

# SMBC GROUP ANNUAL REPORT

# 2022

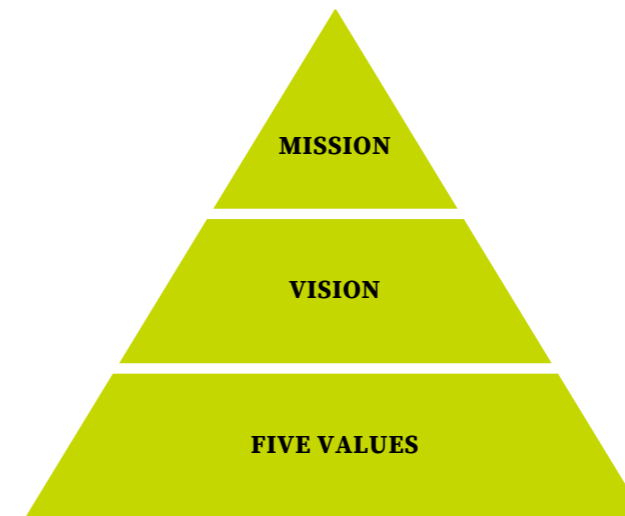
YEAR ENDED MARCH 31, 2022

# 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.



## MISSION

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.

## VISION

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

## FIVE VALUES

### *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.



---

Executives of SMBC Nikko Securities Inc (SMBC Nikko Securities) were recently arrested and indicted on charges of violating the Financial Instruments and Exchange Act. SMBC Nikko Securities was also indicted on the same charges. On behalf of SMBC Group, I extend my deepest apologies to our customers and all other impacted parties for causing great concern and inconvenience.

We take these developments very seriously and will fully devote our resources to restoring the trust of customers and other stakeholders by supporting SMBC Nikko Securities in developing and implementing preventive measures that reflect the findings of investigations undertaken by the investigation committee established by SMBC Nikko Securities.

---

**Jun Ohta**

Director President and Group CEO

## Contents

### Value creation at SMBC Group

- 004 History of SMBC Group
- 006 SMBC Group's Value Creation Process
- 008 Message from Group CEO
- 018 Core Policy of the Medium-Term Management Plan (FY2020–FY2022)
- 020 Financial Highlights
- 021 ESG Highlights
- 022 Message from the Group CFO
- 028 Special Contents:
  - Our Inorganic Strategy to Realize Sustainable Growth
- 036 Round-Table Discussion with Outside Directors
- 042 Communication with Stakeholders

### Business Strategies for Creating Value

- 046 Group Structure
- 048 Retail Business Unit
- 052 Wholesale Business Unit
- 056 Global Business Unit
- 060 Global Markets Business Unit
- 064 Opening up the Future of Finance through Digital
- 072 Creating Value through Sustainability Initiatives
- 084 Human Resource Strategies
  - Supporting Value Creation

### Corporate Infrastructure Supporting Value Creation

- 090 Corporate Governance
- 106 Risk Management
- 110 Compliance
- 112 Customer-Oriented Initiatives
- 115 Internal Audit
- 116 IT Governance
- 118 Financial Review
- 123 ESG Information



# History of SMBC Group

The roots of SMBC Group trace back more than four hundred years.

Drawing from the business spirit inherited from the pioneers at Mitsui and Sumitomo, SMBC Group has adapted to the changing needs of the times and shifted its businesses while enhancing the quality of its corporate infrastructure through sustainability initiatives.

## 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 voluntary Audit Committee
- 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–

### Creating economic and social value by achieving growth with quality and sustainability

- 2021**  
**Investment for growth in Asia in 2021**
  - Fullerton India became a consolidated subsidiary
  - FE Credit became an equity method affiliate
  - Investment in RCBC
- Strengthening the foundations of business**
  - Investment in Jefferies
  - Investment in ARA Asset Management
- 2022**  
Investment in SBI Holdings

### ESG

- 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
- 2021** **E**  
Commitment to achieving net zero emissions across investment and loan portfolio by 2050
- 2021** **E**  
Participation in NZBA, TSVCM and PCAF
- 2022** **E**  
Participation in the TNFD Forum
- 2022** **E S**  
Establishment of SMBC Group Environmental and Social Framework

# SMBC Group's Value Creation Process

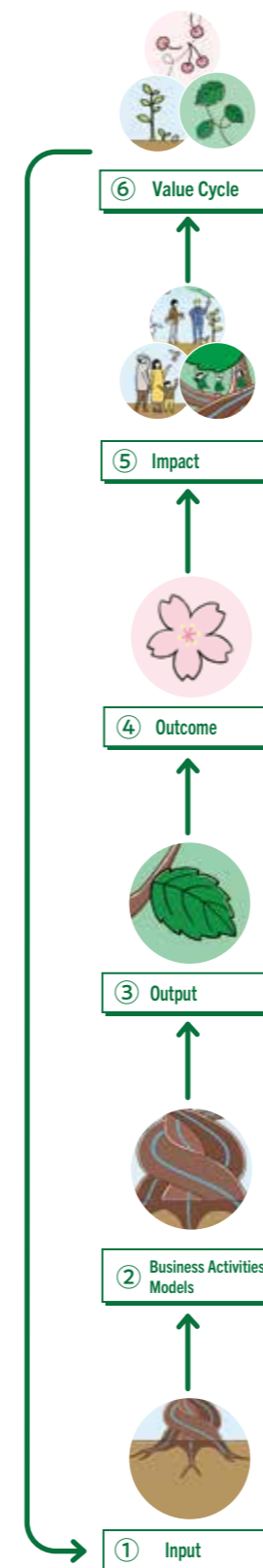
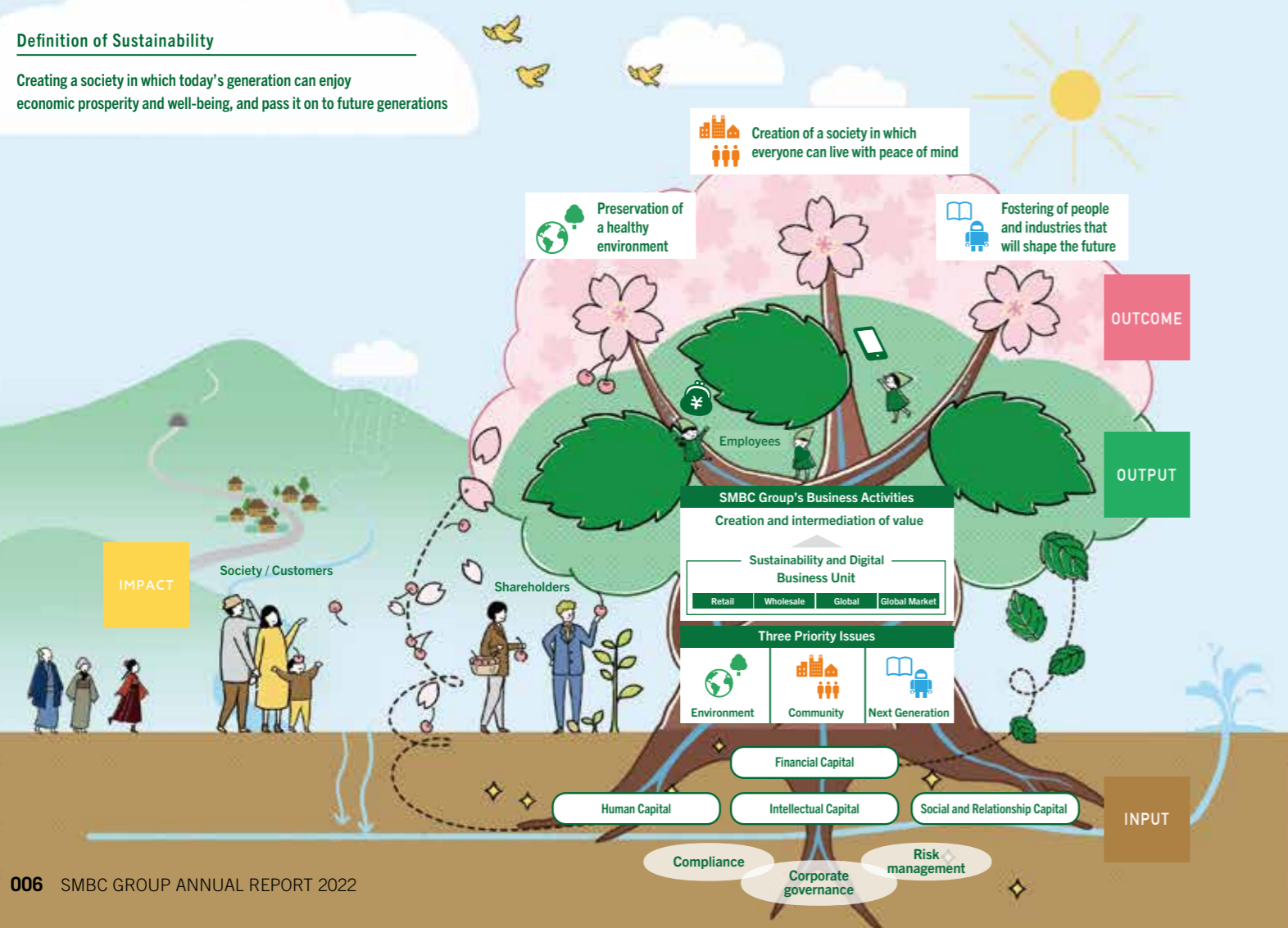
SMBC Group defines sustainability as "creating a society in which today's generation can enjoy economic prosperity and well-being, and pass it on to future generations."

SMBC Group has identified "Environment," "Community" and "Next Generation" as priority issues (Materiality).

In carrying out our Medium-Term Management Plan and achieving our KPIs in line with these priority issues, SMBC Group will generate social and economic value, and give back to all our stakeholders.

## 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



Value is returned to stakeholders by growing SMBC Group's corporate value.

It also further enhances intangible assets that are a source of this value, creating a virtuous cycle.

Dialog with stakeholders

PO42

Investment for growth

PO25

Capital policy

PO28

Our businesses not only produce economic value, but also work to bring about the society SMBC Group seeks to create, and influence the way our customers and other stakeholders think and act.

### Creating economic value

#### FY2022 Financial Targets

ROCE1  
≥ 8.5%

CET1 ratio  
c. 10%

Base expenses  
< 2019 results

Bottom-line profit  
¥730 billion

PO22

### Creating social value

#### Preservation of a healthy environment

- Meeting the target of 1.5°C scenario and achieving a carbon-neutral society
- Reducing the risk of natural disasters

#### Creation of a society in which everyone can live with peace of mind

- Providing financial infrastructure that can be accessed with peace of mind
- Bringing about a prosperous society through credit creation

#### Fostering of people and industries that will shape the future

- Driving technology and innovation

PO72

Four Business Units draw up and put in place business strategies for each customer segment consistent with these three priority issues: "Environment," "Community" and "Next Generation."

Sustainability & Digital is integrated into our business

activities as an issue to be addressed cross-functionally by all Business Units.

### Implementation of the Medium-Term Management Plan



We conduct our business activities by drawing on SMBC Group's intangible assets, including its brand and customer base cultivated over the course of the company's more than 400-year history, together with its robust financial capital.

Robust financials

P118

Group history

PO04

Human Resources

PO84

IT

P116

## MESSAGE FROM GROUP CEO

# BUILDING AN ERA OF FULFILLED GROWTH

Jun Ohta  
Director President and Group CEO



## The World in 2050

**W**hen I was born in 1958, Japan had entered a period of high economic growth. The construction of Tokyo Tower had just been completed and consumer electronics were quickly becoming a regular part of Japanese family life. In 1964, Tokyo hosted the Summer Olympic Games and the Tokaido Shinkansen opened. I still vividly remember the excitement and energy that

was present in what seemed like all corners of the country. Japan's economy continued to grow at a brisk pace after I entered the workforce and in the late 1980s the economy entered a phase that would later be referred to as "Japan's bubble economy." The economy continued to expand until 1991, and so the first 30 years of my life coincided with a period of economic growth and prosperity.



However, the bubble economy eventually collapsed, leading to a plunge in the values of stocks, real estate, and a wide array of other assets. Financial institutions were faced with not only a sudden slowdown in the macroeconomy but also with plummeting collateral valuations. For many years we struggled with the disposal of the resulting non-performing loans. Japan's economy could not shake off sluggish growth and deflation; this led to the "Lost Decade" becoming the "Lost Two Decades" which eventually became the "Lost Three Decades." The 30 years of the midway stage of my life coincided with a period of stagnation in Japan.



The question now is: "What sort of era will the next 30 years be?" I expect peoples' values and lifestyles to undergo discontinuous change based on digitalization, climate change, and a range of other keywords. If we look at our current environment, we can see that long-term trends are undergoing a paradigm shift: from deflation to inflation, from consistently low-interest rates to rising interest rates, and from globalization to deglobalization. Trends that had continued over the past few decades are reversing, causing disruption in the process. We are entering a complex, unpredictable era. If we adopt an

optimistic perspective, we can say that we are entering an era that is not an extension of the past. Japan's economy, even though it has languished over the past 30 years, could break free of traditional restraints and unlock a new future.

I want to make the next 30 years an era of "fulfilled growth." Going forward, the metrics used to measure corporate value will change. Pursuing economic value will no longer be sufficient to enhance corporate value. A corporation's contributions to generating social value will become ever more important in increasing corporate value. Corporations that generate social value are those which contribute to the fulfilled growth of the global community. On the other hand, corporations that are unable to create social value will eventually be viewed as no longer having the right to pursue economic value.

2050, approximately 30 years from now, is also the target year set by the global community to achieve carbon neutrality and a decarbonized society. As you can see, 2050 is a major milestone for humankind, and I will share with you what SMBC Group will do to contribute to the global community's fulfilled growth.

***I strongly believe that we will be able to reach even higher goals by pursuing quantitative growth that is accompanied by heightened quality in the next Medium-Term Management Plan.***

### Quantitative Growth Accompanied by Heightened Quality

The current Medium-Term Management Plan was launched in the spring of 2020, just as the COVID-19 pandemic was causing havoc and disruption all over the world. In my FY2020 Group CEO Message, I stressed that SMBC Group would overcome the impact of the unexpected pandemic and worked to drive our Group to greater heights through the evolution of our business model. However, we are now experiencing another major unforeseen event: Russia's invasion of Ukraine.

However, even in this discontinuous paradigm shift, there is no change to the path we must follow. Our Vision, "A trusted global solution provider committed to the growth of our customers and advancement of society," was designed to illustrate SMBC Group's path to sustained growth. Not only must we further develop our capabilities in the financial sector, we must also enhance our ability to provide high-quality solutions in non-financial areas on a global basis. Going forward, it is essential that we further enhance our focus on realizing our Vision.

In order to realize our Vision, we will pursue quantitative growth that is accompanied by heightened quality. When an organization ceases to pursue growth, it stagnates and morale falls. I want to make SMBC Group a lively, high-energy organization that enables junior level employees to pursue challenges in a variety of sectors with a sense of purpose and excitement. This positive energy will help drive SMBC Group's future growth over the next 30 years. Keeping firmly in mind that the nature of the risks we face will change, we will review our portfolio with the goal of enhancing both asset and capital efficiencies, and establish robust financial foundations by carrying out thorough, consistent cost control measures. At the same time, we will allocate the necessary management resources in a disciplined manner to business areas that contain sufficient growth potential. In addition, we will enhance our management foundations by strengthening our governance frameworks so that SMBC Group can realize sustained growth in an uncertain environment.

In FY2021, the second year of the current Medium-Term Management Plan, we managed to exceed our annual target and the prior year's results for both net business profit and bottom-line profit. We produced these solid results regardless of the fact that we faced unforeseen negative factors arising from the Russia-Ukraine conflict: impairment losses in our aircraft leasing business and increased credit costs. I believe this demonstrates that the path we are following is the right one. In addition, we have succeeded in laying the foundations of our sustained future growth through inorganic deals in the Asia retail and overseas securities businesses.

In FY2022, the final year of the current Medium-Term Management Plan, we will bring the Plan to a strong finish while laying the foundations for the next Medium-Term Management Plan. In terms of the bottom-line profit, we have set a target of ¥730 billion, a figure above our original target. However, I strongly believe that we will be able to reach even higher goals by pursuing quantitative growth that is accompanied by heightened quality in the next Medium-Term Management Plan.

## MESSAGE FROM GROUP CEO

## Three Themes

In order to realize sustained growth, we must expand the range and enhance the sophistication and quality of our solutions. We are engaging in various initiatives based on the three themes that were established under the current Medium-Term Management Plan: “Data Orientated,” “Building Platforms,” and “Solutions Provider.” I would now like to take this opportunity to share a few distinct examples with you.

**Expand our Asia Franchise**

When I visit the developing economies of Asia, I am met with energy and vibrancy. Scenes that remind me of Japan when I was a child. I believe a country’s financial sector is closely correlated with its GDP, and for some time now I have wanted to realize ‘J-curve’ growth

in our revenue by establishing a second and third SMBC Group in Asia’s developing economies so that we can share in the benefits of their rapid growth.

In FY2021, as part of our Multi-Franchise Strategy, in addition to our existing investments in Indonesia, we acquired stakes in local financial institutions in India, Vietnam, and the Philippines with the aim of establishing the foundations of our sustained growth. Going forward, we will focus on post-merger integration (PMI) and developing these investments into strong, robust pillars that can support our future growth.

While we are already servicing large corporations in those countries, establishing a presence in the retail sector and becoming a full-line financial services provider will allow us to best capture the countries’ growth given the

expected vigorous expansion in personal consumption. We will offer a diverse product and service lineup that reflects the needs of each economy’s growth stage, starting with motorcycle loans, then branching out into automobile and mortgage loans, and finally offering multi-purpose loans and credit cards.

In April 2022, with the goal of maximizing the impact of our investments we established the Asia Business Development Division to strengthen PMI, governance, and other facets of our management framework in regard to our investee companies. The division is also expected to support our organic growth and help optimize our collaborations and synergies with investee companies. We will continue efforts to replicate our growth trajectory in Japan in Asia’s developing

See page **028** for details.

*Our Inorganic Strategy to Realize Sustainable Growth*

economies by expanding the scope of our business and becoming a comprehensive financial group in those local markets.

**Enhance our Overseas Securities Business**

Our overseas securities business is an area in which we are lagging behind our competitors. Our competitors managed to generate significant revenue from vibrant bond markets during COVID-19 while we were unable to capture sufficient opportunities.

Our partnership with Jefferies is of great importance as it will allow us to grow in the U.S. market by strengthening our business portfolio. We commenced collaborations in Sub Investment-Grade, global M&A, and the healthcare sector, combining Jefferies’ deep knowledge of capital

markets with SMBC Group’s client base and financing functions. These collaborations are already producing results. For example, we have been able to close deals with clients with which SMBC Group had not been able to develop a business relationship. We will further accelerate the growth of our overseas securities business and expanding our collaborations with Jefferies will be an important part of this effort.

**Embedded Solutions**

With the digitalization of society gaining even more speed, it is no longer sufficient for us to leverage the extraordinary volume of financial data we possess and our robust client base to develop and provide financial platforms. We must also focus on developing and providing embedded financial

solutions, which are financial solutions that can be embedded in the platforms of non-financial partner corporations.

For example, we provide payment, financing, and other financial services to social media chat, e-commerce, and flea market applications that individual customers view on a daily basis via their smartphones. Our services are also embedded in the platforms of MaaS businesses and the cashless payment tools used by retail stores.

As we operate behind the scenes when providing financial services through such platforms, users usually do not realize the role we are playing. However, by allowing the financial platforms of non-financial firms to provide customers with safe and secure services, we are contributing to the spread of cashless payments.

See page **064** for details.

*Opening up the Future of Finance through Digital*

***I have wanted to realize ‘J-curve’ growth in our revenue by establishing a second and third SMBC Group in Asia’s developing economies so that we can share in the benefits of their rapid growth.***



## Realize Sustainability in a Sustainable Manner

Although Japan was full of energy and vibrancy during its period of high economic postwar growth, I clearly remember that the nights were very dark and quiet. The other day, an article written by the famous Japanese screenwriter Mr. Soh Kuramoto was published for which the title can be roughly translated as “Old Man, Turn Off the Lights and Return to Blissful Poverty” (BUNGEISHUNJU June). It was a public critique by Mr. Kuramoto of what he viewed as a tendency of old people in Japan to excessively focus on how the economy is performing. This he felt was in strict contrast to the concern shown by young people around the world regarding climate change. The mindset in which we pass the world on to the next generation in the same or better condition as when we inherited it is the fundamental concept behind sustainability, and it is an essential factor in the pursuit of happiness.

In order to pass our green earth on to future generations, we at SMBC Group are strengthening our efforts to tackle climate change. In May 2021, we established the Roadmap Addressing Climate Change, a long-term action plan to realize a carbon neutral society. In the roadmap, SMBC Group committed to reducing the GHG emissions of our group companies to net zero by 2030, and in August of the same year we committed to realizing a carbon neutral loan/

investment portfolio by 2050. In May 2022, we established a medium-term financed emissions reduction target for the power sector.

However, there is no simple, straightforward method of realizing carbon neutrality. A sudden withdrawal of credit facilities will not only disrupt the stable supply of power, but it could very well negatively impact the development of new decarbonization technologies. Merely reducing our loan portfolio in certain sectors does not address the heart of the issue. Together with our customers, we must carefully determine a realistic decarbonization route and pace up to 2050 while paying close attention to each country’s circumstances. As a proud member of the financial community, SMBC Group will do our best to contribute to the decarbonization of society by supporting customers’ efforts to transition to a carbon neutral business model and develop new technologies.

Having said this, climate change is one of the various paradigm shifts the world is facing, and also represents a major opportunity. We have set a KPI to execute sustainable financing equivalent to ¥30 trillion between FY2020 to FY2029. We have successfully captured increasing demand for such products, and in FY2021 we executed ¥5.4 trillion of sustainable financing. Going

forward, we will continue to support customers’ decarbonization efforts while increasing SMBC Group’s corporate value by providing a wide range of sustainability-related solutions that include financing, bond underwriting, leasing, and advisory services.

Our corporate color is green. As part of efforts to cement our position as a green financial institution that is firmly committed to contributing to the realization of a sustainable society, in April 2022 we consolidated the various sustainability-related functions located throughout SMBC Group to form the Sustainability Division. The Sustainability Division is staffed by more than 100 employees and is responsible for the full line of sustainability operations at SMBC Group, from strategic planning to providing customers with sustainability-related solutions. We will continue with efforts to contribute to the realization of a sustainable society by addressing issues such as climate change, human rights, biodiversity conservation, and economic growth. Through such initiatives we will realize sustainability in a sustainable manner.

See page **072** for details.

*Creating Value through Sustainability Initiatives*

## Employees Pursuing Challenges Becomes the Strength of SMBC Group

Our people are the basis of SMBC Group’s competitiveness, and they are the most valuable management resource that a financial group can possess. Since becoming Group CEO, under the slogan “Break the mold,” I have endeavored to develop a corporate culture that encourages employees to pursue their aspirations and ambitions without being bound by preconceptions. I also believe that a willingness and desire to change at an organizational level has developed over the past three years.

More than 10 corporations have been established by giving shape to the ideas of junior and mid-tier staff through my CEO production project. In fact, some corporations are already generating profit. I have informed these strong-spirited CEOs that I support them in pursuing an IPO, and that I want them to engage in further challenges without being

constrained by the boundaries of SMBC Group. I believe that the future success of the financial sector depends on each and every one of our employees having big ambitions and thinking outside the box when pursuing those ambitions. The pursuit of those ambitions will also serve as a new source of power to drive SMBC Group forward into the future.

I am also working to realize a truly diverse and inclusive workplace by breaking through the differences of nationality, gender, culture, and mindset. I was seconded to Singapore in 2002, and my department was made up of about 50 staff, of whom only four were Japanese. The rest were locally hired employees of more than 10 different nationalities. The team was truly diverse in terms of culture and mindset. At first, I struggled to build consensus in such a diverse team. However, I soon experienced firsthand that combining various ways of thinking

leads to the creation of new ideas, which in turn leads to results that exceed expectations. Under the strong commitment of the senior management team, the promotion of diversity and inclusion at SMBC Group will be accelerated. The empowerment of women is an area of particular focus. We have set targets for female managers (20% of all managers) and female executive officers (25 people) to be reached by FY2025. Furthermore, SMBC Group overseas and domestic offices celebrate International Women’s Day as part of efforts to develop a more inclusive, diverse culture.

In addition, we will strengthen our investments in human capital. For example, the total payment increase rate for SMBC employees, which reflects salary increases, promotions and bonuses, will be approximately 4%. In order to create a more comfortable working environment, we will allocate more resources to online training programs, the professional development of senior management and specialist staff, career path development, reskilling, and our healthcare framework. Through such efforts, we will create a virtuous cycle, in which personnel will be empowered to create new social value.

See page **084** for details.

*Human Resource Strategies Supporting Value Creation*



## The Sustained Growth of Shareholder Value

Realizing the sustained growth of a corporation's value and passing on that value to its shareholders is a CEO's responsibility. While SMBC Group's progressive dividend policy will remain our principal approach to enhancing shareholder returns, we will also execute share buybacks in a flexible manner. In FY2022, we set a bottom line target of ¥730 billion, a target which exceeds the initial target set under the Medium-Term Management Plan, and we increased our dividend forecast by ¥10 to ¥220, achieving our goal of a 40% dividend payout ratio. This means that during the three years covered by the current Medium-Term Management Plan, SMBC Group has increased its dividend payment by ¥30 per share and total dividend amount by ¥90 billion. We will place a buying order in the ¥100 billion share buyback program established in November 2021 once that is deemed to be appropriate. At the same time, we will carefully consider the macroenvironment to determine the plausibility of establishing a new share buyback

program. SMBC Group's capital remains at sufficient levels, even after taking into consideration our inorganic investments, and will be applied in a balanced manner to fund investments for growth and shareholder returns.

While we have enhanced shareholder returns, our PBR (Price to Book Ratio) remains mired at approximately 0.4. We consistently underperformed our competitors in this metric during FY2021, and this is an issue that I take very seriously. The key reason for our lagging share price is that we have not been able to convince investors of our vision of sustained growth. An increasing number of people are adopting a pessimistic view of the financial sector in Japan given the country's accelerating decline in birth rate and population, stagnating economy, and ongoing negative interest rate policy. However, I have no doubt that the expansion of our Asia franchise and the enhancement of our overseas securities business, both themes which I discussed earlier, will form the foundations of SMBC Group's sustained growth. We will increase

ROE from both the numerator and denominator by ensuring that our growth strategy produces the desired financial results and applying firm discipline to improve capital efficiency.

In addition to increasing shareholder value from a financial perspective, we will leverage our non-financial assets to increase SMBC Group's corporate value over the medium to long term. First, in order to consistently increase the value of personnel, data, and other assets that are not shown on our balance sheet, we will accelerate investments in digitalization and human capital. Then, we will engage with all our stakeholders after maximizing disclosure of ESG and other non-financial information, in order to minimize information asymmetry. We will strive to realize the sustained growth of SMBC Group's corporate value by providing greater information transparency, so that investors are able to forecast SMBC Group's performance with greater confidence, and by decreasing the cost of shareholder's equity.

***SMBC Group will contribute to the world's fulfilled growth as we realize quantitative growth that is accompanied by heightened quality.***



## Take Care of the Matters at Hand and Wait for an Opportunity to Present Itself

I would like to conclude this year's message by sharing with you the thoughts of Liu Bei, a famous historic figure during the Three Kingdoms Period of China. He stressed the importance of carefully taking care of matters that you can actually control and patiently waiting for an opportunity to present itself. When I was rereading my favorite book the other day, I felt this applied to SMBC Group's situation right now.

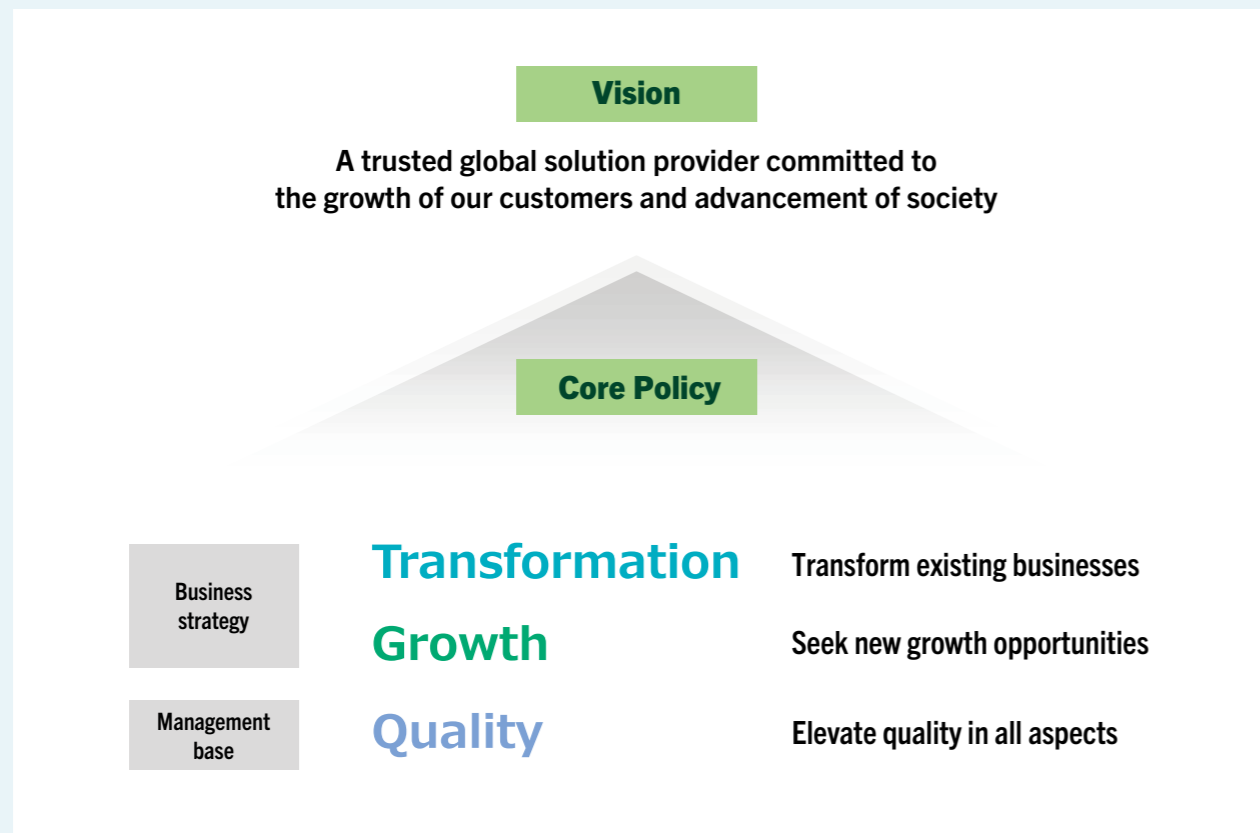
Although we are seeing a gradual recovery from the COVID-19 pandemic, the global

macroenvironment remains highly volatile due to Russia's invasion of Ukraine and a number of other factors. Furthermore, we are also facing climate change, digitalization, and other irreversible paradigm shifts. In terms of internal matters, it is imperative for SMBC Group to regain any loss of customer trust or confidence that may have resulted from the recent incident in our Group as quickly as possible. In such an environment, we will enhance our governance and other internal control frameworks while at the same time

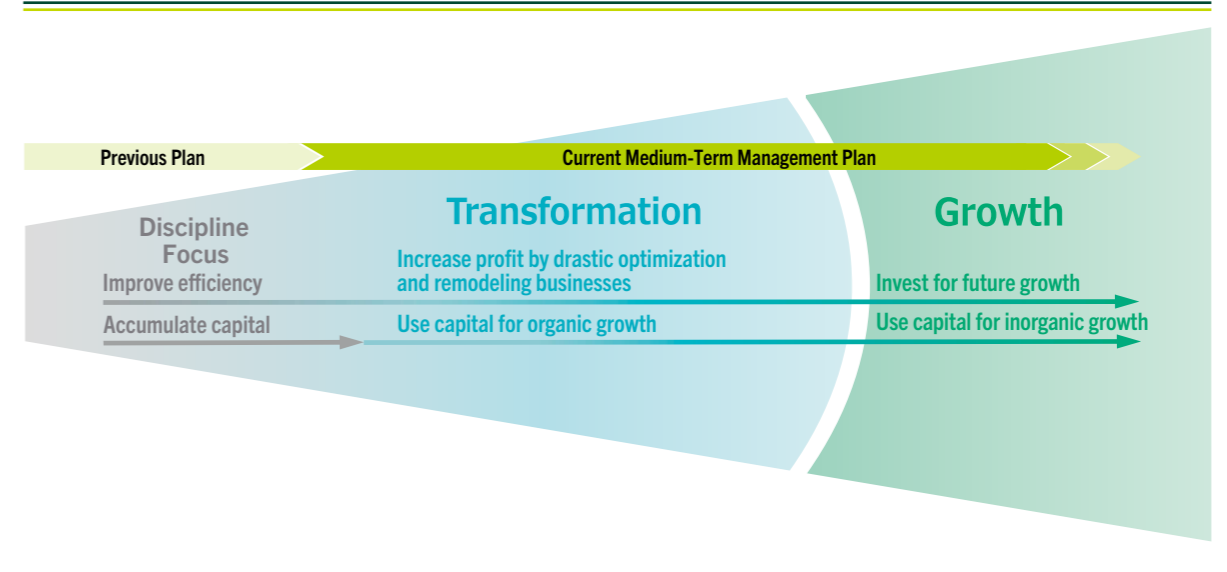
building an even stronger business portfolio by improving capital, asset, and expense efficiencies.

