

Core Policies of the Medium-Term Management Plan (FY2023 - FY2025)

The new Medium-Term Management Plan, covering the three-year period from FY2023, aims to achieve “Growth with Quality” strongly and proactively by further advancing existing initiatives that leverage the Group’s collective strengths to respond to major environmental changes that could be called a paradigm shift, including the current reversal of social and economic globalization, inflation and rising interest rates in regions such as the U.S. and Europe, progress in digital transformation, and the expansion and worsening of social issues faced around the world.

Core Policies

The new Medium-Term Management Plan is titled the “Plan for Fulfilled Growth,” expressing our strong desire to achieve “Growth with Quality” while fulfilling our three core policies of “Create Social Value,” “Pursue Economic Value,” and “Rebuild Corporate Infrastructure” toward the Vision of becoming a “a trusted global solution provider committed to the growth of our customers and advancement of society,” which we defined in 2020.

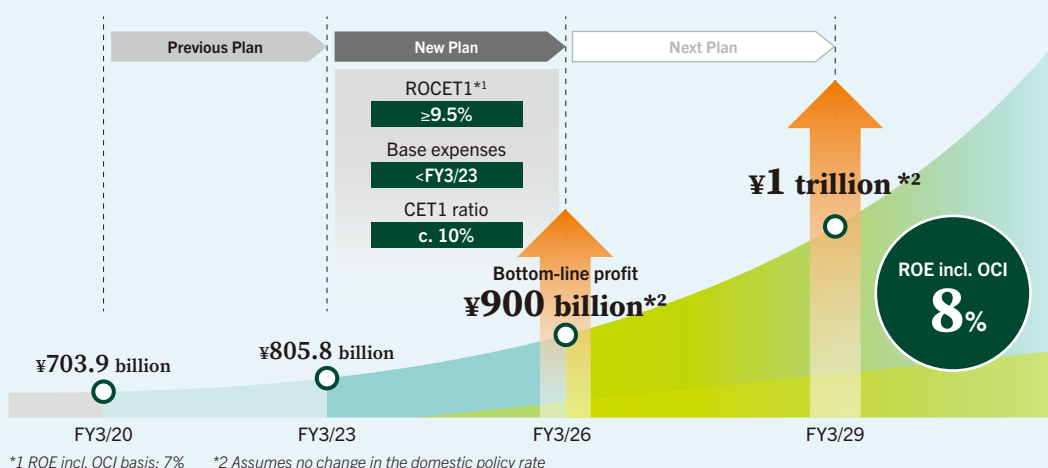
Plan for Fulfilled Growth



Financial Targets

In order to compete globally as a global financial institution, we will work toward goals that are not an extension of previous plans. Specifically, we aim to realize bottom-line profits of ¥1 trillion or more in the next Medium-Term Management Plan (FY2026-FY2028), and ¥900 billion in the new Medium-Term Management Plan as a milestone on the way to that target.

As in the previous Medium-Term Management Plan, we have set three indicators: profitability, efficiency, and financial soundness. In particular, for ROCET1, an indicator of profitability, we will also pay close attention to ROE including OCI and aim to steadily improve capital efficiency.



Growth with Quality

We will review our business portfolio and reallocate resources more effectively than before in order to improve capital efficiency and achieve resilient business operations.

Reform domestic business model	Reduce unprofitable assets	Review significance of holding
<ul style="list-style-type: none"> Retail business Shift resources from human to IT by thorough digitalization Wholesale business Shift personnel to growth areas by promoting digitalization and efficiency 	<ul style="list-style-type: none"> Project finance High RWA burden Trade finance Short-term, low-interest margins Regions of low growth and excessive competition 	<ul style="list-style-type: none"> Review strategy for existing financial investees with limited growth potential Accelerate reduction pace of shareholdings Shift to Green Assets toward a decarbonized society

RWA	¥(6) trillionx1.5 reduction vs. previous plan	Domestic workload	(6.5)K>10% of domestic headcount
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Shift management resources

Pursuit of economic value		Rebuild corporate infrastructure	
RWA	+¥11 trillion	Workload	+3K
		IT investment	+¥650 billion

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Create Social Value

Contributing to “Fulfilled Growth”

In the new Medium-Term Management Plan, SMBC Group has selected five key issues (materialities) to be proactively addressed: “Environment,” “DE&I/Human Rights,” “Poverty & Inequality,” “Declining Birthrate & Aging Population,” and “Japan’s Regrowth,” and has set ten goals for resolving these materialities. With a business spirit that aims at creating social value as corporate citizens long passed down through Mitsui and Sumitomo, we will further expand our existing activities. Furthermore, we will contribute to “Fulfilled Growth” where society and people can enjoy sustainable prosperity by creating social value and returning to society.

Environment	Support the transition to achieve a decarbonized society	Sustainable finance ¥50 trillion (FY3/21-30)	Establishment more specific action plans
	Contribute to the conservation and restoration of natural capital		
DE&I/Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement score maintain at least 70	
	Respect human rights throughout the supply chain		
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	Number of microfinance borrowers +800K people	
	Contribute to financial inclusion in developing countries		
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM / foreign currency balance ¥18 trillion	
	Build user-friendly infrastructure to support a society with a declining population		
Japan’s Regrowth	Support customers’ business model transformation	Investment and loans for startups ¥135 billion	
	Create innovation and foster new industries		

Materiality identification process

In light of the ever-growing and increasingly serious social issues facing the world, it has become even more important to proactively address a wide range of social issues, and aim to create social value as a corporate citizen. Based on this recognition, we have reviewed the materialities identified in 2014.

1

Identification of social issues to be addressed

We identify social issues with the potential to have a significant impact on SMBC Group and society, based on our top risks and past efforts to resolve social issues, in addition to global issues such as the SDGs and efforts by Japanese government.

2

Discussion and examination

Approximately 20,000 employees in Japan and overseas responded to a questionnaire survey conducted on “Social issues that SMBC Group should focus on.”

In addition to discussions at Management Committee, Diversity Committee, and other meetings on the executive side, discussions are also held at meetings of the Board of Directors and Sustainability Committee on the supervisory side. Five materialities and ten goals have been selected based on the results of the employee survey and opinions from both the supervisory and executive sides (including opinions of external committee members).

3

Institutional decisions

KPIs associated with materiality and targets are also added and decided by the Board of Directors following deliberation by Management Committee.

Pursue Economic Value

Transformation & Growth

We will engage in continuous business model reform that reflects major changes in the environment and carry out efforts to establish franchises in strategic overseas areas while steadily realizing the benefits of existing growth investments and initiatives with the key phrase “Transformation & Growth” in continuation from the previous Medium-Term Management Plan. Through these efforts, SMBC Group will transform our business portfolio and realize robust growth in profitability that is accompanied by enhanced capital efficiency.

- I Reform domestic business for possible interest rate hike
- II Improve capital efficiency with B/S discipline
- III Build global portfolio based on growth potential



Rebuild Corporate Infrastructure

Quality builds Trust

In the previous Medium-Term Management Plan, we carried out various initiatives aimed at enhancing SMBC Group’s corporate infrastructure with “Quality” as a keyword. In the new Medium-term Management Plan, we will engage in tireless efforts to enhance SMBC Group’s corporate infrastructure and win the trust of our customers and other stakeholders with “Quality builds Trust” as a key phrase.

- I Improve the quality of governance and compliance
- II Sophisticate human capital management
- III Reinforce IT infrastructure
- IV Improve risk analysis and risk control capabilities