of the Board of Directors are provided with the information necessary for exercising their oversight function in a timely and appropriate manner.
- The Company continued to provide systems for effectively supporting the Board of Directors in making management decisions through venues such as study sessions for outside directors and forums for discussions between outside directors and internal directors, executive officers, and the accounting auditor. Steps were taken to contribute to livelier discussions at meetings of the Board of Directors, including the arrangement of small discussion forums for fostering mutual understanding between outside directors and internal officers.
- It is desirable for the Company to resume the arrangement of meetings comprised of only outside directors, which were canceled in FY2020 in light of the COVID-19 pandemic, to better utilize the insight of outside directors and contribute to more frank discussions.

3. Composition of the Board of Directors

- As of March 31, 2021, the Board of Directors consisted of 15 directors, seven of whom were outside directors. Accordingly, outside directors represented over 40% of all directors. It was once again acknowledged that the outside directors represented a diverse range of expertise, genders, and nationalities and that the Board of Directors features an atmosphere conducive to outside directors voicing opinions regarding management.

Corporate Governance

Compensation Program

To facilitate the fulfillment of Our Mission and the realization of Our Vision, SMBC Group’s medium- to long-term vision, we developed a compensation program for Directors, Corporate Executive Officers and Executive Officers (the “Executives”) and introduced Stock Compensation Plans as a part of Executives compensation programs, for the purpose of:

- 1 Providing appropriately functioning incentives for Executives, strengthening linkage with our short-, medium-, and long-term performance, and
- 2 Further aligning the interests of Executives with those of shareholders, by increasing the weight of stock compensation and enhancing the shareholding of our Executives.

Executives Compensation System

■ Cash compensation ■ Stock compensation ■ Variable compensation

Compensation Components	Payment Standards (Range of Variation) and Target Indices	Payment Method																	
Base salary	Fixed compensation	• Cash																	
Bonus (cash)	Compensation determined based on SMFG’s annual performance (0%–150%)*2 Standard levels × annual performance of SMFG and SMBC as well as on the performance of the executive	• Cash : 70% • Restricted stock : 30%																	
Bonus (Stock Compensation Plan II)	<table border="1"> <thead> <tr> <th>Target Index</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>SMBC Banking profit**</td> <td>Annual growth / Target achievement 50%</td> </tr> <tr> <td>SMBC Net income (pre-tax)</td> <td>Annual growth / Target achievement 25%</td> </tr> <tr> <td>SMFG Net income*5</td> <td>Annual growth / Target achievement 25%</td> </tr> </tbody> </table>		Target Index	Weight	SMBC Banking profit**	Annual growth / Target achievement 50%	SMBC Net income (pre-tax)	Annual growth / Target achievement 25%	SMFG Net income*5	Annual growth / Target achievement 25%									
Target Index	Weight																		
SMBC Banking profit**	Annual growth / Target achievement 50%																		
SMBC Net income (pre-tax)	Annual growth / Target achievement 25%																		
SMFG Net income*5	Annual growth / Target achievement 25%																		
Stock Compensation Plan I	Compensation determined based on SMFG’s medium-term performance, etc. (0%–150%)*3 Standard levels × SMFG’s medium-term performance, etc. <table border="1"> <thead> <tr> <th>Target Index</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Financial performance</td> <td>ROCKET1</td> <td>20%</td> </tr> <tr> <td>Base expenses</td> <td>20%</td> </tr> <tr> <td>SMFG Gross profit</td> <td>20%</td> </tr> <tr> <td>SMFG Net income*5</td> <td>20%</td> </tr> <tr> <td>Share performance</td> <td>TSR (Total shareholder return)</td> <td>20%</td> </tr> <tr> <td>Qualitative evaluation</td> <td>Customer satisfaction, ESG initiative, employee engagement, and efforts to develop new business areas</td> <td>±10%</td> </tr> </tbody> </table> In the case that the CET1 ratio falls below a designated level at the end of each fiscal year, Stock Compensation Plan I for the respective fiscal year becomes null and void (knock-out provision).	Target Index	Weight	Financial performance	ROCKET1	20%	Base expenses	20%	SMFG Gross profit	20%	SMFG Net income*5	20%	Share performance	TSR (Total shareholder return)	20%	Qualitative evaluation	Customer satisfaction, ESG initiative, employee engagement, and efforts to develop new business areas	±10%	• Restricted stock
Target Index	Weight																		
Financial performance	ROCKET1	20%																	
	Base expenses	20%																	
	SMFG Gross profit	20%																	
	SMFG Net income*5	20%																	
Share performance	TSR (Total shareholder return)	20%																	
Qualitative evaluation	Customer satisfaction, ESG initiative, employee engagement, and efforts to develop new business areas	±10%																	
Stock Compensation Plan III	(Promotion reward plan)	• Restricted stock																	

- Providing more appropriate incentives for executives
- Further aligning the interests of executives with those of shareholders

■ Foster a prudent risk culture expected of a financial institution

Applicable to malus and claw-back provisions

*1 Variable compensation capped at a maximum of 100% of total base salary
 *2 Compensation amounts for each fiscal year determined by the Compensation Committee
 *3 Compensation amounts determined by the Compensation Committee at the conclusion of the Medium-Term Management Plan
 *4 Adding collaboration incentives between each company in the Group and Sumitomo Mitsui Banking Corporation to the banking profit of Sumitomo Mitsui Banking Corporation
 *5 The Company’s consolidated profit attributable to owners of parent

The Company’s executive compensation program is comprised of three components: base salary, cash bonuses, and stock compensation. Annual performance-linked compensation is determined using profit attributable to owners of parent, the indicator of management’s end performance. Medium-term performance-linked compensation is calculated based on the target indices of ROCKET1 and base expenses as well as qualitative evaluations predicated on customer satisfaction and ESG initiatives, in order to hold executives accountable and provide incentive for improving medium- to long-term performance and shareholder value and contributing to the realization of a sustainable society.

Compensation programs and levels are determined by the Compensation Committee, which is comprised of a majority of outside directors, based on third-party surveys of manager compensation, economic and social trends, and the operating environment.

We have also introduced provisions for malus (forfeiture) of restricted stock and the claw-back of vested stock allocated to the Executives under the Stock Compensation Plans. These provisions may be applied based on the judgment of the Compensation Committee regardless of the amount of time that has passed since share allocation in order to restrain excessive risk-taking and foster a prudent risk culture expected of a financial institution.

Executive Management Systems

Management Committee

The Management Committee is set up under the Board of Directors to serve as the top decision-making body. The Management Committee is chaired by the President of Sumitomo Mitsui Financial Group with other members including executive officers and other officers designated by the President. The President of Sumitomo Mitsui Financial Group considers important matters relating to the execution of business in accordance with the basic policies set by the Board of Directors and based on discussions held by the committee members.

Group-Wide Business Units and CxO System

The Company employs group-wide business units and the CxO system. The group-wide business unit structure entailed the creation of the Retail Business Unit, the Wholesale Business Unit, the Global Business Unit, and the Global Markets Business Unit. The goal of this structure is to heighten our ability to address the various needs of customers on a group-wide basis by enabling the business units to formulate and implement business strategies based on their respective customer segments. The CxO system entails the appointment of 10 Group chief officers in charge of specific areas in addition to the Group CEO (President of Sumitomo Mitsui Financial Group). This system is meant to improve Group management capabilities centered on the holding company. The heads of business units as well as the chief officer positions will, in principle, be filled by executive officers of the Company, with the one exception being the Group CSuO. Individuals appointed to these positions are expected to exercise their duties as the person responsible for overseeing their business unit or head office division and report on the execution of their duties to the Board of Directors.

Corporate Governance

**SMBC Group
Global Advisors**

SMBC Group Global Advisors (“Global Advisors”) act in an advisory capacity to the SMBC Group Management Committee by attending SMBC Group Global Advisory Meetings, which we hold on a regular basis.

SMBC Group has appointed Global Advisors to provide advice to it on global business and on political and economic issues in the Americas, EMEA, and Asia. At SMBC Group Global Advisory Meetings, advisors inform the Management Committee of trends and developments in the financial sector and the political and economic environments of respective regions. Global Advisors also provide regular insight with respect to political and economic issues related to the formulation of strategies and key risks faced by SMBC Group.



Dr. Andreas Dombret

2010–2018 A member of the Executive Board, Deutsche Bundesbank
2005–2009 Vice Chairman Europe, Bank of America



Andrew N. Liveris

2017–2018 Executive Chairman, DowDuPont Inc.
2006–2017 Chairman and CEO, The Dow Chemical Company



Cesar V. Purisima

2010–2016 Secretary of Finance of the Republic of the Philippines
2004–2005 Secretary of Trade and Industry of the Republic of the Philippines



Sir David Wright

2003–2017 Vice Chairman, Barclays
1996–1999 British Ambassador to Japan



Joseph Yam

2017–Present A member of the Executive Council, Hong Kong SAR
1993–2009 Chief Executive of the Hong Kong Monetary Authority

**SMBC Group
Technology Advisors**

The SMBC Group Technology Advisory Committee meets regularly to facilitate the enhancement of the Company’s IT-related initiatives. This committee is an advisory body in which chief technology officer-class information system representatives from domestic and overseas companies participate. Meetings of this committee are held regularly to discuss predetermined themes for the purpose of gathering suggestions and advice regarding the outlook for IT-related trends and directives for SMBC Group. In 2020, committee meetings were conducted using remote meeting tools in light of the COVID-19 pandemic. With experts from various companies and numerous internal officers from the Management Committee in attendance, opinions were shared on themes such as cybersecurity and artificial intelligence.



Motoo Nishihara

Executive Vice President, CTO (Chief Technology Officer) and Member of the Board Global Innovation Unit NEC Corporation



Hirotaka Hara

Corporate Executive Officer EVP, Head of Fujitsu Research Fujitsu Limited



Norihiro Suzuki

Vice President & Executive Officer, CTO General Manager of the Research & Development Group General Manager of the Corporate Venturing Office Hitachi, Ltd.



Norishige Morimoto

Chief Technology Officer and Vice President IBM Research & Development - Japan IBM Japan, Ltd.



Akira Sakakibara

Chief Technology Officer Microsoft Japan Co., Ltd. President Microsoft Development Co., Ltd.

Sumitomo Mitsui Financial Group Directors

(As of June 29, 2021)



Chairman of the Board

Takeshi Kunibe

1976 Joined Sumitomo Bank
 2003 Executive Officer of Sumitomo Mitsui Banking Corporation ("SMBC")
 2006 Managing Executive Officer of SMBC
 2007 Managing Executive Officer of the Company
 2009 Director and Senior Managing Executive Officer of SMBC
 2011 President and Chief Executive Officer of SMBC
 2017 President of the Company
 Resigned as Director of SMBC
 Director President of the Company
 2019 Chairman of the Board of the Company (to present)



Director
 President (Representative Corporate Executive Officer)
 Group CEO

Jun Ohta

1982 Joined Sumitomo Bank
 2009 Executive Officer of SMBC
 2012 Managing Executive Officer of SMBC
 2013 Managing Executive Officer of the Company
 2014 Senior Managing Executive Officer of the Company
 Senior Managing Executive Officer of SMBC
 Director of the Company
 2015 Director and Senior Managing Executive Officer of SMBC
 2017 Director and Deputy President of the Company
 Resigned as Director of SMBC
 Director Deputy President and Corporate Executive Officer of the Company
 2018 Director and Deputy President of SMBC
 2019 Director President of the Company (to present)
 Resigned as Director of SMBC



Director
 President of SMBC

Makoto Takashima

1982 Joined Sumitomo Bank
 2009 Executive Officer of SMBC
 2012 Managing Executive Officer of SMBC
 2014 Senior Managing Executive Officer of SMBC
 2016 Director and Senior Managing Executive Officer of SMBC
 2017 President of SMBC (to present)
 Director of the Company (to present)



Director Senior Managing Corporate Executive Officer
 Group CFO, Group CSO
 Director and Senior Managing Executive Officer of SMBC

Toru Nakashima

1986 Joined Sumitomo Bank
 2014 Executive Officer of SMBC
 2015 General Manager of Corporate Planning Department of the Company
 2016 Managing Executive Officer of SMBC
 2017 Managing Executive Officer of the Company
 2019 Director and Managing Executive Officer of SMBC
 Senior Managing Corporate Executive Officer of the Company
 Director and Senior Managing Executive Officer of SMBC (to present)
 Director Senior Managing Corporate Executive Officer of the Company (to present)



Director Senior Managing Corporate Executive Officer
 Group CRO
 Director and Senior Managing Executive Officer of SMBC

Teiko Kudo

1987 Joined Sumitomo Bank
 2014 Executive Officer of SMBC
 2017 Managing Executive Officer of SMBC
 2020 Senior Managing Executive Officer of the Company
 Senior Managing Executive Officer of SMBC
 2021 Director and Senior Managing Executive Officer of SMBC (to present)
 Senior Managing Corporate Executive Officer of the Company
 Director Senior Managing Corporate Executive Officer of the Company (to present)



Director
 Director of SMBC

Atsuhiko Inoue

1981 Joined Sumitomo Bank
 2008 Executive Officer of SMBC
 2011 Managing Executive Officer of SMBC
 2014 Senior Managing Executive Officer of the Company
 Director and Senior Managing Executive Officer of SMBC
 Director of the Company
 2015 Resigned as Director of the Company
 Senior Managing Executive Officer of SMBC
 2019 Director of the Company (to present)
 Director of SMBC (to present)



Director

Toshihiro Isshiki

1985 Joined Sumitomo Bank
 2013 Executive Officer of SMBC
 2015 Co-General Manager of General Affairs Department of the Company
 Managing Executive Officer of SMBC
 2017 Managing Executive Officer of the Company
 2019 Senior Managing Executive Officer of the Company
 Senior Managing Executive Officer of SMBC
 2021 Retired as Senior Managing Executive Officer of SMBC
 Director of the Company (to present)