SMBC Group will contribute to the world's fulfilled growth as we realize quantitative growth that is accompanied by heightened quality by patiently gathering our strength and consistently capturing new business opportunities. I would like to ask for the continued support and understanding of all our stakeholders as I stand at the forefront of SMBC Group's more than 110,000 employees in our efforts to realize this vision.

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



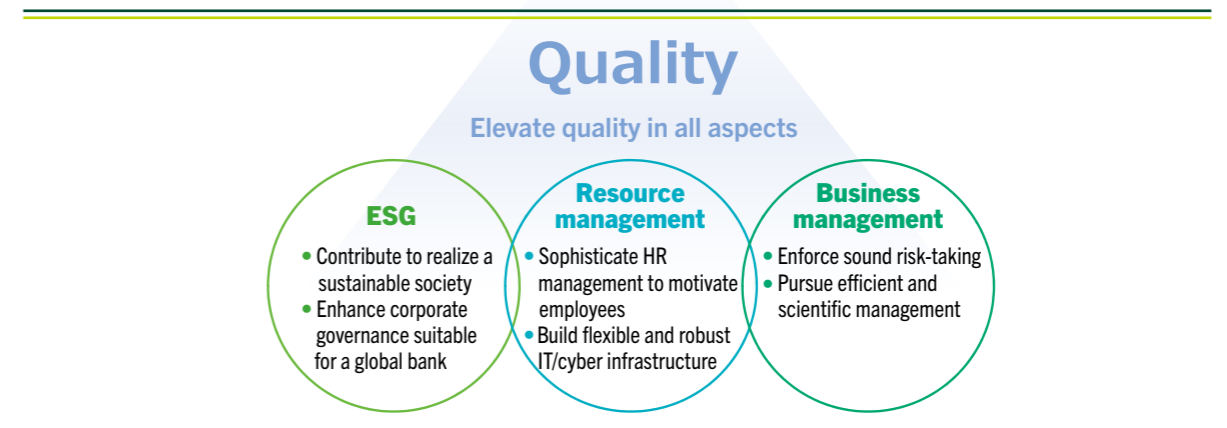
## Business Strategies – Transformation & Growth –



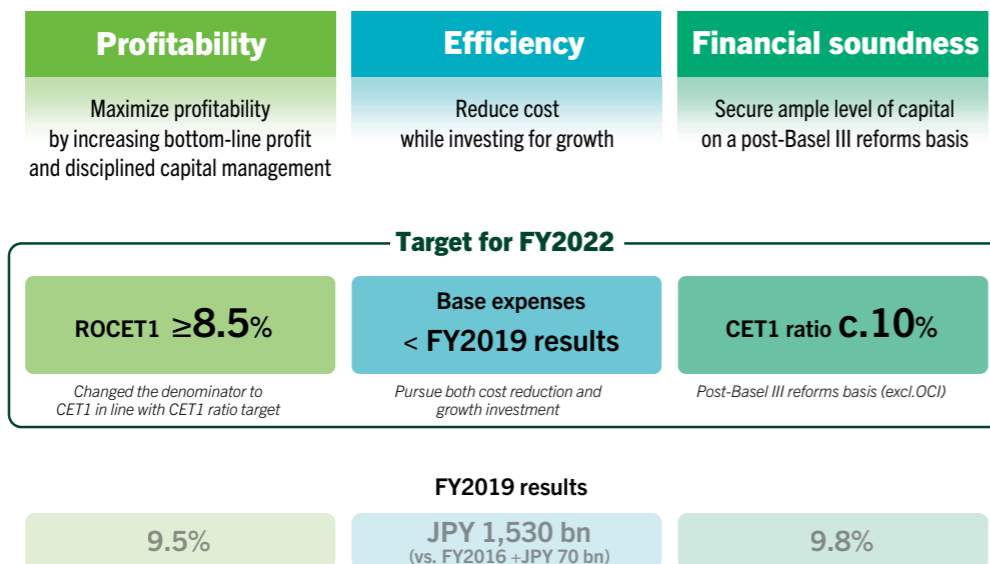
## Seven Key Strategies



## Management Base – Quality –

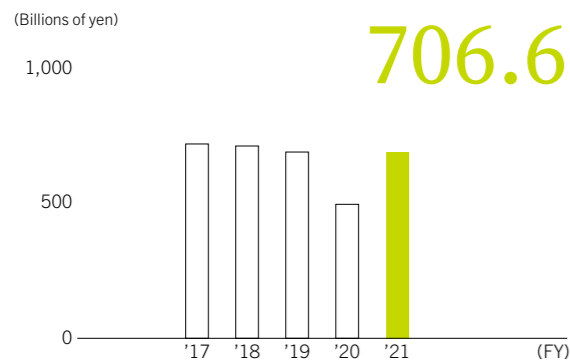


## Financial Targets



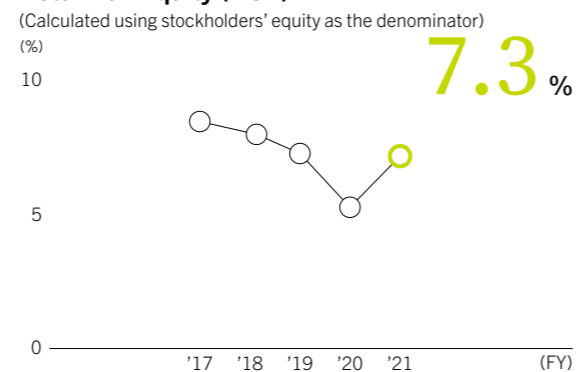
## Financial Highlights

### Profit Attributable to Owners of Parent



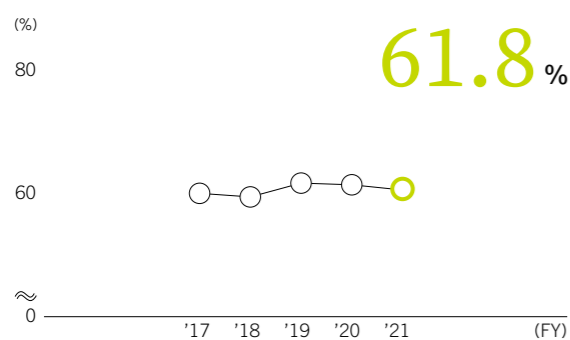
Despite a certain degree of negative impact from the conflict in Russia and Ukraine, consolidated gross profit increased due to strong growth in the Retail, Wholesale, and Global Business Units and increased gains from sales of strategic shareholdings.

### Return on Equity (ROE)



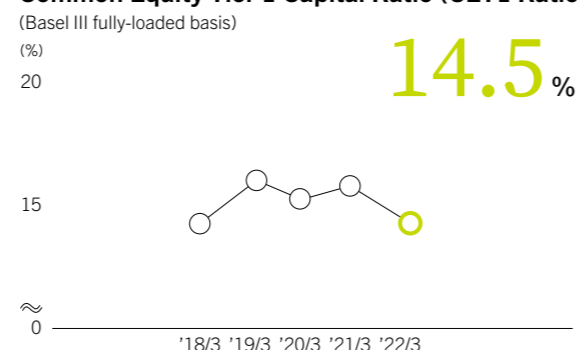
An increase in consolidated net business profit, decrease in total credit cost and increased gains on stocks led to a significant year-on-year improvement in profit attributable to owners of parent.

### Overhead Ratio (OHR)



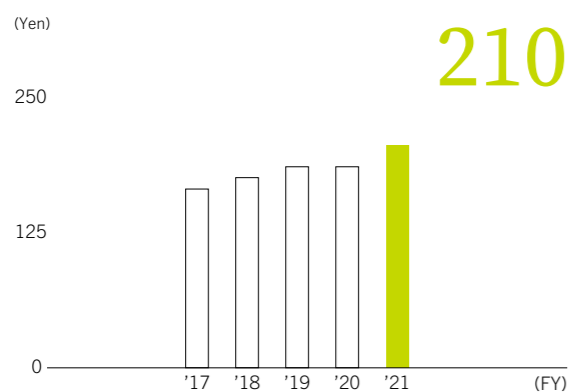
Business expenses decreased year-on-year mainly because of successful group-wide cost control initiatives, despite recovery of spending after the COVID-19 pandemic and depreciation of the yen.

### Common Equity Tier 1 Capital Ratio (CET1 Ratio)



While CET1 ratio decreased from the previous fiscal year due to the promotion of inorganic strategies and a decrease in unrealized gains on other securities, we continue to maintain a level higher than required.

### Dividend per Share of Common Stock



To enhance shareholder returns as we presented in the Medium-Term Management Plan, we increased the FY2022 dividend forecast by ¥10 to ¥200 per share.

### Credit ratings (As of June 30, 2022)

	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		Green Bond Issuance	
Target	FY2021 Result	Target	FY2021 Result
¥20 trillion <small>(From FY2020 to FY2029)</small>	¥7.5 trillion	one issuance or more/year	one issuance



#### Community

Retail Deposits in Asia	
Target	FY2021 Result
x3 <small>of Dec. 2019 (By Dec. 2022)</small>	x2.5



#### Next Generation

Financial Literacy Education	
Target	FY2021 Result
1.5 million <small>(from FY2020 to FY2029)</small>	298 thousand



#### Human Resources

Female Managers		Childcare Leave (Male)*	
Target	FY2021 Result	Target	FY2021 Result
20% <small>(By FY2025)</small>	17.0%	100%	100% <small>* Figure is for SMBC.</small>



## MESSAGE FROM GROUP CFO

## We will deliver steady growth by bringing the Medium-Term Management Plan to a strong conclusion while increasing corporate value by further improving capital efficiency and proactively disclosing information

On February 24, 2022, Russia invaded Ukraine. At that time, very few people had imagined that Russia would launch a full-scale invasion of Ukraine. There was approximately one month left in our fiscal year, and my attention had already started to turn towards FY2022. Suddenly, I was faced with a slew of unforeseen issues that had to be addressed by the end of March. I instructed

my team to take the necessary financial measures after carefully considering the scope of the arising issues while disclosing the status of our Russia business in a proactive, timely manner as part of our efforts to reduce the market's concern. SMBC Group was the first Japanese financial group to disclose details of its Russia exposure, an act for which we received positive feedback from investors and



Toru Nakashima  
Group CFO & CSO  
Director Senior Managing Executive Officer

analysts. I also carefully considered if our initiatives in their existing state were appropriate given the increased uncertainty in our business environment, for example, rising global inflation and interest rates.

Although March was a very hectic month, when I look back over the entire FY2021 it was a year in which I was able to confirm that our business was steadily recovering from the enormous impact of COVID-19 and that we had returned to our originally planned trajectory of growth. As Group CFO, I have also paid close attention to whether the management resources allocated under the Medium-Term Management Plan were producing the anticipated results. As Group CSO, I have carefully reviewed the initiatives established under the seven key strategies based on our core policies of "Transformation and Growth" while reviewing and revising our digital and green initiatives, and those related to other accelerating trends, to ensure they

are being carried out at an appropriate pace. In addition, we have laid foundations for our future growth by making several investments for inorganic growth.

As a result, in our financial results for FY2021 we were able to generate strong growth in bottom-line profit while putting aside sufficient capital buffers as a precautionary measure. Unfortunately, the performance of our stock price throughout the year was by no means satisfactory. While the uncertain business environment will continue in FY2022, not only will we achieve the final financial targets established under the Medium-Term Management Plan, we will also plant the seeds of further growth with the next Medium-Term Management Plan in mind and enhance our capital efficiency, which includes accelerating the reduction of our strategic shareholdings so that we can improve our PBR.

## Progress of the Medium-Term Management Plan

### (1) Overview of FY2021 Results and Targets for FY2022

Although increased credit costs and impairment losses stemming from our aircraft leasing business due to the Russia-Ukraine conflict had a negative impact of approximately ¥100 billion on profit attributable to owners of parent for FY2021, we were still able to generate a final figure of ¥706.6 billion. This number not only exceeds our FY2020 result by ¥193.8 billion, it also exceeds the revised target we announced when releasing our financial results for the first half of FY2021. The key factors behind this were strong growth in consolidated net business profit thanks to the recovery of business activities from the disruptions of COVID-19, and the steady execution of initiatives established under the Medium-Term Management Plan by our Business Units, in addition to a major increase in gains on stocks due to the sale of strategic shareholdings.

For FY2022 we have set targets of ¥1,235 billion for consolidated net business profit and ¥730 billion for profit attributable to owners of parent. These numbers are in line with our promise made at the time of the Medium-Term Management Plan's release to increase consolidated net

business profit by ¥100 billion and increase bottom-line profit by a minimum of 10% during the next three years, excluding one-time factors. Increasing net consolidated business profit by more than ¥80 billion on a year-on-year basis in this uncertain business environment is a very challenging target, but by no means an impossible one given the steady recovery of economic activities from COVID-19 and the steady progress of the Medium-Term Management Plan's initiatives. In terms of credit cost, loan loss provisions, including forward-looking ones, in relation to our Russia exposure are at this time deemed sufficient. As Group CFO I will strive to achieve our goal of ¥730 billion for profit attributable to owners of parent for FY2022 to bring our Medium-Term Management Plan to a strong conclusion.

	Results FY2021	YoY	Target FY2022
(JPY bn)			
Consolidated net business profit	1,152.9	+68.9	1,235
Total credit cost	274.4	(86.1)	210
Ordinary profit	1,040.6	+329.6	1,060
Profit attributable to owners of parent	706.6	+193.8	730

MESSAGE FROM GROUP CFO

**Financial Impact of the Russia-Ukraine Conflict**

In FY2021, increased credit costs and impairment losses stemming from our aircraft leasing business due to the Russia-Ukraine conflict had a negative impact of approximately ¥100 billion on our bottom-line profit.

For our aircraft leasing business, we booked impairment losses equivalent to approximately half the book value of the leased aircraft, resulting in a negative impact on consolidated net business profit of ¥47 billion. We are processing insurance claims in order to minimize the impact of the said impairment losses on our financials.

In terms of credit cost, we booked costs of ¥75 billion (equivalent to more than 30% of our exposure to Russian borrowers). This figure includes a buffer in case of further deteriorations in the creditworthiness of impacted customers.

In FY2022, we will pay careful attention to developments in the conflict and take necessary actions in a timely manner considering the volatility of the situation; upside scenarios resulting from a de-escalation in the conflict, and further downside scenarios are both possible.

We are producing solid results for our three financial metrics established in the Medium-Term Management Plan to measure profitability, efficiency, and financial soundness. We will continue to focus on business efficiency when conducting business operations.

**(2) Seven Key Strategies**

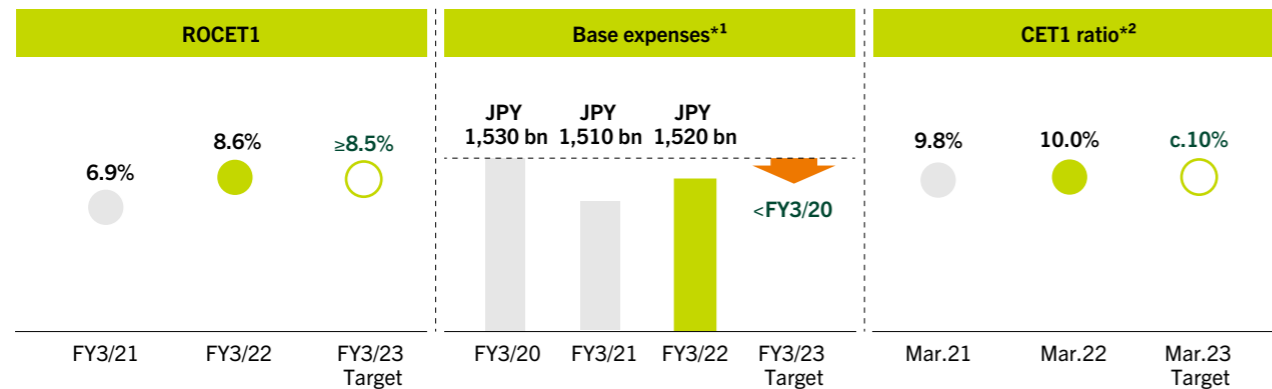
In addition to the prolonged impact of COVID-19, we are experiencing a number of other scenarios, such as the Russia-Ukraine conflict and rising global inflation, that we did not foresee when planning the current Medium-Term Management Plan. However, these events, rather than requiring fundamental changes to our Plan, have in fact accelerated anticipated trends. We must bring our various initiatives to an early conclusion so that we do not fall behind.

In FY2021, we focused on addressing new customer needs that were arising in a post-COVID-19 world while implementing initiatives to address issues that had become visible in the changing business environment.

For example, in our wealth management business SMBC Group companies worked closely together to strengthen our product design capabilities, approach to customers, and online sales. In our payment business, we captured the growth of the cashless payment market by focusing on expanding the customer base of “stera,” our cashless payment platform, and issuing next-generation credit cards. In addition, in our domestic wholesale business there was increased demand for solutions to address issues in business restructuring, real estate business, and other needs which became apparent due to COVID-19, while in our overseas business we introduced products offering high margins in order to enhance capital and asset efficiencies.

We are also carrying out initiatives aimed at realizing medium- to long-term growth by concluding investments and partnerships in our Asia retail business, overseas

**Financial Targets**



\*1 G&A expenses excluding cost related to investment for future growth, revenue linked variable cost and others  
 Fixed Exchange rate at USD1=JPY105  
 \*2 Post Basel III reforms basis, excludes net unrealized gains on other securities

securities business, and other traditional areas of focus. We will first focus on bringing each investment’s PMI to a successful conclusion, and expect these investments to contribute to SMBC Group’s revenue stream during the next Medium-Term Management Plan.

By steadily carrying out such initiatives we will ensure that we will reach the various final year targets of the Medium-Term Management Plan while laying the foundations for our next three years of growth.

**(3) Cost Control**

We initially committed to reducing base expenses by ¥100 billion during the current Medium-Term Management Plan by executing three key initiatives: “Reform of domestic businesses,” “Retail branch reorganization,” and “Integration of Group operations.”

Our various cost control initiatives progressed smoothly with a reduction in base expenses of ¥86 billion being realized over the FY2020-FY2021 period. We realized a reduction of workload operations equivalent to that of

3,900 full-time staff due to digitalization and an increased focus on operational efficiency, and we completed the transition of selected domestic banking offices to branches that focus exclusively on individual customers one year ahead of schedule. COVID-19 accelerating the digital shift had a material impact on the above efforts. We have now upwardly revised our base expense reduction target to between ¥130 billion and ¥140 billion.

At the same time, by procuring funds via additional cost reductions and strategically investing those funds in digitalization and overseas businesses, I want to not only streamline our business model, but also create a positive environment of growth by ensuring that initiatives aimed at generating topline growth are allocated the necessary resources. Investments in IT are absolutely essential when considering future enhancements in efficiency and potential revenue growth that can be generated. We will invest in developing new businesses and enhancing our resilience by allocating funds secured by minimizing the maintenance costs of existing systems and increasing FY2022’s investment fund by ¥30 billion.

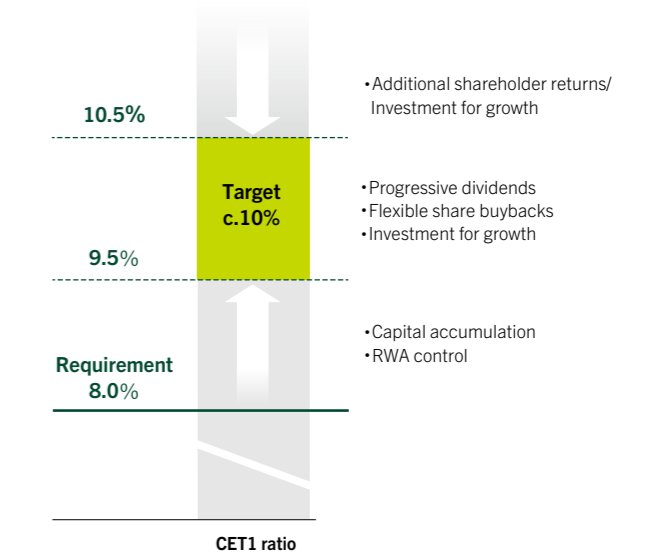
**Capital Policy**

**(1) Basic Capital Policy**

Our basic capital policy is to secure financial soundness and take a balanced approach to enhancing shareholder returns and investing for growth. Our CET1 ratio target, a metric we use to measure financial soundness, has been set at approximately 10%. Please note that this figure is calculated taking into account the full implementation of Basel III reforms and excludes unrealized gains on securities. Achieving a 10% CET1 ratio would provide us with a buffer of 2%, a level that allowed us to maintain the required 8% ratio under a variety of stress scenarios.

Up until the end of FY2021, we placed the utmost priority on supporting the liquidity needs of our customers in and outside of Japan who had been adversely affected by COVID-19, leading us to set our CET1 ratio in the range of 9.5% (±0.5%), a 0.5% decrease due to COVID-19 associated credit. Given that as of the end of March 2022 our CET1 ratio had recovered to 10.0%, in FY2022 we will return to our original mindset of managing our capital at a CET1 ratio of approximately 10%.

**CET1 Ratio Target**



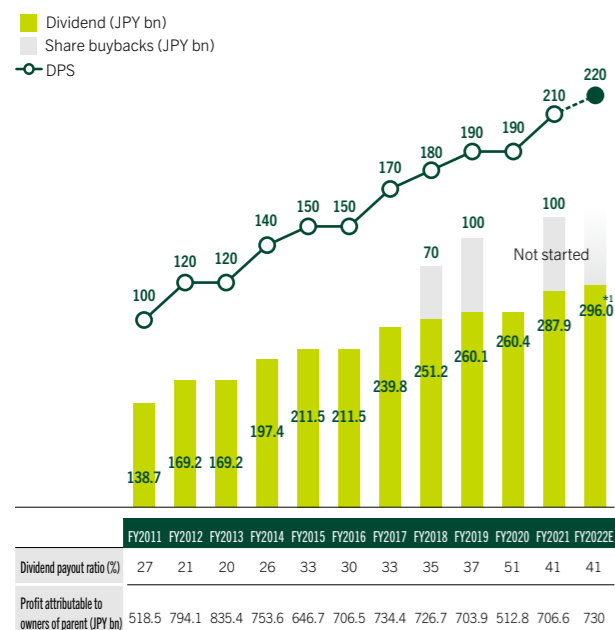
MESSAGE FROM GROUP CFO

(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 current Medium-Term Management Plan, we aim to achieve a dividend payout ratio of 40%. To keep this promise we increased our FY2022 dividend forecast by ¥10 to ¥220, resulting in a dividend payout ratio of 41%. Although our dividend payout ratio for FY2020 exceeded 40% due to a decrease in bottom-line profit caused by COVID-19, in the final year of our current Medium-Term Management Plan I am delighted to reach our promised dividend payout ratio along with the expected profit levels.

On the other hand, we announced a ¥100 billion share buyback in November 2021. However, the buyback has yet to be executed given uncertainties arising from the SMBC Nikko Securities case. We will promptly execute the buyback as soon as we determine that share buybacks are appropriate. Furthermore, we refrained from committing to new share buybacks in FY2022 due to the Russia-Ukraine conflict, rising inflation, changes in countries' monetary policies, and other uncertainties in the global economy's outlook. We will continue paying close attention to developments in FY2022 to determine if a new share buyback is appropriate.

Shareholder Returns



\*1 After executing share buyback announced in Nov.21

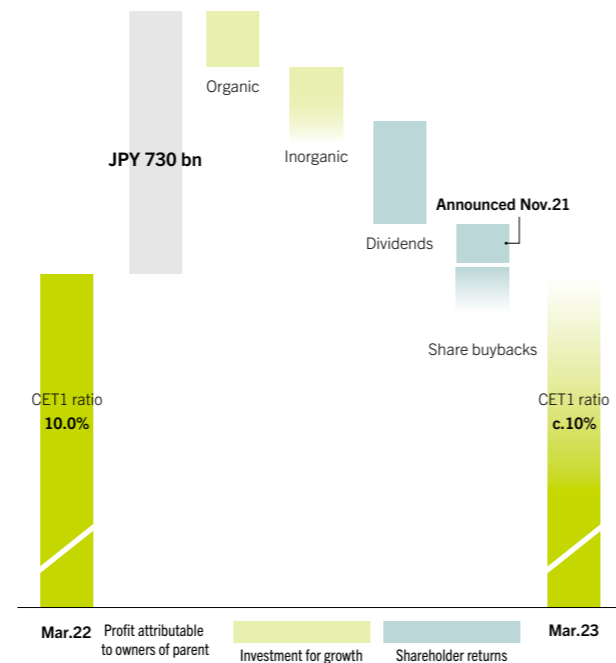
(3) Investment for Growth

"Growth" is a core policy of the current Medium-Term Management Plan. This core policy represents our commitment to pursue quantitative growth that is accompanied by heightened quality from both organic and inorganic perspectives, by ensuring adequate funds are allocated to growth areas.

FY2021 happened to see a number of inorganic transactions come to a close. During the year we made public announcements in quick succession regarding investments and partnerships with Fullerton India in India, FE Credit in Vietnam, RCBC in the Philippines, and Jefferies in the United States. However, I would like to stress the fact that we decided to proceed with these deals only after carefully considering whether they would lead to sustained growth based on our investment criteria: "Fits with our strategy," "ROCE1 ≥ 8.5% after synergies," and "Risk is manageable." The focus of our investments continues to be "Investments with high capital/asset efficiencies" and "Investments that contribute to the creation of a business platform to realize medium- to long-term growth."

In Asia, as part of our Multi-Franchise Strategy we acquired stakes in local financial institutions in India, Vietnam, and the Philippines, in addition to our existing investments in Indonesia, with the aim of establishing a 2nd and 3rd SMBC Group in the region. These investments are the foundations of our future growth in these countries.

Capital Allocation



Our overseas securities business is unfortunately a business in which we have lagged behind our competitors. As a possible solution, we concluded a strategic capital and business partnership with Jefferies, a major full-line US securities firm. We commenced collaborations in Sub-IG, global M&A, and healthcare sector. We have already closed a number of deals as a result of these collaborations.

In FY2022, we announced the acquisition of Goshawk Management (Ireland) by SMBC Aviation Capital. Through the acquisition we expanded our fleet to approximately 1,000 aircraft and gained access to a new client base. We also announced a capital and business alliance with SBI Holdings for digital financial services for individuals.

Given the quick succession of these inorganic deals, many investors questioned whether SMBC Group was devoting an excessive volume of resources to investment for growth. Given that timing plays a key role in determining whether to proceed with such investments, there will be cases, such as the one we have just experienced, in which multiple deals are executed within a short period of time. Having said this, there will also be periods in which no inorganic investments are made. We will strive to realize sustained growth by nimbly pursuing opportunities in the short-term and striking a balance with share buybacks in the medium- to long-term.

Communicating with Our Stakeholders

It is during times like this, when our business environment is plagued by uncertainty and subject to sudden and material change, that it is vital we disclose information regarding areas of stakeholders' interest in a timely, proactive, and easy to understand manner. SMBC Group executed multiple inorganic deals in rapid succession in FY2021. It is very important that we clearly explain our medium- to long-term plans and continue to provide timely updates on the status of those plans so that our stakeholders understand our overall strategy and goals. While working to improve ROCE1 and ROE by further improving capital efficiency, we will enhance shareholder value by reducing capital costs by minimizing financial and non-financial information asymmetry through the enhancement of our information disclosure efforts.

In FY2021, for the third consecutive year SMBC Group received the top award in the banking category of the annual Award for Excellence in Corporate Disclosure presented by the Securities Analysts Association of Japan. I take great pride in the recognition we have received, and we will face the various opinions of our stakeholders with

(4) Reducing Strategic Shareholdings

In FY2020, we established a goal to reduce our strategic shareholdings by ¥300 billion over a five year period. Over the past two years, we have succeeded in reducing our strategic shareholdings by ¥122 billion. FY2021 saw a considerable acceleration in our negotiations with customers regarding the reduction of strategic shareholdings with the Tokyo Stock Exchange's reorganization of its existing market structure and the increasing penetration of Japan's Corporate Governance Code acting as strong tailwinds. In addition, we are on pace to reduce our strategic shareholdings by ¥181 billion by the end of March 2022 as we are holding unsold shares valued at ¥58 billion for which we have already obtained the customers' consent to sell.

