

## The SMFG Corporate Governance System

The chairman of SMFG serves as the chairman of the Board of Directors of SMFG. This is to separate his role from that of the president of the Group, whose responsibility is to exercise overall supervision of the Group's business activities. We also have outside directors to improve the effectiveness of the Board, as well as three subcommittees—the Risk Management Committee, the Compensation Committee, and the Nominating Committee—to support its oversight function.

The two outside directors, a certified public accountant and a lawyer, are members of all the subcommittees to ensure that the execution of the Group's business operations is in conformity with the law. In particular, an outside director serves as chairman of the Compensation Committee. This system allows the supervision of corporate governance to be conducted from a suitably objective perspective.

The Board has authorized the respective committees to consider the following issues and submit reports to the Board:

### • Risk Management Committee

Groupwide Risk Management and Compliance

1. Issues related to the basic policies and the system of risk management
2. Other issues with a potential material impact on operations

### • Compensation Committee

Remuneration of Board Members and Executive Officers of SMFG and SMBC

1. Issues related to remuneration, salaries, and incentive program
2. Other remuneration issues

### • Nominating Committee

Appointment of Directors of SMFG and SMBC

1. Issues related to the selection of candidates for Board directorships
2. Issues related to the appointment of managing directors having specific management responsibilities, and issues related to the appointment of representative directors
3. Other major personnel issues related to directors

SMFG has created the Management Committee, under the direct supervision of the Board of Directors and chaired by the president of SMFG, as the top decision-making body on business administration and management supervision of the entire Group. The committee, composed of directors chosen by the president, considers important matters relating to the execution of business, and the president has the authority to make the final decision, in accordance with basic policy as determined by the Board of Directors, after considering the committee's recommendations.

In addition to the above, SMFG also has a Group Strategy Committee to serve as a forum for the top management staff of all

Group companies to exchange opinions and information on their respective business plans.

With regard to the three Group companies Sumitomo Mitsui Card Company, Limited, SMBC Leasing Company, Limited, and the Japan Research Institute, Limited, the director in charge of SMFG's Subsidiaries and Affiliates Department serves as a part-time director of these companies to strengthen the control of SMFG over their operations.

## The SMBC Corporate Governance System

To ensure sound and transparent management, SMBC separates the two functions of management: decision-making at the operational level, and supervision of the management of the bank from a longer-term perspective. For this purpose, the bank employs a system in which executive officers appointed by the Board of Directors are responsible for operational duties, while the supervisory function is exercised principally by the Board of Directors.

The chairman of the bank serves as the chairman of the Board of Directors, and to clearly separate his functions from those of the president of the bank, whose responsibility is to exercise overall supervision of the bank's activities, the chairman does not simultaneously serve as an executive officer; instead, he is primarily responsible for overseeing the performance of operational duties.

Executive officers are selected by the Board to manage each of SMBC's businesses. As of June 30, 2004, there were 67 executive officers, including the president, 13 of whom concurrently serve as directors.

The Management Committee, under the direct supervision of the Board of Directors, is the highest decision-making body at the operational level. The president chairs the committee and selects its members from the executive officers. The committee members consider important management issues in light of the policies laid down by the Board of Directors, and the president has the authority to make the final decision after considering the committee's recommendations.

The president designates certain members of the Management Committee as Authorized Management Committee Members in charge of particular head office departments, as well as supervisory officers, who are responsible for overseeing the operations of each business unit. All of these designated individuals are charged with implementing the directives of the Management Committee within the businesses they oversee.

SMBC's Advisory Board, which serves as a consultative body to its chairman and president, consists of top management members from major companies as well as other persons with special qualifications from outside the bank. The Advisory Board supports the bank's management in their deliberations across the whole spectrum of business issues.