Director
 Chairman of the Board (Representative Director) of SMBC Nikko

Yasuyuki Kawasaki

1982 Joined Sumitomo Bank
 2009 Executive Officer of SMBC
 2012 Managing Executive Officer of SMBC
 2013 Managing Executive Officer of the Company
 2014 Senior Managing Executive Officer of the Company
 Senior Managing Executive Officer of SMBC
 2015 Director and Senior Managing Executive Officer of SMBC
 2017 Deputy President of the Company
 Director and Deputy President of SMBC
 Deputy President and Corporate Executive Officer of the Company
 2018 Deputy Chairman of the Company
 Deputy Chairman of SMBC
 2020 Retired as Deputy Chairman of the Company
 Retired as Deputy Chairman of SMBC
 Representative Director and Deputy President
 Executive Officer of SMBC Nikko Securities Inc. ("SMBC Nikko")
 2021 Chairman of the Board (Representative Director) of SMBC Nikko (to present)
 Director of the Company (to present)

Sumitomo Mitsui Financial Group Directors

(As of June 29, 2021)



*Director
Special Advisor of Central
Japan Railway Company*

Masayuki Matsumoto

1967 Joined the Japanese National Railways
1987 Joined Central Japan Railway Company
2004 President and Representative Director of Central Japan Railway Company
2010 Vice Chairman and Representative Director of Central Japan Railway Company
2011 Resigned as Director of Central Japan Railway Company
President of Japan Broadcasting Corporation
2014 Retired from Japan Broadcasting Corporation
Special Advisor of Central Japan Railway Company (to present)
2015 Director of SMBC
2017 Director of the Company (to present)
Retired as Director of SMBC



*Director
Attorney at law, admitted in New York, the U.S.A. and Foreign
Attorney in Japan*

Arthur M. Mitchell

1976 Registered as an attorney at law, admitted in New York, the U.S.A. (to present)
2003 General Counsel of the Asian Development Bank
2007 Joined White & Case LLP
2008 Registered as Foreign Attorney in Japan (to present)
Registered Foreign Attorney in Japan at White & Case LLP (to present)
2015 Director of the Company (to present)



*Director
Certified public accountant*

Shozo Yamazaki

1970 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
1974 Registered as a certified public accountant (to present)
1991 Representative Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
2010 Retired from Deloitte Touche Tohmatsu LLC
Chairman and President of The Japanese Institute of Certified Public Accountants
2013 Advisor of The Japanese Institute of Certified Public Accountants (to present)
2014 Professor of Tohoku University Accounting School
2017 Director of the Company (to present)



*Director
Former diplomat*

Masaharu Kohno

1973 Joined Ministry of Foreign Affairs of Japan
2005 Director-General of Foreign Policy Bureau in Ministry of Foreign Affairs of Japan
2007 Deputy Minister for Foreign Affairs (in charge of economy) of Ministry of Foreign Affairs of Japan
2009 Ambassador of Japan to Russia, Armenia, Turkmenistan and Belarus
2011 Ambassador of Japan to Italy, San Marino and Malta
2014 Retired from office
2015 Director of the Company (to present)



*Director
Chairman of Nippon Life Insurance Company*

Yoshinobu Tsutsui

1977 Joined Nippon Life Insurance Company
2004 Director of Nippon Life Insurance Company
2007 Director and Executive Officer of Nippon Life Insurance Company
Director and Managing Executive Officer of Nippon Life Insurance Company
2009 Director and Senior Managing Executive Officer of Nippon Life Insurance Company
2010 Representative Director and Senior Managing Executive Officer of Nippon Life Insurance Company
2011 President of Nippon Life Insurance Company
2017 Director of the Company (to present)
2018 Chairman of Nippon Life Insurance Company (to present)



*Director
Attorney at law*

Katsuyoshi Shinbo

1984 Registered as an attorney at law (to present)
1999 Attorney at law at Shinbo Law Office (to present)
2015 Corporate Auditor of SMBC
2017 Director of the Company (to present)
Resigned as Corporate Auditor of SMBC



*Director
President and Representative
Director of
Dow Chemical Japan Limited*

Eriko Sakurai

1987 Joined Dow Corning Corporation
2008 Director of Dow Corning Toray Co., Ltd.
2009 Chairman and CEO of Dow Corning Toray Co., Ltd.
2011 Regional President -Japan/Korea of Dow Corning Corporation
2015 President and Representative Director of Dow Corning Holding Japan Co., Ltd. Director of the Company (to present)
2018 Executor, Dow Switzerland Holding GmbH, which is a Representative Partner of Dow Silicones Holding Japan G.K. (to present)
Chairman and CEO of Dow Toray Co., Ltd. (to present)
2020 President and Representative Director of Dow Chemical Japan Limited (to present)

Note: Mr. Matsumoto, Mr. Mitchell, Mr. Yamazaki, Mr. Kohno, Mr. Tsutsui, Mr. Shinbo and Ms. Sakurai satisfy the requirements for an "outside director" under the Companies Act.

Please see page 153 for information on SMBC's Board of Directors, Directors, Members of the Audit and Supervisory Committee and Executive Officers.

INITIATIVES TO REALIZE SUSTAINABILITY

Our Approach

To realize a sustainable society, we are pursuing our business activities and initiatives focusing on “Environment,” “Community” and “Next Generation,” based on the “SMBC Group Statement on Sustainability” as our basic principle.

SMBC Group seeks to maximize its positive impact on all stakeholders while enacting its value creation process to realize the society we aim to achieve.

Society We Aim to Achieve

- Preservation of a healthy environment
- Creation of a society in which everyone can live with peace of mind
- Fostering of people and industries that will shape the future

Definition of Sustainability

Creating a society in which today's generation can enjoy economic prosperity and well-being, and pass it on to future generations

SMBC Group GREEN×GLOBE 2030

1. Sustainability initiatives that are directed toward our customers/society
2. Internal initiatives that contribute to sustainability management
3. Enhance engagement with investors

Please refer to page 087 for information on progress with regard to KPIs.

PRESENT

Priority Issues (Materiality)

Environment

An irreplaceable asset shared between generations, and the foundation of the society we aim to achieve

Community

A social safety net that fills the gap between the public sector and the private sector, based on “trust” and “mutual assistance” created by connections among people

Next Generation

Intelligent people who create a better society and pass it on to future generations

PAST

Predecessor of Mitsui



Uki-e Suruga-cho gofukuya zu (Mitsui Bunko Collection)

Predecessor of Sumitomo



Left: Besshi Copper Mine in 1881 (Sumitomo Historical Archives Collection) Right: Current Besshi Copper Mine (Sumitomo Forestry Co., Ltd. Collection)

SMBC Group Statement on Sustainability

Throughout its 400-year history, SMBC Group has continuously upheld its commitment to sustainability. We hereby declare that we will drive forward our efforts to make sustainability a reality.

Initiatives To Realize Sustainability

SMBC Group's Sustainability Management System

In April 2021, SMBC Group established the new position of Group CSuO. Under its guidance, the Corporate Sustainability Department plans and formulates group-wide sustainability measures, while the Sustainability Business Promotion Department functions as a hub for providing solutions on a global, group-wide basis.

The Corporate Sustainability Committee, which is chaired by the Group CEO, discusses matters pertaining to the spread of sustainability management throughout the Group as well as measures necessary for promoting sustainability. Moreover, we newly established the Sustainability Committee as an internal committee of the Board of Directors in July 2021. The Group CSuO and the Group CRO will periodically report to the Sustainability Committee and the Risk Committee. We are continuously enhancing our corporate governance and management frameworks.

Furthermore, SMBC Group has incorporated quantitative indicators related to environmental, social, and governance (ESG) initiatives into executive compensation schemes to accelerate sustainability management.



Message

from
Group CSuO

Preserving rich nature, eradicating poverty, and eliminating discrimination and prejudice—these are all goals that companies around the world are expected to work toward in their pursuit of sustainability. Instead, companies have generally prioritized short-term financial gains, resulting in the world we currently call home being plagued by various environmental and social issues:

climate change and growing economic disparity, to name a few.

Meanwhile, SMBC Group has defined three materiality issues for practicing sustainability management: the “Environment,” “Community,” and “Next Generation.” In particular, we emphasize the “Environment” as an irreplaceable asset shared between generations and the foundation of social sustainability. However, SMBC Group cannot protect the environment and realize a sustainable society on its own. We are therefore striving to fulfill our social mission as a globally active financial institution by engaging and acting with our customers and various other stakeholders in a joint effort to build a sustainable society and to hand it down to the next generation.

As the Group CSuO, I am committed to accelerating SMBC Group’s sustainability initiatives from various angles going forward.



Fumihiko Ito
Group CSuO

SMBC Group GREEN×GLOBE 2030

In April 2020, SMBC Group established “SMBC Group GREEN×GLOBE 2030,” a ten-year plan that extends to 2030, based on the “SMBC Group Statement on Sustainability.”

“GREEN” represents SMBC Group’s corporate color and the environment, while “GLOBE” represents the Earth and a borderless world. The two terms are connected by an “x” to show the plan’s potential being measured in terms of multiplication rather than mere addition.

Moreover, in our aim to enhance our efforts addressing climate change, we upwardly revised our green finance and greenhouse gas (GHG) emissions reduction targets in May 2021.

Basic Concept	
“Create the future of the Earth and humanity with our customers”	
10-Year KPIs	FY2020 Results
<p>Upward revision</p> <p>Amount of green finance and finance that contributes to realizing sustainability between FY2020 to FY2029</p> <p>¥30 trillion (of which ¥20 trillion is green finance)</p>	<p>¥2.7 trillion in Japan and overseas (green finance)</p>
<p>Participants in the financial educational program between FY2020 to FY2029</p> <p>1.5 million</p>	<p>132 thousand participants</p>
<p>Measure social impact</p> <p>of social contribution activities</p>	<p>Measured the social impact of PROMISE Financial and Economic Educational Seminars and disclosed the results</p>
<p>Measure awareness and engagement levels</p> <p>concerning ESG/SDGs among front office personnel and customers</p>	<p>Number of front office personnel stating that they have taken ESG- and SDGs-related actions toward customers</p> <p>+10%</p>
<p>Upward revision</p> <p>Achieve net zero greenhouse gas emissions</p> <p>in SMBC Group’s group-wide operations by 2030</p>	<p>Greenhouse gas emissions (preliminary figure)</p> <p>Approx. 129 thousand t-CO₂ (7.5% reduction from FY2019)</p>

Environment

Environmental Initiatives

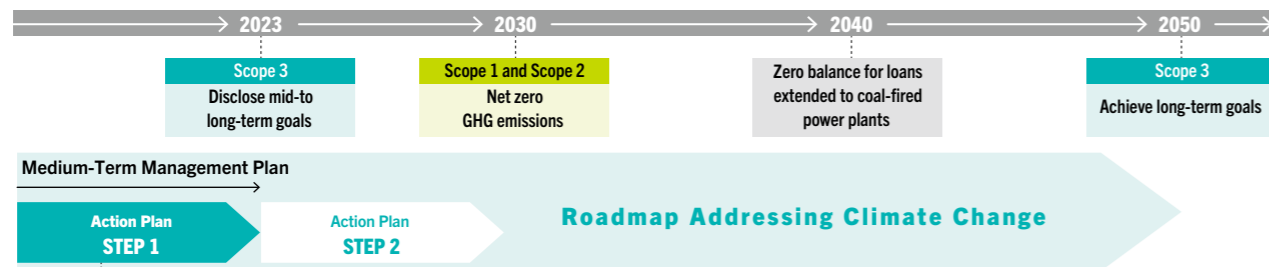
The global environment is an important asset that is shared by all of humanity, regardless of region or age, and a healthy environment is prerequisite to the realization of a sustainable society. SMBC Group is earnestly engaging with climate change and various other environmental issues. By helping resolve such issues through our business, we aim to ensure that we can pass on a healthy environment to future generations.

Efforts Addressing Climate Change

In order to reinforce our efforts addressing climate change, SMBC Group clarified its position on the issue and revealed its “Roadmap Addressing Climate Change” and “Action Plan STEP 1” in May 2021. The Roadmap Addressing Climate Change is a long-term action plan to contribute to a carbon-neutral society by 2050. Action Plan STEP 1 is a package of initiatives to be undertaken and executed during the current Medium-Term Management Plan. Major components of this action plan include the measurement of GHG emissions of SMBC Group’s loan/investment portfolio and the establishment of medium- to long-term targets to reduce such emissions toward 2030 and 2050. In addition, we have redefined our prior green finance target to finance contributing to sustainability while raising the target amount to ¥30 trillion in total.

SMBC Group endorses the government’s policy and strives to achieve greenhouse gas emissions reductions in line with the goals of the Paris Agreement. Moreover, we will support the activities of our clients contributing to the transition toward and realization of a decarbonized society.

 For more information on the Roadmap Addressing Climate Change, please refer to Sumitomo Mitsui Financial Group’s corporate website. https://www.smfg.co.jp/news_e/e110168_01.html



Measures	Initiatives
1 Strategy Establish mid-to long-term targets for Scope 3 emissions*1	Assess GHG emissions generated by our loan/investment portfolio and set mid-/long-term targets
2 Strategy Accelerate initiatives to reduce Scope 1 and Scope 2 emissions*2	Achieve net zero GHG emissions in SMBC Group operations by 2030
3 Strategy Enhance businesses addressing climate change and decarbonization	Execute ¥30 trillion of sustainable finance by 2030 (see page 092 for details)
4 Governance Enhance governance/business management framework	Appoint the Group CSuO (see page 086 for details)
5 Risk management Enhance the risk management framework	Enhance climate change scenario analyses
Metrics and targets Set and manage KPIs and targets	

*1 Emissions from other corporations associated with a company’s business activities (emissions from corporations receiving loans/investments in the case of a financial institution)
*2 Direct emissions from a company and indirect emissions associated with electricity consumption, etc.

Major Initiatives of Action Plan STEP 1

Measurement of GHGs Generated by Loan/Investment Portfolio and Establishment of Medium- to Long-Term Targets

To guide its long-term efforts addressing climate change leading up to 2050, SMBC Group will assess GHG emissions from its loan/investment portfolio (Scope 3) and set medium- to long-term targets. We will also need to enhance our engagement with customers in order to contribute to the realization of a decarbonized society together. We will first focus on business sectors with high GHG emissions (oil and gas, power), and then move on to other business sectors.

Acceleration of Initiatives to Reduce Group-Wide GHG Emissions

SMBC Group was pursuing a target to reduce SMBC’s CO₂ emissions volumes by 30% from FY2018 levels by FY2029. However, we revised this target to further accelerate our initiatives. The new target is to achieve net zero GHG (Scope 1 and Scope 2) emissions in our group-wide operations by 2030. This goal will mainly be pursued by accelerating measures such as sourcing electricity from renewable energy.