The reduction of strategic shareholdings is also a very important facet of our capital policy, as it reduces stock price fluctuation risk. We will do our best to reduce strategic shareholdings while ensuring that we continue to engage in close communications with customers as we strive to achieve our target ahead of schedule.

sincerity and humility so that we can further refine our efforts.

Engaging in constructive discussions with investors and analysts is one of my key responsibilities as Group CFO. Such discussions provide us with valuable opportunities to learn, and to recognize matters that had previously escaped our attention. In FY2021, we held theme-specific meetings in response to heightened interest in SMBC Group's efforts in areas such as investment for growth, shareholder returns, and sustainability. We also received valuable feedback through our regular meetings and IR events.

I will share such feedback with our Board of Directors and senior management team, and will respond directly at IR events or communicate the feedback to the relevant business units so that they are able to reflect the feedback in their initiatives. Through such efforts I believe that we can further enhance communications with stakeholders, and I want to use the enhanced communications to help increase SMBC Group's corporate value and realize our sustained growth.

Special Contents

**Our Inorganic Strategy to Realize Sustainable Growth**

**Inorganic Strategy Overview**

SMBC Group has positioned its inorganic strategy as one of its key strategies to accelerate further growth of the Group's businesses, as well as the creation of new businesses for the next generation. We have been working to increase corporate value and strengthen the services offered to our customers through investments and acquisitions. Going forward, we are aiming to make more strategic and effective use of investments and acquisitions to achieve sustainable growth even in the VUCA era characterized by changing global economic trends and customer needs, responses to climate change and an intensifying competitive environment. The Business Development Department was established in 2020 with the aim of enhancing M&A process and executing consistent strategy through the accumulation of highly specialized knowledge, and consolidating the functions required for advancing an inorganic strategy that were previously scattered across SMBC Group.

**Investment Targets**

When considering investments, we look at two main targets: "investments for creating future platform" and "investments with high asset and capital efficiency that is expected to promptly contribute to profits." In FY2021, we have executed projects that will contribute to building a business platform for medium- to long-term growth, including our retail business in Asia and our securities business in the United States. In May 2022, SMBC Aviation Capital announced the acquisition of Goshawk Management (Ireland) which applies to our second investment target.

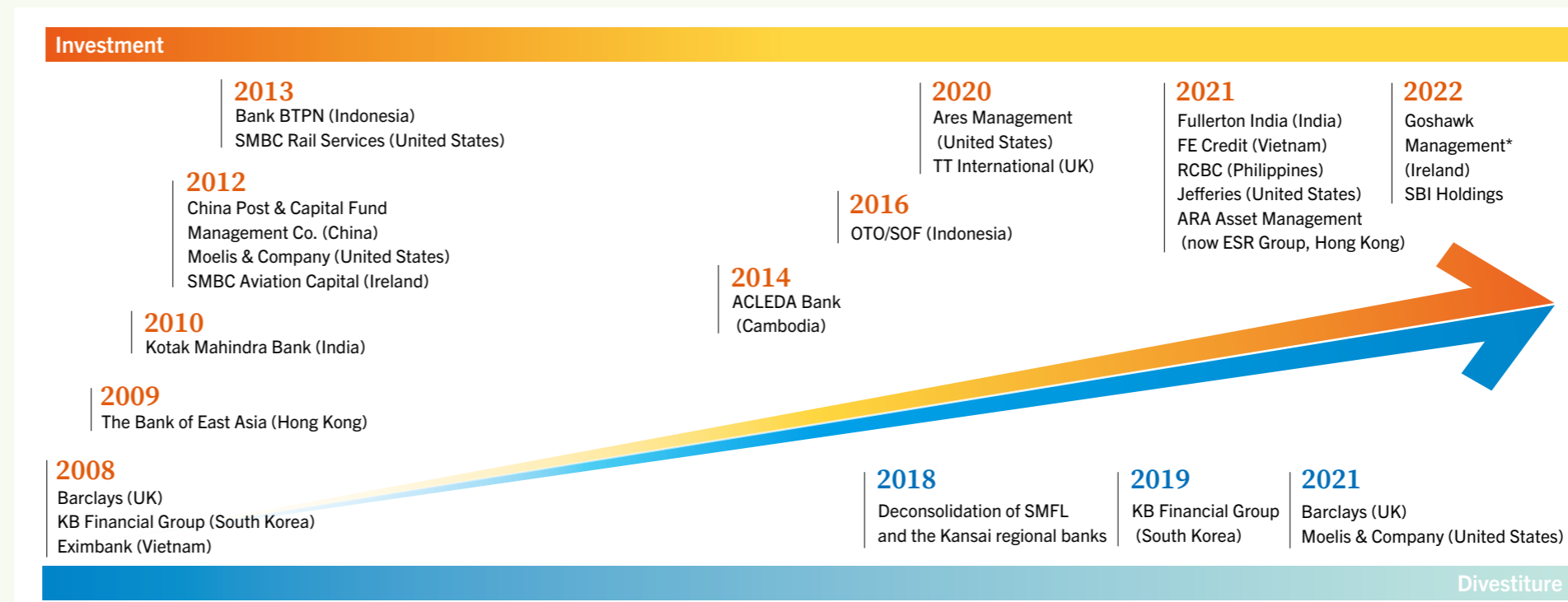
Risk is manageable. We strive to take a disciplined approach to identify and scrutinize investment opportunities following thorough discussions with outside directors and the CxO department.

**Post-investment Initiatives**

The success or failure of inorganic strategy is determined by how quickly plans drawn up at the time of investment can be put in place once the investment is made. While making maximal use of strengths and unique characteristics of the investee, we work to further enhance corporate value through synergies with SMBC Group.

**Investment Criteria and Disciplines**

Under the Group's basic capital policy of balancing the allocation of capital between shareholder returns and investment for growth premised on ensuring financial soundness, we have established three criteria for investment: (1) Fits with our strategy, (2) ROCET1 ≥ 8.5%, and (3)



\* Expected



## Expansion of Our Multi-franchise Strategy in Asia



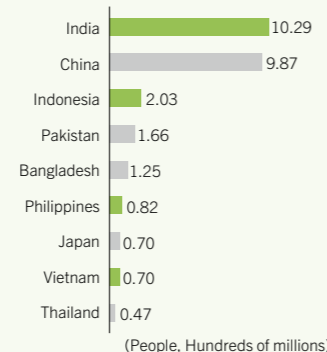
Since 2013, under the slogan “Asia-centric,” SMBC Group has strengthened its Asia business as a key strategy. Through entry into full banking operations, including retail banking, and business rooted in local economies, we have been pursuing multi-franchise strategy to create a second and third SMBC Group.

In Indonesia, one of the main target countries of this strategy, we invested in Bank BTPN, a local commercial bank, in 2013, and in 2019, we made it a consolidated subsidiary and merged with PT Bank Sumitomo Mitsui Indonesia to transform it into a full-line commercial bank. With Bank BTPN at its core, it provides a wide range of one-stop financial services, from services to retail customers to SMEs and large enterprises.

Subsequent business development efforts in the Asia region following Indonesia are India, Vietnam and the Philippines, countries which are expected to have a high potential for economic growth, and which are targets for the Group’s multi-franchise strategy. In these countries, in addition to existing transactions with large corporations, we have made investments in local financial institutions that can serve as a foundation for SME and retail-oriented business in the past fiscal year. Together with the trusted local investees, SMBC Group aims to contribute to the regional economy through the expansion of its business platform in each of the markets in Asia.

### Working-age population supporting economic growth

Projected population between 15 and 65 years old (2030)



### High economic growth

Projected average annual growth in GDP per capita (2021-30)



In India, we acquired a 74.9% equity stake in Fullerton India, a major local non-bank with a customer base composed of mainly SMEs, business owners, and middle class individuals, and made it a consolidated subsidiary in November 2021.

With approximately 10,000 non-banks competing in India, the market for SME and retail-oriented business is at a high level in terms of size, profitability, and growth potential. In this market, Fullerton India is one of the top-ranked firms in terms of scale of assets, maintaining a network of more than 650 offices throughout the country.

It provides services tailored to each four segments; urban, rural, digital, and housing finance. It has strength in customer acquisition, especially in rural areas.

Going forward, we intend to increase corporate value through the creation of synergies, such as increasing loan balances by leveraging SMBC Group’s customer base, strengthening its fund-raising capabilities, sharing insights and improving operational efficiency, as well as further strengthening SMBC Group’s Indian business and pursuing growth of its profits.



## Message

from CEO

### A Long-Term Growth Story Together with SMBC Group

I strongly believe that successful businesses are built on a foundation of strong vision and values. Fullerton India’s vision and values, over the years, have been strikingly similar to that of SMBC Group.

Over the last 16 years, our India franchise has grown to serve customers in the underserved towns and villages, displaying highest levels of integrity, committed to excellence and agility.

SMBC Group’s investment is timely and opportune, as the Indian economy and our business has made a strong recovery from the pandemic. We have a great opportunity to partner in India’s long-term growth story in consumer and MSME lending, leveraging off SMBC Group’s global banking expertise. We are committed to growing our franchise stronger and deeper, serving mass-market and MSME customers in our Urban, Rural, Digital and Home Finance businesses.



Shantanu Mitra, CEO of Fullerton India



**Vietnam**  
FE Credit

In Vietnam, SMBC Consumer Finance acquired a 49.0% equity stake in FE Credit in October 2021, making it an equity method affiliate.

FE Credit is the largest consumer finance company in the industry, with a network of more than 20,000 locations in Vietnam, offering unsecured loans and credit cards. With a market share of approximately 50%, the company has an overwhelming customer base and is a well-recognized brand in Vietnam.

UBank, launched in 2020, is a mobile application that allows one-stop financial transactions on a smartphone. The company has also demonstrated its strength in the digital field by acquiring a broad customer base by meeting the need to avoid in-person interactions due to the COVID-19 pandemic. FE Credit is further accelerating the expansion of its business areas through customer referrals from its service partners and through cross-selling.

Going forward, through partnership with FE Credit, we are examining the provision of a variety of financial services, including sales finance, in cooperation with Japanese corporate clients who are expanding into Vietnam or who are planning to do so.

SMBC Consumer Finance and FE Credit, top players in consumer finance in Japan and Vietnam respectively, will furthermore share and utilize each other's insight to further strengthen their businesses.



**Message**

from CEO

**Working with SMBC Group to Innovate Financial Markets through Digitalization**

Vietnam is a promising market in which personal financial services are expected to expand on the back of a growing working population and an expanding middle class with a strong willingness to spend.

We use digital technology to provide safe, low cost and universal financial services, with a focus on personal and retail markets. Through collaboration with SMBC Group, we will continue to offer innovative solutions to Japanese customers operating in Vietnam, and as a market leader, we will also focus on financial education to achieve sustainable business growth and to contribute to society.



Kalidas Ghose, CEO of FE Credit



**Philippines**  
RCBC

In the Philippines, we acquired 4.9% equity stake in a major local bank RCBC in June 2021, starting a new partnership.

RCBC is a local commercial bank established in 1960, and as of 2021, ranks 6th in terms of scale of assets among private banks in the country. The bank also actively transacts with Japanese companies, and has the largest Japan Desk of any local bank, creating an environment conducive to collaboration.

In recent years, it has received strong evaluations from external evaluators for its proactive initiatives in advanced fields such as digital banking services for customers without bank accounts and digitalization of branches in its retail business, and issuance of ESG bonds and the Philippines' first "green deposits" in its wholesale business.



**Message**

from CEO

**Enhancing Financial Services through Partnership with SMBC Group**

We welcome SMBC Group as our new shareholder at a pivotal moment in our bank's history. These are extraordinary times, and we are happy to have SMBC Group as a partner in providing financial services to key customer segments—Top corporations, Japanese corporations, SMEs, and the mass affluent retail market.

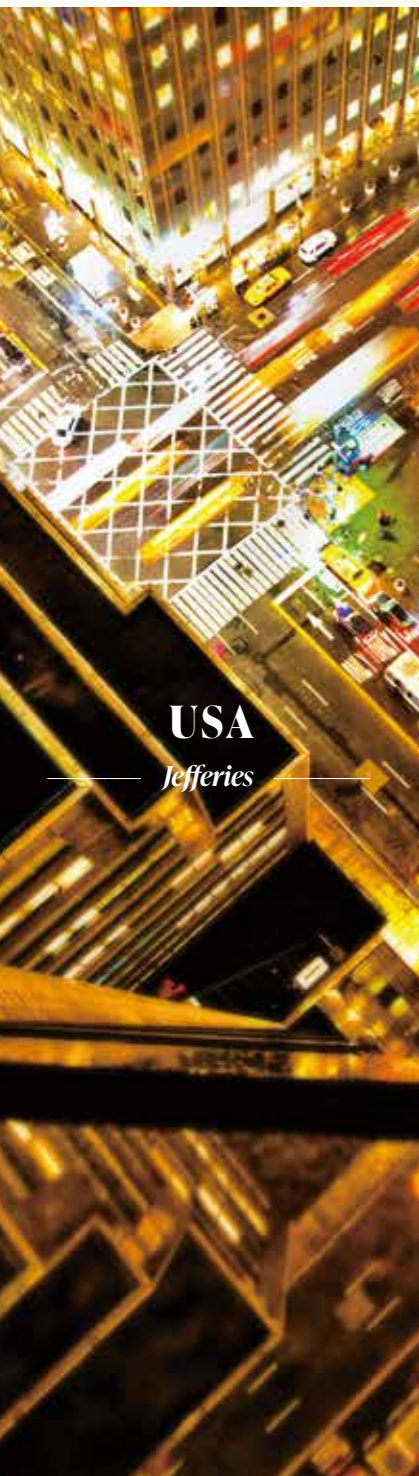
The partnership with SMBC Group will accelerate RCBC's plans to provide the best customer experience in retail banking, consumer finance and digital banking. Collaboration efforts between our two banks have already started with value creation expected in the coming year, using new and innovative business models.

Equally important to us is the shared commitment to contributing to the future generations with our joint focus on sustainable finance.



Eugene S. Acevedo, CEO of RCBC

## Accelerating the Strengthening of Our Overseas Securities Business



The Medium-Term Management Plan sets out “Enhance overseas CIB business to improve asset/capital efficiency” as a key strategy. One of our top priorities has been to strengthen our overseas securities business, with a focus on initiatives to strengthen our business organically.

Against this backdrop, in July 2021 SMBC Group entered a strategic capital and business alliance with Jefferies, the largest independent securities firm in the United States, and is working to strengthen its securities and investment banking business in the world’s largest capital market, the United States.

Jefferies is one of the leading securities firms in the United States, offering a wide range of services from securities and investment banking services to wealth management and asset management. In particular, the firm has a strong track record in cross-border M&A, equity underwriting in the United States and Europe, and leveraged loans in the United States, as well as a global trading franchise and a diversified alternative asset management platform.

Combining Jefferies’ advanced solutions and advisory capabilities in the capital markets with SMBC Group’s long-standing customer network and financing capabilities, we have entered into partnership in three areas to meet the sophisticated financial needs of both company’s customers in a timely manner.

The first area of partnership is business for sub-investment grade (Sub-IG) companies in the U.S. By leveraging Jefferies’ strength in its Sub-IG corporate client base, we will

expand transactions with customers that SMBC Group could not access on its own through joint underwriting of leveraged loans and collaboration in ECM and DCM deals.

The second is cross-border M&A business. We aim to provide higher value-added solutions by combining Jefferies’ global investment banking services with SMBC Group’s customer base and knowledge of the Japanese market.

The third is “business for the U.S. healthcare sector.” We aim to capture investment banking deals which we could not in the past by combining Jefferies’ strength in industry-leading coverage with SMBC Group’s customer base and balance sheet.

We have already built up a track record of joint underwriting leveraged loans in business for Sub-IG companies, and are steadily advancing our collaboration in cross-border M&A and healthcare.

Going forward, we will continue to expand our collaboration in areas where we can leverage our respective strengths, and provide financial services that contribute to the growth of our customers’ global businesses as a global solutions provider.

## Expansion of Aircraft Leasing Business



SMBC Group has positioned the aircraft leasing business, with its high asset and capital efficiency, as a growth area against the backdrop of increasing global air passenger traffic. In 2012, we acquired our aircraft leasing business from The Royal Bank of Scotland, a major U.K. financial institution, and established SMBC Aviation Capital under the umbrella of Sumitomo Mitsui Finance and Leasing.

Through the subsequent integration of the Sumitomo Mitsui Finance and Leasing and Sumitomo Corporation joint venture in the aircraft leasing business and the Sumitomo Corporation aircraft leasing subsidiary, we have leveraged the strengths of SMBC Group and Sumitomo Corporation Group to establish ourselves as a market leader in the market.

In May 2022, we reached an agreement with the existing shareholders of Goshawk Management (Ireland), an aircraft leasing company headquartered in Ireland, for the company’s acquisition. In so doing, SMBC Aviation

Capital will establish an operating structure of 1,000 aircraft, including aircraft on order, and is expected to leapfrog to the second largest player in the industry.

With the worst of the COVID-19 pandemic now having passed, both demand for domestic flights in Europe and the U.S. and demand for international flights are on the road to recovery. In the long term, passenger demand is expected to continue to grow as a result of growing disposable incomes associated with GDP growth in countries around the world.

Through this transaction, we will provide a wider range of airline companies and domestic and international aircraft investors with more investment opportunities than ever by taking advantage of aircraft leasing and economies of scale to achieve sustainable growth of the aircraft leasing business and to improve asset and capital efficiency.

## Strengthening the Asset Management Business

The asset management business is at the core of one of the seven key strategies in our Medium-Term Management Plan, “Enhance asset-light business on a global basis.”

Against a backdrop of rising asset-building awareness among individual investors and the difficulties faced by institutional investors in managing their assets, investors’ investment needs are increasing every year.

In Japan, two of the Group’s asset management companies were merged in 2019 to form Sumitomo Mitsui DS Asset Management Company. By bringing together the management insights of the previous companies and consolidating the Group’s management functions, we are building a system that can accommodate customer needs in a timely manner. In 2021, SMFL MIRAI Partners, a subsidiary of Sumitomo Mitsui Finance and Leasing, made Kenedix, a real estate asset management company, its subsidiary.

As a foothold for overseas expansion, in 2020 we made TT International, an asset management company in the U.K. with an established reputation for managing emerging market equities, a consolidated subsidiary. In addition, with the aim of acquiring knowledge of alternative asset management, a rapidly growing market, we invested in Ares Management Corporation, a top global player in private debt management in 2020, and ARA Asset Management (now ESR Group), a leading player in real estate asset management in Asia in 2021, to expand the investment management and product capabilities of the group as a business partner.

Through collaboration between Sumitomo Mitsui DS Asset Management Company and investees, we will provide optimized, professional investment management solutions, in tune with our customers’ ever-changing investment needs.



Round-Table Discussion with Outside Directors

## Reaching a New Stage as a Financial Conglomerate Through Investment for Growth

**Nakashima** Mr. Arthur M. Mitchel, Outside Director of Sumitomo Mitsui Financial Group, Ms. Eriko Sakurai, Outside Director of Sumitomo Mitsui Financial Group, and Mr. Isao Teshirogi, Outside Director of Sumitomo Mitsui Banking Corporation, have joined us today to discuss the vision that SMBC Group should be pursuing, with the focus being on the investment for growth we executed in FY2021. Thank you all for taking part in today's round-table discussion.

**Teshirogi** A year has passed since I was appointed as an outside director of Sumitomo Mitsui Banking Corporation. My impression during this time is that SMBC Group aggressively pursued investment opportunities to realize future growth. I was impressed that everyone was very familiar with the various processes, for example explaining the benefits, etc. of the M&A transaction to outside directors at Board of Director meetings.

**Nakashima** In FY2021, our investments exceeded ¥400 billion. This is only the second time in SMBC Group's history that such an amount has been used to fund acquisitions

in a single fiscal year. The first time was when we acquired SMBC Nikko Securities. If we look back at SMBC Group's M&A history, when Sumitomo Mitsui Banking Corporation was established in 2001 we announced our vision of becoming a financial conglomerate. Sumitomo Mitsui Financial Group was established the following year, and we engaged in M&A targeting domestic credit card companies, securities companies, and trust banks with the aim of expanding our businesses. It was never a case of only strengthening our core banking capabilities. We also proactively pursued overseas M&A opportunities and most recently, we acquired equity stakes in Fullerton India, FE Credit in Vietnam, and RCBC in the Philippines. We also entered into a strategic alliance with a U.S. firm Jefferies. As a result, while SMBC Group's overseas business at first only generated approximately 5% of the Group's total profit, our overseas business now generates approximately 30% of SMBC Group's total profit. The share of profit generated by SMBC Group's non-banking business has also risen from 20% to 40%. Could all of you kindly share how you evaluate SMBC Group's current business portfolio?

## Round-Table Discussion with Outside Directors

**Mitchel** SMBC Group is making steady progress towards transforming itself into a financial conglomerate. I believe the profit contributions of SMBC Group's overseas business and non-banking businesses will undergo further growth. SMBC Group has the potential to not only play an important role in the Japanese economy, but also the global economy. As such, I look forward to seeing SMBC Group expand its global presence. I believe that the strategic alliance with Jefferies is a very good investment, as it will provide SMBC Group with a valuable foothold to further grow its overseas business. Having said this, I would like discussions to take place regarding how SMBC Group as a whole will strengthen its finance capabilities.

**Sakurai** I have been especially vocal in voicing my opinions regarding SMBC Group's overseas M&A strategy since I was told the reason for the offer to be an Outside Director was to help strengthen SMBC Group's global strategy. Mr. Nakashima, who at that time was the General Manager of the Corporate Planning Department, may recall that I meticulously confirmed the logic behind SMBC Group's acquisition of Bank BTPN by adopting the tone of "Why Indonesia?," "Why BTPN?," etc. I wanted to confirm

***It is wonderful that SMBC Group has been able to expand its business portfolio in such a consistent manner.***



**Arthur M. Mitchel**

Outside Director,  
Sumitomo Mitsui  
Financial Group

the acquisition's consistency with SMBC Group's overall strategy. In other words, I wanted to confirm that executing the acquisition had not become the end goal. About five years ago, I asked Mr. Nakashima what sort of blueprints were being prepared for SMBC Group's global strategy. I believe SMBC Group's past M&A transactions are all consistent with the strategy that Mr. Nakashima kindly explained to me at that time. It is wonderful that SMBC Group has been able to expand its business portfolio in such a consistent manner.

**Teshirogi** When I look at SMBC Group's actions over the past few years, I can see that it is trying to proactively plant the seeds of its next stage of growth by capturing opportunities arising from growth in Asia. However, there is no guarantee

that all of SMBC Group's investments will be successful. Knowing when to step back is as important as knowing when to push forward. SMBC Group has proved its competence in this area through the past sale of its shares in Kansai regional banks and other arrangements. I look forward to seeing SMBC Group continue pursuing disciplined growth investments based on a clear set of investment criteria.

**Mitchel** I agree. Taking a disciplined approach is very important. However, given that the interests of numerous stakeholders often become intertwined with each other in an M&A transaction, the reality is that complying with set investment criteria is not an easy task. In the past, SMBC Group decided not to pursue an acquisition opportunity involving another financial institution. I feel that Japanese corporations often overpay in M&A transactions but, looking back, I feel that by walking away from that acquisition opportunity, SMBC Group was able to avoid such a situation. I believe that this case illustrates SMBC Group's ability to apply discipline to its M&A activities.

**Nakashima** Of course, we have also experienced certain challenges. For example, two years after making our initial investment in Bank BTPN we had to book impairment losses. From the lessons learned from this experience, we focused on strengthening M&A governance. For example, we engaged in a comprehensive review of our due diligence process. We also made improvements from an organizational perspective, such as establishing the Business Development Department two years ago. The Department acts as SMBC Group's M&A execution team. While there is still much room for improvement, the progress we have made would not have been possible without the input of our Outside Directors. I am very grateful for your advice.

**Sakurai** I believe that SMBC Group has developed a good management system. Regular reviews of past investments for growth are conducted at Board of Director meetings, allowing us to discuss methods to improve those investments. If I were to suggest going forward, it would be the execution of initiatives to further enhance the synergies generated

by SMBC Group's M&A activities. This holds the key to SMBC Group realizing further global growth.

**Teshirogi** When carrying out its inorganic strategy, SMBC Group must clearly explain its overall strategy to investees while ensuring they understand the type of culture SMBC Group values. No sense of unity or synergy will be born without first completing this step. How strongly and clearly SMBC Group's vision is communicated to investees is a key factor in determining the success of M&A transactions.

**Nakashima** With the ongoing relaxation of COVID-19 related travel restrictions, I will coordinate with our Group CEO to engage in face-to-face meetings with the overseas companies in which we have acquired stakes, to further deepen communication and mutual understanding.

**Sakurai** PMI is an essential part of maximizing the benefits that arise from merging with or acquiring a corporation. The long-term success of the M&A transaction will greatly vary depending on how well PMI is

carried out during the first few years following the transaction. In this regard, I believe that SMBC Group's PMI capabilities have undergone significant improvement with the establishment of the Business Development Department and the increasing number of staff who are well versed in the conditions of the investees' home country, especially in Asia.

**Mitchel** In order to successfully expand its business portfolio, SMBC Group must hire staff with the appropriate skill sets. When entering a new business or territory via M&A, SMBC Group should carefully consider what type of personnel it requires before deciding on its M&A target.

**Nakashima** I completely agree. For example, if we were to expand our presence in the U.S. investment banking sector, we would need to hire outside personnel. However, given SMBC Group's current global position and scale of operations, hiring top tier personnel in this sector would be challenging. As such, our strategic partnership with Jefferies holds great significance, given the large number of Jefferies' personnel who possess the necessary skill sets.

**Teshirogi** Since the topic of global reputation has been brought up, I would like to make a suggestion. During Board of Director meetings, SMBC Group's businesses would often be compared to those of other Japanese megabanks. Is this comparison still relevant? Shouldn't SMBC Group be comparing itself to global corporations? By adopting this



**Eriko Sakurai**

Outside Director,  
Sumitomo Mitsui  
Financial Group

## Round-Table Discussion with Outside Directors

**Given the uncertainty and the speed at which the world is changing, I believe that a company risks being completely left behind if it cuts back on investing for growth.**

approach, I believe that the mindsets of SMBC Group employees will start to change from being domestically oriented to globally oriented, and that external entities will also start to view SMBC Group as being a global financial firm.

**Sakurai** Selecting companies for comparison with SMBC Group will be important. The same topic was raised by another outside director of another company where I used to serve as an Outside Director. External entities now compare that company with global corporations, rather than other Japanese corporations.

**Nakashima** In the past, Japanese megabanks pursued similar strategies. As such, comparisons with each other had value. However, this

is no longer the case. As the two of you have both pointed out, we need to change. Thank you for raising this point.

**Teshirogi** SMBC Group is currently implementing its Asia strategy, focusing on Indonesia, India, Vietnam, and the Philippines. However, I believe that our attention should also be directed to other developing economies. Discussions should take place regarding which new country SMBC Group should enter based on the country's economic growth, expected return on investment, and the contributions that SMBC Group can make to the country's development and growth. SMBC Group's Outside Directors come from a variety of backgrounds, and I believe it is possible to obtain a diverse range

of views and opinions. As such, I would like SMBC Group to develop new markets, even though a degree of risk may be involved, by engaging in robust discussions in Board of Director meetings. In addition, I believe that further discussions are required regarding SMBC Group's strategies in developed countries. We should discuss and determine which sectors can be classified as growth sectors and how we can capture their growth.

**Sakurai** I serve as the head of the Sustainability Committee, and I feel that the role the financial sector must play in sustainability is changing. However, since no clear solution has been reached, I would like the Sustainability Committee to engage in such discussions. It is also important that we do not solely focus on the growth opportunities; we must also pay close attention to the risks involved. Given Russia's recent invasion of Ukraine, the ability to accurately determine geopolitical risk is becoming very important.

**Nakashima** We must be careful when analyzing geopolitical risk, as there is a material difference in the impact on SMBC Group's business based on particular country or territory in question. For example, we could forecast with a degree of certainty the impact of Russia's invasion of Ukraine on SMBC Group's business, which was fairly limited compared to our total profit.

**Sakurai** I hear that U.S. corporations are engaging in very detailed scenario planning for countries and regions that could have a significant impact

on their operations in the case of conflicts or etc. I am aware that SMBC Group has commenced such efforts, but I would like such scenario planning to be carried out with a greater sense of speed and urgency.

**Mitchel** I serve as an outside director at another firm, and they are also engaging in such discussions. In addition, as part of their long-term growth strategy they forecast the status of the market ten years from now, then back-cast to determine what sort of products and personnel are required. While it is easy for manufacturers to engage in such discussions, this is not the case for the financial sector. However, it is still necessary to think about the future shape of the financial sector.

**Nakashima** We are also engaging in such discussions, and they encompass a variety of scenarios. However, as Mr. Mitchel has stated, it is a challenge. Finance is a business that sustains the economy, so trying to predict the state of the financial sector ten years from now is very similar to trying to predict the state of the world ten years from now. However, just because this is the case does not mean that we do not have to try. Now, this slightly changes the perspective of our current discussion, but investment for growth is purely a method of applying our capital, and our capital policy is to balance the allocation of excess capital between investment for growth and shareholder returns. In my discussions with investors, I have repeatedly been told that SMBC Group's capital should be used to finance share buybacks, given that



**Toru Nakashima**

Group CFO & Group CSO,  
Sumitomo Mitsui  
Financial Group

our PBR is less than 0.5, rather than applied to investment for growth. What are your opinions regarding this matter? As this is the last topic for today's round-table discussion, please share with us your frank and honest opinions.

**Teshirogi** Given the uncertainty and the speed at which the world is changing, I believe that a company risks being completely left behind if it cuts back on investing for growth. However, the company must engage in discussions with its various stakeholders. SMBC Group must conduct even closer discussions with its shareholders and investors before proceeding with further investment, and carefully explain that each investment for growth it pursues is crucial to become a financial institution with a global presence.

**Mitchel** I agree. I believe that, as Group CFO, Mr. Nakashima needs to adopt the perspective of SMBC Group's shareholders and investors when speaking at Board of Director meetings and Management Committee meetings. Based on this approach, selected investments for growth will be investments for which

investors' understanding and support can be obtained.

**Sakurai** I have faced similar questions in my discussions with investors. As Mr. Mitchel commented, my response is that the investment opportunities were selected after careful discussions based on investors' perspectives. I don't support investments that would only improve the share price, rather than contributing to future growth. As such, I hope to see SMBC Group steadily carry out the growth initiatives that it has decided upon.

**Nakashima** Please continue to provide me with your frank opinions as I will use your suggestions to enhance the quality of our dialogue with shareholders and investors while incorporating them into our global strategy. Thank you for sharing your valuable opinions with us today.



**Isao Teshirogi**

Outside Director,  
Sumitomo Mitsui  
Banking Corporation

# 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



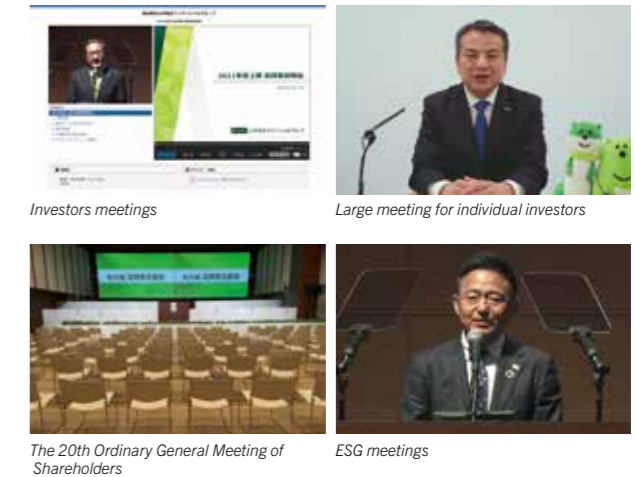
Stakeholder Type	Example Communication Activities
Customers	In-branch questionnaires, Customer satisfaction surveys, Call centers
Shareholders and the market	General meeting of shareholders, Investors meetings, One on one meetings
Employees	Opinion exchange meetings with top management, Employee surveys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



## 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 2021 Award for Excellence in Corporate Disclosure (ranked No. 1 in the banking industry) from the Securities Analysts Association of Japan for the third year in a row.

Even throughout the COVID-19 pandemic, we have endeavored to prevent declines in the quality of disclosure while taking steps to ensure safety. As one effort for this purpose, we have held briefings and individual meetings dual face-to-face and remote formats according to investors’ wishes.



## Activities in FY2021

General meeting of shareholders	Participants: 789*
IR meetings for institutional investors and analysts	14 meetings
One-on-one meetings with institutional investors and analysts	315 meetings
Conferences held by securities companies	5 conferences
Large meetings for individual investors	2 meetings

\* Including 563 viewers of simultaneous Internet broadcast

## Engagement with Employees

Various initiatives are being implemented to foster mutual understanding between employees and management.

For example, Group CEO luncheon was held 8 times in FY2021, in which employees from various Group companies participated. A lively exchange of ideas took place during the luncheon, with various new ideas being produced as employees talked about their dreams and goals.

We have continued to facilitate direct communication between management and frontline employees through venues such as town hall meetings and award ceremonies for internal contests.

In addition, the internal social media network, “Midori no Hiroba” (generally known as “Midoriba”) is being used enthusiastically, with even management actively commenting on employees’ posts.



## Engagement with the Environment and Society

SMBC Group participates in a range of initiatives in Japan and overseas, in order to “contribute to a sustainable society by addressing environmental and social issues.” For example, to resolve climate change issues, we participate and share our opinions in the working groups of global rule-making initiatives.

We also place an emphasis on dialogue with society by proactively disclosing our policies and initiatives to achieve sustainability.

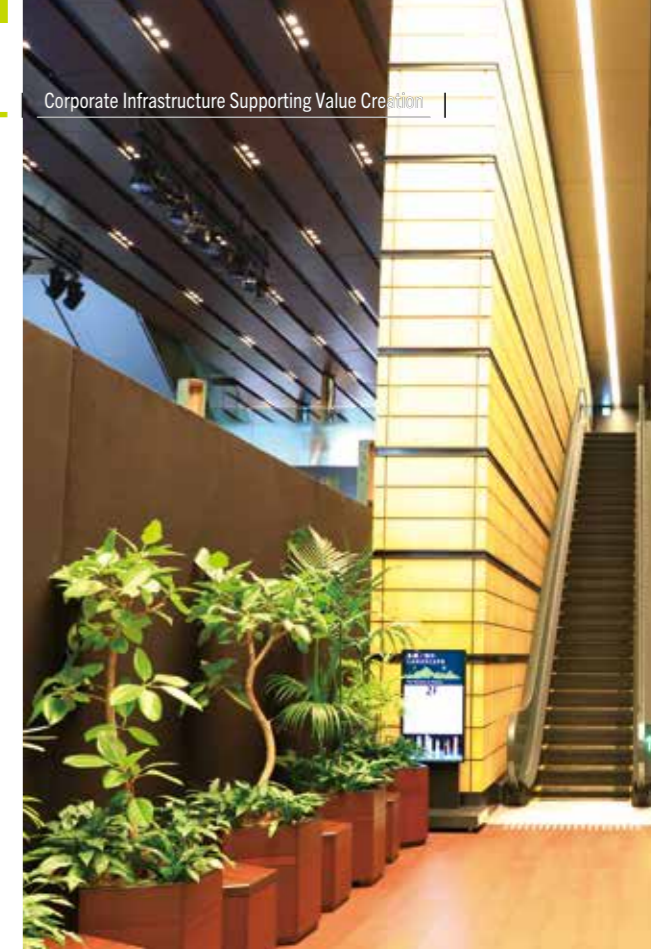
# BUSINESS STRATEGIES for CREATING VALUE

## Business Strategies for Creating Value

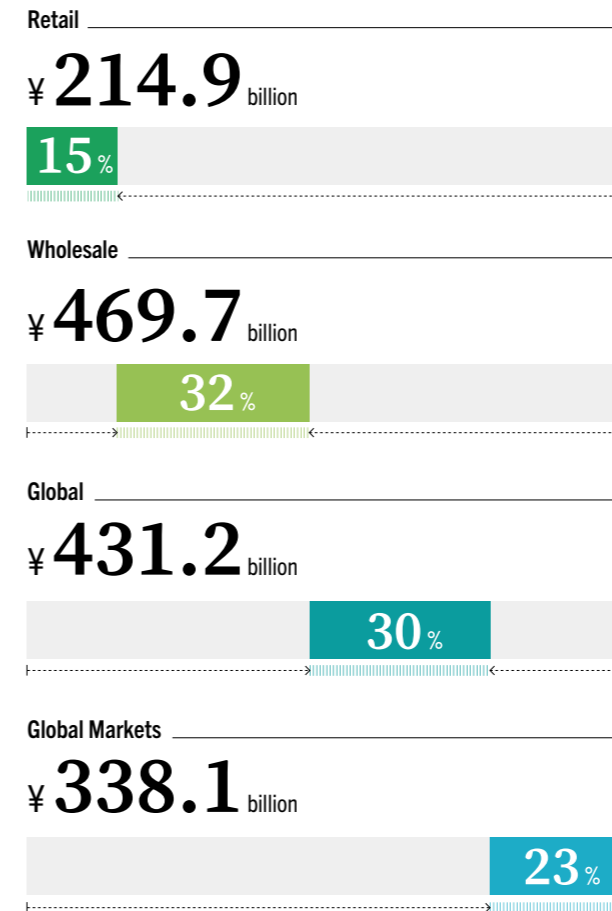
- 046 Group Structure
- 048 Retail Business Unit
- 052 Wholesale Business Unit
- 056 Global Business Unit
- 060 Global Markets Business Unit
- 064 Opening up the future of finance through digital
- 072 Creating Value through Sustainability Initiatives
- 084 Human Resource Strategies Supporting Value Creation







Net Business Profit by Business Unit in FY2021



## 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)		<b>CFO</b> Chief Financial Officer	<b>CSO</b> Chief Strategy Officer	<b>CRO</b> Chief Risk Officer	<b>CCO</b> Chief Compliance Officer	<b>CHRO</b> Chief Human Resources Officer	<b>CIO</b> Chief Information Officer	<b>CDIO</b> Chief Digital Innovation Officer	<b>CSuO</b> Chief Sustainability Officer	<b>CAE</b> Chief Audit Executive	

# 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.

## Takashi Yamashita

Senior Managing Executive Officer  
Head of Retail Business Unit



## Contribution to Consolidated Net Business Profit (FY2021)

¥ 214.9 billion



	FY2021	YoY*1
Gross profit (JPY bn)	1,146.9	+16.1
Expenses (JPY bn)	935.5	+21.4
Base expenses (JPY bn)	738.5	(1.9)
<b>Net business profit (JPY bn)</b>	<b>214.9</b>	(4.6)
<b>ROCET1*2</b>	<b>9.5%</b>	(0.3)%
<b>RwA (JPY tn)</b>	<b>12.7</b>	+0.2

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

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

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, backed by high-quality consulting capabilities and advanced payment and finance products and services.

In FY2021, as in the previous year, the COVID-19 pandemic continued to affect all businesses, but personal consumption and in particular service consumption recovered and the payments business grew beyond its pre-pandemic level. In the consumer finance business, consumer loan balance declined for the second consecutive year, but this situation is now reversing.

Customer mindsets and behavior have also undergone dramatic changes during the pandemic, including expanding use of cashless payments and digital technology, and growing preparation and inheritance-related needs accompanying the arrival of the 100-Year Life era. Against this backdrop, SMBC Group has been swift to implement measures to address changing customer needs, including consultation through digital and remote channels, introduction of SMBC Elder Program and the shift to 24/7 operation of SMBC Direct service.

In FY2022, the final year of the Medium-Term Management Plan, the Retail Business Unit will advance the main measures set out, namely to accelerate the expansion of the Group's customer base and earnings, as well as business structure reforms.

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. We are also strengthening our response to point-of-sale financing needs for consumer purchases, which are expected to continue to grow together with the Japanese cashless market.

SMBC is striving to supply high-value-added services, including non-financial services, that go beyond the scope of traditional financial institutions to support the smooth transfer of assets to the next generation.

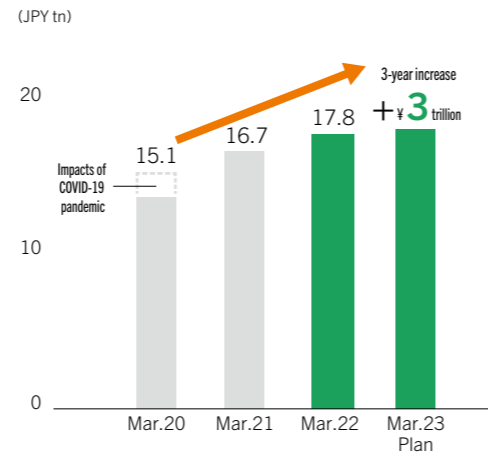
PRIORITY STRATEGY

1

**Sustainable Growth in Wealth Management Business**

In order to meet the diverse needs of our clients, including needs for high-level wealth management, inheritance and succession and business loans, we are providing “total consulting,” which goes beyond the frame of entities to draw on the strengths of the Group as a whole. We are expanding our product and service lineup, as well as our client base, for business owners and other high-net-worth individuals by enhancing coordination between the planning and front-office functions of our banks and securities companies. We are also meeting our customers’ inheritance needs by managing assets on a group-basis and promoting transactions with next generation customers. To meet the diversifying needs and demands of our customers in the 100-Year Life era, we are offering “SMBC Elder Program,” which includes not only financial services but also non-financial services such as health, security and meaningful lifestyles through a dedicated concierge. Going forward, we will continue to expand our services to support customers as they live longer.

**Balance of Fee-Based AUM**



PRIORITY STRATEGY

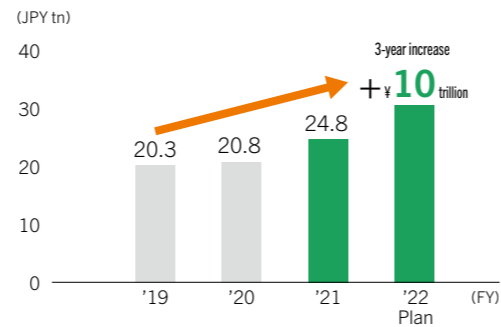
2

**Pursuit of No. 1 Position in Payment Service Business**

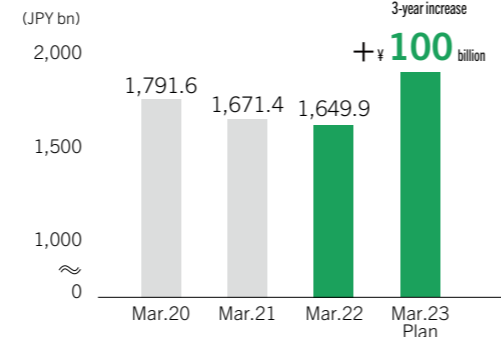
In the payments field, the COVID-19 pandemic has triggered the acceleration of the trend toward cashless payments and digitalization. SMBC Group will respond to this trend by delivering even more convenient services. For users, we are promoting high-security numberless cards and group-wide point services in order to accelerate improved convenience and growth of our customer base. For business operators, we seek to expand our market share as well as the scope of our business by promoting our next-generation payments platform “stera” and low-priced content subscription services.

As for consumer finance businesses, we aim to meet the financing needs of even greater number of customers by utilizing Group expertise to bolster product lineups.

**Sales Handled**



**Consumer Loan Balance**



PRIORITY STRATEGY

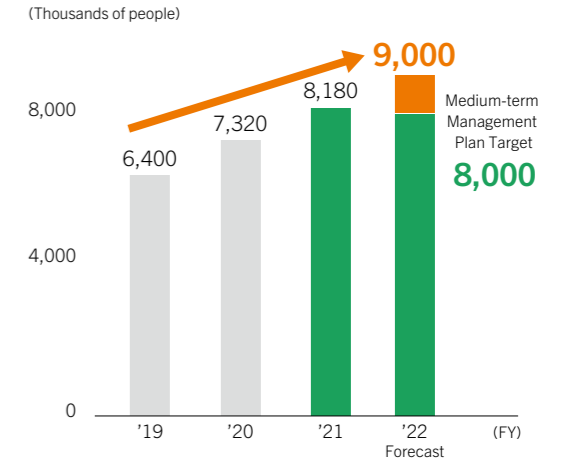
3

**Reinforcement of Consulting Businesses through Branch Reorganizations**

SMBC is pursuing “fast and customer-friendly service,” tailored to the changing needs and behaviors of its customers by increasing the number of procedures that can be completed digitally or remotely, and improving video chat functions. It is also strengthening its ability to respond to requests in-store through the use of in-store appointments, including, for example, providing high value-added consulting services tailored to customer needs after administrative procedures have been completed.

Through the development of joint branches shared by SMBC, SMBC Nikko Securities, and SMBC Trust Bank, we will provide one-stop service and achieve both greater convenience for customers and more efficient branch operations.

**Number of “SMBC Direct” Users\***



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

**Sustainability Initiatives**

In April 2022, we established “SMBC Family Works” in order to ease customers’ concerns about their future as we enter the 100-Year Life era.

Through applications, we will provide a platform for visualizing risk from the perspectives of “money,” “health” and “lifestyle,” support for monitoring family members, so that users can communicate with their family to consider specific preparations for the future.

In order to bring about a sustainable society, we select companies to invest in based on their ESG initiatives, and provide investment products that are focused on companies that aim to contribute to society. Going forward, we will continue to expand our range of investment products in order to respond to customers’ growing awareness of sustainability initiatives.

In terms of environmental initiatives, we are promoting the reduction of greenhouse gas emissions by offering special interest rates on personal loans for environmentally friendly housing, and accelerating transition to paperless operation through digital transformation.



# 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, payments, M&A advisory, leasing and real estate brokerage services through a Group-wide effort.

## Masahiko Oshima

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

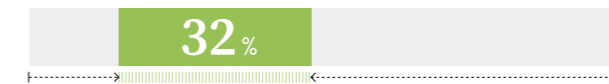
## Muneo Kanamaru

Senior Managing Executive Officer  
Co-Head of Wholesale Business Unit



## Contribution to Consolidated Net Business Profit (FY2021)

¥469.7 billion



	FY2021	YoY*1
Gross profit (JPY bn)	707.5	+50.5
Expenses (JPY bn)	303.6	+5.1
Base expenses (JPY bn)	296.6	+5.7
<b>Net business profit (JPY bn)</b>	<b>469.7</b>	<b>+58.4</b>
<b>ROCET1*2</b>	<b>10.4%</b>	<b>+3.7%</b>
<b>RwA (JPY tn)</b>	<b>31.1</b>	<b>+0.1</b>

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

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

Amid a persistently challenging operating environment, including Japan's negative interest rate policy, increasing competition, as well as the prolonged COVID-19 pandemic, the Wholesale Business Unit has strived to increase asset efficiency by mustering the collective strength of SMBC Group to deliver sophisticated solutions and carry out operations with an extensive focus on profitability.

In FY2021, we came together as a united group to address the management issues and needs facing customers who are under pressure to transform their businesses amid great changes to social structures and environments. Our approach entailed supplying an array of solutions for business reorganization, real estate business, cashless and payment services and decarbonization. By proposing ideas in step with the times, we have been able to create a number of opportune businesses, and the Wholesale Business Unit's net business profit have increased significantly as a result.

In FY2022, the final year of the Medium-Term Management Plan, we expect to see further acceleration towards achieving a decarbonized society, the trend toward digitalization and cashless payments, and review of our business portfolio triggered by the conflict between Russia and Ukraine. SMBC is working to create new businesses together with our customers by promoting approaches with greater sector knowledge to address our customers' increasingly complex and sophisticated management issues.

In addition, we are further increasing the allocation of management resources to growth fields to create and hone an "edge" for the Group. Going forward, we will further bolster our keen ability to make proposals, our speed, and pioneering spirit, to provide high-value-added solutions that contribute to sustainable growth of SMBC Group and its customers, and to the development of the Japanese economy.

PRIORITY STRATEGY

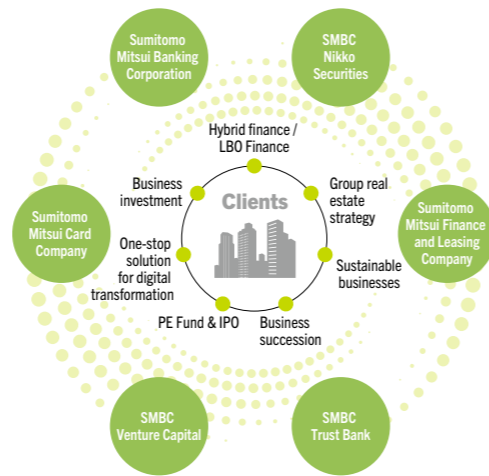
1

**Creating and Honing a Group Edge**

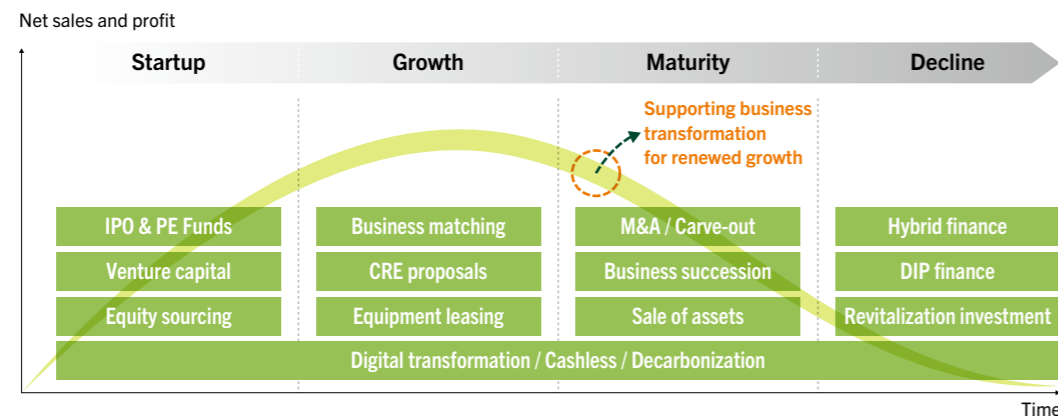
The disruption to supply chains caused by the prolonged COVID-19 pandemic and the conflict between Russia and Ukraine have further increased the business reorganization, financial improvement and corporate revitalization needs of our customers. The Specialized Finance Department, newly established in April 2021, will play a central role in strengthening our ability to provide solutions on a Group-basis to respond to these needs, such as hybrid finance and corporate revitalization investment. Meanwhile, we will allocate management resources to real estate businesses while bolstering coordination between Group companies to strengthen our ability as a Group to propose solutions and support our customers' CRE strategies. Further allocation of management resources to these growth fields will allow us to construct a business structure able to provide top-tier solutions.

Following the revision to the Banking Act in 2021, SMBC Capital Partners will enter the business of majority investment in industrial companies as a new business. In the medium- to long-term, we are forecasting a bottom line of ¥15 billion, and are accelerating our efforts to achieve the next stage of growth, including leading the restructuring of both growing and established

companies, and taking on the challenge of fostering industries. Continued pursuit of these new challenges will create and hone our edge as a group.



**Solutions for Each Companies' Life Stage**



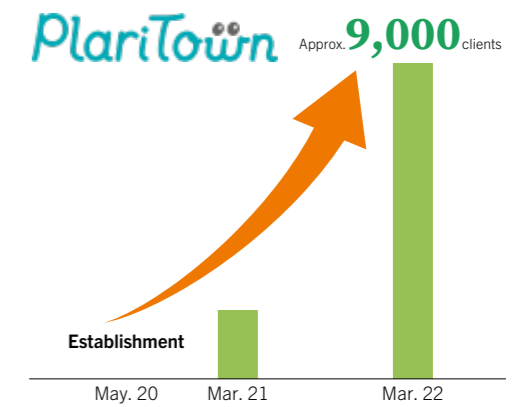
PRIORITY STRATEGY

2

**Corporate Digital Solutions**

Customers' digital innovation and digital transformation needs continue to grow, not only among large companies as it has been up to now, but also among mid-sized companies and SMEs. When considering specific initiatives, however, many customers are unsure of where to begin. The Group Solution Promotion Department has therefore been established to help provide one-stop services for the Group companies' digital solutions. Through tailor-made solution proposals, expanding the PlariTown corporate digital platform services, promoting cashless payments and developing business matching services through Biz-Create, we aim to support the digitalization of mid-sized companies and SMEs and to create new business opportunities.

**Number of Registered Companies**



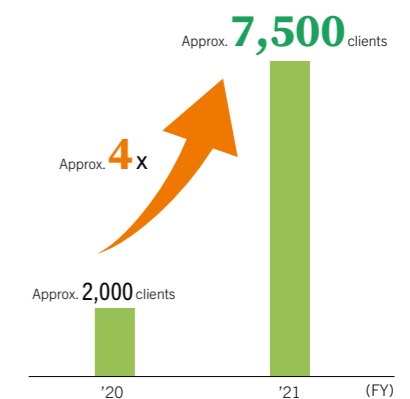
**Sustainability Initiatives**

The Sustainable Business Promotion Department, established in April 2020, is working to support customers' sustainability and SDGs initiatives, and to co-create businesses with a view to develop a sustainable society. The rapid expansion of interest and initiatives involving the SDGs and decarbonization among customers has led to an almost four-fold increase in the number of engagements with customers compared to the previous year, and we have further provided approximately ¥1.5 trillion in sustainability-related financing in Japan.

In April 2022, the Sustainable Solutions Department was newly established to bring together sustainability-related functions and knowledge at the group level, strengthen our ability to respond to environmental and social issues, and to promote engagement with customers to support their decarbonization initiatives.

We are aiming to become a global solutions provider that meets our customer's various sustainability-related needs by developing and promoting various types of sustainable finance, by providing services such as "Sustana" cloud service for calculating and visualizing greenhouse gas emissions, and by supporting customers in solving their sustainability-related management issues.

**Number of Engagements**



# 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.

## Tetsuro Imaeda

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

## Akihiro Fukutome

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



## Contribution to Consolidated Net Business Profit (FY2021)

¥431.2 billion



	FY2021	YoY*1
Gross profit (JPY bn)	872.0	+72.4
Expenses (JPY bn)	461.3	+42.8
Base expenses (JPY bn)	440.7	+35.8
<b>Net business profit (JPY bn)</b>	<b>431.2</b>	+22.8
<b>ROCET1*2</b>	<b>6.9%</b>	+1.0%
<b>RwA (JPY tn)</b>	<b>40.9</b>	+2.8

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

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

**F**Y2021 presented an extremely challenging business environment, with the Russian invasion of Ukraine at the end of February adding to ongoing effects from the COVID-19 pandemic, but the group as a whole was able to make steady progress with the main initiatives of the Medium-Term Management Plan. Specifically, in order to strengthen our overseas securities business, we entered into a capital and business alliance with Jefferies Financial Group, a general brokerage firm in the U.S., and, with a view to expanding our Asian financial franchise, we have made a number of acquisitions and partnerships that will form a pillar of future growth, including investments in non-banks in India and Vietnam and in a commercial bank in the Philippines. We are also focusing on enhancing governance, while in the Americas, we are strengthening the functions of the bank holding company's board of directors. In terms of performance, continued increases in revenue and profitability since FY2020 were achieved through successful initiatives involving products benefitting from inflows into the fund.

We will continue to focus on the priority measures in FY2022, the final year of the Medium-Term Management Plan. In the CIB Business, which combines banking and securities operations, we are strengthening our sector approach and deepening collaboration with Jefferies. In the Asian financial franchise, we are accelerating our growth strategy by focusing on post-merger integrations through the newly established "Asia Business Development Division." We are also taking on the challenge of digitalization in an expanded range of regions and fields.

Through these efforts, we will drive the sustainable growth of SMBC Group. At the same time, we are also establishing a framework to support this growth, i.e., strengthening group governance and building corporate infrastructure in anticipation of complex environmental changes including climate change and the circumstances in various countries.

PRIORITY STRATEGY

1

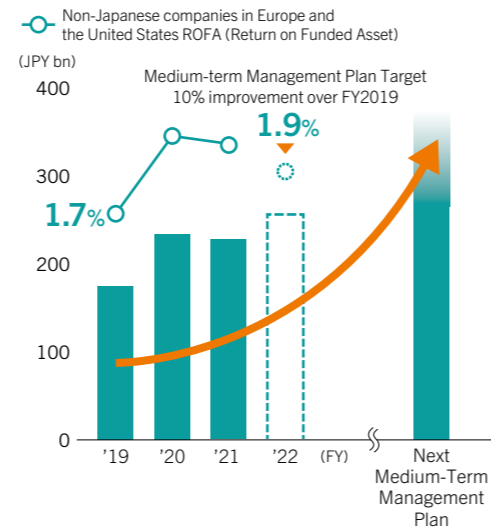
Enhancement of CIB Business

We are enhancing the CIB Business, in a unique manner, by taking a sector approach and leveraging our global network to capture deals. We will provide high value-added financial services that respond to customers' challenges, such as financial strategy and product proposals, and will seek to expand cross-selling. Product lineups will be expanded in businesses with funds seeing brisk inflows.

Collaboration with Jefferies has already resulted in the execution of a number of LBO deals, and we look forward to further expanding the scope of our collaboration. We have also strengthened our bond sales and trading operations in the U.S. by increasing headcount and capital in order to develop our investor-oriented business.

Through these efforts, we aim to create an even more profitable and efficient business model.

Gross Profit in Corporate Investment Banking Business\*1



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

PRIORITY STRATEGY

2

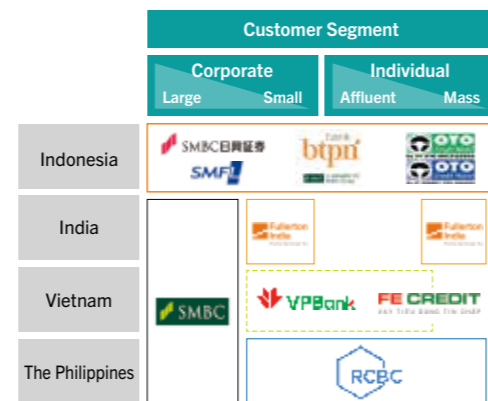
Initiatives in Growth Areas

We are developing our financial franchise in Asia through investments. The newly established Asia Business Development Division will implement smooth post-merger integration, including establishing governance structures, in the companies in which we invest, and accelerate our growth strategy.

In asset management, we are working together with our business partners Ares Management Corporation in the U.S. and ESR Group in Hong Kong to further expand our fields of business as a group, with a particular focus on Asia.

Bank BTPN has added functions to its mobile banking service "Jenius" to improve its convenience, including credit card, mutual fund, and insurance sales functions, and has launched digital services for small and medium-sized enterprise customers. We are working to increase the added-value of our services through digital measures not only in Indonesia but also in various other regions and businesses.

Expansion of Financial Franchise in Asia



PRIORITY STRATEGY

3

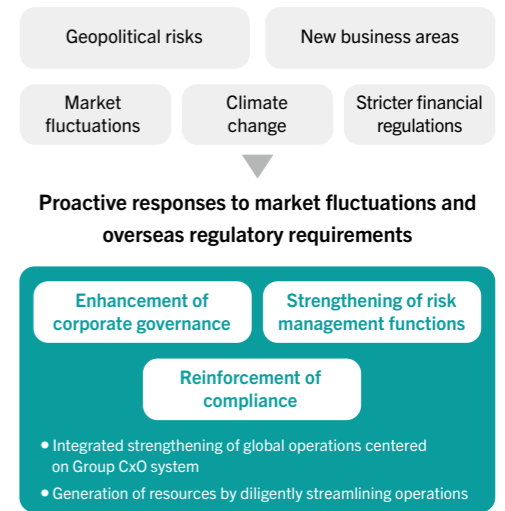
Further Enhancement of Management Foundations

To support business expansion, we are prioritizing resource allocation to strengthening governance, risk management, and compliance systems.

In the U.S., bank holding company is enhancing its board of directors' functions by, for example, ensuring a majority makeup of outside directors. A CxO system was also introduced to create a structure for unified and appropriate management of the business in the U.S., which encompasses a variety of business areas.

In Germany, our bank and securities companies will merge to become a universal bank. The company will work as one to strengthen regulatory compliance and governance.

Continuing to strengthen the management foundations of SMBC Group is essential to the global expansion of our business and to achieving sustainable growth.



Sustainability Initiatives

Dedicated sustainability teams in each region are working together at the global level to strengthen the ability of SMBC Group as a whole to make proposals and to provide solutions.

In October 2021, the Group originated an approximately US\$1.25 billion sustainability-linked loan to a major LNG provider in the U.S. The terms of the loan will vary according to efforts to visualize and reduce greenhouse gas emissions throughout the customer's entire supply chain. Going forward, we will be providing services to support our customers' energy transition efforts. We are also working to expand our product lineup, including green deposits. We have been successful in these efforts, and in FY2021 we attained a high presence in green loans in particular, and ranked first in the global league table.

We are also striving to provide a wide range of financial services accessible to all customers. In Indonesia, we are providing loans to low-income women through BTPN Syariah, while in India, Fullerton India is providing microfinance in rural areas.

	Financial institution	Share
1	SMBC	8.6%
2	Standard Chartered Bank	7.9%
3	Credit Agricole	6.1%

Source: Dealogic Ltd. (FY2021)

# 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.

## Masamichi Koike

Senior Managing Executive Officer  
Head of Global Markets Business Unit



## Contribution to Consolidated Net Business Profit (FY2021)

¥ **338.1** billion

23%

	FY2021	YoY*1
Gross profit (JPY bn)	390.6	(71.2)
Expenses (JPY bn)	92.3	+5.2
Base expenses (JPY bn)	89.4	+5.5
<b>Net business profit (JPY bn)</b>	<b>338.1</b>	(72.3)
<b>ROCET1*2</b>	<b>15.5%</b>	(3.4)%
<b>RwA (JPY tn)</b>	<b>5.8</b>	(0.5)

\*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).