Target: SMBC Group’s GHG emissions

Net **0** (by 2030)

Reinforcement of the Risk Management Framework

Since FY2019, SMBC Group has been performing climate change scenario analyses based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In the past, we analyzed the financial impacts of transitional risks in the energy and electricity sectors based on scenarios presuming global warming of 2°C and 4°C above pre-industrial levels. Going forward, we will perform estimates and analyses based on a wider scope (including transportation and other sectors) and on the scenario presuming global warming of 1.5°C above pre-industrial levels.

In addition, we plan to develop monitoring systems for brownfield and greenfield assets while examining how best to classify and subdivide these assets based on domestic and overseas trends and at the requests of various authorities.

Environment

Response to Climate Change Based on the TCFD Recommendations

SMBC Group announced its support for the TCFD recommendations in December 2017, and is performing climate change scenario analyses based thereon. In addition, we are working together with customers to address the issues caused by climate change in order to realize a decarbonized society. Going forward, we will enhance the disclosure of information through our TCFD reports (next report scheduled to be published in September 2021).



For more information on initiatives regarding the recommendations of the TCFD, please refer to Sumitomo Mitsui Financial Group's corporate website.
<https://www.smfj.co.jp/english/sustainability/materiality/environment/climate/>

Governance

Policies for promoting sustainability management and combating climate change are reflected in business strategies based on discussions by the Corporate Sustainability Committee, which is chaired by the Group CEO, and by the Management Committee. Regular reports regarding the implementation of these policies are made to the Board of Directors, while the Risk Committee, established within the Board of Directors, reports on climate change-related risks. In addition, in FY2021, we newly appointed a Group CSuO and established the Sustainability Committee, which oversees and provides advice regarding group-wide sustainability initiatives. We will continue to enhance our corporate governance and management frameworks going forward.

Strategy

SMBC Group has defined three materiality issues regarding its efforts to contribute to the resolution of social issues—“Environment,” “Community,” and “Next Generation.” We are providing finance that contributes to the goals of the Paris Agreement while also analyzing climate change risks to improve our climate change resilience.

Climate-Related Risks

SMBC Group identifies the financial impacts of climate change by anticipating changes in the external and business environment due to the emergence of climate change-related issues and by identifying risk events based on various transmission channels. In addition, we calculate a portion of our loan portfolio comprising carbon-related assets based on the TCFD recommendations.

Exposure of Carbon-Related Assets (FY2020)

	Exposure	Balance
Energy (Oil and gas, etc.)	4.1%	¥3.5 trillion
Utilities (Electricity)	2.4%	¥2.1 trillion
Total	6.5%	¥5.6 trillion

Notes:

1. Exposure calculated by dividing balance of outstanding loans to carbon-related assets by total balance of outstanding loans
2. Balance of outstanding credit to carbon-related assets represents 4.4% of total assets (total assets on the balance sheet plus off-balance sheet assets) at SMBC (including consolidated subsidiaries)

Scenario Analyses (SMBC)

We have begun to conduct scenario analyses on physical risks related to water damage and transitional risks of the energy and electricity sectors pertaining to SMBC. Going forward, we will perform estimates and analyses based on a wider scope (including transportation and other sectors) and on the scenario presuming global warming of 1.5°C above pre-industrial levels.

	Physical risks		Transitional risks	
Risk events	Water-related disasters		Changes in government policy and supply-demand balance	
Scenario used	RCP2.6 (2°C scenario)	RCP8.5 (4°C scenario)	IEA/Sustainable Development Scenario (2°C scenario)	IEA/Stated Policies Scenario
Target of analysis	Corporate customers		Energy and electricity sectors in carbon-related assets defined by the TCFD	
Region	Global			
Analysis period	Up to 2050			
Risk indicators	Credit costs that are expected to increase			
Analysis results	¥55 to ¥65 billion in total		¥2 to ¥10 billion per fiscal year	

Climate-Related Opportunities

The transition toward a decarbonized society is expected to stimulate growth in the needs of climate change-related businesses as well as financing needs pertaining to these businesses. SMBC Group has set up a dedicated organization (Sustainable Business Promotion Department) to address customers' sustainability-related issues and is reinforcing its global function on this front. Moreover, we conducted a total of ¥2.7 trillion of green finance in FY2020, and we continue to support the transition to a decarbonized society through the provision of our solutions.

Risk Management

SMBC Group has positioned climate change among its Top Risks and is conducting stress test impact analyses with regard to this risk. Moreover, policies have been set for financing certain businesses and sectors, and we are expanding the scope of environmental and social risk analyses.

Metrics and Targets

Metrics	Targets	FY2020
Finance that contributes to realizing sustainability	Total of ¥30 trillion from FY2020 to FY2029 (of which ¥20 trillion is green finance)	¥2.7 trillion in green finance
GHG emissions from SMBC Group's operations*1	Net zero emissions by FY2030	129 thousand t-CO ₂ in greenhouse gas emissions
Coal-fired power generation loans*2	50% of the FY2020 level by FY2030; zero balance by FY2040	Outstanding balance of ¥300 billion

*1 Scope 1 and Scope 2

*2 Project finance loans (excludes projects contributing to the transition to a decarbonized society)



Please refer to page 100 for information on risk management initiatives.

Environment

Promotion of Sustainable Businesses

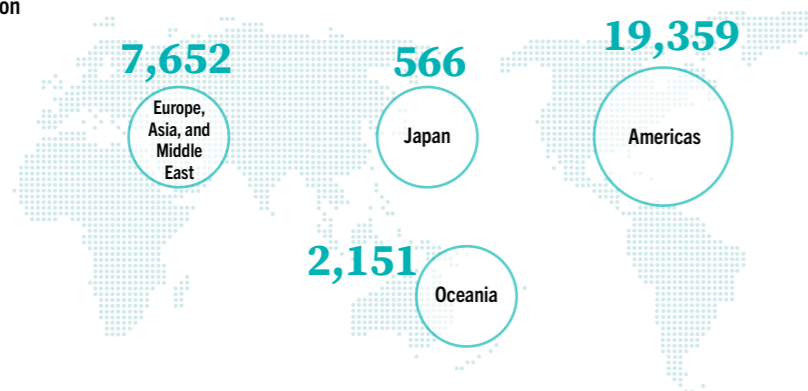
SMBC Group is committed to the resolution of environmental and social issues through its business. We are increasing green financing initiatives, which focus particularly on environmental fields. Our prior goal of conducting green finance amounting to ¥10 trillion by FY2030 has been replaced by a more ambitious target of conducting a total of ¥30 trillion of green finance and finance that contributes to the realization of sustainability (of which ¥20 trillion is green finance).

SMBC Group is ramping up support for customers contributing to the realization of a decarbonized society in various areas, including the 14 core fields in the Green Growth Strategy defined by the Japanese government in conjunction with its goal of achieving carbon neutrality by 2050. Specifically, all Group companies are providing support that capitalizes on the characteristics of their business—SMBC through financing and deposits, SMBC Nikko Securities through underwriting of ESG bonds, SMBC Trust Bank through contracting related to equipment and sites, Sumitomo Mitsui Finance and Leasing through equipment leasing and The Japan Research Institute, through consulting.

In addition, we are engaged in initiatives pertaining to the social implementation of hydrogen systems, which are anticipated to play a central role in realizing a decarbonized society, as well as to the creation of cutting-edge businesses in the field of agriculture. We are also emphasizing engagement with customers in providing solutions as a comprehensive financial group to support the resolution of customers' sustainability issues.

Contributed to Emissions Reductions Equivalent to 29,728 thousand t-CO₂ through Renewable Energy Projects in FY2020 (17,643 thousand t-CO₂ in FY2019)

Breakdown by Region
(Thousand t-CO₂)



Target: Amount of Finance Contributing to Realizing Sustainability
between FY2020 to FY2029

¥ **30** trillion

of which green finance is
¥ **20** trillion

ESG-Minded Financing

SMBC Group has disclosed policies for businesses and sectors with a high risk of significantly impacting the environment or society. Major subsidiaries (SMBC, SMBC Trust Bank, Sumitomo Mitsui Finance and Leasing, and SMBC Nikko Securities) are introducing these policies according to their business.

Going forward, we will continue to engage with customers and various other stakeholders while constantly considering the need to revise our financing policies as necessitated by the operating environment.

Target: Coal-Fired Power Generation Loans
50% of the FY2020 level by FY2030

Outstanding balance of
¥ **0** by FY2040

Businesses and Sectors for Which Policies Have Been Disclosed

- Coal-fired power generation
- Hydroelectric generation
- Oil and gas
- Coal mining
- Tobacco manufacturing
- Natural conservation areas
- Palm oil plantation development
- Deforestation
- Manufacturing of cluster bombs and other weapons of destruction



For more information on our management of environmental risks, please refer to the Sumitomo Mitsui Financial Group's corporate website.

<https://www.smfg.co.jp/english/sustainability/materiality/environment/risk/>

Column

Revision of Policy Regarding Coal-Fired Power Generation

Stricter policy for coal-fired power generation instituted in June 2021

Policy

Support for newly planned coal-fired power plants and the expansion of existing plants is not provided.

Understanding of the Business/Sector

SMBC Group expects our customers to establish and publicly announce long-term strategies aimed at realizing a carbon-neutral business model and other initiatives to address climate change. Moreover, SMBC Group will support the activities of our clients contributing to the transition toward and realization of a decarbonized society.

Social

Community

As people live and the economy advances, communities to form connections between proponents in these areas and thereby encourage mutual support and enable each other to act in peace of mind are needed. SMBC Group continues to contribute to communities and society and to fulfill our social responsibility as an entity that acts as a member of these communities.

GREEN×GLOBE Partners

GREEN×GLOBE Partners is a community for facilitating cross-organizational action to address environmental and social issues that cannot be resolved by a single person or company. Based on the goal of spreading awareness and opportunities for the resolution of environmental and social issues, 163 companies and organizations*1 have joined the community since its establishment in July 2020.

Activities of this community include monthly events, distribution of exclusive articles on environmental and social issues and workshops for formulating ideas to address such issues and drive the creation of new businesses.

*1 As of June 30, 2021



For more information on GREEN×GLOBE Partners, please refer to the Sumitomo Mitsui Financial Group's corporate website (Japanese only). <https://ggpartners.jp/>



GREEN×GLOBE Partners event

SMBC Elder Program

The SMBC Elder Program was established to provide financial and non-financial services that help to bring health, security, and meaning to the lives of senior citizens, and addresses diversified needs and lifestyles in Japan's rapidly aging society. This program is administered by dedicated concierges with a breadth of knowledge acquired through the gerontology certification program*2 and other venues. These concierges field consultations from customers and help address their concerns by proposing services and offering other forms of support.

Going forward, SMBC Group will continue to enhance its range of services in response to the needs of customers and society in order to help build a society that offers peace of mind for all and support the upcoming era of 100-year lives.

*2 Program designed to facilitate learning of the various issues faced in an aging society, including healthcare, nursing care, social security, and other matters pertaining to the mental and physical well-being of senior citizens



SMBC Elder Program Pamphlet

Next Generation

Ensuring the sustainability of our society and economy amid the changing social environment will require the cultivation of human resources who can support society with the necessary knowledge and technologies. SMBC Group is promoting sustainability by fostering the next-generation human resources and industries that will shape the society of the future together with us.

Financial Literacy Education

Capitalizing on the insight and expertise of Group companies, SMBC Group is providing financial literacy education.

In FY2020, we introduced online seminars as a new learning style for financial literacy educational activities in light of the COVID-19 pandemic. We offered various programs based on the requests of the applying schools, and financial literacy education was provided to approximately 132 thousand people through face-to-face lessons in FY2020, including 60 thousand people via online seminars.

By providing financial literacy education to a wide range of age groups, from children to adults, SMBC Group will help to build a society in which people can live with peace of mind by acquiring accurate knowledge pertaining to finances.

Target: Financial Literacy Educational Program Participants between FY2020 to FY2029

1.5 million



Online seminar

Programs to Create and Support New Businesses

To support next-generation businesses, SMBC Group is advancing the "Mirai" program. Through this program, we solicit business plans from those aspiring to commercialize a certain new idea or technology. A wide range of opportunities is provided to individuals whose plans pass the judging process, including business development support from advisors, networking assistance, financial aid, and support for developing collaborative businesses with sponsors.

We are also developing open innovation centers to facilitate new business creation. In September 2017, we established "hoops link tokyo," which was followed by "hoops link kobe," opened in September 2020. Through coordination between these two centers, we are arranging a variety of events, including pitch events, meetups, and seminars for encouraging entrepreneurship.

By forging connections with various companies and investors, SMBC Group is helping customers grow and innovate while also contributing to the development of next-generation industries.



"Mirai" program



hoops link kobe

Customer-Oriented Initiatives

Our Approach

SMBC Group companies are united in their efforts for customer experience (CX) and quality improvement in line with “Our Mission,” which states “We grow and prosper together with our customers, by providing services of greater value to them.”

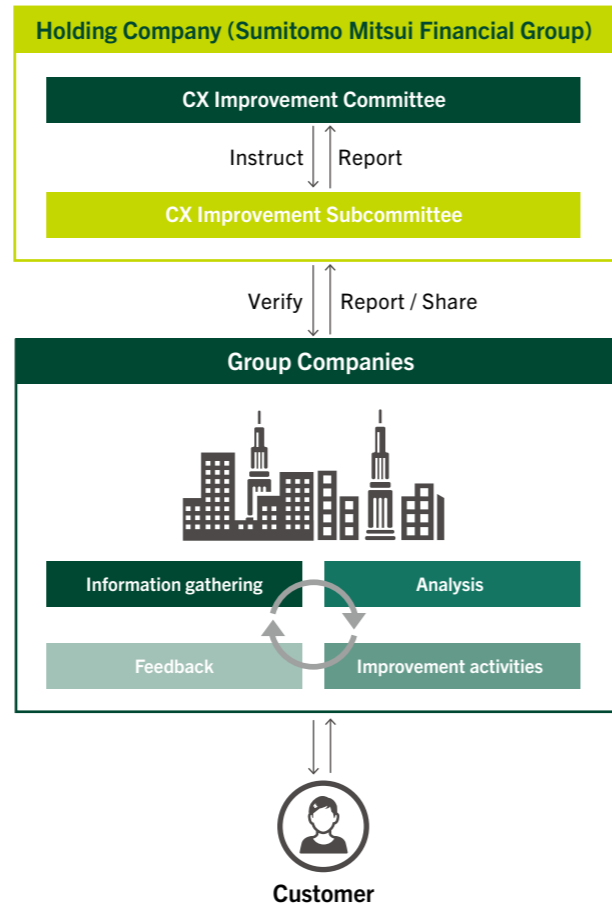


CX Improvement System

We have established the CX Improvement Subcommittee as well as the CX Improvement Committee, through which we are advancing initiatives, reinforcing management systems, and promoting Group coordination related to customer-oriented business conduct.