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 level 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, to discern the underlying essence of world affairs.

In FY2021, supply has been unable to keep up with recovering demand in countries emerging from the COVID-19 pandemic, resulting in higher-than-expected inflation worldwide. Central banks in many developed economies have shifted their policies towards curbing inflation, producing a sharp rise in interest rates and a destabilization of financial markets. Amidst these circumstances, we have ensured profitability through flexible rebalancing, in combination with controlling risk in both equities and bonds. At the same time, we maintained stable foreign currency funding to meet the funding needs of customers. Meanwhile, in sales & trading, we sought to develop a full understanding of customer needs so that we could address these needs by providing optimal solutions.

The current market environment features a variety of surfacing risk factors, including geopolitical risks, and mounting uncertainty about the future. In addition, customer needs continue to become more diverse, as indicated by the advancement of the digitalization trend and growing interest in social issues. FY2022 will be the final year of the Medium-Term Management Plan, and we will continue to read current and future market trends to create solutions that customers choose. Accordingly, the Global Markets Business Unit will continue to dedicate ourselves to facing the markets sincerely, with an even greater commitment to contributing to the growth of customers and of SMBC Group.



PRIORITY STRATEGY

1

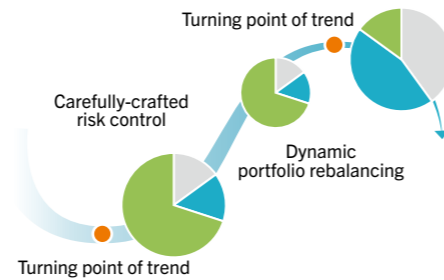
**Flexible Portfolio Management in Response to Market Changes**

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 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.

While we focus on risk control in a time of major shifts in the market environment, we continue to take on the challenge of enhancing our portfolio management by expanding data-driven investment methods and augmenting our analytical functions in anticipation of future investment opportunities.

**Overview of Portfolio Rebalancing**



PRIORITY STRATEGY

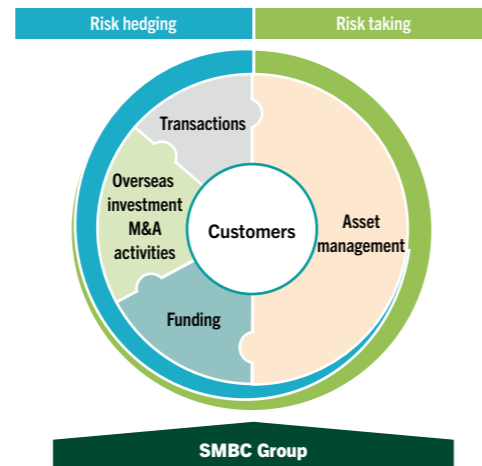
2

**Enhancement of Capability to Provide Solutions through Marketable Financial Products**

The Global Markets Business Unit is accelerating the development of the functions needed 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.

Specifically, in order to meet our customers’ increasingly complex and sophisticated needs, we are strengthening our ability to provide tailor-made proposals specific to each customer’s situation, expanding our product lineup, and promoting global sales partnerships. We are also advancing the development of system infrastructure and risk management framework as part of these efforts.

We are also expanding our electronic platform globally while enhancing its risk control functions, in order to provide convenient foreign exchange services to our customers.



PRIORITY STRATEGY

3

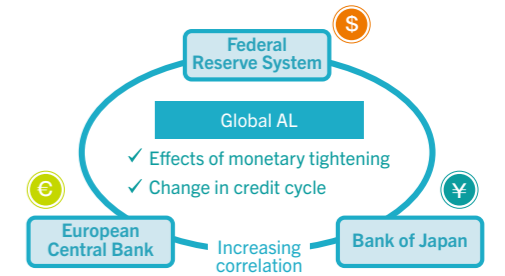
**Development of Robust Foreign Currency Funding Base**

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 make funding strategies by taking into account the structure of SMBC Group’s balance sheet and the market condition, along with seeking to expand our investor base and diversify funding methods.

Initiatives toward these ends have included, in addition to regular foreign currency denominated straight bonds, issuing covered bonds and utilizing cross-currency repo transactions.\*

Normalization of monetary policy is underway in the U.S. and other nations, and the financing environment, hitherto based on abundant liquidity, is changing. We are proactively responding to these changes by promoting balance sheet control from a long-term perspective through our global ALM management.

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



- Effective management for cash flows and collaterals
- Responsive strategy for medium- to long-term funding

**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 U.S. in January 2021. To date, we have floated six green bond issues in Japan and overseas, procuring a total of approximately US\$3 billion. In these issues, we carefully explained our sustainability initiatives to investors to foster mutual understanding.

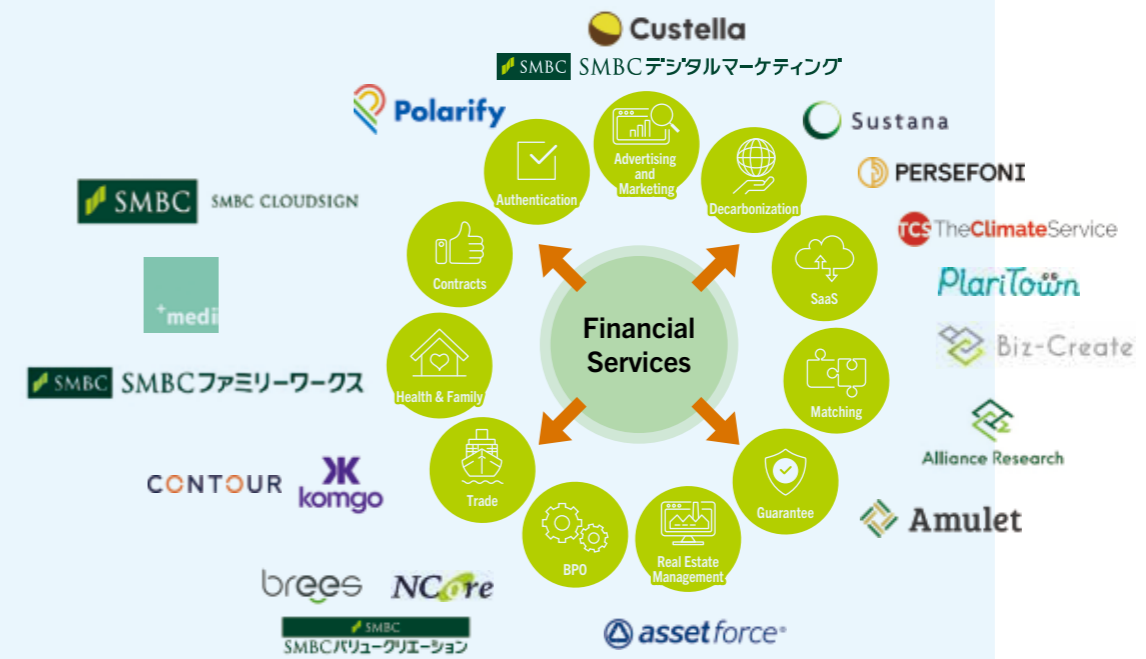
SMBC Group possesses a strong track record in project finance for domestic and overseas solar and wind power generation projects and other renewable energy projects. Going forward, we will seek to make greater contributions to market growth and to environmental preservation as Japan’s leading issuer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



# OPENING UP THE FUTURE OF FINANCE THROUGH DIGITAL

**Katsunori Tanizaki**

Senior Managing Executive Officer and  
Group Chief Digital Innovation Officer



## Leveraging Digital to Provide New Solutions

In recent years, the advance of digitalization, coupled with the COVID-19 pandemic, has led to the transformation of society and the economy.

SMBC Group's medium to long-term vision is to become "A trusted global solution provider committed to the growth of our customers and advancement of society," and we have been developing and improving various services to respond to customers' needs.

In all areas of its business, SMBC Group is creating added value through new services and the evolution of existing services by incorporating technologies, sometimes together with partner companies, with the aim of improving convenience for its customers.

As a result, the Group is not confining itself to finance in the digital space, it is also expanding into non-finance business areas, as we transform into a comprehensive solutions provider through the creation of a number of digital subsidiaries and new digital services.

Going forward, we will continue to leverage the trust held in SMBC Group and its customer base to develop new business areas, taking advantage of opportunities presented by structural changes in society and deregulation brought about by the spread of digital, while promoting a shift in mindsets within the company and the creation of a framework that facilitates innovation.

### Growth and Future Outlook for SMBC Group's Digital Business



SMBC Group's digital business has experienced substantial growth, driven by a tailwind from the rapid digitization of society spurred by the COVID-19 pandemic, and some of its services are becoming social platforms.

SMBC CLOUDSIGN, an electronic contract service established as a joint venture with Bengo4.com in 2019, has seen approximately 120 times growth in the number of contracts exchanged in March 2022 compared to the same month two years ago. The fact that this system is used by SMBC Group, a financial institution with high security standards, has led to customer trust in the service, which has entered widespread use among companies, regional financial institutions and local public bodies.

Established in 2017, Polarify, which offers eKYC (online identity verification) and biometric authentication services, has seen a steady increase in the number of customers since its establishment, as it has met the needs of corporate customers seeking to acquire customers online against the backdrop of the spread of smartphones and other factors. Polarify's eKYC service has now grown to reach more than 10 million authentications each year.

In less than two years since its launch in August 2020, the number of members of "PlariTown" corporate SaaS platform has increased to approximately 9,000 companies, and is supporting corporate customers in resolving a wide range of management issues. In addition, the number of installations of Sumitomo Mitsui Card Company's next-generation payments platform "stera" has grown to more than 100,000 units in the space of approximately 20 months following its release in July 2020. As a further development, in May 2022 we released "assetforce for stera," combining "stera" with "assetforce," a smartphone-based asset management service provided by Sumitomo Mitsui Finance and Leasing, to support the digital transformation of store management, including the warehousing of goods and inventory management. As these initiatives show, SMBC Group continues to expand its digital service offerings through the creation of new services and collaboration between Group companies.

### Using Financial Data to Create New Value

We are also actively engaged in non-financial businesses that utilize data. In July 2021, SMBC Digital Marketing was established as a joint venture with Dentsu Group to launch an advertising and marketing business leveraging the financial data held by SMBC Group.

The company's advertising and marketing business is able to estimate the attributes of individual customers, their willingness to spend, life events etc., based on data associated with the 28 million IDs held by SMBC. Analysis of this data can deliver advertising tailored to customer needs. In supporting sales growth for corporate customers and providing individual customers with the opportunity to encounter valuable products, this will provide new value not found in conventional financial institution services.

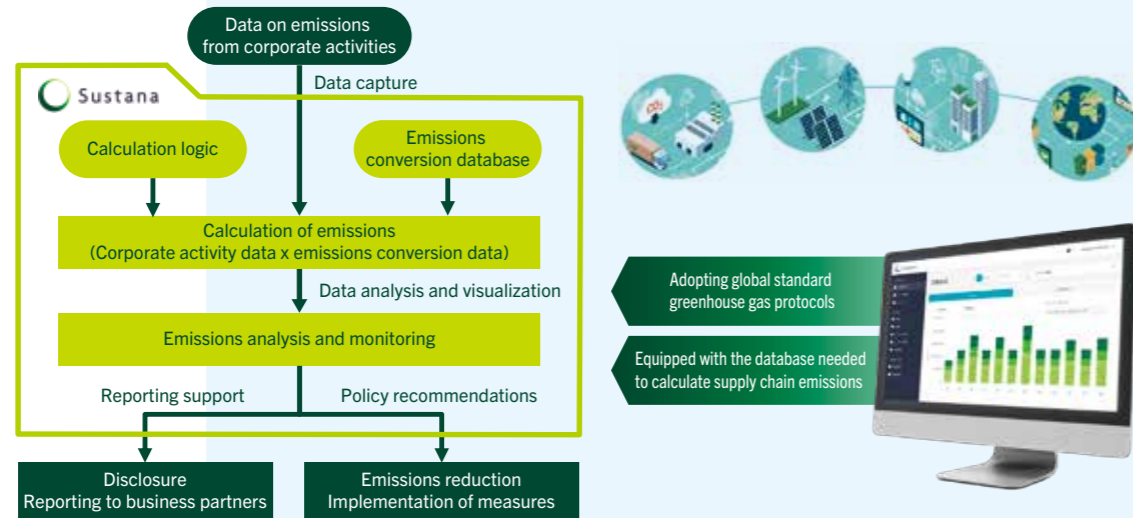
The service has begun with banner advertising displayed within the Sumitomo Mitsui Banking Corporation application, and we have received advertising orders from customers such as cosmetics companies, publishing companies, retailers and security companies, and have achieved positive results both in terms of the number of impressions and click-through rate. We will continue to improve our services as we make further achievements.

As an advertising and marketing service provided by a financial institution, this business attaches utmost importance to the safety and security of our customers. For this reason, personal information is strictly managed, and we conduct regular monitoring with the involvement of outside experts such as lawyers.



**Sustana (Sustainability + Analyze)**

**A Cloud service to support the calculation and reduction of greenhouse gas emissions**



Adopting global standard greenhouse gas protocols  
Equipped with the database needed to calculate supply chain emissions

**Leveraging Digital to Solve Social Issues**

Another example of non-financial business expansion through digital is the Group's provision of solutions to help companies implement decarbonization management. Society has grown increasingly aware of climate change in recent years, and it is essential that our corporate customers work towards achieving a decarbonized society. To do so, they must collect and analyze a great deal of data in order to visualize greenhouse gas emissions and plan measures to reduce those emissions.

SMBC Group plans to provide digital support from the collection and visualization of needed data to information disclosure and matching with companies that possess the technologies underpinning measures to reduce emissions. Specifically, in May 2022, we developed and released in-house "Sustana," a tool for calculating greenhouse gas emissions using digital technology. SMBC Group has also begun offering the Climanomics® platform in partnership with IBM Japan, and The Climate Service. It is a cloud service for quantifying the financial impact of natural disasters and other events caused by climate change and supporting responses to the TCFD recommendations and other disclosures.

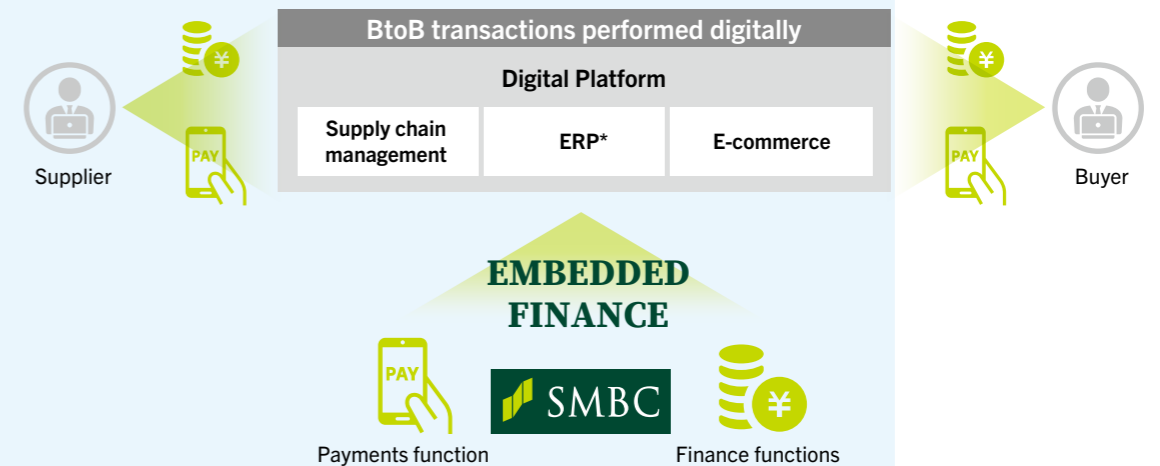
These businesses are new enterprises created from a focus on the affinity between digital and decarbonization initiatives, requiring the collection and analysis of large volumes of data to formulate measures. We plan to provide additional related services in the future. We will contribute to solving social issues such as climate change utilizing digital technology.

**Responding to the Ongoing Shift to Digital in BtoB Transactions**

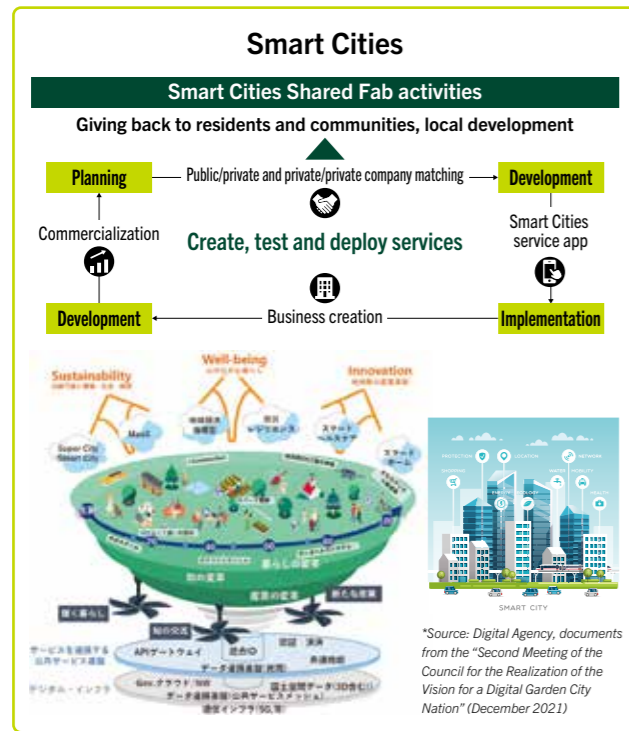
The presence of platforms digitizing transactions between suppliers and buyers has been growing rapidly in recent years, especially overseas. Financial institutions are increasingly moving towards so-called "embedded finance," which provides flexible payments and financing to a wide range of companies along distribution channels through partnerships with platforms providing digital services.

SMBC Group is also actively collaborating with leading platformers to develop and advance services in a way that provides seamless financial solutions for business-to-business transactions. For example, in March 2022, we released a digital scheme for supply chain financing in the APAC region to address suppliers' early-stage capitalization needs. Traditionally, it took several business days from the receipt of a supplier's request to the execution of financing due to the many paper-based interactions required, but by leveraging digital, high-volume transactions can now be completed in a matter of minutes. Beginning from this, we will continue to connect with various platforms, and will also consider digitalization of services for order and supply processes and for day-to-day management of receivables and payables. We are contributing to the advancement of our customers' supply chain management not just through banking transactions, but also by supporting the digital transformation of their entire supply chains to connect the flows of goods, money and data in real time.

The emergence of digital platforms in BtoB transactions has been limited in Japan compared to overseas, but the digitalization of BtoB transactions is making headway, prompted by revisions to the Law on Book and Record Keeping through Electronic Methods and the abolition of promissory notes. We intend to respond flexibly to these changes within Japan.



\* Enterprise Resources Planning



**Creating Mechanisms to Generate New Innovations**

We are not only creating new digital businesses, we are also working to change the mindset within the Group and create a framework that facilitates innovation.

At our hubs in Silicon Valley in the U.S. and Shibuya in Tokyo, we are working to create new innovations by deepening exchanges with external groups including startups and venture capitalists.

The Group has also established a support system to help bring ideas to fruition by drawing on resources such as CDIO meetings which make investment decisions for new digital businesses. At the same time, we are working to create an environment that makes it easier for employees to come up with ideas, and to materialize and commercialize those ideas through "Midoriba," the Group's internal social networking site and "D X-Link," an owned media for sharing information on SMBC Group's philosophy and digital-related initiatives, and "Digital University" a digital training program.

New intrapreneurial ventures to drive non-financial digital solutions established under the "Producing New CEOs" initiative have selected young employees as their presidents, and are now actively allocating personnel. A young female employee has been appointed president of SMBC Family Works, a newly established digital family support service established in April 2022. Financial institutions must change to keep pace with the rapidly changing society. By instilling this kind of structure and culture, SMBC Group will continue to innovate tirelessly and grow together with its customers and society.

**Initiatives to Enrich Lives Using Digital Technology**

We have started to offer digital services catering to life events to enrich people's lives through digital technology.

In order to safely and securely store personal data, promote its use, and enrich the lives of individuals, we have been working on the creation of an information bank handling medical data through a proof-of-concept experiment with Osaka University Hospital in 2019, and by making Plus medi corp a consolidated subsidiary in 2020.

We have released the "SMBC Digital Safety Box," which digitally records and stores information and instructions on assets, medical and nursing care, as well as funeral arrangements to be communicated to pre-registered individuals in the event of unexpected circumstances.

In May 2022, with a view to achieving well-being and a sustainable society, NEC Corporation and SMBC Group together established the "Smart Cities Shared Fab" to accelerate efforts to implement smart cities, i.e., the digital transformation of society as a whole. The consortium aims to overcome hurdles in planning, developing, and implementing services and the lack of a system that enables sustainable operation, which constitute challenges to the spread of smart cities, and to go beyond proof-of-concept to achieve social implementation. We are also expanding our life solutions service initiative to include smart cities, and are working to enrich the lives of urban residents.

**Innovation Hub**

- Strengthen ties with local startups through the Silicon Valley Lab and Singapore site
- Collation with domestic businesses through hoops link tokyo

Silicon Valley Digital Innovation Laboratory | hoops link tokyo

**CDIO Meeting**

- Supporting the commercialization of various ideas through rapid decision-making

Decision-making  
CDIO Meeting  
Support for materializing ideas

Creating new businesses

**Internal Social Media**

- Staff with experience in new businesses act as mentors to support the commercialization of ideas
- Stimulate accidental innovation, which is unlikely to occur in remote environments

Midoriba

**Owned Media**

- Communicate SMBC Group's philosophy and digital initiatives both within the Group and externally

DX-link

**Producing New CEOs**

- Actively supporting internal startups and selecting young employees to serve as CEOs

**Digital University**

- A digital training program offered to all employees to learn the skills required in a digital society

DIGITAL UNIVERSITY

# Creating Value through Sustainability Initiatives

SMBC Group positions sustainability at the core of its management and is implementing business strategies that focus on three priority issues: Environment, Community, and Next Generation.

We are contributing to bringing about a sustainable society while working to maximize social and economic value through our business activities.

## 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.*

### Corporate Infrastructure

Financial Capital	Intellectual Capital
Human Capital	Social and Relationship Capital

### DNA

Mitsui and Sumitomo have been practicing sustainability for more than 400 years



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



Besshi Copper Mine in 1881 (Sumitomo Historical Archives Collection)



Current Besshi Copper Mine (Sumitomo Forestry Co., Ltd. Collection)

### Priority Issues (Materiality)

Priority issues are set based on our corporate infrastructure, social responsibility and our predecessors' will towards sustainability

#### Environment

P 076



#### Community

P 080



#### Next Generation

P 081



### Business Strategy

Retail	Wholesale
Global	Global Markets



### SMBC Group GREEN×GLOBE 2030

Plans and specific measures based on the "SMBC Group Statement on Sustainability."

P 075

### Value SMBC Group Creates

Contribute to a sustainable society by addressing environmental and social issues.

Preservation of a healthy environment as the foundation of the society we aim to achieve

Creation of a society in which everyone can live with peace of mind

Fostering people and industries that will pass on a better society to the next generation

## Creating Value through Sustainability Initiatives

### Governance Structure to Realize Sustainability

SMBC Group has established the Sustainability Committee and the Corporate Sustainability Committee at the supervisory and executive levels, respectively, to achieve ongoing enhancement of sustainability management.

Under the oversight of the Group CSuO, the Sustainability Division, responsible for the planning and promotion of both corporate and business aspects, was established in April 2022 to consolidate functions and knowledge at the group level.



### SMBC Group GREEN×GLOBE 2030

Based on the “SMBC Group Statement on Sustainability,” the following basic concept and three pillars of the plan define specific measures to be taken by 2030, including the execution of finance that contributes to the realization of sustainability and the provision of financial literacy education.

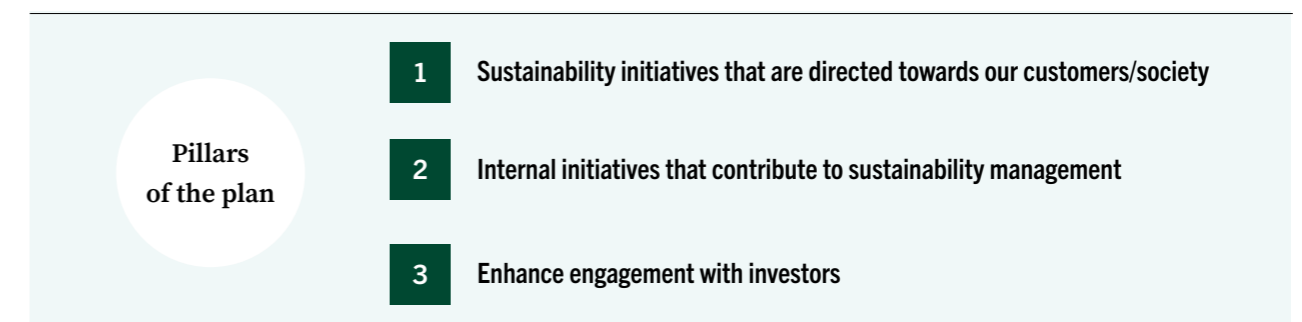
borderless world. The two terms are connected by “×” to show the plan’s expansion through multiplication rather than mere addition.

Through the steady implementation and monitoring of the plans and measures set out in “SMBC Group GREEN×GLOBE 2030,” we will strive to bring about the society we aspire as we enhance our internal and external sustainability efforts.

“GREEN” represents our corporate color and the environment while “GLOBE” represents the earth and a

### Basic Concept

“Create the future of the Earth and humanity with our customers”



## Message from Group CSuO

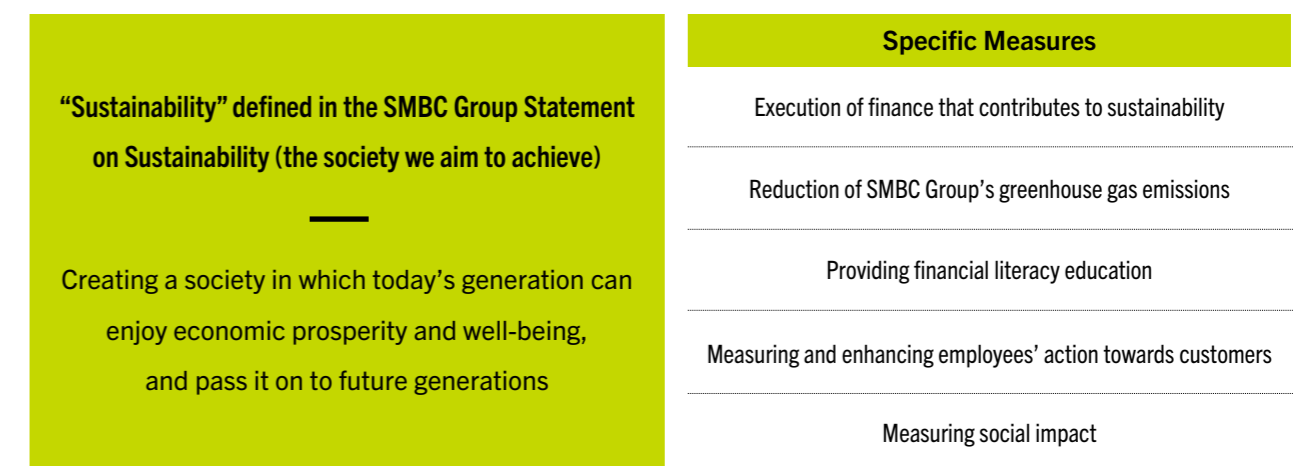


**Fumihiko Ito**  
Group CSuO

Achieving sustainability of course requires the protection of our irreplaceable environment and the creation of a society in which everyone can live with peace of mind, but a sustainable economy responsible for the circulation of capital and resources is also necessary. I believe that as a company, sustainability management is the act of balancing the resolution of social issues and creating and returning economic value, that is, to make the environment, society and economy all sustainable. As the Group CSuO, my responsibility lies here.

SMBC Group has identified “Environment,” “Community,” and “Next Generation” as its priority issues (materiality) in the execution of sustainability management, and is striving to resolve social issues through its business activities. For the “Environment,” we are committed to achieving net zero emissions across our entire loan/investment portfolio by 2050, and the Group as a whole is striving to support our customers’ efforts in the transition to a decarbonized society. We are also being proactive in the stabilization of natural capital, represented by forestry and water resources, and to conserve biodiversity.

Mitsui and Sumitomo’s predecessors have practiced sustainability for more than 400 years through their businesses. As the Group CSuO, I will further accelerate SMBC Group’s sustainability initiatives to pass on a sustainable society to the next generation.



## Creating Value through Sustainability Initiatives

### Environment

The global environment is an asset shared by all of humanity, regardless of region or age, and a healthy environment is an essential prerequisite to the realization of a sustainable society. SMBC Group is taking climate change and various other environmental issues seriously. By taking part in resolving such issues through our core business activities, we are stressing the importance of passing on a healthy planet to future generations.

For example, accelerating the transition to a decarbonized society in Japan and around the world, requires the further promotion of renewable energy, ensuring stable energy supplies, and next generation technological innovation.

Given this backdrop, SMBC Group is making group-wide efforts in conducting environmental business, including project finance for renewable energy, underwriting green bonds, trusts and leases for solar power generation facilities, and TCFD compliance consulting.

Under the title "SMBC Group GREEN Innovator," we are also focusing on developing and providing advanced services, including non-financial services, by consolidating expertise and information on sustainability from across the group as well as collaborating with other industries.

By providing these groupwide solutions, we will comprehensively support our customers' environmental initiatives and develop environmental businesses offering both economic and social value.



Preservation of a healthy environment as the foundation of the society we aim to achieve

#### Project Finance for Green Hydrogen

In September 2021, in French Guiana, SMBC became the first bank in the world to provide project finance for a renewable energy development project utilizing green hydrogen.

Green hydrogen is hydrogen produced without carbon dioxide emissions during the process of its manufacture, such as by using solar power. SMBC is the only commercial bank outside of France to participate in this project.

#### Digital Tool to Support Financial Impact Analysis and Disclosure Consistent with the TCFD Recommendations

In May 2022, SMBC released the Climonomics® platform, a digital tool to help customers comply with the TCFD recommendations.

This cloud service supports the formation of climate change strategy and disclosure by quantifying the financial impact of risks and opportunities associated with climate change.

SMBC is providing this service through a three-way collaboration with The Climate Service in the United States and IBM Japan.