Outside experts are invited to serve as advisors at meetings of the CX Improvement Subcommittee, where information is exchanged on how to fully entrench a customer-oriented mindset. Meanwhile, the CX Improvement Committee, which shares members with the Group Management Committee, deliberates on concrete measures based on reports from the CX Improvement Subcommittee.

Incorporation of Customer Feedback into Management



Declaration of Compliance with ISO 10002
 SMBC, SMBC Nikko Securities, and SMBC Consumer Finance have declared their intent to comply with the ISO 10002 (JIS Q 10002) international standard with regard to their processes for incorporating customer feedback into management.

Customer-Oriented Business Initiative

Based on the Principles for Customer-Oriented Business Conduct (a guideline on fiduciary duties) released by the Financial Services Agency, SMBC Group* formulated its Basic Policy for Customer-Oriented Business Conduct and the Basic Policy for Customer-Oriented Business Conduct in the Retail Business Unit.

Basic Policy for Customer-Oriented Business Conduct (Excerpt)

■ SMBC Group’s Customer-Oriented Business Conduct

As one part of “Our Mission,” it is stated that “We grow and prosper together with our customers, by providing services of greater value to them.” Based on the spirit of this mission, we have defined our Five Values, a list of five key words that includes “Customer First” (always think based on a customer-oriented perspective and provide value based on the individual needs of customers), shared by all the executives and employees of SMBC Group.

■ Initiatives for Promoting Customer-Oriented Business Conduct

SMBC Group will implement the following initiatives to entrench the principles of customer-oriented business conduct into its activities.

1. Provision of Products and Services Suited to the Customer
2. Easy-to-Understand Explanation of Important Information
3. Clarification of Fees
4. Management of Conflicts of Interest
5. Frameworks for Properly Motivating Employees

SMBC Group aims to facilitate the shift from savings to asset holding seen in Japan through such initiatives. Furthermore, we will periodically disclose information on initiatives by SMBC Group based on this policy with the aim of facilitating understanding regarding these initiatives among customers. In addition, the status of initiatives and their results will be verified so that initiatives can be revised as necessary to improve upon operating practices. Information regarding these verifications and revisions will be disclosed.

* Group companies applicable under this policy: Sumitomo Mitsui Banking Corporation; SMBC Trust Bank Ltd.; SMBC Nikko Securities Inc.; Sumitomo Mitsui DS Asset Management Company, Limited

For information on the Basic Policy for Customer-Oriented Business Conduct, please see pages 143-144.

Basic Policy for Customer-Oriented Business Conduct in the Retail Business Unit

Based on the Sumitomo Mitsui Financial Group’s Basic Policy for Customer-Oriented Business Conduct, the Retail Business Unit shall adhere to the following conduct policies in offering service as a retail company that is responsible for providing wealth management and asset building services for individual customers. In accordance with these policies, the Retail Business Unit shall implement a plan–do–check–act (PDCA) cycle that entails disclosing specific indicators, confirming and analyzing its status in relation to these indicators, and utilizing this information in the future to improve business practices.

■ Conduct Policies

1. Customer-Oriented Wealth Management Proposals Based on Medium- to Long-Term Diversified Investment

With a focus on accurately addressing customers’ wealth management needs related to protecting or building assets, we will provide customer-oriented wealth management proposals based on medium- to long-term diversified investment. Through this approach, we strive to deliver customer-oriented financial products.

2. Lineup of Customer-Oriented Products

We shall constantly revise our product lineup, utilizing third-party evaluations of the products of Group companies and other products as necessary, in order to enhance our lineup so that we can accurately address customers’ needs related to protecting or building assets. At the same time, we will increase the amount of information provided to customers and take steps to ensure that this information is easy to understand.

3. Customer-Oriented After-Sales Services

We will provide fine-tuned after-sales services to help customers continue to hold our wealth management products with peace of mind over the long term.

4. Customer-Oriented Performance Evaluation Systems

We shall develop performance evaluation systems that encourage employees to engage in effective customer-oriented sales activities.

5. Improvement of Consulting Capabilities

We shall continuously improve our consulting capabilities to ensure we are always capable of proposing the best possible solution for customers’ wide-ranging needs.

Customer-Oriented Initiatives

Disclosed Indicators

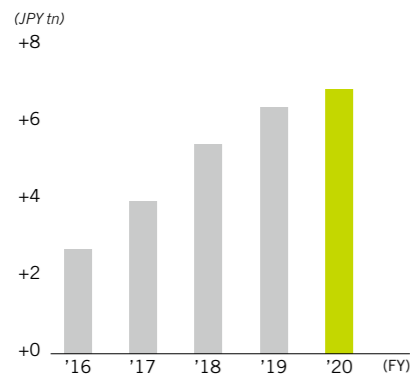
- 1 Increase in balance of investment assets
- 2 Balance of investment trusts and fund wraps
- 3 Number of customers using wealth management products
- 4 Ratio sales by wealth management product
- 5 Average investment trust holding period
- 6 Fund wrap sales and cancellation amounts
- 7 Amount of fixed-term foreign currency deposits
- 8 Number of investment trust and automatic foreign currency deposit accounts
- 9 Amount of investment trusts and automatic foreign currency deposits
- 10 Tsumitate Nisa account numbers, balances, and ratio of new users
- 11 By product sales amounts of lump-sum insurance products
- 12 Ratio of sales of investment trust products of Group companies
- 13 Sales amounts of investment trusts (including fund wraps) (Breakdown of monthly allocation type and others)
- 14 Breakdown of losses and gains by customers using investment trusts and fund wraps
- 15 Costs and returns of investment trusts with top-ranking balance amounts
- 16 Risks and returns of investment trusts with top-ranking balance amounts
- 17 Acquisition status of FP qualifications

Performance with Regard to Disclosed Indicators

Increase in Balance of Investment Assets (Indicator 1)

In FY2020, the total balance of investment assets for SMBC, SMBC Nikko Securities, and SMBC Trust Bank continued to grow due in part to the continuation of customer-oriented initiatives focused on medium- to long-term diversified investment.

■ Increase in balance of investment assets (since Apr. 2013)

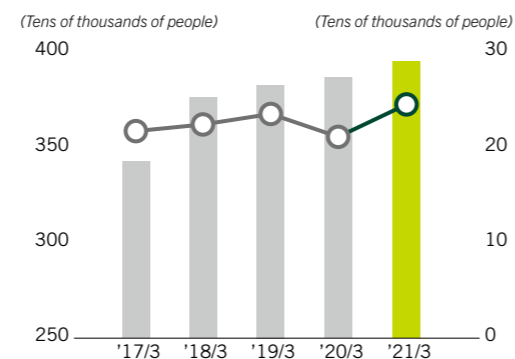


Note: Figures represent the combined total for the Retail Banking Unit of SMBC and the Retail (Private) of SMBC Nikko Securities.

Number of customers using wealth management products (Indicator 3)

We continue to increase the number of customers using wealth management products by working to accurately address customers' needs related to protecting or building assets.

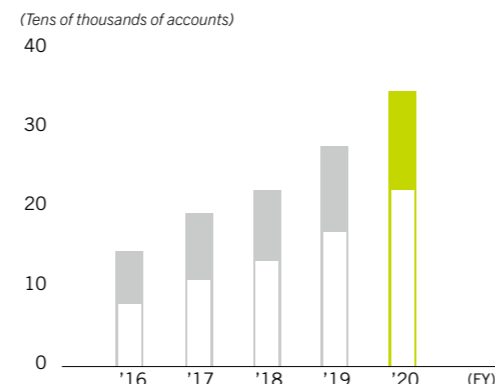
■ Number of customers using wealth management products (left axis)
○ Number of customers commencing new transactions (right axis)



Number of investment trust and automatic foreign currency deposit accounts (Indicator 8)

To respond to the needs of customers seeking to begin acquiring assets, we have been aggressively proposing investment trust products that allow for small-sum investments as well as time-dispersed investments in automatic foreign currency deposits. As a result, steady growth has been achieved in the number of investment trust and automatic foreign currency deposit accounts.

■ Number of investment trust and automatic foreign currency deposit accounts
□ Of which, customers under 50



Internal Audit

Our Approach

As a part of SMBC Group's internal control framework, the audit department (the Department) verifies the effectiveness of the internal control of each business unit, risk management and compliance departments, and other departments from an independent standpoint and pursues the quality of internal audits in order to contribute to development and the highest trust across the entire SMBC Group.

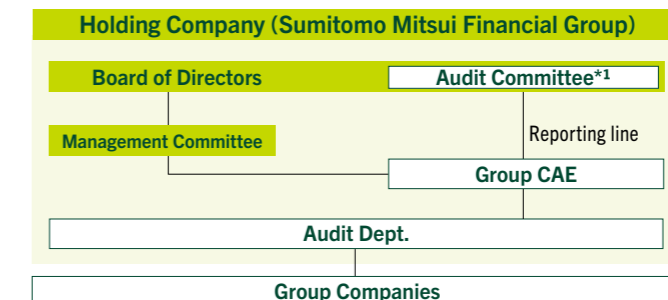
Overview of the Group's Internal Audit Framework

The Department has been established under the Audit Committee and is independent from each business unit, risk management and compliance departments, and other departments. Internal audits within our Group companies are structured broadly in line with SMFG. The Group CAE oversees group-wide internal audit activities.

The Department verifies the appropriateness and the effectiveness of internal control which aims to assure the appropriateness of Group operations and the soundness of assets by conducting internal audits on each department and Group entity as well as conducting on continuous monitoring of Group companies' internal auditing and other activities. The activities are based on the "Group Internal Audit Charter" and the "Basic Audit Policy and Plan" formulated by the Audit Committee and the Board of Directors.

Major audit findings and relevant information are regularly reported to the Audit Committee, the Board of Directors, and the Group Management Committee. Whilst the Department strives to strengthen cooperation to conduct proper audit practices through frequent information exchange with external auditors. As teleworking spreads amid the COVID-19 pandemic, audit activities are performed via online conferences and other means to ensure the effectiveness in audits.

Internal Audit Framework



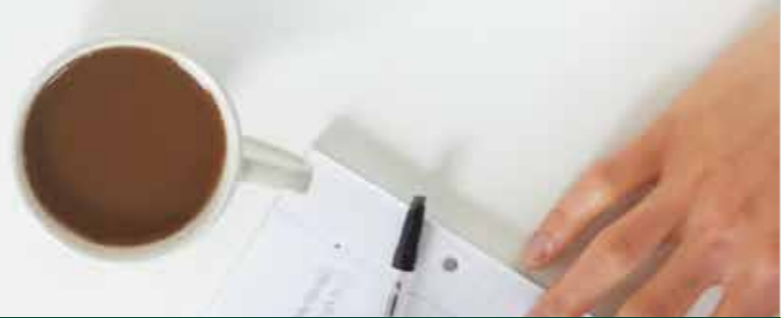
*1 The Audit Committee holds the right to consent regarding personal affairs of the Group CAE.

Enhancement and Effectiveness of Internal Audit

The Department has adopted auditing methods in accordance with the Institute of Internal Auditors (IIA) standards,*2 conducts risk-based audits, and expands the same approach to Group companies. To implement effective and efficient internal audits, the Department conducts monitoring by attending important meetings and by obtaining internal management documents of SMFG and Group companies.

In addition, the Department seeks to enhance group-wide internal auditors' expertise by gathering up-to-date internal audit practices, providing the practices to Group companies, holding training programs, and encouraging auditors to obtain internal auditors' international certification. Furthermore, the Department enhances its quality assurance on a group-wide basis by both fully satisfying the IIA standards and referring to G-SIFIs practices.

*2 The Institute of Internal Auditors, Inc. (IIA), was founded in 1941 in the United States as an organization dedicated to raise the level of specialization and the status of professionalism of internal auditing staff. Its main activity is to study the theory and practice of internal audit and to provide an internationally recognized qualification (Certified Internal Auditor (CIA)).



Risk Management

Our Approach

Strengthening of compliance and risk management is positioned as a key issue in SMBC Group's Principles of Action on Compliance and Risk. SMBC Group is therefore devoted to improving its systems in these areas in order to become a truly outstanding global group.

Risk Culture

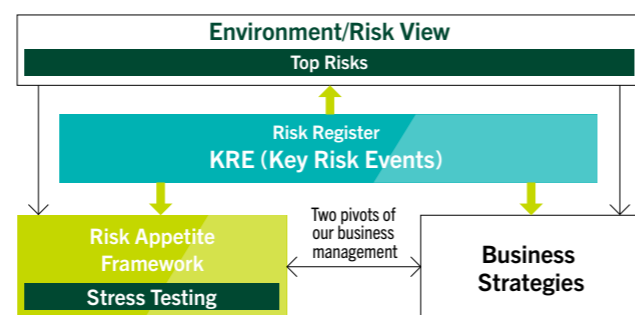
In order for SMBC Group to realize and maintain a sustainable growth in corporate value as a "Top Tier Global Financial Group," each one of our colleagues should think and judge on their own if their actions meet the expectations and requirements of customers, markets, and other stakeholders, not just if they are compliant with laws and regulations. SMBC Group has established "Principles of Action on Compliance and Risk" in order for every colleague to hold onto as a "keystone" of their daily business. The principles include "Business based on the Risk Appetite Framework" and "We will conduct business operations with risk ownership of the risks, such as credit risk, market risk, liquidity risk, operational risk, and conduct risk, that arise in our own business." Concrete measures include internal surveys for monitoring the compliance awareness and risk sensitivity of our colleagues as well as internal training for fostering a sound risk culture.

Risk Appetite Framework

SMBC Group has introduced a Risk Appetite Framework for controlling group-wide risks that clarifies the types and levels of risk that we are willing to take on or are prepared to tolerate in order to grow profits (risk appetite).

The Risk Appetite Framework is one of two pivots of our business management alongside business strategies. It functions as a management framework for sharing information on the operating environment and risks facing SMBC Group among management and for facilitating appropriate risk taking based thereon.