### Efforts Addressing Climate Change

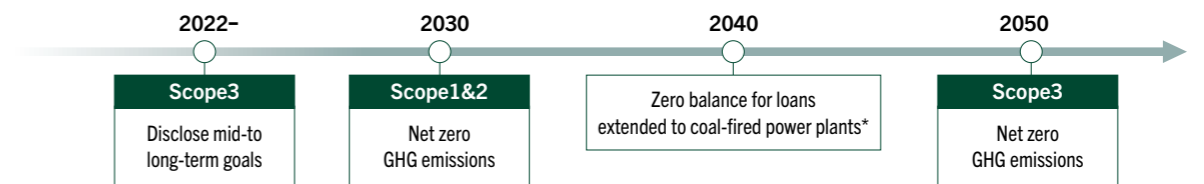
SMBC Group is supporting customers' efforts to realize, and transition to, a decarbonized society, in order to reduce greenhouse gas emissions in line with the targets set by the Paris Agreement.

Against this backdrop, SMBC Group has committed to achieving net zero greenhouse gas emissions by 2030, as well as net zero greenhouse gas emissions for its entire loan/investment portfolio by 2050.

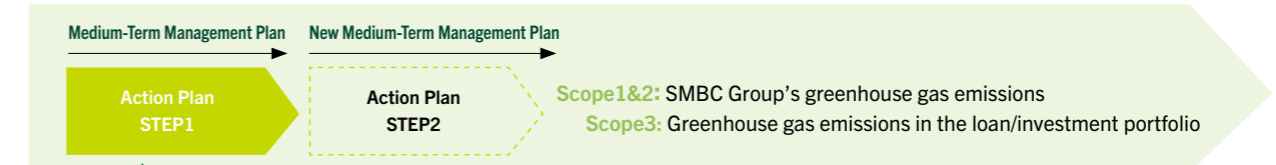
In order to achieve this commitment, we are reinforcing our efforts to address climate change through the "Roadmap

Addressing Climate Change," a long-term action plan targeting carbon neutrality by 2050, and "Action Plan STEP 1," a package of specific measures to be undertaken and executed during the current Medium-Term Management Plan period.

While strengthening our activities based on the Roadmap Addressing Climate Change, we will accelerate efforts to achieve a decarbonized and sustainable society by engaging carefully with our customers and other stakeholders and create a shared understanding regarding climate change issues.



#### Roadmap Addressing Climate Change



	Measures	Progress
1	Enhance governance/business management framework	Establishment of the Sustainability Committee on the supervisory side and the Group Chief Sustainability Officer (CSuO) position on the executive side
2	Achieve net zero greenhouse gas emissions for the entire loan/investment portfolio by 2050 (Measuring and setting reductions targets for Scope 3 emissions)	Published greenhouse gas emission reduction target for the power sector, and greenhouse gas emission calculation results for the energy sector (oil and gas, coal)
3	Achieve net zero emissions in SMBC Group's operation by 2030	All four of the headquarter buildings (Head Office, East Tower, Osaka Head Office, Kobe Head Office) have switched to renewable energy
4	Execute ¥30 trillion of finance that contributes to sustainability from FY2020 to FY2029 (including ¥20 trillion of green finance)	Cumulative total by FY2021: ¥8.2 trillion (including ¥7.5 trillion in green finance)
5	Enhance risk management (expansion of scenario analysis, revision of policies for specific businesses and sectors, etc.)	Expanding the scope of analysis of physical and transition risks Strengthening polices on coal-fired power generation, palm oil plantation development, deforestation, and coal mining

\* Addresses both project finance and corporate finance tied to facilities.  
Does not include projects that contribute to the realization of, and transition to, a decarbonized society



## Creating Value through Sustainability Initiatives

### Environment

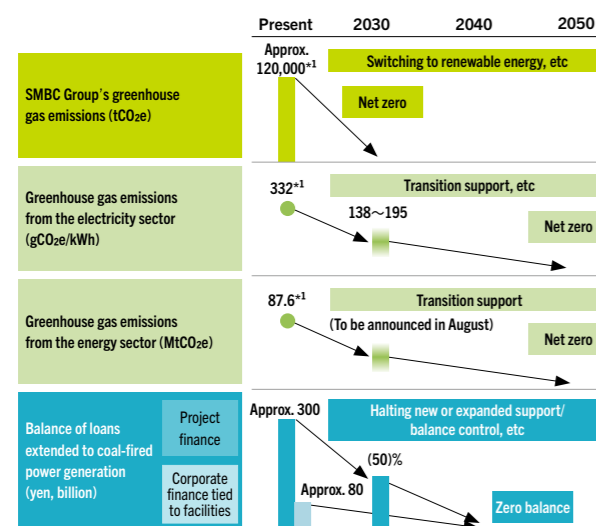
#### Initiatives to reduce greenhouse gas emissions

In order to reduce its own greenhouse gas emissions (Scopes 1 and 2), SMBC Group is shifting its electricity usage to renewable sources, and since April 2022, four of its headquarter buildings (Head Office, East Tower, Osaka Head Office, Kobe Head Office) have all switched to renewable energy. In addition, SMBC Kawasaki Mega Solar Place, the first mega solar generation facility for a megabank, is to be built on vacant land owned by the Group. From April 2023 onward, SMBC Group plans to switch to renewable energy sources for electricity used in all of its own buildings in Japan and in the headquarter buildings of all major Group companies in Japan. Going forward, we will further accelerate our initiatives at the Group and Global level.

As a financial institution that supports the business of our customers and prospers together with them, one of our important missions is to support our customers' efforts to decarbonize their businesses, which is a major challenge to achieving sustainability. As part of our effort to reduce greenhouse gas emissions in our loan and investment portfolio, in May 2022, we announced a target to reduce carbon intensity of the power sector to 138-195g CO<sub>2</sub>e/kWh by 2030. We will publish greenhouse gas emission reduction targets for the energy sector (oil and gas, coal), in

the TCFD Report to be issued in August 2022. In addition, we expanded the scope of the existing zero balance target of loans extended to coal-fired power plants by 2040, to include corporate finance tied to facilities.

SMBC Group is a member of the Net-Zero Banking Alliance (NZBA), an international banking initiative aiming to achieve net zero emissions, and the Net Zero Asset Managers Initiative (NZAMI), a net zero initiative for asset managers, and is involved in global discussions and the creation of various types of guidance to realize a decarbonized society. We believe that our role as a responsible financial institution is to carefully draw and support a path towards a decarbonized society together with our customers, and SMBC Group will earnestly support our customers' transitions while setting ambitious goals to achieve net zero emissions by 2050.



\*1 As of June 2022

#### Exposure of Carbon-Related Assets\*2

	FY2020		FY2021	
	Ratio	Balance*3	Ratio	Balance*3
Energy (oil and gas, etc.)	4.1%	¥3.5 trillion	4.4%	¥3.8 trillion
Utilities (electricity)	2.4%	¥2.1 trillion	2.2%	¥1.9 trillion
<b>Total</b>	<b>6.5%</b>	<b>¥5.6 trillion</b>	<b>6.5%*4</b>	<b>¥5.7 trillion</b>

\*2 Data of carbon-related assets after the definition expansion in the TCFD Recommendations will be published in our TCFD Report to be released in August.

\*3 Balance of outstanding loans to carbon-related assets divided by the total balance of outstanding loans (excluding loans for renewable energy)

\*4 Balance of outstanding credit to carbon-related assets represents 4.5% of total assets (total assets on the balance sheet plus off-balance sheet assets) at SMBC (including consolidated subsidiaries)

#### Climate Change Risk Management

##### Enhanced Scenario Analysis

In order to understand and manage the financial risks associated with climate change, we conduct scenario analyses of physical and transition risks.

For physical risks, we estimate additional credit-related costs arising from SMBC's lending to corporate customers by calculating the expected depth and the probability of flooding under each climate change scenario for water-related disasters, which account for the majority of natural disasters resulting from climate change.

Global impact analysis is made possible through an AI technology owned by a startup in the United States as well as collaboration with a research institution in Japan.

For transition risks, we estimate additional credit-related costs arising from lending to sectors that are expected to be highly impacted by the transition to a decarbonized society, using the most recent scenario in which the rise in temperatures is estimated to be 1.5°C.

Through sophistication of analysis methods and expansion of target sectors, SMBC Group will more accurately deduce financial impacts associated with climate change, and use this information to enhance company-wide risk management.

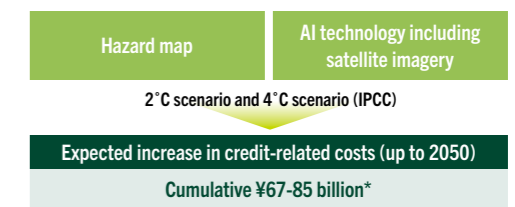
##### Risk Management in Investment and Lending

We have established a framework for due diligence for the appropriate management of environmental and social impact through our business. Specifically, we are managing credit with the potential impact through environmental and social risk assessments based on the "Equator Principles." We are also using non-financial information, such as our customers' greenhouse gas emissions and ESG risk responses, to enhance our understanding of the environmental and social risks accompanying credit.

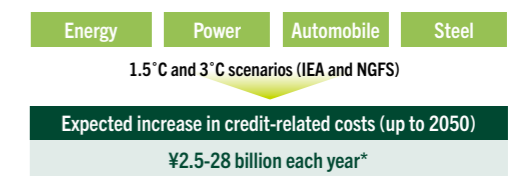
Individual policies have also been established for specific businesses and sectors with a particularly high likelihood of significant environmental and social impact, such as coal-fired power generation and coal mining operations, which are being introduced in line with the business of our Group companies.

We have published the SMBC Group Environmental and Social Framework under which to unify these due diligence systems as well as our approach to environmental and social issues.

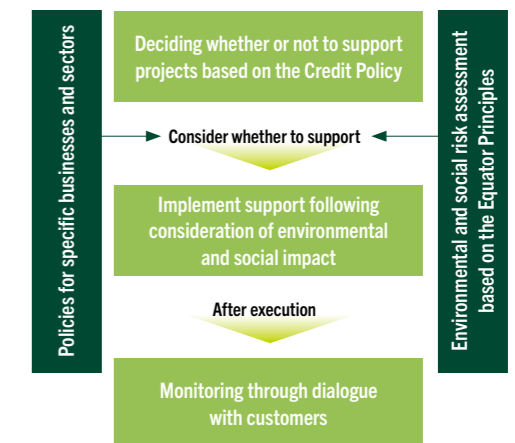
##### Physical risks



##### Transition risks



\* Calculated as of June 2022



## Creating Value through Sustainability Initiatives

### Community

SMBC Group believes that people need communities in which they can be involved in their daily lives and their economic activities, through which they can support one another, and in which they can act with peace of mind. Through our businesses, SMBC Group continues to contribute to communities and society and to fulfill our social responsibility as a financial institution that acts within communities.

The advancement of digital platforms facilitating smooth financial transactions for both personal and corporate customers, for example, is essential to the development of both the economy and SMBC Group.

To this end, SMBC Group is working to enhance the value of the services we offer to customers with initiatives including the update of the bank's application to offer significantly improved convenience for users, and providing cashless terminals with the latest functions.

We moreover believe that our wealth management business, which supports our customers to lead prosperous lives, our elder services which respond to the era of the 100-Year Life and our corporate business which supports our customers' growth and continuity, will contribute directly to building sustainable communities.

We will continue to enhance our corporate value while fulfilling our responsibilities to the society as a financial institution by enhancing our existing financial solutions and persisting in taking on the challenge of creating diverse businesses serving a new society.



Creation of a society in which everyone can live with peace of mind

### GREEN×GLOBE Partners

In July 2020, we established the "GREEN × GLOBE Partners", a community for solving environmental and social issues. Its goal is to "spread awareness and opportunities for the resolution of environmental and social issues" by bringing companies and individuals together to solve issues they could not solve on their own. As of the end of June 2022, 543 companies and organizations have joined this community.

Specific activities include distributing articles on environmental and social issues, holding workshops, and planning events and projects. In FY2021, we worked to support the revival of traditional industries through the "Thinking about the Future of Banshu-ori" project and the creation of new projects through food and agriculture-related workshops.



### Next Generation

Passing on a sustainable society to future generations demands the development of human resources and industries equipped with the necessary knowledge and skills. SMBC Group is working to foster the next generation to bring about a sustainable society.

For example, Group companies including SMBC, SMBC Venture Capital and SMBC Nikko Securities are working together to support growth companies through financing to promote innovation leading to the realization of social and economic growth for the next generation. In response to the Japanese government's Science, Technology and Innovation Policy, we are supporting the development of local human resources and industries by running the "mirai cross" acceleration program to support technologies originating from universities and research institutes, and by holding events to promote technological innovation that fit the characteristics of companies and regions.

We are also placing an emphasis on fostering the next generation in our social contribution activities, including financial literacy education. Through its businesses, SMBC Group will further promote initiatives and contributions supporting the fostering of human resources and industries that will shape a better society.



Fostering the people and industries that will pass on a better society to the next generation



### Financial Literacy Education

SMBC Group provides a variety of financial literacy education activities for people of all ages, leveraging the insight and expertise of its Group companies to realize a society in which everyone has a good understanding of money and can live with peace of mind.

In FY2021, we provided more than 1,800 financial literacy seminars with more than 160,000 participants. In addition to online seminars, we have newly expanded our online learning videos to make studying easy and fun.

With the lowering of the age of majority in April 2022, it has become possible to enter into various financial contracts from the age of 18. The ministerial curriculum guidelines for senior high schools have also been revised as financial literacy education grows increasingly important. SMBC Group will develop learning materials for use by all our Group companies, providing contents that tap into current trends such as key points for long-term investment, etc.



- Provided financial literacy education to a total of approximately 298,000 people since FY2020
- Carried out a social impact assessment of financial literacy education, and published this on our website

## Creating Value through Sustainability Initiatives

### Initiatives to Address Social Issues

#### Initiatives to Conserve Natural Capital and Biodiversity

The stability of natural capital is supported by biodiversity: damage to it will result in the loss of natural resources such as plants and animals, air, water and soil, and will ultimately have a significant impact on human life.

SMBC Group strives to understand the potential risks in our assets related to natural capital and their impact on business activities throughout the supply chain.

In January 2022, we joined the TNFD Forum, a stakeholder organization of the Taskforce on Nature-related Financial Disclosures (TNFD), which was founded to establish a framework for corporate risk management and disclosure involving natural capital. We are actively involved in the discussions to create such guidance.

In our business, in light of the impact on natural capital and biodiversity, we are prohibiting the provision of credit to large-scale development and construction projects recognized as having a significant negative impact on Ramsar wetlands and UNESCO World Natural Heritage sites.

We are also requiring palm oil plantation development and large-scale farm development projects to comply with NDPE (No Deforestation, No Peat, No Exploitation). When considering financing for other large-scale projects, we conduct environmental and social risk assessments in accordance with the Equator Principles paying close attention to their impact on primeval forests and ecosystems, mitigation measures, whether or not they include development on peatland, and whether considerations are made for workers and local residents, etc.

“GREEN×GLOBE Partners” and the Japan Research Institute also provide information on TNFD, as well as biodiversity conservation consulting services, and are accelerating their efforts in the belief that this is an important theme for realizing sustainability.

#### Respect for Human Rights

Companies have responsibility to protect and respect all human rights, and to consider the impact of their business activities, including their supply chain, on the human rights of their customers, their employees and other stakeholders.

Through its Human Rights Awareness Promotion Committee, SMBC Group is promoting human rights awareness among all employees. SMBC Group has further issued the “Statement on Human Rights,” publicized to all stakeholders, in line with the United Nations’ *Guiding Principles on Business and Human Rights*, in order to address respect for human rights as expressed in the United Nations’ *Universal Declaration of Human Rights*, the International Labour Organization’s *Declaration on Fundamental Principles and Rights at Work* and the *OECD Guidelines for Multinational Enterprises*, etc.

In addition, in April 2022, we established the Sustainable Procurement Policy.

We are committed to respecting human rights throughout all our business activities based on due diligence and remedial measures, with the aim of eliminating all forms of exploitative labor practices, including modern slavery, forced labor, human trafficking, and child labor, from our own operations and supply chains.

### Social Contribution Activities

SMBC Group defines social contribution as “voluntarily contributing to the resolution of social issues by making use of our managerial resources expecting nothing in return,” and is undertaking various activities as a good corporate citizen working for and with the society.

We believe that diligent and highly-motivated employees’ efforts to contribute to the society will lead to their personal growth, and actively support them in these efforts.

#### SMBC Group Rising Fund

We operate the SMBC Group Rising Fund, which is financed through voluntary donations from the salaries of company officers and employees at our Group companies.

The Volunteer Fund, which has been implemented by SMBC since 1998, was expanded to this group fund in April 2021, and we are working to manage the fund at the group level and to create an even greater positive impact.

In FY2021, we made a public appeal for projects working to resolve social issues facing next generation, and have donated a total of ¥15 million to various organizations working to provide financial support to families living in poverty and employment support to young people, etc.

In addition to donations made by officers and employees, SMFG as a company also provides a portion of the donations.

#### Pro Bono Work

With the aim of further promoting contributions to solve social issues, SMBC Nikko Securities has introduced a “pro bono\* work” system, a rare example among Japanese financial institutions, in which a portion of its employees’ working time is devoted to pro bono work.

Through this project, employees who wish to participate work in teams to strengthen infrastructure and support the activities of NPOs and other non-profit organizations, with the goal of expanding and accelerating activities aimed at solving social issues.

A total of 124 officers and employees have worked to support eight organizations since the program’s inception in March 2020.

\* Volunteer activities in which professionals use the skills and experience they have gained through their work to provide support oriented toward business aspects, which are often lacking at NPOs and other non-profit organizations.

#### Support for Grants by the Sumitomo Foundation

We are supporting and promoting the activities of the Sumitomo Foundation through various collaborative initiatives, including donations to the Foundation and the dispatch of officers and employees.

Based on the Sumitomo Group’s business philosophy of “Benefit self and benefit others, private and public interests are one and the same,” the Foundation aims to contribute to the creation of an affluent society with an international perspective, and provides grants for basic scientific research, environmental research and Japan-related research in Asian countries, as well as for the conservation and restoration of cultural properties in Japan and abroad.



**PRO BONO**  
SMBC NIKKO



An example of restoration of cultural properties:  
Seated statue of Yakushi Nyorai at Hogyoji Temple



# Human Resource Strategies Supporting Value Creation

A financial group's most important resource is its people. The origin of SMBC Group can be traced back to the opening of Mitsui and Sumitomo, which has put an emphasis on "people" for more than 400 years. Since then, the confluence of new individuality and cultures stemmed from business integration and acquisitions has fostered a culture of respect for individuality and diversity. Today, more than 110,000 employees in 40 countries and regions around the world work under the Five Values, the Group's set of shared values.

Inheriting the business philosophy of our founders, which is being said in the form "Mitsui is People" and "People are our most important asset," SMBC Group is proactively investing in human capital to enable our diligent and highly motivated employees to fully demonstrate their capabilities, which lead to sustainable value creation for the Group. As part of this, we also focus on personal development, with the entire Group investing ¥4 billion annually in personal development.

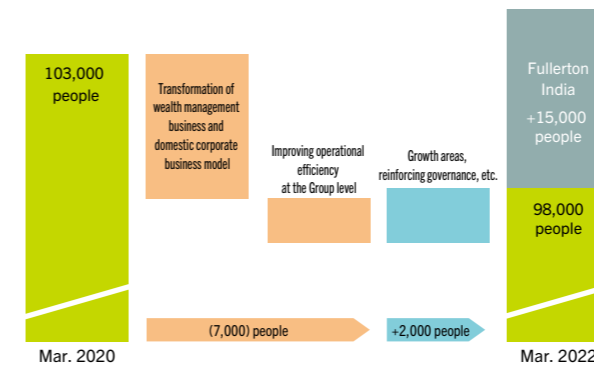
SMBC Group's human resource strategy is based on three pillars: agile allocation of personnel based on management strategy, a framework that ensures deploying the right people in the right place, and the creation of an atmosphere that brings out the best in employees.



## 1 Strategic Workforce Planning

Agile allocation of personnel based on management strategy

Based on the seven key strategies, we are transforming our business models in the Retail Business Unit and Wholesale Business Unit and reviewing the allocation of human resources as part of streamlining functions across all Group companies. We are also actively allocating resources to new business areas, such as digital solutions and our franchise in Asia.



## 2 Seamless Platform

A framework that ensures deploying right people in the right place

We offer a wide range of development opportunities to our employees, regardless of the timing, location, and/or profile of the person hired. In addition to offering in-house Group development programs, we also conduct mid-career recruitment, particularly in specialized areas, and aim to acquire talents to support the Group's development.

### Development of Enterprise-wide Leaders

Successor candidates are identified for key positions within Group management and assigned for advanced training. As of March 2022, we have approximately seven times the number of successor candidates for key positions.

In addition, approximately 20 employees are being transferred to Group companies each year under the "Enterprise-wide Leaders Exchange Program" to deepen their understanding of various businesses, organizations, and cultures. In order to further develop candidates'

### Number of participants in various training programs

	FY2020	FY2021
<b>Overall</b>	136	255
<b>Target layer</b>	Executive Officer	36
	Management	135
	Mid-level	84

capability, we provide development programs for employees at each seniority level, including mid-level employees, managers and executives.

### Recruitment and Development of People with Special Expertise

We are focusing on recruiting highly skilled talents in specific business areas and students with a strong inclination towards a particular specialism by diversifying our mid-career recruitment approach, such as referral recruiting and direct recruiting, and introducing course-specific recruiting for new graduates.

For example, SMBC has introduced an "expert/specialist framework" to recognize and provide benefits to employees who possess and demonstrate high levels of expertise. SMBC Nikko Securities has established the NIB (Nikko Investment Banking) Course and the Market Course, which are specialized positions in the wholesale field, and is using them to recruit specialized talent.

### Mid-career recruitment-related KPIs

	FY2020	FY2021	Target for FY2025
<b>Number recruited (%)</b>	246 (17.6%)	255 (19.0%)	Above the FY2020 level
<b>Ratio of management positions*</b>	14.5%	15.6%	Above the level as of March 2021

\* As of the end of the fiscal year

### Number of talents certified under expert frameworks

	Mar. 2021	Mar. 2022
<b>Overall</b>	881	1,230
<b>Of which, number of talents in digital field</b>	303	343

### Career Development Support

We have introduced various frameworks and mechanisms to support employees' career development and career changes.

For example, we have introduced the SMBC Group eCampus, a comprehensive learning management system, where employees, whether at the office or at home, can access the programs that best suit them from more than 550 contents. Group company initiatives include SMBC's "Career Design Study Support Program," which subsidizes a portion of tuition expenses for graduate school or for acquiring various qualifications, and which provided approximately ¥580,000 in support to each approved student in FY2021. SMBC Nikko Securities is trialing an in-company side job program, which allows employees to engage in other departments' jobs while performing their main duties.

## Human Resource Strategies Supporting Value Creation

### Number of participants applied for various career development support program

		FY2020	FY2021
SMBC Group	eCampus (Learning Management System)	71,704	76,658
Sumitomo Mitsui Banking Corporation	Career Design Trainee System*1	85	134
	Career Design Leave System*2	56	66

\*1 A system for employees looking to change careers, allowing them to try out the work they would be doing after changing their positions

\*2 A system allowing for leave of absence for reasons including a spouse's relocation for work, to attend graduate school, and others.

### Promoting Diversity and Inclusion

SMBC Group is promoting "Diversity and Inclusion" as the core to our growth strategy, and communicates this fact to both internal and external stakeholders. 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 where CEOs of Group companies serve as members and encourage the top management to commit to the promotion of diversity and inclusion and to act based on this commitment. In addition, we are providing manager training program to disseminate the importance of management, role expectations, unconscious bias and above all, diversity and inclusion.

### KPIs concerning gender and internationality

		Jun. 21	Jun. 22	Target for FY2025
Number of officers	Females	16	22	25
	Foreign nationals	17	15	25

		Mar. 21	Mar. 22	Target for FY2025
Ratio of management positions	Females	15.8%	17.0%	20.0%
	Foreign nationals*3	87%	91%	Maintaining the level as of March 2021

\*3 Ratio of locally hired employees in management positions at overseas offices

### Message from CEO

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

### • Gender Diversity

We have set a target of 30% for hiring female employees, and are striving to recruit female employees to lead the next generation whilst focusing on a variety of measures geared towards early training and development. The Group is also supporting female employees' career development through leadership training and building awareness among supervisors. For LGBT+ support, we have established a benefit system accessible to same-sex partners, and have set up a consultation service.

### • Global Diversity

Seeking to utilize human resources on a global basis, SMBC Group has established the Global Talent Management Council as a framework for increasing transparency of promotion of locally hired employees.

In addition, we offer various development programs for fostering leadership capabilities and networking opportunities 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 U.S., INSEAD in France, and Group training programs for employees from offices around the globe. Another area of focus is personnel exchanges, promoted through programs such as the Global Japan Program, under which employees from overseas offices are assigned to departments in Japan for up to one year. Approximately 1,800 employees have participated in these global training programs to date.

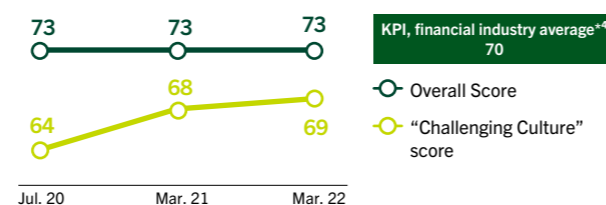
## 3 Employee Engagement

Creating an atmosphere that brings out the best in employees

We are committed to creating an environment where each and every employee is both physically and mentally healthy, and can put on their best performance.

We are using the engagement survey tool "Wevox" to visualize the state of employee engagement and as a tool for performing PDCA cycles. In addition to organizational improvement activities led not by the Human Resources Department but instead by the organization concerned, we have introduced 1-on-1 meetings held approximately once a month to build trust between managers and their employees and to promote growth for both parties.

### SMBC engagement survey Wevox score



\*4 Survey by Atrac Inc. as of June 2022

### Cultural Permeation

We are expanding our open recruitment system which allows employees to apply for jobs and posts of their choosing, to support employees to take on new challenges.

### Trends in applications through the open application system

	FY2019	FY2020	FY2021
Number of applications	1,142	1,171	1,595
Success rate	24%	31%	32%

SMBC has adopted three basic concepts: "Fair" (a fair human resource system), "Challenge" (a human resource system that encourages employees to take on new challenges), and "Chance" (a human resource system that provides employees with opportunities to demonstrate the fullest extent of their abilities). In January 2020, SMBC integrated job categories and bands, reviewed its frameworks for employee treatment and evaluation, and revised its human resources system for senior talent. This has resulted, for example, in an approximately three times increase in number of branch managers in their 30s compared to before the system's introduction, with 66 such employees as of April 2022.

We hold that a sense of psychological safety that encourages employees to tackle challenges on a self-driven basis is imperative to improving employee engagement. With the aim of creating an environment where every employee can take on new challenges without being bound by precedent or received wisdom, we have introduced a "Dress Code-Free" policy allowing employees to choose their own attire fitting for their purpose. We have also introduced "Midoriba", a company internal social platform at SMBC and The Japan Research Institute as a platform for individual employees to learn about colleagues and other business fields, to connect with likeminded colleagues and share ideas and opinions with each other, and this is now being progressively rolled out to Group companies. More than 20,000 employees are now using the service, encouraging internal communications, and in December 2021, a new business originated from the Group internal social network was launched.

### Actual interactions on the Group internal social network



### Health and Productivity Management

Each Group company has issued a "Statement on Health Management," and under the leadership of the Chief Health Officer, the companies, their health insurance associations and the health care center are working together to create an environment in which employees can work in good health.

More than 1,800 employees have now participated in health seminars on topics including sleep and smoking cessation. Other activities include walking events and providing training and expanding systems for women-specific health issues.

SMBC has set a goal of achieving a smoking rate of 12% or less from FY2020, and has introduced a dedicated smoking cessation program.

For the second consecutive year, approximately 80% of participants in the smoking cessation campaign carried out since FY2020 have successfully quit smoking.

In recognition of these initiatives, the Group has been certified as one of the "White 500" outstanding large enterprises in health and productivity management for 2022 under the Certified Health & Productivity Management Outstanding Organizations Recognition Program.

### Work-style Reform

As the lifestyles and values of individual employees become increasingly diverse, SMBC Group is developing infrastructure enabling employees to work flexibly without being constrained to a particular location or set hours.

Specifically, in order to support employee self-actualization, we are conducting campaigns to encourage employees to use their leave allowances and leave the office early; while Group companies such as SMBC Nikko Securities and Sumitomo Mitsui Card Company have introduced systems to support side job / concurrent positions and a four-day workweek. In addition, to prevent overwork, we have implemented a system to ensure sufficient intervals between shifts as well as consultations with occupational physicians, and to ensure labor management takes employee health into consideration.

In order that employees can work efficiently regardless of location, together with establishing a dedicated department to improve productivity and promoting operational efficiency through RPA and paperless operations, SMBC is pursuing an optimal mix between remote and office work by creating a manual indicating tasks suitable for remote working on a per-department and per-role basis.