Risk Appetite Framework Positioning



Risk Appetite Composition

Categories			
Soundness	Profitability	Liquidity	Credit
Market	Operational	Conduct ^{*1}	
Established for each category			
Risk Appetite Statement		Risk Appetite Measures	
A qualitative explanation of our approach to risk taking and risk management for various risk categories		Quantitative Risk Appetite Measures that function as benchmarks for risks that we are considering taking and for risk/return	

^{*1} Conduct risk is the risk that our conduct negatively affects customers, market integrity, effective competition, public interest, and SMBC Group's stakeholders, through acts that violate laws and regulations or social norms.

Individual risk appetites have been established by strategies for each business unit as necessary based on the overall risk appetite of SMBC Group. Risk appetites are decided during the process of formulating business strategies and management policies. These risk appetites are set based on Top Risks that threaten to significantly impact management and on risk analyses (stress testing) that illustrate the impact if a risk should materialize.

In addition, risk register and Key Risk Events (KRE) are utilized as part of a system for assessing the risks present in new and existing business activities and for verifying the adequacy of Top Risks, risk appetites, and business strategies.

The outlooks for the operating environment and risks and the risk appetite situation are monitored throughout the course of the fiscal year. Risk Appetite Measures and business strategies are revised as necessary. For example, overall risk capital^{*2} has been selected as an indicator for risk appetite, which displays the soundness of SMBC Group. Overall risk capital is the aggregate of the risk capital amounts for each risk category. Management standards have been set for the upper limit for overall risk capital based on group-wide management constitution. Overall risk capital levels are thus monitored throughout the course of each fiscal year to clearly indicate risk-taking capacity and promote the sound taking of risks.

In addition, specific risk appetite indicators have been set for credit risk, market risk, liquidity risk, and other risk categories to facilitate appropriate management based on a quantitative understanding of risk appetite.

^{*2} The amount of capital required to cover the theoretical maximum potential loss arising from risks of business operations.

Top Risks

SMBC Group identifies risks that threaten to significantly impact management as Top Risks.

The selection of Top Risks involves comprehensive screening of risk factors, evaluation of each risk scenario's possibility of occurrence and potential impact on management, and discussion by the Risk Management Committee and the Management Committee. Top Risks are utilized to enhance risk management by being incorporated into discussions of the Risk Appetite Framework and the formulation of business strategies and into the creation of risk scenarios for stress testing.

Top Risks
Volatile financial and economic environment
Intensified political, ideological and religious conflicts
Decline in Japan's social vitality
Disasters such as large-scale earthquakes, and storms and floods
Pandemics
Increasing external threats (cyber attacks, financial crimes, etc.)
Increased awareness regarding environmental issues (climate change, etc.)
More emphasis on solving social issues (human rights issues, etc.)
Growing needs for more sophisticated governance system
Materialization of risks impeding implementation of strategies (lack of human resources, etc.)

Note: The above is only a portion of the risks recognized by SMBC Group. It is possible that the materialization of risks other than those listed above could have a significant impact on our management.

Please see page 127 for Top Risks.

Stress Testing

At SMBC Group, we use stress testing to analyze and comprehend the impact on SMBC Group's businesses of changes in economic or market conditions, in order to plan and execute forward-looking business strategies.

In our stress testing, we prepare multiple risk scenarios including macroeconomic variables such as GDP, stock prices, interest rates, and foreign exchange rates based on the aforementioned Top Risks, discussions with experts and related departments.

When developing business strategies, we set out scenarios assuming stressed business environments such as

Risk Management



serious economic recessions and market disruption for the sake of assessing risk-taking capabilities at SMBC Group and verifying whether adequate soundness can be maintained under stress.

During a fiscal year, we will undertake stress testing on a flexible basis to assess the potential impact on our business and to take the appropriate response in case a serious risk event occurs. For example, stress tests have been conducted with regard to the intensifying struggle for supremacy between the U.S. and China, and the prolonged impacts of the COVID-19 pandemic, to verify the soundness of SMBC Group's capital and confirm the appropriate actions to be taken.

In addition, we conduct detailed stress testing for individual risks such as credit risk, market risk, and liquidity risk, so as to decide and review risk-taking strategies.

We are also in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As part of our efforts in this regard, we have included climate-related risk* in our Top Risks, and scenario analyses on physical and transition risks have been conducted to estimate the potential credit-related expenses.

* Natural disasters resulting from extreme weather (physical risks) and carbon-related stranded assets due to the transition to a carbon-neutral society (transition risks) and so forth.

 Please see page 088 for information on our approach to climate change.

Risk Register

A risk register is formulated by each business unit for the purpose of realizing more sophisticated risk governance and enhancing business units' risk ownership. In formulating these registers, business units communicate with risk management departments to identify the risks present in their business, and

these risks are reflected in business strategies after they have been evaluated and the adequacy of measures for controlling them has been verified.

Key Risk Events

Key Risk Events (KRE), external events that indicate the increased threat of risks, have been identified to ascertain the symptoms of the potential risks. KRE are utilized to analyze and assess how likely similar cases will occur in SMBC Group and what effects such similar cases will have on SMBC Group, and to enhance our risk management system.

Risk Management Systems

Based on the recognition of the importance of risk management, top management is actively involved in the risk management process, and systems are in place for verifying the effectiveness and appropriateness of this process. Specifically, the group-wide basic policies for risk management are determined by the Management Committee before being authorized by the Board of Directors, and regular reports are issued to the Board of Directors by the Group CRO with regard to the status of risk management based on these policies.

Three lines of defense have been defined, and we have clarified related roles and responsibilities of relevant divisions. With these provisions in place, risk management systems have been established based on the characteristics of particular businesses, and measures are being put in place to strengthen and improve the effectiveness of these systems in accordance with these basic policies for risk management.

Furthermore, SMBC Group is strengthening group-wide risk management systems through the Group CRO Committee and the Global CRO Committee.

Column

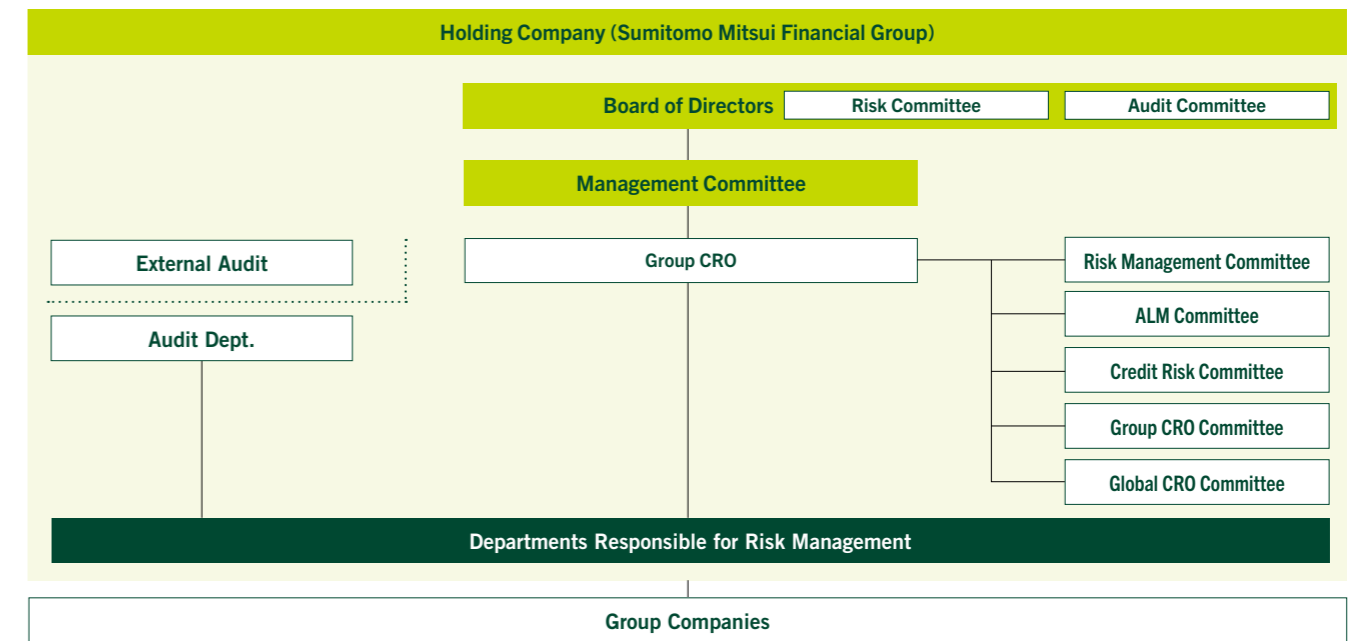
Response to the COVID-19 Pandemic

The rapid changes seen around the world in FY2020 in the circumstances surrounding the COVID-19 pandemic made for a consistently opaque global economic outlook. In response to this uncertainty, SMBC Group strove to respond to customer funding demands to the greatest extent possible while using stress tests and up-to-date information to quantitatively assess the adequacy of capital and liquidity whenever deemed necessary.

Furthermore, we reinforced information security and practiced exhaustive information management to combat the cyber attack and financial crime risks arising in response to changes in lifestyles and workstyles.

These verification processes and risk countermeasures will continue to be implemented based on discussion by the Management Committee and the Risk Committee going forward.

SMBC Group's Risk Management System



Definition of SMBC Group's Three Lines of Defense

The Basel Committee on Banking Supervision's "Corporate governance principles for banks" recommends "three lines of defense" as a framework for risk management and governance. Based on this framework, we have clarified

the roles and responsibilities of each unit as indicated below and we are taking steps to achieve more effective and stronger risk management and compliance systems.

	Principal Organizations	Roles and Responsibilities
First Line	Business Units	<p>The Business Units shall be risk owners concerning their operations and shall be responsible for the following in accordance with the basic principles provided by Second Line.</p> <ul style="list-style-type: none"> • Identification and evaluation of risks encountered in the business activities • Implementation of measures for minimizing and controlling risks • Monitoring of risks and reporting within First Line and to Second Line • Creation and fostering of a sound risk culture
Second Line	Risk Management and Compliance Departments	<p>The Risk Management and Compliance Departments shall assume the following functions and responsibilities in order to manage the risk management and compliance systems.</p> <ul style="list-style-type: none"> • Drafting and development of basic principles and frameworks concerning risk management and compliance • Oversight, monitoring, and development of training programs for First Line
Third Line	Audit Department	<p>Independent from First Line and Second Line, the Audit Department shall assess and verify the effectiveness and appropriateness of risk management and compliance systems managed and operated by First Line and Second Line, and report these results to the Audit Committee and the Management Committee. The Department shall provide recommendations regarding identified issues / problems.</p>

Compliance

Our Approach

Management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities as a global financial group. We are therefore working to entrench such practices into our operations as we aim to become a truly outstanding global group.

Compliance Management

SMBC Group seeks to maintain a compliance system that provides appropriate instructions, guidance, and monitoring for compliance to ensure sound and proper business operations on a group-wide and global basis. Measures have been put in place to prevent misconduct and quickly detect inappropriate activities that have occurred to implement corrective measures.

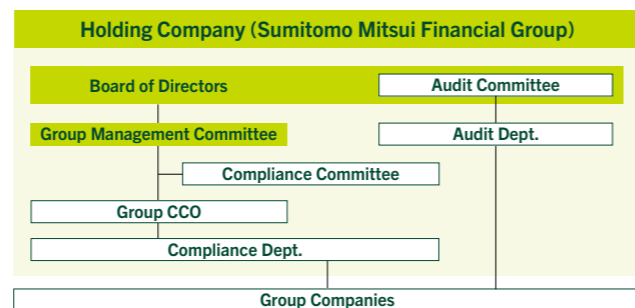
SMBC Group has established the Compliance Committee, which is chaired by the Group CCO responsible for overseeing matters related to compliance. This committee comprehensively examines and discusses SMBC Group's various work processes from the perspective of compliance.

In addition, SMBC Group formulated the Group Compliance Program to provide a concrete action plan for practicing compliance from the perspective of group-based management. Group companies develop their own compliance programs based on the Group program and take necessary steps to effectively install compliance frameworks.

The Company receives consultations and reports on compliance-related matters from Group companies, providing suggestions and guidance as necessary to ensure compliance throughout the Group.

From the perspective of global-based management, compliance departments for major overseas offices have been reorganized within the Compliance Unit, which facilitated to develop an integrated group-based compliance management framework for overseas offices.

Compliance Systems at SMBC Group



Initiatives for Supporting Healthy Risk Taking and Appropriate Risk Management

In order for companies to coexist with society and develop sustainable growth, it is crucial to take an appropriate amount of risks and to maintain appropriate risk management, including compliance. In particular, financial institutions should emphasize compliance and risk management, considering its public mission and the heaviness of the social responsibility.

Based on this recognition, management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities. SMBC Group is therefore devoted to improving its systems in these areas in order to become a truly outstanding global group.

Specifically, SMBC Group has defined the Principles of Action on Compliance and Risk to serve as guidelines for executives and employees in practicing compliance and risk management. Continuous reviews are carried out to improve compliance with these guidelines and to ensure their effectiveness.

Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT)

SMBC Group recognizes the importance of preventing money laundering and terrorist financing (ML/TF), and therefore, undertakes every effort to prevent ourselves and employees, from engaging in, and/or assistance to, the commission of ML/TF.

SMBC Group strictly complies with AML/CFT regulations by establishing a Group policy and implementing effective internal control systems in each of the Group companies to ensure that our operations are sound and appropriate. The Group Policy and systems are implemented in accordance with the requirements of the relevant international organizations (e.g., the United Nations and the Financial Action Task Force Recommendations) and the laws/regulations of relevant countries including Japan in which the Group has operations (e.g., U.S. "Office of Foreign Assets Control Regulations").

In April 2019, SMBC entered into a written agreement with the Federal Reserve Bank of New York (the "Reserve Bank") to improve its New York Branch's program for compliance with the Bank Secrecy Act ("BSA") and related U.S. anti-money laundering ("AML") laws and regulations, which was found to be inadequate by the Reserve Bank.

Furthermore, SMBC is working to improve compliance on

a global basis while taking other necessary actions based on the written agreement with the Reserve Bank.

Response to Anti-Social Forces

SMBC Group has established a basic policy stipulating that all Group companies must unite in establishing and maintaining a system that ensures that the Group does not have any connection with anti-social forces or related individuals.

Specifically, the Group strives to ensure that no business transactions are made with anti-social forces or individuals. Contractual documents or terms and conditions state the exclusion of anti-social forces from any business relationship. In the event that it is discovered subsequent to the commencement of a deal or trading relationship that the opposite party belongs to or is affiliated with an antisocial force, we undertake appropriate remedial action by contacting outside professionals specializing in such matters.

Basic Policy for Anti-Social Forces

1. Completely sever any connections or relations from antisocial forces.
2. Repudiate any unjustifiable claims, and do not engage in any "backroom" deals. Further, promptly take legal action as necessary.
3. Appropriately respond as an organization to any anti-social forces by cooperating with outside professionals.

Customer Information Management

SMBC Group has established Group policies that set forth guidelines for the entire Group regarding proper protection and use of customer information. All Group companies adhere to these policies in developing frameworks for managing customer information.

Group companies establish and disclose privacy policies for their measures regarding the proper protection and use of customer information and customer numbers. Appropriate frameworks are established based on these policies.

Anti-Bribery and Corruption

The SMFG Group Policies for Anti-Bribery Compliance and Ethics have been established to prevent business entertainment and the provision or receipt of anything of value that violate laws, regulations or social practices and customs. Group companies have developed frameworks to prevent bribery and corruption based on these policies.

Human Resources Strategy

Our Approach

One overarching social trend is the change in relationship between companies and employees and there are more alterations and diversifications in employees' attitudes toward work.

SMBC Group has approximately 100,000 employees around the world. We aim to improve both employee motivation and corporate productivity in order to effectively implement the Group's management strategies. We envisage to be a bank with the best talent pool by fostering talent capable of continuous growth and encouraging employees to tackle ambitious challenges.



Human Resource Medium-Term Management Plan

To establish a robust platform to realize SMBC Group's medium- to long-term vision, we have established the Human Resource Medium-Term Management Plan, with the following three pillars.

- (1) Resource Management**
Strategic Allotment of Human Resources across Group Companies and Divisions
- (2) Seamless Platform**
Realization of True Diversity and Inclusion
- (3) Employee Engagement**
Measures to Enable All Employees to Fully Exercise Their Potential

(1) Resource Management

SMBC Group promotes business transformation and the streamlining of its business processes through business model reforms, branch reorganizations, and group-wide integration of operations. At the same time, we will be more proactive in reallocating human resources on a group-wide basis to strategic fields and areas as designated in the seven key strategies of the new Medium-Term Management Plan.

As a result, we aim to enable natural attrition of the domestic workforce by 7,000 people over the new Medium-Term Management Plan period, an increase from the reduction of 3,300 people achieved in the previous Medium-Term Management Plan.

(2) Seamless Platform

Strategic utilization of human resources on an inter-Group company basis, cross-divisional manner requires the elimination of obstacles that may impede the ability of diverse employees to excel in their positions. By establishing the necessary systems and frameworks and reforming the mindsets of employees and other parties through education, SMBC Group will realize true diversity and inclusion.

(3) Construction of Platforms for Supporting Business Strategies

SMBC Group is moving forward with the construction of platforms to support the flexible and effective reinforcement

and streamlining of businesses.

In the Retail Business Unit, we have established the Wealth Management Division and the Payments & Consumer Finance Division. In conjunction with this move, human resource systems and recruitment strategies are being revised with a focus on cross-entity fluidity of human resources.

Meanwhile, we are developing human resources with specialized skills in the Wholesale Business Unit and providing career paths for these individuals in order to heighten our ability to accommodate customer needs.

② Flexible Group-Wide Recruitment Strategies

SMBC Group is enhancing Intra-Group coordination in new graduates recruitment through holding joint recruitment events and reconsidering recruitment strategies on a group-wide basis. In the recruitment of mid-career hires, we have raised the number of such hires to account for approximately 20% of all hires with the aim of greatly increasing related recruitment numbers. In order to acquire diverse talent including candidates for management positions, we are employing a multi-channel approach such as recruitment through referrals and alumni networks. At the same time, we are developing workplace environments to encourage active contributions of mid-career hires.

③ Diversification of Management and Human Resources

• Global Diversity

Seeking to utilize human resources on a global basis, SMBC Group has compiled a database for integrated management of information on overseas employees and established the Global Talent Management Council as a framework for increasing the transparency of promotions of overseas employees to senior management positions.

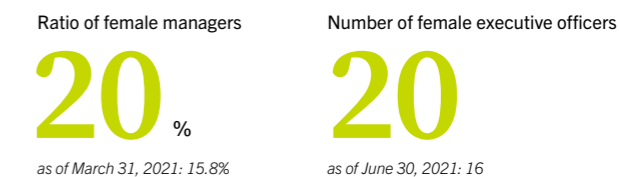
In addition, we offer various development programs for fostering leadership capabilities in a multi-cultural environment, including a leadership program for management-level employees delivered in partnership with The Wharton School of the University of Pennsylvania in the United States and group training programs for employees from offices around the globe. We also conduct the Global Japan Program, under which employees from overseas offices are assigned to departments in Japan for up to one year. Approximately 1,700 employees have participated in these programs to date.

• Gender Diversity

SMBC Group has set targets for the ratio of female managers and the number of female executive officers. We are devoting efforts to fostering female management candidates and creating a pool of female managers by increasing the hiring of women, specifically aiming to have women account for 30% of all hires, and enhancing educational programs through leadership training and programs for reforming the gender awareness of supervisors. To ensure appointments and promotions are determined based on individuals' skills and competencies, unconscious bias training has been made compulsory for management and members of the Human Resources Department.

Furthermore, SMBC Group joined 30% Club Japan, an organization striving to increase female representation in corporate decision-making, in April 2021 as part of its efforts to empower female employees and diversify decision makers.

Targets for FY2025



Meanwhile, in support of the LGBT community and other sexual minorities, the Company has expanded its employee welfare and benefit to include same-sex partners and set up helpdesks to support members of sexual minorities. We are also offering employee education and supporting the development of networks of sexual minority allies through aid and donations for external events.

• Age Diversity

Following the extension of the retirement age at SMBC Group, we have been taking steps to provide elderly employees with positions that let them exercise their skills at Group companies and implementing group-wide efforts to support the contributions of these employees. For example, recurrent training and post-appointment support is provided, with a focus on both skills and mindsets, for individuals being reassigned across company lines, and a second career support system has been put in place.

Human Resources Strategy

4 Energization of Diverse Employees

• Health and Productivity Management

Group companies have formulated a “Statement on Health Management” and are developing environments in which all employees can remain healthy and feel empowered through joint efforts by companies, health insurance unions, and health support staff under the leadership of the Chief Health Officer.

For example, we offer health seminars and exercise awareness campaigns and are also bolstering systems and providing training regarding the unique health issues faced by women. In addition, we provide financial assistance for employees looking to take part in programs for quitting smoking, and approximately 80% of the participants in our FY2020 quit smoking campaign successfully gave up smoking.

Mental healthcare measures include training programs based on group analyses and stress checks for all employees, mental health helpdesks, and support for returning to work. We also monitor working hours and implement systems to ensure sufficient intervals between shifts to prevent excessive or concentrated working hours.

• Work-Life Balance Support

As employees' values diversify, SMBC Group is fostering workplace environments designed to help all employees deliver their maximum performance, regardless of life

Diversity Initiatives

SMBC Group is promoting “Diversity and Inclusion” as a growth strategy itself. The Group has formulated its “Diversity and Inclusion Statement” to communicate this fact to internal and external stakeholders.

Text of Diversity and Inclusion Statement

<https://www.smfg.co.jp/english/sustainability/materiality/diversity/statement/>

To promote diversity and inclusion initiatives through a concerted group-wide effort, SMBC Group has established the Diversity and Inclusion Department and holds regular discussions at meetings of the Board of Directors and the Management Committee. Furthermore, we arrange meetings of the Diversity and Inclusion Committee and encourage members of top management to commit to the promotion of diversity and inclusion and to act based on this commitment.

Message on Diversity and Inclusion from the Group CEO

<https://www.smfg.co.jp/english/sustainability/materiality/diversity/top-message/>

stage or physical or mental characteristics. For example, we are expanding leave systems, providing training, and encouraging male employees to take childcare leave. In addition, we have set up a helpdesk to answer questions regarding nursing care.

Moreover, we strive to ensure that all employees feel motivated and ambitious in their work. To this end, we have adopted systems that allow for flexibility in working hours and work locations, such as flextime, staggered working hours, and telework systems. We also seek to improve productivity through heightened operational efficiency by promoting paperless operations and utilizing robotic process automation tools.

(3) Employee Engagement

1. Talent Development Strategy: Environment Self-Driven Career Development

SMBC Group fosters a sense of solidarity between employees through group-wide training sessions and cross-Group job rotations while also cultivating human resources who are able to view the Group from an overarching perspective as well as candidates for future Group management positions.

As a result of these efforts, SMBC has received an innovation award in the Good Career Company Award program of the Ministry of Health, Labour and Welfare. This award was presented in recognition of SMBC's robust lineup of career support systems as well as its business-oriented models for self-driven career development.

Looking ahead, we intend to bolster our range of career development support systems to offer programs for learning about digital technologies along with other reeducation and awareness reform programs to ensure that we can respond quickly to operating environment changes and accordingly swiftly implement management strategies.

• SMBC's Human Resource Development Policies

In its Medium-Term Management Plan, SMBC puts forth its Human Resources Vision. Guided by this vision, we are transitioning from Human Resources Department-driven development models to more business-oriented, self-driven development models to better support the ambitions of all employees. Also, we are increasing the transparency of human resource evaluations to cultivate an atmosphere in which employees are evaluated based on their contributions.

• Acceleration of Experiential Learning Cycle Based on On-the-Job Training

For junior employees, SMBC Group provides frameworks through which new employees receive guidance from more experienced employees (“anchor” system) and is introducing development systems for fostering rigorous self-understanding, gaining insight on basic actions and basic knowledge, and cultivating an appropriately competitive mindset.

In addition, the wevox engagement survey system is utilized on an individual-workplace basis and one-on-one feedback meetings are held at all banks as part of our efforts to accelerate an experimental learning cycle based on on-the-job training.

At the same time, we have developed an off-the-job support system for managers and mid-level employees that includes multifaceted evaluations and formal management training.

• Self-Disciplined Career Support

The annual SMBC Job Forum, an opportunity to learn about divisions and work at other SMBC Group companies, and the twice-annual voluntary application programs for training, jobs, and posts are provided as frameworks for self-driven career development. The FY2020 voluntary application program saw a 50% year-on-year increase in the number of applicants, to 429, and a 35.4% increase in the number of applications selected, which reached 152. This turnout shows that the number of employees seeking to shape their own careers is rising.

For employees seeking to develop their careers in a manner that exceeds the normal frameworks of position and rank, we have prepared a trial position and rank reassignment program that allows these employees to experience the actual work and workplace environment of their desired position. To date, nearly 100 employees have taken advantage of this program. To address the needs of employees with ambitions to pursue

self-driven learning, SMBC Group provides a system that allows employees to take leave to attend graduate schools through dispatches to domestic and overseas graduate schools and other external educational institutions (used by 60 individuals to date) as well as a system that offers financial support for paying tuition fees for employees taking part in educational programs while continuing to work normally.

In addition to these career support systems, SMBC has introduced an expert/specialist framework that allows highly specialized employees with more than five years of experience in their field of expertise to receive career assurance and compensation based on their skill level. This system was introduced in response to the need for robust experience and sophisticated technical skills given job task diversification as well as a rise in the number of employees seeking to advance in specialized fields (used by 375 employees in 30 certified fields to date).

2. Corporate Culture

A sense of psychological safety that encourages employees to tackle challenges on a self-driven basis is imperative to improving employee engagement. For this reason, we have a free dress code, enabling employees to wear what they please to work, and encourage employees to refer to each other without titles. In addition, we have introduced an internal social networking service as a digital tool for strengthening connections between people and organizations.

Furthermore, the wevox engagement survey system is being introduced on a group-wide and global basis to develop a corporate culture that facilitates self-driven improvements by organizations. In the March 2021 survey of Group employees, 73% of our employees expressed that they felt pride in working for SMBC Group.

Column

Midoriba: Internal Social Networking Service

An internal social networking service known as Midori no Hiroba (meaning green plaza), or Midoriba for short, was introduced at SMBC in October 2020 (application at Group companies planned). This system is designed to encourage mutual communication between management-, organization-to-employee and employee-to-employee that is not limited by organizational boundaries and to promote employee innovation. Specifically, employees are able to learn about colleagues and other business fields, connect with likeminded colleagues, and share ideas and opinions with each other through this system. Thus, the system will support the establishment of a proper mindset for

career development and encouraging the employee-initiated establishment of internal communities. We aim to develop a framework in which employees can create new business opportunities or transform existing businesses by freely sharing ideas and receiving mentoring or sponsorship from specialized departments or management. This system is already used by more than 20,000 employees, with thousands of interactions, including knowledge sharing and idea consultations, taking place each month.



Administration Login" -inurl:cheap-malboro.net

IT Strategy

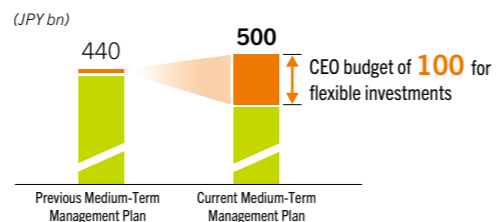
Our Approach

Currently, the operating environment for IT businesses is trending toward hybrid solutions, whether it comes to the maturing domestic market or growing overseas markets, the expansion of opportunities to utilize digital technologies, the reinforcement of security measures, the need for digital innovation and digital transformations, the importance of existing IT fields that now represent a majority of sales, or system ownership and use. In this environment, we will advance IT strategies with a focus on supporting both management and operations while also practicing effective corporate governance.

IT Investment Strategies

Under the new Medium-Term Management Plan, the budget for IT investments was increased to ¥500 billion, a rise from the ¥440 billion budget under the previous Medium-Term Management Plan, with the aim of fueling future growth for SMBC Group. By effectively controlling investments in existing IT areas via efficient management, we will secure a significantly larger budget for strategic investments. Specifically, we have secured a CEO budget of ¥100 billion to be used for flexible investments in areas in which the Group CEO expects growth in the future. With this budget, SMBC Group will promote digitalization, reinforce management foundations, and implement business strategies.