### A framework for implementing flexible working styles

- Remote working (Home, satellite office)
- Flextime system
- Staggered working hours
- A system encouraging early office leave
- Systems for childcare related leave, leave of absence, and training
- Childcare leave system for male employees
- Systems for nursing related leave, leave of absence and training



# CORPORATE INFRASTRUCTURE SUPPORTING VALUE CREATION

## Corporate Infrastructure Supporting Value Creation

- 090 Corporate Governance
- 106 Risk Management
- 110 Compliance
- 112 Customer-Oriented Initiatives
- 115 Internal Audit
- 116 IT Governance
- 118 Financial Review
- 123 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

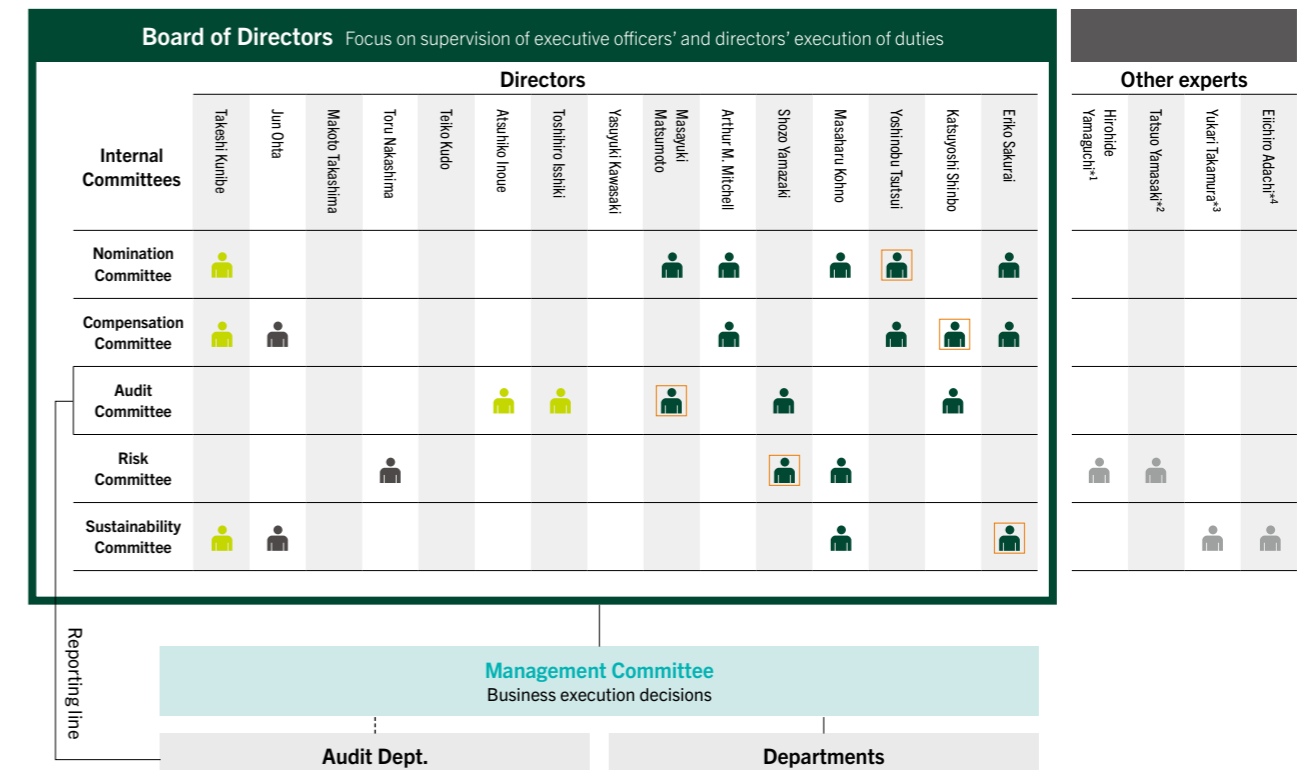
2002	<ul style="list-style-type: none"> <li>Establishment of Sumitomo Mitsui Financial Group</li> <li>Voluntary establishment of Nominating Committee, Compensation Committee, and Risk Committee as internal committees of the Board of Directors</li> </ul>
2005	<ul style="list-style-type: none"> <li>Voluntary establishment of Audit Committee as internal committee of the Board of Directors</li> </ul>
2006	<ul style="list-style-type: none"> <li>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</li> </ul>
2010	<ul style="list-style-type: none"> <li>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</li> </ul>
2015	<ul style="list-style-type: none"> <li>Establishment of the “SMFG Corporate Governance Guideline”</li> <li>Increase in the number of outside directors to five and in the number of outside corporate auditors to three</li> </ul>
2016	<ul style="list-style-type: none"> <li>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</li> <li>Commencement of evaluations of the effectiveness of the Board of Directors</li> </ul>
2017	<ul style="list-style-type: none"> <li>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 Nominating Committee, Compensation Committee, and Audit Committee; and appointment of outside directors as chairmen of three legally mandated committees</li> <li>Institution of new Group governance system through introduction of group-wide Business Units and CxO system</li> </ul>
2019	<ul style="list-style-type: none"> <li>Transition to the Company with Audit and Supervisory Committee structure by core subsidiaries SMBC and SMBC Nikko Securities</li> <li>Decrease in the number of directors from 17 to 15 and increase in the ratio of outside directors to 47%</li> </ul>
2020	<ul style="list-style-type: none"> <li>Appointment of an outside director as the chairman of the Risk Committee</li> </ul>
2021	<ul style="list-style-type: none"> <li>Appointment of Group CSuO</li> <li>Establishment of voluntary Sustainability Committee (Chaired by an outside director)</li> </ul>

## Sumitomo Mitsui Financial Group’s Corporate Governance System

SMFG 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 to 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 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



<sup>\*1</sup> Chairman of the Advisory Board of Nikko Research Center, Inc., former Deputy Governor of the Bank of Japan  
<sup>\*2</sup> Specially appointed professor of International University of Health and Welfare  
<sup>\*3</sup> Professor at the University of Tokyo Institute for Future Initiatives  
<sup>\*4</sup> Senior Counselor of The Japan Research Institute, Limited.

# 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.

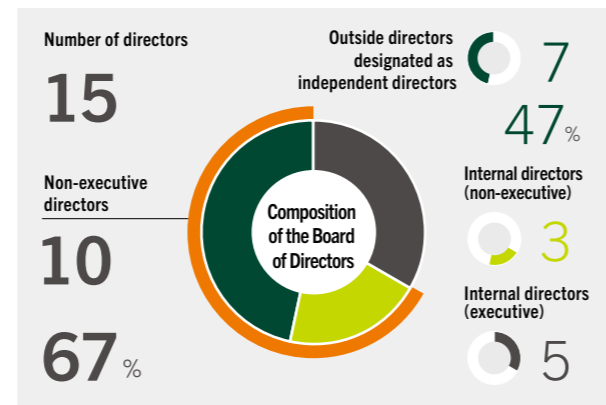
Furthermore, the Board of Directors is responsible for establishing an environment that supports appropriate risk taking by executive officers. It will develop a system for ensuring the appropriateness of SMBC Group's business operations pursuant to the Companies Act and other relevant legislation in 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, experience, gender and nationality.

As of June 29, 2022, the Board of Directors was comprised of 15 directors, which the Company believes to be the appropriate number of directors for the Board to perform its functions most efficiently and effectively. 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, serves 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.



Examples of matters discussed by the Board of Directors	
• Sustainability Initiatives (Establishment of the Sustainability Committee etc.)	• IT Infrastructure / Cybersecurity / Providing stable payment infrastructure
• COVID-19 prevention measures	• Capital policy
• Digital transformation initiatives	• Handling of strategic shareholdings
• Inorganic strategy	• Corporate governance structure
• Human resources policies	• Geopolitical risks (Russia, Ukraine, etc.)
• Progress of the Medium-Term Management Plan and business plans	

### Processes for selecting and dismissing directors and executive officers

We expect our directors and executive officers to embody the values expressed in our management philosophy at a high level, to possess a wealth of practical experience and high levels of ability and insight, and to contribute to the further development of SMBC Group. In selecting directors, the Nominating Committee spends ample time deliberating whether a candidate can meet these expectations. Where it is difficult for a director or executive officer to perform their duties effectively, the Group will consider their dismissal.

For details, please see References 4 and 5 in the "SMFG Corporate Governance Guidelines."  
[https://www.smfg.co.jp/english/aboutus/pdf/cg\\_guideline\\_e.pdf](https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf)

### Succession planning for top management

One of the matters discussed by the Nominating Committee that directly relates to our Mission and management strategy is succession plans for the Company president (Group CEO) and the presidents of the core subsidiaries SMBC and SMBC Nikko Securities. To train and develop our future top management, we take our time systematically forming a candidate pool through tough work assignments and third-party assessment and coaching. From within this large pool of candidates, the best candidates with the qualities required to lead a global financial group, such as broad vision and communication abilities, are selected for top management.

#### Top management selection process



### Skills Matrix of Directors

	Appointed	Corporate management	Finance	Global	Legal and risk management	Law/Financial accounting	IT/DX	Sustainability
Takeshi Kunibe	2007	☑	☑	☑	☑	☑	☑	☑
Jun Ohta	2014	☑	☑	☑	☑	☑	☑	☑
Makoto Takashima	2017	☑	☑	☑	☑	☑	☑	☑
Toru Nakashima	2019		☑		☑	☑	☑	☑
Teiko Kudo	2021		☑	☑	☑			☑
Atsuhiko Inoue	2019		☑		☑			
Toshihiro Isshiki	2021		☑		☑			
Yasuyuki Kawasaki	2021	☑	☑	☑				
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 "Skills Matrix of Directors" are areas particularly expected of the relevant directors and do not represent all of the knowledge and experience possessed by the directors.



## Corporate Governance

### 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 continually endeavor to 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 FY2021 included those indicated to the right.

- 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 meetings between outside directors and relevant departments on topics including "Digital Transformation" and "International regulations relating to sustainability"
- 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 the Banking Act (Regulations on Scope of Business), governance, and cybersecurity
- Timely and effective provision of information such as details on the proceedings of internal meetings to outside directors
- External director-only meetings

### 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:

<b>1</b>	<b>Major Business Partner</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<b>2</b>	<b>Specialist</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<b>3</b>	<b>Donations</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>4</b>	<b>Major Shareholder</b>	<ul style="list-style-type: none"> <li>• 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).</li> </ul>
<b>5</b>	<b>Close Relative</b>	<ul style="list-style-type: none"> <li>• A close relative of any person (excluding non-material personnel) who falls under any of the following:               <ol style="list-style-type: none"> <li>(1) A person who falls under any of 1 through 4 above; or</li> <li>(2) A director, corporate auditor, executive officer, or other person engaged in the execution of business of the Company or a subsidiary thereof.</li> </ol> </li> </ul>

 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](https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf)

### Internal Committees

	Main role	Number of meetings in FY2021 (average attendance)	Activities in FY2021
<b>Nomination Committee</b>	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 presidents of the Company, SMBC, and SMBC Nikko Securities.	6 meetings (100%)	<ul style="list-style-type: none"> <li>• Deliberated on the appointment of suitable directors and executive officers to support the management foundations of the Company and its subsidiaries, as well as succession plans for top management.</li> <li>• Defined a new skills matrix based on a redefinition of the skills of our directors (the knowledge and experience we specifically expect).</li> </ul>
<b>Compensation Committee</b>	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.	6 meetings (97%)	<ul style="list-style-type: none"> <li>• Through a series of Compensation Committee meetings and informal sessions, reviewed the evaluation method for annual performance-linked incentive and decided to incorporate a quantitative ESG evaluation for executive bonuses starting from FY2022.</li> <li>• Discussed revisions to the executive compensation system for major subsidiaries from the perspective of further enhancing the competitiveness of SMBC Group.</li> </ul>
<b>Audit Committee</b>	The Audit Committee is responsible for auditing the execution of duties by executive officers and directors of the Company, preparing audit reports, and determining 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 appointed by this Committee are to perform audits of the operations and assets of the Company and its subsidiaries.	15 meetings (100%)	<ul style="list-style-type: none"> <li>• In accordance with the audit policy and audit plan, audited the execution of duties by directors and executive officers by attending key meetings, interviewing with directors and executive officers, receiving reports from internal departments and visiting offices in Japan.</li> <li>• Provided summaries of the results of its deliberations to the Board of Directors, and issued recommendations and opinions to executive officers, etc. where necessary.</li> </ul>
<b>Risk Committee</b>	Chaired by an outside director, 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.	4 meetings (100%)	<ul style="list-style-type: none"> <li>• Discussed potential scenarios and their impact on the Group in response to events including the escalation of the Russia-Ukraine conflict, the COVID-19 pandemic and rising interest rates in the US, deliberated on initiatives to address climate change risk and model risks.</li> <li>• Discussed risk appetite based on Top Risks and stress tests for the development of business plans.</li> </ul>
<b>Sustainability Committee</b>	The Sustainability Committee is responsible for deliberating on the progress of sustainability initiatives, including climate change initiatives, domestic and overseas sustainability trends, and other important matters related to sustainability. It regularly reports to, and advises, the Board or Directors.	2 meetings (100%)	<ul style="list-style-type: none"> <li>• In light of our commitment to net zero emissions by 2050, discussed the need to join the "Net-Zero Banking Alliance" and participate in global rule-making.</li> <li>• Shared recognition of the importance of careful engagement with customers to reduce greenhouse gas emissions and deliberated on the development of an internal framework to achieve this.</li> </ul>

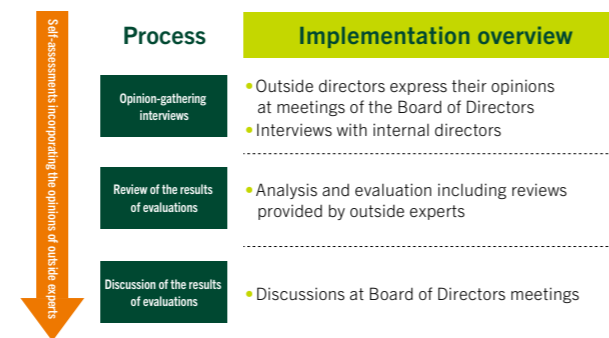
## Corporate Governance

### 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 FY2021, 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 2022, 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

In FY2021, based on the actions that have been taken to respond to the findings of the FY2020 Effectiveness Evaluation, the Board of Directors assessed the Group to be sufficiently effective, or more effective than before, as a result of efforts to increase the sophistication and effectiveness of deliberations at Board of Directors meetings. Based on the results of the latest Effectiveness Evaluation, together with the diverse opinions of the directors and the recommendations of external experts gathered through a series of processes, we are working to further improve effectiveness by promoting mutual understanding between outside directors and internal officers and employees, and by discussing and resolving fundamental issues to enhance our corporate value.

	FY2021 Evaluation	FY2022 Priority Issues
<b>Role of the Board of Directors</b>	<ul style="list-style-type: none"> <li>Steps are taken to invigorate discussions by drawing 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."</li> <li>In FY2020, the deliberations of various Board of Directors internal committees formed an effective foundation for substantive discussions held by the Board on various topics, including sustainability, which is now widely demanded by both society and investors.</li> <li>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.</li> </ul>	<p>The Board of Directors will go further in fulfilling its role through mutual understanding between outside directors and internal executives and employees, achieved through expanding discussions of the "Next Medium-Term Management Plan," which addresses the future of SMBC Group, as well as close supervision as the holding company of SMBC Nikko Securities in light of the arrest and indictment of its former executives and employees on the suspicion of violating the Financial Instruments and Exchange Act, as well as the company's corporate indictment.</p>
<b>Proceedings of the Board of Directors and Support Systems for Outside Directors</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Appropriate agenda management by the chairperson has facilitated the continuation of brisk discussions.</li> <li>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.</li> <li>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 accounting auditors, etc. Steps were taken to contribute to livelier discussions at meetings of the Board of Directors, including meetings for the exchange of opinions between outside directors and internal executives, as well as meetings exclusively for outside directors, in order to promote mutual understanding and deeper understanding of operations.</li> </ul>	<p>Going forward, as an initiative to further use outside directors' knowledge and to encourage open discussion, information will be provided, and meetings arranged, to deepen understanding of the main Group companies' operations..</p>
<b>Composition of the Board of Directors</b>	<ul style="list-style-type: none"> <li>As of March 31, 2022, 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.</li> </ul>	<p>The Nominating Committee shall continue to examine and review the ideal composition of the Board of Directors in light of its role.</p>

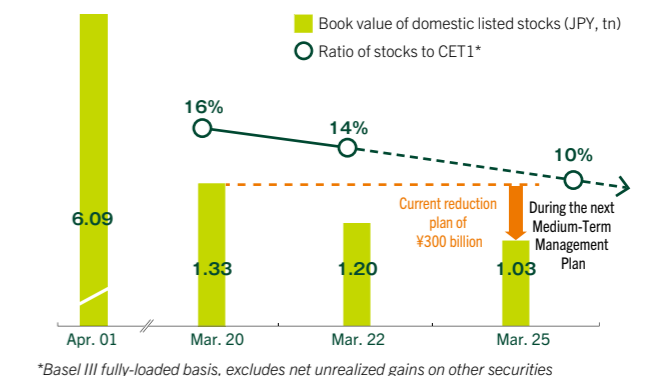
### Strategic Shareholdings

#### Policy Regarding Strategic Shareholdings

- As part of our proactive handling of standards of conduct and international regulations required of global financial institutions, we do not, in principle, possess any strategic shareholdings except where it is deemed reasonable to do so in order to maintain the financial soundness of the Group.
- Cases where there is recognized rationale for strategic holdings are those where, from a medium- to long-term perspective, there is verified profitability based on a proper understanding of the risks and costs of the holding, and the returns from that holding, and where it is judged that the holding will increase the Group's corporate value, taking into consideration the overall aims of the holding, including maintaining and strengthening business relationships, capital and business alliances and rehabilitation support.
- The rationale for strategic shareholdings is reviewed periodically. Holdings that are deemed to be rational are retained, while those judged to lack rationale will be sold with consideration for various factors such as the impact on the market and the issuer's financial strategy.

#### Planned Reductions in Strategic Shareholdings

We are continuously working to reduce the risk of stock price volatility from the perspective of ensuring a financial base that can fulfill its function as a financial intermediary even amidst environmental stresses that may cause dramatic declines in stock prices. The plan is to reduce the book value of strategic shareholdings by ¥300 billion over the five-year period, from March 2020 to March 2025. We have already reduced ¥122 billion by March 2022.



### Indictment of Former Executives and Employees of SMBC Nikko Securities, and of the Company Itself

Former executives and employees of SMBC Nikko Securities have been arrested and indicted on suspicion of having violating Article 159 Paragraph 3 of the Financial Instruments and Exchange Act (illegal stabilization transactions), and SMBC Nikko Securities has also been indicted. We take very seriously that, despite our position as a securities company, we have caused a situation that has undermined market confidence.

The investigation report received from the investigation committee established by SMBC Nikko Securities evaluates the legal and compliance problems on trading on our account of the target shares related to the block offers handled, as inappropriate and unfair practices or actions that required careful consideration and response from the

perspectives of (1) fair price information, (2) restrictions on the use of non-publicly known information that may affect investment decisions, and (3) prohibition of conflicts of interest by securities companies. Based on the results of this investigation, we are providing SMBC Nikko Securities with support in developing and implementing measures to prevent reoccurrence of such incidents, and will conduct serious examination of the issues regarding management control of SMBC Nikko Securities.

For details, please see the SMBC Nikko Securities press release. [https://www.smbcnikko.co.jp/en/news/2022/pdf/220624\\_01e.pdf](https://www.smbcnikko.co.jp/en/news/2022/pdf/220624_01e.pdf)

# Corporate Governance

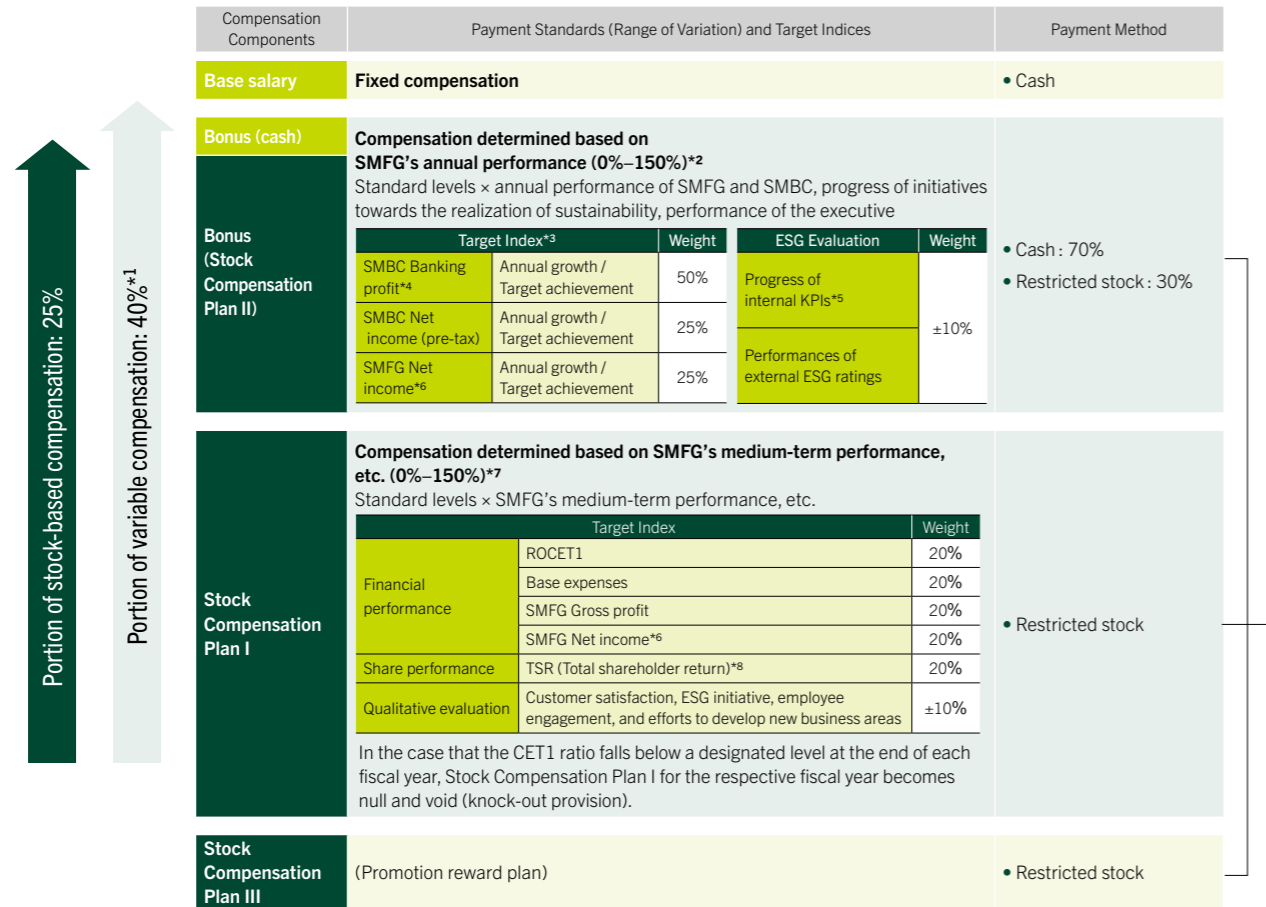
## Compensation Program

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.

## Executive Compensation System

■ Cash compensation ■ Stock compensation ■ Variable compensation



\*1 Capped at a maximum of 100% of total base salary  
 \*2 Compensation amounts for each fiscal year determined by the Compensation Committee  
 \*3 Where circumstances are recognized as not being fully reflected in the performance indicators, compensation may be adjusted within a range of ±5% upon deliberation by the Compensation Committee to ensure appropriate compensation for the operating environment  
 \*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 Performances of annual progress of internal KPIs in the “SMBC Group GREEN×GLOBE 2030”  
 \*6 The Company’s consolidated profit attributable to owners of parent  
 \*7 The Compensation Committee shall determine the compensation amount following the completion of the Medium-Term Management Plan  
 \*8 The Compensation Committee calculates target achievement by comparative evaluation of the TSR during the Medium-Term Management Plan period.

■ Foster a prudent risk culture expected of a financial institution  
 Applicable to malus and claw-back provisions

## Executive Compensation Structure

In principle, executive compensation consists of base salary, bonuses and stock compensation. The performance-linked portion, which fluctuate with the business environment and performance, accounts for approximately 40% of total compensation.

## Annual Performance-Linked Incentive

Both the Bonus (Cash) and Stock-Compensation Plan II are paid as annual performance-linked incentive. Three performance indicators are used: “SMFG Net Income” which is management’s end performance, and “SMBC Banking profit” and “SMBC Net Income (pre-tax),” which indicate the profitability of SMFG’s major subsidiaries. These create a strong link between performance and executive compensation, ensuring that compensation functions as an appropriate incentive for performance.

Target Index	Weight	Performance	Performance evaluation coefficient
SMBC Banking profit	Annual growth / Target achievement	50%	113%
SMBC Net income (pre-tax)	Annual growth / Target achievement	25%	
SMFG Net income	Annual growth / Target achievement	25%	

## Medium-Term Performance-Linked Compensation

Stock Compensation I is paid as medium-term performance-linked compensation. In order to improve accountability incentives for our medium- and long-term performance and to increase shareholder value, medium-term performance-linked compensation is calculated based on the target indices of ROCE1 and base expenses together with qualitative evaluations including “customer satisfaction” and “initiatives in new business fields.”

Compensation programs and levels are determined by the Compensation Committee based on third-party surveys of manager compensation, economic and social trends, and the operating environment.

## ESG Evaluation

We are incorporating the “ESG evaluation” indicator to executive compensation with the aim of further increasing our executives’ commitment to contributing to the realization of a sustainable society and achieving “SMBC Group GREEN×GLOBE 2030.” We have been including “ESG initiatives” into the qualitative evaluations for medium-term performance-linked compensation in order to reflect the degree to which long-term sustainability-related targets, including those for climate change, are being achieved. In addition to this, from FY2022, the Compensation Committee will judge performances of annual progress of internal KPIs in the “SMBC Group GREEN×GLOBE 2030”, such as the reduction of greenhouse gas emissions, and performances of external ESG ratings. These performances will be reflected in annual performance-linked incentive by a maximum of 10%, plus or minus.

## Ensuring Robust Business Operations

We have also introduced provisions for malus (forfeiture) of restricted stock and the claw-back of vested stock allocated under the Stock Compensation Plans in the event of incidents occurring such as material revisions to financial statements or material damage to the reputation of the Group. We are working to restrain excessive risk-taking and foster a prudent risk culture expected of a financial institution.

## 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.



**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



**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

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 2021, committee meetings were conducted with experts sharing information not found in sources such as newspapers on themes such as XR (a generic term for VR and AR), and “Braintech” (applied neuroscience), in which a range of opinions were exchanged.



**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



**Norishige Morimoto**

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



**Kenzaburo Tamaru**

Microsoft Japan Company, Ltd.  
Director, National Technology Officer

## Corporate Governance

### Sumitomo Mitsui Financial Group Directors

(As of June 29, 2022)



Chairman of the Board  
Chairman of the Board of SMBC

#### 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)  
2021 Chairman of the Board of SMBC (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  
2015 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

#### Toru Nakashima

1986 Joined Sumitomo Bank  
2014 Executive Officer of SMBC  
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  
Director Senior Managing Corporate Executive Officer of the Company (to present)  
2022 Resigned as Director of SMBC



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  
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 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)

## Corporate Governance

### Sumitomo Mitsui Financial Group Directors

(As of June 29, 2022)



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  
Ambassador of Japan to Russia,  
Armenia, Turkmenistan and Belarus  
2011 Ambassador of Japan to Italy  
Ambassador of Japan to Italy, Albania,  
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 157 for information on SMBC's Board of Directors, Directors, Members of the Audit and Supervisory Committee and Executive Officers.

# 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

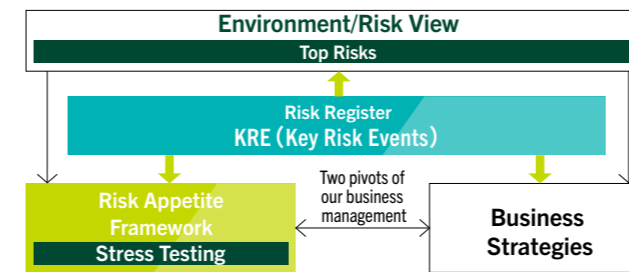
with laws and regulations. SMBC Group has established "Principles of Action on Compliance and Risk" in order for every colleague to hold onto as a "keystone" of their daily business. The principles include "Business based on the Risk Appetite Framework" and "We will conduct business operations with risk 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 <sup>*1</sup>	
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	

<sup>\*1</sup> 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<sup>\*2</sup> 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.

<sup>\*2</sup> 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.

A global economic slowdown	Disasters such as large-scale earthquakes, storms, and floods
Highly volatile commodity price and financial / foreign exchange markets	Lack of preparedness against cyber attacks and financial crimes
Sudden deterioration of the foreign currency funding conditions	Changes in industrial structure due to technological innovation
Japanese economic stagnation	Inadequate responses to climate change risk and environmental issues
Japanese fiscal instability	Inadequate responses to human rights issues
The U.S. - China struggle for supremacy	Improper labor management
Growing tensions around Russia-Ukraine conflict	Misconduct such as an employee's inappropriate behavior
Unstable situations in the Middle East and Asia	Inadequate improvement in the operational resilience system
Political turmoil and social instability	Inadequate preparedness for heightened regulatory and supervisory scrutiny
Outbreak of serious infectious disease	Difficulty in securing human resources

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 131 for Top Risks.

# Risk Management

## 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 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 agile stress testing 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 worsening Russia-Ukraine conflict and the acceleration of monetary tightening by the FRB 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 conducting scenario analyses on physical and transition risks related to climate change.

 Please see page 079 for more information on our climate change risk analysis.

## 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

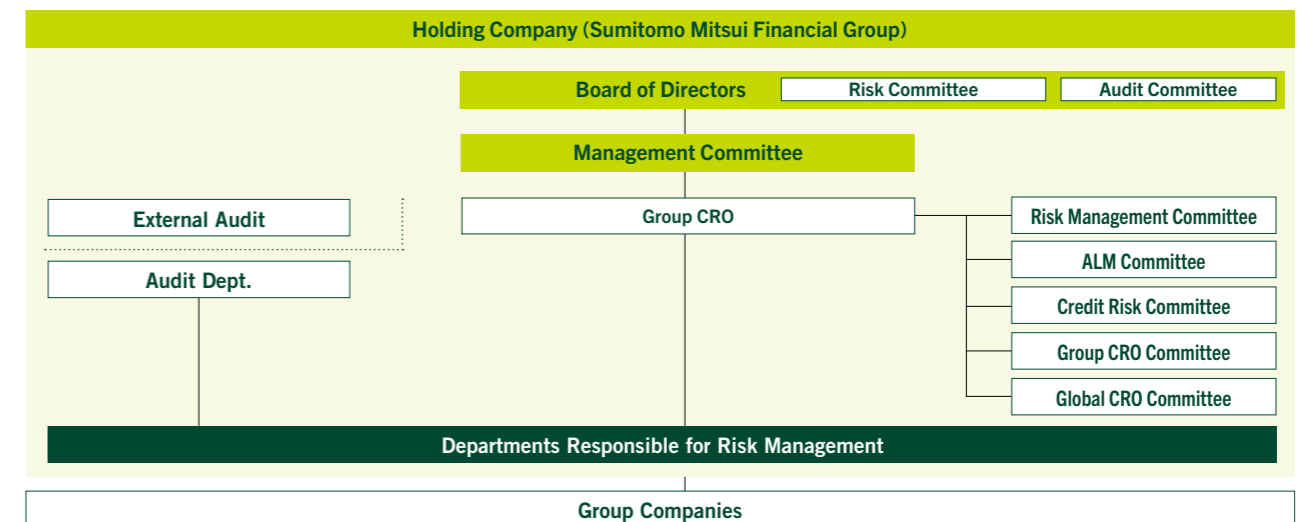
Based on the recognition of the importance of risk management, top management is actively involved in the risk management process, and systems are in place for verifying and monitoring the effectiveness and appropriateness of this process. Specifically, the group-wide basic policies for risk management and the Risk Appetites for the entire SMBC Group are determined by the Management Committee and authorized by the Board of Directors. After that, the status of risk management based on these policies and risk appetites is reported to the Board of Directors by the Group CRO four times per year.

If the outlooks for the operating environment and risks change drastically from the assumption in the beginning of the fiscal year, we will review the Risk Appetite for the entire group in a timely and appropriate manner with approval by the Board of Directors.

Also, we have defined three lines of defense and 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.

## 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 shown in the table on the right, and we are taking steps to achieve more effective and stronger risk management and compliance frameworks.