Increased IT Investments for Future Growth



Digitalization

Efforts to transform business models and create new value are being accelerated through the Digital Solution Division, which was established to accommodate digital transformations, as well as the Digital Strategy Department

Accreditation

Presenting Organizations	Certification / Award	Reason for Selection
Ministry of Economy, Trade and Industry	DX認定 Digital Transformation Certification	Compliance with Digital Governance Code*
Ministry of Economy, Trade and Industry Tokyo Stock Exchange	Noteworthy DX Companies 2020 Noteworthy DX Companies 2021	Digital transformation initiatives
Japan Institute of Information Technology	IT Award	Application of digital technologies to solve call center staff allocation optimization issues
	IT Encouragement Award	SMBC at HOME Project allowing for transactions to be conducted online
	IT Encouragement Award	System integration and digital transformation at SMFL Capital (formerly GE Capital) through Sumitomo Mitsui Finance and Leasing

* Code detailing the measures to be undertaken by management to improve corporate value amid the digital transformation trend

and the Corporate Digital Solution Department set up within the Digital Solution Division. SMBC Group has received high evaluations from external entities with regard to its efforts to create new services, including non-financial services, leading the Company to receive numerous awards.

Reformation and Reconstruction of Core Infrastructure Supporting Future Businesses

SMBC Group is developing core infrastructure with an eye toward the next decade based on the three perspectives of flexibility, sustainability, and efficiency with the aim of adapting to the medium- to long-term changes in the business environment and in customer needs. Based on this policy, accounting systems are being reformed to create the framework for our efforts.

Please refer to page 057 for information on the next-generation core banking system.

Development of Human Resources for Supporting Sustainable Growth in a Digital Society

Accelerating digitalization at SMBC Group and contributing to customers and society require all employees, not just those in divisions dedicated to IT, to possess a digital-oriented mindset and basic IT knowledge. At SMBC Group, the Digital University has been established within core IT Group company The Japan Research Institute, as an internal training institution for promoting IT adoption and digitalization. The Digital University provides training for all employees on digital IT literacy and on IT adoption measures applicable to actual work.

We are also devoted to fostering human resources with specialized skills. For this purpose, we offer a unique menu of training programs including training based on the operations of specific Group companies, curricula employing the expertise gained from project case studies, and cutting-edge technology workshops.

Cybersecurity

In recent years, cyber attacks have been rapidly becoming ever-more serious and sophisticated. In order to respond to the risks of such attacks, SMBC Group has strengthened cybersecurity measures by defining cyber risks as one of its Top Risks and establishing a Declaration of Cyber Security Management.

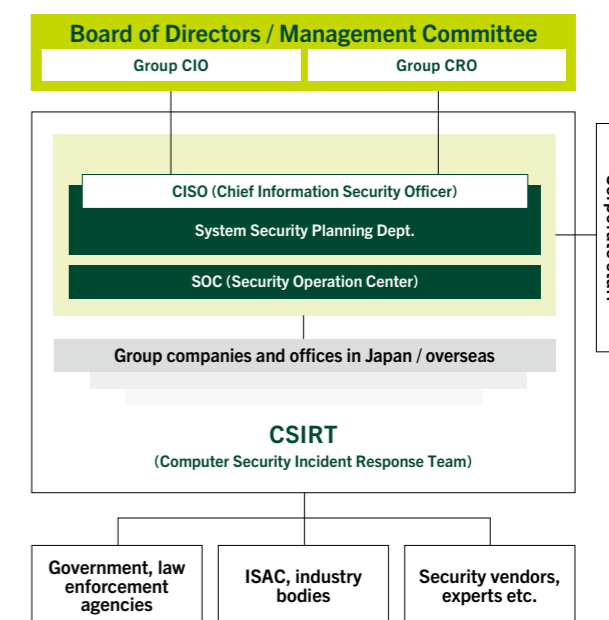
Seeking to facilitate management-led measures for fortifying response frameworks, the general manager of the System Security Planning Department has been appointed as the Chief Information Security Officer (CISO) and positioned

under the Group CIO and the Group Chief Risk Officer (CRO), and steps have been taken to clarify the roles and responsibilities of the CISO. Furthermore, we have established a computer security incident response team (CSIRT) and a security operation center (SOC), and analyses are performed on information regarding threats and observed cases collected from inside and outside of the Group. The results of these analyses, along with information on the status of security measures currently being implemented, are discussed regularly at meetings of the Board of Directors and the Management Committee to drive ongoing improvements to our cybersecurity measures.

The CSIRT is centered on the System Security Planning Department, which possesses dedicated cybersecurity functions. To ensure preparedness for cyber incidents, the CSIRT coordinates with national government agencies as well as with external institutions to share information on pertinent topics such as cyber attack methods and vulnerabilities.

The SOC, which is centered on The Japan Research Institute, is dedicated to continuously fortifying cybersecurity monitoring systems to mitigate the ever-rising threat of cyber attacks. Measures taken by the SOC include the integration of the monitoring systems of Group companies and the development of global systems for conducting monitoring on a 24-hours-a-day, 365-days-a-year basis.

SMBC Group's Cybersecurity Governance System

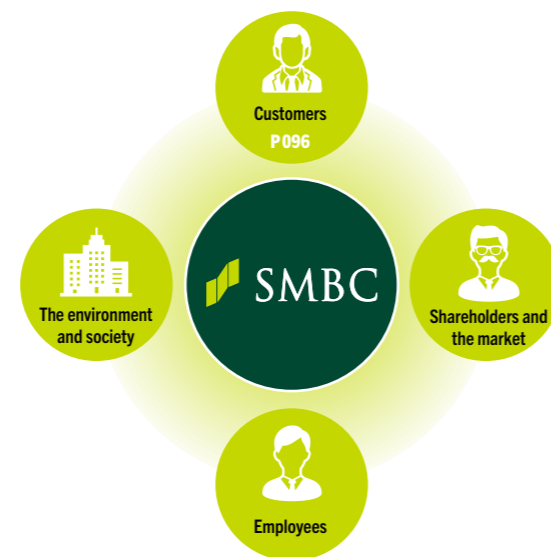


Communication with Stakeholders

Our Approach

SMBC Group strives to contribute to the sustainable development of society. To this end, we work diligently to provide greater value to our various stakeholders: “Customers,” “Shareholders and the market,” “Employees” and “The environment and society.”

Stakeholders of SMBC Group



Stakeholder Type	Example Communication Activities
Customers	In-branch questionnaires, Customer satisfaction surveys, Call centers
Shareholders and the market	General meeting of shareholders, Investors meetings, One on one meetings
Employees	Opinion exchange meetings with top management, Employee surveys
The environment and society	Support for initiatives in Japan and overseas, Volunteer activities of employees

Engagement with the Environment and Society

In addition to the contribution to society through our business operations, SMBC Group will contribute to realize a flourishing society in the future by pursuing diverse social contribution activities in order to fulfill responsibilities as a “good corporate citizen.”

For example, our employees have taken part in local clean-up activities nationwide. In addition, employees support NPOs through pro bono activities to contribute to the resolution of social issues.

Engagement with Shareholders and the Market

SMBC Group recognizes that appropriate disclosure of corporate and management information must form the foundation of our efforts to realize one of the statements posted in “Our Mission”: “We aim to maximize our shareholders’ value through the continuous growth of our business.” For this reason, we are taking steps to facilitate accurate understanding of our management strategies and financial position through investor meetings after announcements of financial results, conferences, one-on-one meetings, large meetings for individual investors, and other activities. These efforts have been highly evaluated, resulting in the Company winning the 2019 and 2020 Award for Excellence in Corporate Disclosure (ranked No. 1 in the banking industry) from the Securities Analysts Association of Japan.



Investor meeting video presentation

Large meeting for individual investors



The 19th Ordinary General Meeting of Shareholders

Small meeting led by the Group CFO

Activities in FY2020

General meeting of shareholders	Participants: 546*
IR meetings for institutional investors and analysts	11 meetings
One-on-one meetings with institutional investors and analysts	301 meetings
Conferences held by securities companies	4 conferences
Large meetings for individual investors	2 meetings

* Including 440 viewers of simultaneous Internet broadcast

Even faced with the COVID-19 pandemic, we endeavored to prevent declines in the quality of disclosure while taking steps to ensure safety. As one effort for this purpose, we held briefings and individual meetings in non-face-to-face formats.

Engagement with Employees

Management implements various initiatives to engage with employees and foster mutual understanding.

For example, a Group CEO luncheon was held in FY2020 in which junior employees from various Group companies participated. A lively exchange of ideas took place during the luncheon, with various new ideas being produced as junior employees talked about their dreams and goals.

Even amid the COVID-19 pandemic, we continued to facilitate direct communication between management and frontline employees through venues such as town hall meetings and award ceremonies for internal contests.



Group CEO luncheon



Award ceremony by the President & CEO (SMBC Nikko Securities)

Financial Review

Principal Financial Data

Consolidated Performance Summary

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019*2	FY2020
Consolidated gross profit	2,594.5	2,792.9	2,898.2	2,980.4	2,904.0	2,920.7	2,981.1	2,846.2	2,768.6	2,806.2
Net interest income	1,341.4	1,392.6	1,484.2	1,505.2	1,422.9	1,358.6	1,390.2	1,331.4	1,306.9	1,335.2
Net fees and commissions + Trust fees	825.4	910.0	987.1	999.6	1,007.5	1,017.1	1,070.5	1,064.6	1,088.1	1,098.9
Net trading income + Net other operating income	427.8	490.2	427.0	475.7	473.5	545.0	520.3	450.2	373.6	372.1
General and administrative expenses	1,421.4	1,496.3	1,569.9	1,659.3	1,724.8	1,812.4	1,816.2	1,715.1	1,739.6	1,747.1
Overhead ratio	54.8%	53.6%	54.2%	55.7%	59.4%	62.1%	60.9%	60.3%	62.8%	62.3%
Equity in gains (losses) of affiliates	(31.1)	5.3	10.2	(10.6)	(36.2)	24.6	39.0	61.1	56.1	25.0
Consolidated net business profit	-	-	1,338.5	1,310.5	1,142.9	1,132.9	1,203.8	1,192.3	1,085.0	1,084.0
(Reference) Consolidated net business profit (old definition)	1,013.9	1,166.2	1,242.4	-	-	-	-	-	-	-
Total credit cost (gains)	121.3	173.1	(49.1)	7.8	102.8	164.4	94.2	110.3	170.6	360.5
Gains (losses) on stock	(27.9)	(21.0)	89.2	66.7	69.0	55.0	118.9	116.3	80.5	92.6
Other income (expenses)	(57.3)	(34.1)	(44.5)	(48.2)	(123.9)	(17.6)	(64.5)	(63.1)	(62.8)	(105.0)
Ordinary profit	935.6	1,073.7	1,432.3	1,321.2	985.3	1,005.9	1,164.1	1,135.3	932.1	711.0
Extraordinary gains (losses)	17.4	(9.7)	(9.6)	(11.8)	(5.1)	(26.6)	(55.3)	(11.7)	(43.4)	(38.8)
Income taxes	311.3	146.0	458.8	441.4	225.0	171.0	270.5	331.4	167.7	156.3
Profit attributable to non-controlling interests	123.1	124.0	128.5	114.4	108.4	101.8	104.0	65.5	17.1	3.1
Profit attributable to owners of parent	518.5	794.1	835.4	753.6	646.7	706.5	734.4	726.7	703.9	512.8

Consolidated Balance Sheet Summary

Total assets	143,040.7	148,696.8	161,534.4	183,442.6	186,585.8	197,791.6	199,049.1	203,659.1	219,863.5	242,584.3
Loans and bills discounted	62,720.6	65,632.1	68,227.7	73,068.2	75,066.1	80,237.3	72,945.9	77,979.2	82,517.6	85,132.7
Securities	42,530.0	41,306.7	27,152.8	29,633.7	25,264.4	24,631.8	25,712.7	24,338.0	27,128.8	36,549.0
Total liabilities	135,785.7	140,253.6	152,529.4	172,746.3	176,138.2	186,557.3	187,436.2	192,207.5	209,078.6	230,685.3
Deposits	84,128.6	89,081.8	94,331.9	101,047.9	110,668.8	117,830.2	116,477.5	122,325.0	127,042.2	142,026.2
Negotiable certificates of deposit	8,593.6	11,755.7	13,713.5	13,825.9	14,250.4	11,880.9	11,220.3	11,165.5	10,180.4	12,570.6
Total net assets	7,255.0	8,443.2	9,005.0	10,696.3	10,447.7	11,234.3	11,612.9	11,451.6	10,784.9	11,899.0
Shareholders' equity	5,014.3	5,680.6	6,401.2	7,018.4	7,454.3	8,119.1	8,637.0	9,054.4	9,354.3	9,513.4
Retained earnings	2,152.7	2,811.5	3,480.1	4,098.4	4,534.5	5,036.8	5,552.6	5,992.2	6,336.3	6,492.6
Accumulated other comprehensive income	196.1	664.6	878.0	2,003.9	1,459.5	1,612.5	1,753.4	1,713.9	1,365.7	2,313.1
Non-controlling interests	2,043.9	2,096.8	1,724.0	1,671.7	1,531.0	1,499.3	1,219.6	678.5	62.9	70.8

Financial Indicators

Total capital ratio (BIS guidelines)*1	16.93%	14.71%	15.51%	16.58%	17.02%	16.93%	19.36%	20.76%	18.75%	18.61%
Tier 1 capital ratio (BIS guidelines)*1	12.28%	10.93%	12.19%	12.89%	13.68%	14.07%	16.69%	18.19%	16.63%	16.96%
Common equity Tier 1 capital ratio (BIS guidelines)	-	9.38%	10.63%	11.30%	11.81%	12.17%	14.50%	16.37%	15.55%	16.00%
Dividend per share (Yen)	100	120	120	140	150	150	170	180	190	190
Dividend payout ratio	26.8%	21.3%	20.3%	26.2%	32.7%	29.9%	32.7%	34.6%	37.0%	50.8%
ROE (on a stockholders' equity basis)	10.4%	14.8%	13.8%	11.2%	8.9%	9.1%	8.8%	8.2%	7.6%	5.4%

Market Data (As of the end of each fiscal year)

Nikkei Stock Average (Yen)	10,084	12,398	14,828	19,207	16,759	18,909	21,454	21,206	18,917	29,179
Foreign exchange rate (USD/JPY)	82.13	94.01	102.88	120.15	112.62	112.19	106.25	111.00	108.81	110.71

*1 The figure for FY2011 is based on Basel II

*2 SMFG changed accounting treatment for installment sales transactions in FY2020; figures for FY2019 have been restated to reflect this change.

Financial Review

Consolidated Performance Summary

Consolidated gross profit increased by ¥37.6 billion year-on-year to ¥2,806.2 billion. This increase was primarily the result of the strong performance in the wealth management and overseas securities businesses as well as the success of nimble portfolio management in the Global Markets Business Unit, which outweighed a decline in profit due to the COVID-19 pandemic.

Conversely, consolidated net business profit was approximately at the same level as in FY2019, ¥1,084.0 billion due to a decrease in equity in gains of affiliates largely attributable to increased credit costs at SMBC Aviation Capital Limited and Asian investees.

Total credit cost increased by ¥189.9 billion year-on-year to ¥360.5 billion due to precautionary provisions recorded in order to prepare for possible future losses as well as higher costs incurred mainly from companies that were susceptible to the impacts of the COVID-19 pandemic.

Profit attributable to owners of parent decreased by ¥191.1 billion year-on-year to ¥512.8 billion because of impairment losses on goodwill in Sumitomo Mitsui DS Asset Management Company, Limited, and the recording of losses on forward dealings aimed at mitigating risks of stock price.

	(Billions of yen)	
	FY2020	Increase (Decrease)
Consolidated gross profit	2,806.2	+37.6
General and administrative expenses	1,747.1	+7.5
Equity in gains (losses) of affiliates	25.0	(31.1)
Consolidated net business profit	1,084.0	(1.0)
Total credit cost	360.5	+189.9
Ordinary profit	711.0	(221.0)
Profit attributable to owners of parent	512.8	(191.1)

Performance of Major Group Companies

(Left: FY2020 performance; Right: Year-on-year comparison)

	SMBC		SMBC Trust	
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(Billions of yen)
Gross profit	1,481.7	+69.7	40.2	(9.2)
Expenses	816.5	+8.4	43.9	(4.6)
Net business profit	665.2	+61.2	(3.7)	(4.6)
Net income	338.0	+20.7	(8.5)	+24.2 ^{*1}

	SMBC Nikko ^{*2}		SMCC	
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(Billions of yen)
Gross profit	424.5	+63.6	385.6	(34.5)
Expenses	307.8	+2.7	317.3	(10.8)
Net business profit	116.7	+60.9	68.7	(23.6)
Net income	92.6	+48.0	35.8	(2.4)

	SMBCCF		SMDAM	
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(Billions of yen)
Gross profit	259.7	(14.7)	34.1	(1.0)
Expenses	110.6	(3.3)	32.3	+0.3
Net business profit	149.1	(11.4)	1.8	(1.3)
Net income	54.1	(36.0) ^{*3}	(28.0)	(29.0) ^{*4}

	SMFL ^{*5}	
	(Billions of yen)	(Billions of yen)
Gross profit	176.8	+3.4
Expenses	85.7	+1.0
Net business profit	95.2	+3.7
Net income	33.6	(27.6)

Ratio of Ownership by SMFG

^{*1} Due to absence of impairment of goodwill recorded in FY2019

^{*2} Figures are on a managerial accounting basis including profit from overseas equity method affiliates of SMBC Nikko Securities Inc. (consolidated subsidiaries of SMFG).

^{*3} Due to absence of increased tax effect recorded in FY2019

^{*4} Due to recording of impairment of goodwill

^{*5} Figures are on a managerial accounting basis.

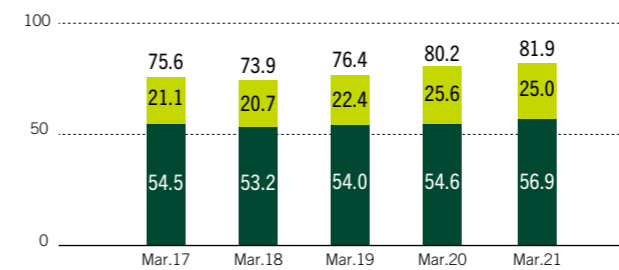
Consolidated Balance Sheet Summary

Loans and Bills Discounted (SMBC non-consolidated)

Loans and bills discounted increased by ¥1.7 trillion year-on-year to ¥81.9 trillion due to an increase in domestic loans following the smooth supply of funds in response to higher funding demand among customers amid the COVID-19 pandemic.

Balance of Loans

(Trillions of yen)



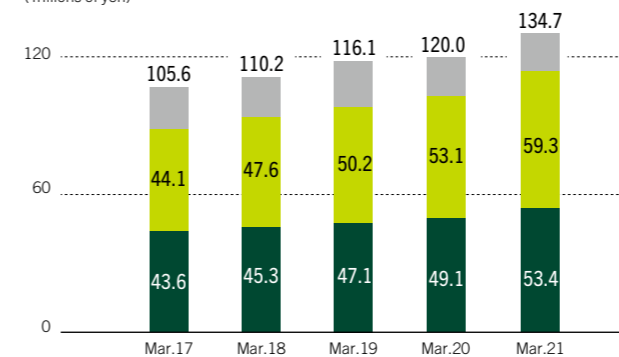
■ Domestic offices (excluding Japan offshore banking accounts)
■ Overseas offices and Japan offshore banking accounts

Deposits (SMBC non-consolidated)

Deposits increased by ¥14.7 trillion year-on-year to ¥134.7 trillion. This increase was mainly due to increases in both individual and corporate deposits in Japan.

Balance of Deposits

(Trillions of yen)



■ Individuals (domestic) ■ Corporates (domestic) ■ Others

Domestic Loan-to-Deposit Spread (SMBC non-consolidated)

In FY2020, domestic loan-to-deposit spread decreased by 0.07 percentage point year-on-year to 0.84% following an increase in short-term loans with lower interest as a result of the COVID-19 pandemic.

Domestic Loan-to-Deposit Spread (%)

	FY2020				FY2019	
	1Q	2Q	3Q	4Q	Yearly average	Yearly average
Interest earned on loans and bills discounted	0.84	0.82	0.84	0.84	0.84	0.91
Interest paid on deposits, etc.	0.00	0.00	0.00	0.00	0.00	0.00
Loan-to-deposit spread	0.84	0.82	0.84	0.84	0.84	0.91

Securities

Other securities increased by ¥9,762.0 billion year-on-year to ¥36,411.2 billion due to an increase in the amount of Japanese government bonds held by SMBC to use as collateral. Net unrealized gains on other securities increased by ¥1,039.5 billion year-on-year to ¥2,931.8 billion mainly because of higher stock prices.

Unrealized Gains (Losses) on Other Securities (Billions of yen)

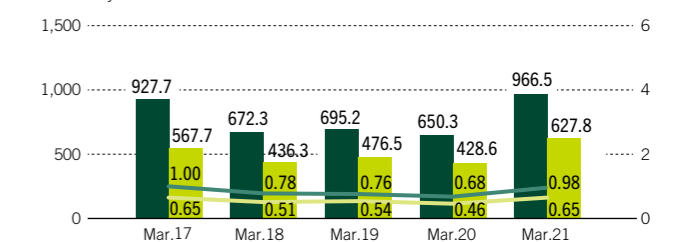
	Balance		Net unrealized gains (losses)	
	March 31, 2021	YoY	March 31, 2021	YoY
Stocks	3,693.3	+956.5	2,255.6	+986.1
Bonds	17,655.2	+7,587.8	8.0	(13.5)
Others	15,062.7	+1,217.7	668.2	+66.9
Total	36,411.2	+9,762.0	2,931.8	+1,039.5

NPLs Based on the Financial Reconstruction Act

The balance of NPLs based on the Financial Reconstruction Act increased by ¥316.2 billion year-on-year to ¥966.5 billion due to deterioration of the credit ratings of obligors as a result of the COVID-19 pandemic, and the NPL ratio remained at a low level, despite increasing by 0.30 percentage point to 0.98%.

Balance of NPLs Based on the Financial Reconstruction Act and NPL Ratio

(Billions of yen) (%)



Balance: ■ Consolidated ■ SMBC non-consolidated
Ratio: ■ Consolidated ■ SMBC non-consolidated

Financial Review

Capital

Capital

Common equity Tier 1 capital, the most important form of core capital, increased by ¥981.5 billion year-on-year to ¥10,562.8 billion primarily due to the accumulation of earnings and an increase in net unrealized gains on other securities attributable to higher stock prices. As a result, Tier 1 capital rose by ¥949.4 billion year-on-year to ¥11,199.3 billion and total capital increased by ¥737.3 billion to ¥12,289.3 billion.

Risk-Weighted Assets

Risk-weighted assets increased by ¥4,408.9 billion year-on-year to ¥66,008.0 billion due to an increase in domestic loans attributable to the COVID-19 pandemic.

Capital Ratio

Due to the above, the common equity Tier 1 capital ratio was 16.00% and the total capital ratio was 18.61%. Both ratios exceeded the mandated level, indicating that we have maintained a sufficient level of capital.

Leverage Ratio

The leverage ratio rose 1.34 percentage points year-on-year to 5.65% because of the increase in the Tier 1 capital ratio as well as the exclusion of deposit with the Bank of Japan from the total exposure due to a partial revision to the Financial Services Agency notification regarding the leverage ratio.

External TLAC Ratio

In addition to total capital, SMBC Group seeks to increase external TLAC capital by procuring external TLAC bonds primarily from overseas corporate bond markets. The external TLAC ratio was 25.82% on a risk-weighted asset basis and 9.77% on a total exposure basis, exceeding the mandated levels on both items.

Total Capital Ratio (BIS Guidelines) (Billions of yen)

	March 31, 2021 (A)	March 31, 2020 (B)	YoY (A-B)
Common equity Tier 1 capital	10,562.8	9,581.3	+981.5
Additional Tier 1 capital	636.5	668.6	(32.1)
Tier 1 capital	11,199.3	10,249.9	+949.4
Tier 2 capital	1,090.0	1,302.1	(212.1)
Total capital	12,289.3	11,552.0	+737.3
Risk-weighted assets	66,008.0	61,599.1	+4,408.9
Common equity Tier 1 capital ratio	16.00%	15.55%	+0.45%
Tier 1 ratio	16.96%	16.63%	+0.33%
Total capital ratio	18.61%	18.75%	(0.14)%

Leverage Ratio

Leverage ratio	5.65%	4.31%	+1.34%
----------------	-------	-------	--------

External TLAC Ratio

Risk-weighted asset basis	25.82%	25.96%	(0.14)%
Total exposure basis	9.77%	7.64%	+2.13%

Total Exposure

Total exposure*	198,170.8	237,488.7	(39,317.9)
-----------------	-----------	-----------	------------

* Excludes deposit with the Bank of Japan on March 31, 2021

ESG Information

Accreditation

Garnered solid reputation for our investor engagement and other IR activities
The Securities Analysts Association of Japan

Acquired Top Gold Rating in PRIDE index evaluation for LGBT-related initiatives
work with Pride

Selected five times as company exercising superior health and productivity management
METI

Recognized as company that stands on the forefront of sustainable growth by heightening productivity through workstyle reforms
Nikkei

Support for Initiatives in Japan and Overseas

As a global corporate citizen of the global society, SMBC Group is fully aware of the social impact of financial institutions, and it supports the following initiatives in Japan and overseas (the action guidelines for the corporate activities and principles).

WE SUPPORT UN GLOBAL COMPACT

UNEP FINANCE INITIATIVE

PFA21 Principles for Financial Action for the 21st Century

Signatory of: PRI Principles for Responsible Investment

CDP DISCLOSURE INSIGHT ACTION

EQUATOR PRINCIPLES

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

WE SUPPORT UN WOMEN UNITED NATIONS GLOBAL COMPACT

30% Club GROWTH THROUGH DIVERSITY

The Valuable 500

ESG Indices on Which Sumitomo Mitsui Financial Group Is Listed

SMBC Group has been included in the following major global ESG indices (as of June 30, 2021).

FTSE4Good

FTSE Blossom Japan

2021 Sompo Sustainability Index

S&P/JPX Carbon Efficient Index

Bloomberg Gender-Equality Index 2021

2021 MSCI ESG Leaders Indexes Constituent

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

SMBC Group's Support of the Olympic and Paralympic Games Tokyo 2020



Support for the Cultivation of Next-Generation Athletes



Since the start of its sponsorship of the Olympic and Paralympic Games Tokyo 2020 in 2015, SMBC Group has continued to support the cultivation of next-generation athletes through the Olympic and Paralympic Games.

As one facet of these efforts, we used a portion of the proceeds from the Olympic Concert 2020 Premium Sound Series of concerts arranged by the Japanese Olympic Committee, which SMBC helped conduct, to make donations to seven organizations fostering future athletes in the areas where concerts were held.

The donations were used to pay for participation in competitions and training camps, equipment and supplies, and instructors as well as to purchase items for helping prevent the spread of COVID-19.

SMBC Group will continue to support the cultivation of next-generation athletes even after the Tokyo 2020 Olympic and Paralympic Games.

Contributions to Paralympic Sports in Preparation for the Tokyo 2020 Paralympic Games



As of July 2021, SMBC Group employed 20 para-athletes. Previous initiatives by these athletes have included taking part in sports workshops for children and joining panels in employee training sessions to promote greater recognition of Paralympic sports both inside and outside the Group and to help foster a more inclusive society.

These activities continued even after the April 2020 announcement that the Tokyo 2020 Paralympic Games would be delayed. Since this announcement, the athletes have participated in an online event arranged by Yokohama City, and we have continued to engage in various other Paralympic support activities through coordination with municipalities and other para-athletes.

SMBC Group will continue to contribute to the spread of Paralympic sports through the Tokyo 2020 Paralympic Games and through its efforts thereafter.

Sumitomo Mitsui Financial Group is the Gold Partner (Banking Category) of the Olympic and Paralympic Games Tokyo 2020.



SMBC Group Home Page

<https://www.smfg.co.jp/> (Japanese)
<https://www.smfg.co.jp/english/> (English)



IR Information

<https://www.smfg.co.jp/investor/> (Japanese)
<https://www.smfg.co.jp/english/investor/> (English)



Sustainability Information

<https://www.smfg.co.jp/sustainability/> (Japanese)
<https://www.smfg.co.jp/english/sustainability/> (English)