Principal Organizations	Roles and Responsibilities
<b>First Line</b> Business Units	<b>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.</b> <ul style="list-style-type: none"> <li>• Identification and evaluation of risks encountered in the business activities</li> <li>• Implementation of measures for minimizing and controlling risks</li> <li>• Monitoring of risks and reporting within First Line and to Second Line</li> <li>• Creation and fostering of a sound risk culture</li> </ul>
<b>Second Line</b> Risk Management and Compliance Departments	<b>The Risk Management and Compliance Departments shall assume the following functions and responsibilities in order to manage the risk management and compliance systems.</b> <ul style="list-style-type: none"> <li>• Drafting and development of basic principles and frameworks concerning risk management and compliance</li> <li>• Oversight, monitoring, and development of training programs for First Line</li> </ul>
<b>Third Line</b> Audit Department	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.

## Column

## Response to the Russia-Ukraine Conflict

**A**midst concerns of a serious impact on the global economy resulting from Russia's sudden invasion of Ukraine in February 2022, SMBC Group continues to monitor various risks, including credit, market and liquidity risks, and carries out stress tests according to scenarios developed based on the information of possible future circumstances gathered from a range of sources, in order to quantitatively assess capital and liquidity adequacy.

We are also reinforcing our security against the risk of cyber threats which have become a mounting concern as the situation grows more tense, by gathering information and analysis. Based on the results of these assessments and analyses, we will continue to discuss the situation at Management Committee and Risk Committee meetings and take proper action in response.



# 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

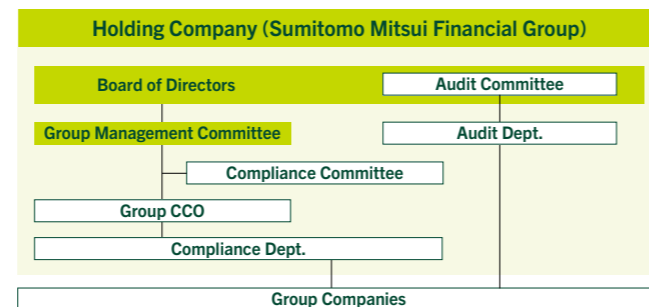
SMBC Group seeks to maintain a compliance system that provides appropriate instructions, guidance, and monitoring for compliance to ensure sound and proper business operations on a group-wide and global basis. Measures have been put in place to prevent misconduct and quickly detect inappropriate activities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

SMBC Group has established a framework to provide specific action plans for each group company to implement compliance and promote the development of compliance

systems, and for the unified management of overseas compliance frameworks. When we receive consultations and/or reports on compliance-related matters from group companies and overseas offices, we provide suggestions and guidance as necessary to ensure complete compliance at the Group and Global levels. With regard to the indictment of former executives and employees of SMBC Nikko and of the company itself, the Holding Company will resolutely support the development and implementation of measures to prevent reoccurrence of such an incident. This includes strengthening the compliance system in response to the investigation report received from the investigation committee established by SMBC Nikko Securities.

## 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), Countering the Financing of Terrorism (CFT) and Economic Sanctions

SMBC Group recognizes the importance of preventing money laundering and terrorist financing (ML/TF), and of compliance with regulations concerning state economic sanctions and therefore, undertakes every effort to prevent ourselves and employees, from engaging in, and/or providing assistance to, the commission of ML/TF, and to comply with regulations concerning economic sanctions imposed on states.

SMBC Group strictly complies with AML/CFT and economic sanctions regulations by establishing a Group Policy and by 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, the Financial Action Task Force Recommendations) and the laws/regulations of relevant countries including Japan in which the SMBC 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. The Compliance Department conducts annual bribery and corruption risk assessments of the offices of the major Group companies to identify transaction and counterparty-related risks, and to assess the effectiveness of controls. Risk assessment results are reported to the Compliance Committee, and following consultation with the companies and offices in question, appropriate risk mitigations are put in place in Group company offices identified as being at high risk.

# 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.”

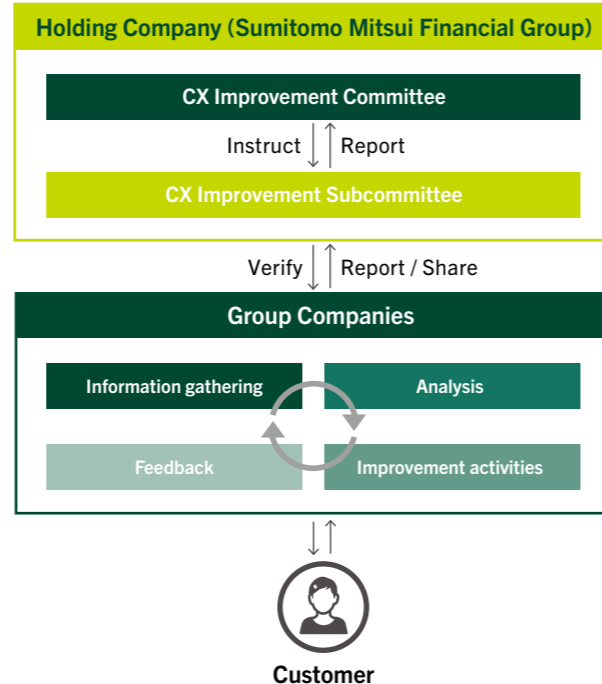
## CX Improvement System

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.

The appropriateness and efficacy of customer-oriented business conduct is reviewed and assessed by

## 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.

the Audit Department, the results of which are reported regularly to the Audit Committee, a subcommittee of the Board of Directors, and to the Group Management Committee. Customer feedback, including complaints, is also regularly reported to the Audit Committee.

## Initiatives to Improve Product and Service Quality

In order to provide customer-oriented products and services, SMBC Group always confirms that adequate assessments and responses to possible risks are taken during the planning and development stages, and that there is customer demand.

We also carry out periodic quality reviews of existing services, and the CX Improvement Subcommittee, composed of external experts and relevant heads of department, reviews and discusses the efforts of each Group company to improve the quality of our products and services.

## 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 148-149.

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

Based on 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

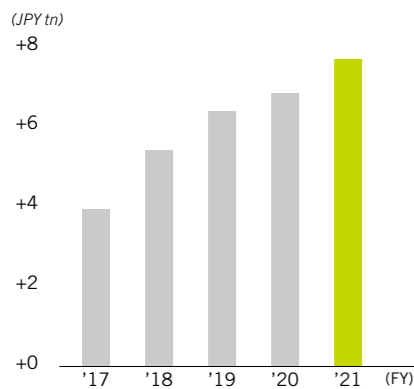
### Disclosed Indicators

- 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 Foreign currency-denominated insurance investment ratings by customer
- 18 Foreign currency-denominated insurance costs and return by brand
- 19 Acquisition status of FP qualifications

### Performance with Regard to Disclosed Indicators Increase in Balance of Investment Assets (Indicator 1)

In FY2021, 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.

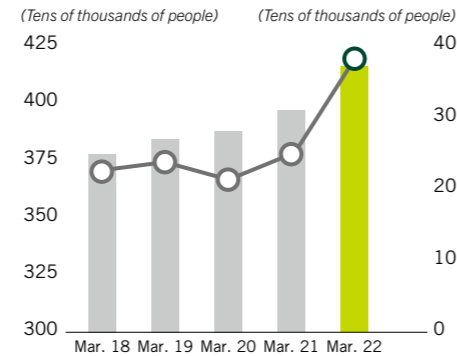
■ Increase in balance of investment assets (since Apr. 2013)



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)

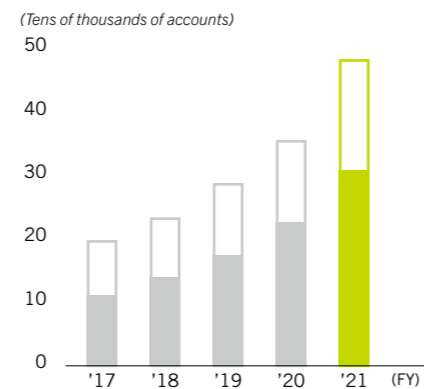
We continue to increase the number of customers using wealth management products by working to accurately address customers' needs related to protecting or building assets.



### Number of 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, there has been steady growth in the number of investment trust and automatic foreign currency deposit accounts.

□ Number of investment trust and automatic foreign currency deposit accounts  
■ Number of such customers who are 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.

### Purpose and Mission of Internal Audit

The purpose of internal audit at SMBC Group is the objective provision of assurance\*1 and consulting in accordance with the policies and plans approved by the Board of Directors but independent of management, business unit and the departments responsible for risk management and compliance, in order to add value to SMBC Group and improve its operations.

The mission of internal audit at SMBC Group is to preserve and grow the value of SMBC Group by providing risk-based and objective assurance, advice and insight.

\*1 Reviewing the adequacy and effectiveness of each process relating to governance, risk management and control processes, and providing assurance and recommendations for improvement based on the results.

### Overview of the Group's Internal Audit Framework

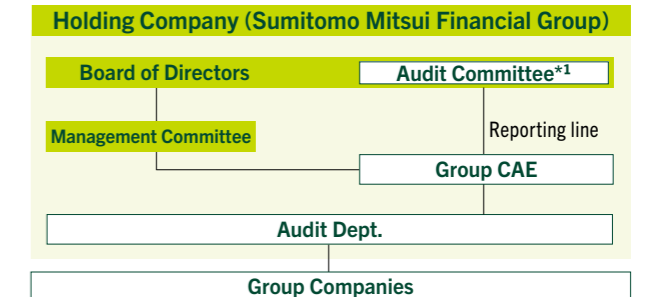
The Department has been established under the Audit Committee and is independent from each Business Unit, risk management and compliance departments, and other departments. Internal audits within our Group companies are structured broadly in line with SMFG. Group CAE oversees group-wide internal audit 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 regular information exchange with external auditors. As teleworking spreads amid the COVID-19 pandemic, audit activities are performed via new means to ensure the effectiveness in audits.

### Internal Audit Framework



\*2 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, 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 strives 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 leading practices.

# IT Governance

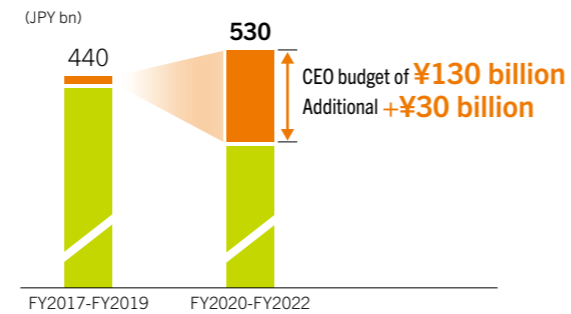
## Our Approach

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

## IT Investment Strategies

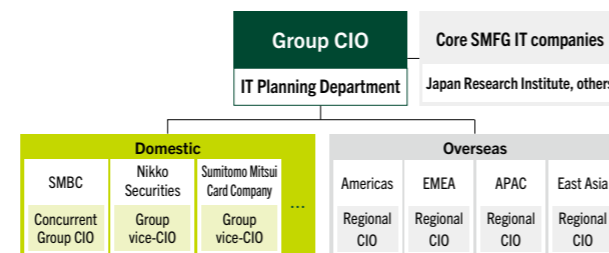
With the aim of fueling further growth of SMBC Group and to accelerate its digital strategy in Japan and overseas, we have increased the CEO budget by an additional ¥30 billion, bringing its total value to ¥130 billion. The CEO budget can be used to make flexible investments in fields in which Group CEO anticipates future growth. Total IT investment under the current Medium-Term Management Plan is ¥530 billion. Effective control of investments in existing IT areas is making it possible to allocate resources with an emphasis on strategic investments, such as promoting digitalization, reinforcing management foundations, building greater resilience and implementing business strategies.

## Increased IT Investments for Future Growth



## Group and Global IT Governance

We have a group IT governance structure in place to ensure that our IT systems comply with regulations that differ from business to business and from region to region, and to promote speedy strategies optimized for the group. Under the Group CIO, we have established vice-CIOs at SMBC Nikko



Securities and Sumitomo Mitsui Card Company, major Group companies in Japan, and regional CIOs in the Americas, EMEA, APAC, and East Asia, to operate effectively on both a group and global basis.

## Digital Subsidiary Governance

SMBC Group has long promoted digital transformation, and has established a number of digital subsidiaries under the banner of “Producing New CEOs,” with some services, such as eKYC of Polarify, now handling more than 10 million transactions annually. We are strengthening governance so that we can ensure the quality expected of SMBC Group without sacrificing the convenience of our digital services, while at the same time creating value through linkages with existing services.

## 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. We have established the Digital University as an internal training institution for promoting training in IT and digitalization across SMBC Group. The Digital University provides training for all employees on digital IT literacy and on practical digital skills.

Much of its content is unique to SMBC Group, and includes curriculums utilizing know-how obtained from real system implementation projects as well as use cases for the latest technologies, making it possible to learn internal and external knowledge efficiently and systematically.

## Cybersecurity

To address the risk of cyber threats that could seriously impact critical infrastructure and services, SMBC Group has greatly strengthened cybersecurity measures by defining such 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), 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 in promoting strategies to counter the risk of cyber threats. Furthermore, we have established a computer security incident response team (CSIRT) and a security operation center (SOC) to ensure

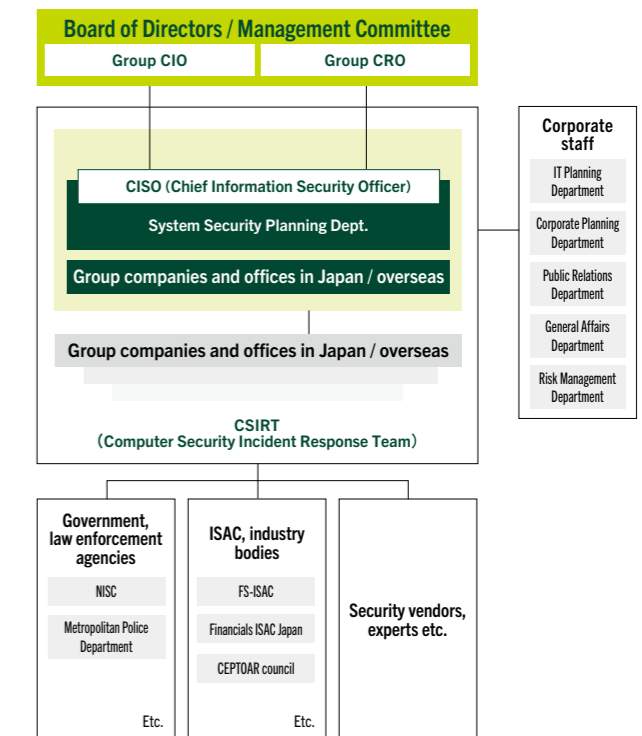
preparedness against evolving cyber threats, and analyses are performed on information regarding threats and observed incidents. The results of these analyses, along with information on the status of security measures are discussed regularly at meetings of the Board of Directors and the Management Committee.

The CSIRT is centered on the System Security Planning Department, which is exclusively responsible for cybersecurity. To ensure preparedness for cyber incidents, the CSIRT actively gathers information on attackers’ methods and vulnerabilities from both within the Group and externally, and where necessary shares this information with national government agencies as well as with external institutions such as FS-ISAC\* in the U.S. and ISAC\* in Japan.

In order to prepare against the ever-growing risk of cyber threats, the SOC, which is centered on The Japan Research Institute, is working to strengthen its security monitoring systems by integrating the monitoring systems of Group companies, developing 24/7 global monitoring systems, and partnering with regional SOCs in Europe, the U.S. and Asia.

\*Financial Services Information Sharing and Analysis Center

## SMBC Group’s Cybersecurity Governance System



## Financial Review

### Principal Financial Data

#### Consolidated Performance Summary

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019*	FY2020	FY2021
Consolidated gross profit	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	<b>2,945.5</b>
Net interest income	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	<b>1,528.0</b>
Net fees and commissions + Trust fees	910.0	987.1	999.6	1,007.5	1,017.1	1,070.5	1,064.6	1,088.1	1,098.9	<b>1,205.5</b>
Net trading income + Net other operating income	490.2	427.0	475.7	473.5	545.0	520.3	450.2	373.6	372.1	<b>212.0</b>
General and administrative expenses	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	<b>1,821.1</b>
Overhead ratio	53.6%	54.2%	55.7%	59.4%	62.1%	60.9%	60.3%	62.8%	62.3%	<b>61.8%</b>
Equity in gains (losses) of affiliates	5.3	10.2	(10.6)	(36.2)	24.6	39.0	61.1	56.1	25.0	<b>28.5</b>
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	<b>1,152.9</b>
(Reference) Consolidated net business profit (old definition)	1,166.2	1,242.4	-	-	-	-	-	-	-	-
Total credit cost (gains)	173.1	(49.1)	7.8	102.8	164.4	94.2	110.3	170.6	360.5	<b>274.4</b>
Gains (losses) on stock	(21.0)	89.2	66.7	69.0	55.0	118.9	116.3	80.5	92.6	<b>209.1</b>
Other income (expenses)	(34.1)	(44.5)	(48.2)	(123.9)	(17.6)	(64.5)	(63.1)	(62.8)	(105.0)	<b>(46.9)</b>
Ordinary profit	1,073.7	1,432.3	1,321.2	985.3	1,005.9	1,164.1	1,135.3	932.1	711.0	<b>1,040.6</b>
Extraordinary gains (losses)	(9.7)	(9.6)	(11.8)	(5.1)	(26.6)	(55.3)	(11.7)	(43.4)	(38.8)	<b>(111.0)</b>
Income taxes	146.0	458.8	441.4	225.0	171.0	270.5	331.4	167.7	156.3	<b>214.5</b>
Profit attributable to non-controlling interests	124.0	128.5	114.4	108.4	101.8	104.0	65.5	17.1	3.1	<b>8.4</b>
Profit attributable to owners of parent	794.1	835.4	753.6	646.7	706.5	734.4	726.7	703.9	512.8	<b>706.6</b>

(Billions of yen)

#### Consolidated Balance Sheet Summary

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019*	FY2020	FY2021
Total assets	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	<b>257,704.6</b>
Loans and bills discounted	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	<b>90,834.1</b>
Securities	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	<b>38,538.7</b>
Total liabilities	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	<b>245,507.3</b>
Deposits	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	<b>148,585.5</b>
Negotiable certificates of deposit	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	<b>13,069.8</b>
Total net assets	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	<b>12,197.3</b>
Shareholders' equity	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	<b>9,938.6</b>
Retained earnings	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	<b>6,916.5</b>
Accumulated other comprehensive income	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	<b>2,159.6</b>
Non-controlling interests	2,096.8	1,724.0	1,671.7	1,531.0	1,499.3	1,219.6	678.5	62.9	70.8	<b>97.6</b>

#### Financial Indicators

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019*	FY2020	FY2021
Total capital ratio (BIS guidelines)	14.71%	15.51%	16.58%	17.02%	16.93%	19.36%	20.76%	18.75%	18.61%	<b>16.56%</b>
Tier 1 capital ratio (BIS guidelines)	10.93%	12.19%	12.89%	13.68%	14.07%	16.69%	18.19%	16.63%	16.96%	<b>15.46%</b>
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%	<b>14.45%</b>
Dividend per share (Yen)	120	120	140	150	150	170	180	190	190	<b>210</b>
Dividend payout ratio	21.3%	20.3%	26.2%	32.7%	29.9%	32.7%	34.6%	37.0%	50.8%	<b>40.7%</b>
ROE (on a stockholders' equity basis)	14.8%	13.8%	11.2%	8.9%	9.1%	8.8%	8.2%	7.6%	5.4%	<b>7.3%</b>

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

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019*	FY2020	FY2021
Nikkei Stock Average (Yen)	12,398	14,828	19,207	16,759	18,909	21,454	21,206	18,917	29,179	<b>27,821</b>
Foreign exchange rate (USD/JPY)	94.01	102.88	120.15	112.62	112.19	106.25	111.00	108.81	110.71	<b>122.41</b>

\* 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 ¥139.3 billion year-on-year to ¥2,945.5 billion, as profit growth in the Retail Business Unit, the Wholesale Business Unit, and the Global Business Unit, driven by the recovery in economic activities and effects of various measures, which outweighed a decline in profit in the Global Markets Business Unit due to reduced gains on the sale of bonds.

General and administrative expenses increased due to increase in expenses, which had been declining in FY2020 due to the spread of COVID-19, and increase in variable costs resulting from acquisition of new customers by Sumitomo Mitsui Card Company, Limited. Equity in gains of affiliates increased mainly due to the recovery in the performance of investee companies in Asia despite impairment losses on aircraft leased to Russia by SMBC Aviation Capital. As a result, consolidated net business profit increased by ¥68.9 billion from the previous fiscal year to ¥1,152.9 billion.

Total credit cost decreased by ¥86.1 billion year-on-year to ¥274.4 billion. The reserve for possible loan losses related to the COVID-19 which a large amount was recognized in FY2020 decreased in FY2021 while the provisions for possible loan losses for Russia-related credits, including forward-looking provisions, was recognized in FY2021.

In addition to the factors above, ordinary profit increased by ¥329.6 billion year-on-year to ¥1,040.6 billion, due to factors including increased gains on sales of strategic shareholdings.

Profit attributable to owners of parent increased by ¥193.8 billion year-on-year to reach ¥706.6 billion, including impairment losses on fixed assets such as branches and software at SMBC and SMBC Trust Bank as well.

	(Billions of yen)	
	FY2021	Increase (Decrease)
Consolidated gross profit	2,945.5	+139.3
General and administrative expenses	1,821.1	+74.0
Equity in gains (losses) of affiliates	28.5	+3.5
Consolidated net business profit	1,152.9	+68.9
Total credit cost	274.4	(86.1)
Ordinary profit	1,040.6	+329.6
Profit attributable to owners of parent	706.6	+193.8

#### Performance of Major Group Companies

(Left: FY2021 performance; Right: Year-on-year comparison)

	SMBC		SMBC Trust	
Gross profit	1,579.2	+97.5	48.5	+8.3
Expenses	857.2	+40.7	44.1	+0.2
Net business profit	721.9	+56.8	4.4	+8.1
Net income	546.3	+208.3	(15.9)	(7.4)
	SMBC Nikko*1		SMCC	
Gross profit	387.1	(42.6)	406.0	+20.4
Expenses	318.2	+4.7	339.9	+22.6
Net business profit	68.9	(47.3)	65.9	(2.8)
Net income	51.4	(40.7)	19.8	(16.0)
	SMBCCF		SMDAM	
Gross profit	254.9	(4.8)	39.2	+5.1
Expenses	116.4	+5.8	30.2	(2.1)
Net business profit	138.5	(10.6)	9.1	+7.3
Net income	58.8*2	+4.7	5.4	+33.4
	SMFL*3		50%	
Gross profit	233.4	+56.7		
Expenses	103.2	+17.5		
Net business profit	138.2	+43.0		
Net income	35.4	+1.7		

Ratio of Ownership by SMFG

\*1 Figures are on a managerial accounting basis including profit from overseas equity method affiliates of SMBC Nikko Securities Inc. (consolidated subsidiaries of SMFG).

\*2 Excludes internal transactions

\*3 Figures are on a managerial accounting basis.

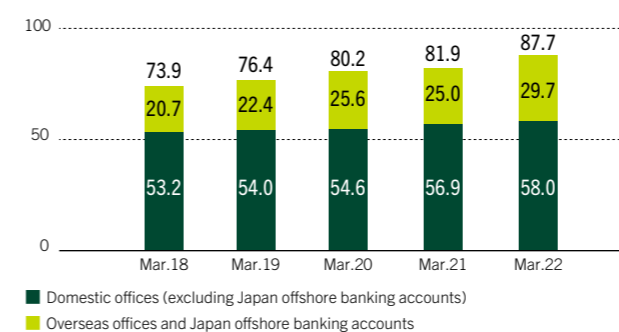
### Consolidated Balance Sheet Summary

#### Loans and Bills Discounted (SMBC non-consolidated)

The balances of loans and bills discounted increased by ¥5.8 trillion year-on-year to ¥87.7 trillion.

This was mainly the result of robust demand for finance from medium sized and small-to-medium-sized enterprises in Japan and a recovery in finance overseas, mainly in the U.S. and Europe.

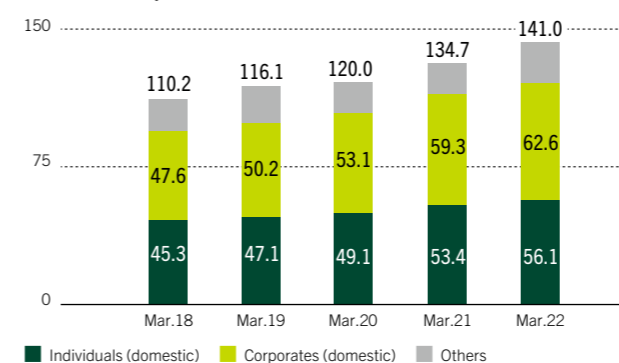
#### Balance of Loans (Trillions of yen)



#### Deposits (SMBC non-consolidated)

Deposits increased by ¥6.3 trillion year-on-year to ¥141.0 trillion. This increase was mainly due to increases in both individual and corporate deposits in Japan.

#### Balance of Deposits (Trillions of yen)



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

The domestic loan-to-deposit spread, calculated by subtracting the value of deposits from the value of loans, remained unchanged from the previous year at 0.84%.

	FY2021					FY2020
	1Q	2Q	3Q	4Q	Yearly average	Yearly average
Interest earned on loans and bills discounted	0.85	0.85	0.83	0.83	0.84	0.84
Interest paid on deposits, etc.	0.00	0.00	0.00	0.00	0.00	0.00
Loan-to-deposit spread	0.85	0.85	0.83	0.83	0.84	0.84

#### Securities

Other securities increased by ¥1,703.7 billion year-on-year to ¥38,114.9 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 decreased by ¥654.6 billion year-on-year to ¥2,277.2 billion, mainly due to lower unrealized gains on Japanese stocks resulting from a decline in prices on Japanese stock markets, as well as a deterioration in unrealized profit and loss on foreign bonds due to higher interest rates overseas.

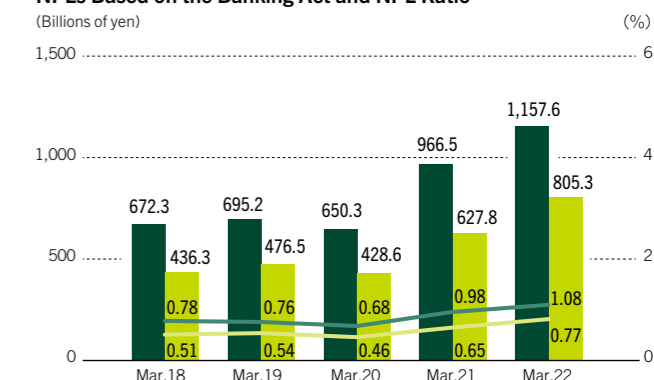
#### Unrealized Gains (Losses) on Other Securities (Billions of yen)

	Balance		Net unrealized gains (losses)	
	March 31, 2022	YoY	March 31, 2022	YoY
Stocks	3,403.4	(289.9)	2,033.7	(222.0)
Bonds	19,560.3	+1,905.1	(50.1)	(58.1)
Others	15,151.2	+88.5	293.6	(374.5)
Total	38,114.9	+1,703.7	2,277.2	(654.6)

#### NPLs Based on the Banking Act and Financial Reconstruction Act

The balance of NPLs based on the Banking Act and the Financial Reconstruction Act increased by ¥191.1 billion year-on-year to ¥1,157.6 billion due to a deterioration of the credit ratings of some large obligors. The NPL ratio remains at a low level, despite increasing by 0.10% to 1.08%.

#### NPLs Based on the Banking Act and NPL Ratio



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

## Financial Review

### Capital

#### Capital

Common equity Tier 1 capital decreased by ¥104.4 billion from the end of the previous fiscal year to ¥10,458.4 billion, primarily due to a decrease in net unrealized gains attributable to a fall in stock market prices. As a result, Tier 1 capital decreased by ¥13.1 billion to ¥11,186.2 billion, while total capital decreased by ¥305.5 billion to ¥11,983.8 billion.

#### Risk-Weighted Assets

Risk-weighted assets increased by ¥6,342.1 billion from the end of the previous fiscal year to ¥72,350.1 billion, mainly due to an increase in loans in Japan and overseas.

#### Capital Ratio

As a result of the above, the Common Equity Tier 1 ratio, which represents the most important form of core capital, stood at 14.45%, while the total capital ratio was 16.56%. Both levels remain adequate.

#### Leverage Ratio

The leverage ratio fell to 5.17% due to a decrease in Tier 1 capital and an increase in on-balance assets, mainly due to increased lending in Japan and overseas.

#### External TLAC Ratio

SMBC Group seeks to increase external TLAC capital by procuring external TLAC bonds primarily from overseas corporate bond markets. The external TLAC ratio was 24.98% on a risk-weighted asset basis and 9.54% on a total exposure basis, exceeding the mandated levels on both items.

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

	March 31, 2022 (A)	March 31, 2021 (B)	YoY (A-B)
Common equity Tier 1 capital	10,458.4	10,562.8	(104.4)
Additional Tier 1 capital	727.8	636.5	+91.3
Tier 1 capital	11,186.2	11,199.3	(13.1)
Tier 2 capital	797.5	1,090.0	(292.5)
Total capital	11,983.8	12,289.3	(305.5)
Risk-weighted assets	72,350.1	66,008.0	+6,342.1
Common equity Tier 1 capital ratio	14.45%	16.00%	(1.55)%
Tier 1 ratio	15.46%	16.96%	(1.50)%
Total capital ratio	16.56%	18.61%	(2.05)%

#### Leverage Ratio

	2022 (A)	2021 (B)	YoY (A-B)
Leverage ratio	5.17%	5.65%	(0.48)%

#### External TLAC Ratio

	2022 (A)	2021 (B)	YoY (A-B)
Risk-weighted asset basis	24.98%	25.82%	(0.84)%
Total exposure basis	9.54%	9.77%	(0.23)%


#### Total Exposure

	2022 (A)	2021 (B)	YoY (A-B)
Total exposure*	216,080.4	198,170.8	+17,909.6

\* Excludes deposits with the Bank of Japan

## 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 a company that stands on the forefront of sustainable growth by heightening productivity through workstyle reforms  
**Nikkei**



Nominated 6 times as a brand encouraging women's success in the workplace  
**METI**  
Tokyo Stock Exchange



Recognized as a financial institution actively engaged in ESG finance  
**Ministry of the Environment**



Recognition for environmental financial products, services and initiatives  
**Research Institute for Environmental Finance (RIEF)**

### 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).































### 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, 2022).

GPIF Selected Indices











#### Editorial Policy

SMBC GROUP ANNUAL REPORT 2022 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:

FY2021 (April 2021 to March 2022)

Some subsequent information is also included.

##### Organizations covered:

Sumitomo Mitsui Financial Group and its subsidiaries and affiliates

##### Published:

August 2022



**"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.



#### 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)



