

Our Position on Corporate Governance

SMFG and its Group companies follow the SMFG management philosophy set forth as the universal guide for the Group management and consider this philosophy as the foundation for any corporate activities. We are working to improve the effectiveness of corporate governance as we consider strengthening and enhancement of corporate governance as one of the top prioritized issues in order to achieve the management philosophy. Further, SMFG establishes its “SMFG Corporate Governance Guideline” as its principles and guidelines to be referred to for corporate governance, in order to improve sustainable growth and medium- and long-term corporate values by preventing the occurrence of misconduct and unsound corporate situations and through achieving effective corporate governance with these measures.

The SMFG Corporate Governance System

As a company with a board of corporate auditors, SMFG implements the system which enhances appropriateness and efficiency of audit for the board of directors to appropriately exercise its oversight function, and for corporate auditors to independently exercise the auditing function, and the board of corporate auditors to establish auditing policies by resolution. In terms of incorporating external views and opinions into management, on June 26, 2015, we have increased the number of outside directors and outside corporate auditors in total from six to eight; and five out of thirteen directors and three out of six corporate auditors are outside directors and corporate auditors.

As for corporate auditors, they attend important SMFG meetings including the Board of Directors meetings, in accordance with the audit policy and allocation of audit procedures as set forth by the Board of Corporate Auditors, and receive reports from directors and others on the execution status of duties; and they audit such execution status of SMFG directors through reviewing material approval documents, communicating with internal audit department and subsidiaries, and hearing reports made by accounting auditors.

As for the Board, the chairman of SMFG serves as the chairman of the Board of Directors for SMFG. The role of the chairman is clearly separated from responsibilities of the president who oversees the overall business operations. Furthermore, the establishment of internal governance committees under the Board and appointment of outside directors enhance the effectiveness of the Board.

The Board set up four internal committees: the Auditing Committee, the Risk Management Committee, the Compensation Committee, and the Nominating Committee. All three outside directors have been appointed for these committees in order to objectively oversee corporate governance. As the objectivity is explicitly required for both Auditing Committee and Compensation Committee, the outside directors are appointed as the chairmen for these committees to further enhance such required objectivity.

The Group Management Committee is set up under the Board to serve as the top decision-making body. The Group Management Committee is chaired by the president of SMFG and the directors are appointed by the president. The committee members consider important management issues based

on policies set by the Board of Directors, and the president has the authority to make the final decision after considering the committee's recommendations.

The Group Strategy Committee is set up for matters related to business plans of each Group company and to exchange opinions, discuss and report on the management of SMFG and each of the Group companies.

Furthermore, seven directors out of thirteen directors (out of which five directors are outside directors) of SMFG also serve as the directors for SMBC to oversee its business execution. As for three companies of Sumitomo Mitsui Finance and Leasing Company, Limited, SMBC Consumer Finance Co., Ltd., and The Japan Research Institute, Limited of SMFG's directly-owned subsidiaries, the SMFG directors also serve as the directors for each of these subsidiaries to oversee their business.

Furthermore, in order to maintain sound management, SMFG sets forth a system which firmly maintains the appropriateness of SMFG's business operations, as the internal control regulations for SMFG and its Group companies pursuant to the Japanese Company Law. SMFG considers that the development of a solid management system is an important management issue by further improving the internal control system.

The SMBC Corporate Governance System

SMBC implements the corporate auditor system by appointing six corporate auditors, out of which three corporate auditors are outside auditors. SMBC implements the executive officer system by dividing functions of “business execution” and “overseeing function” in order to increase the transparency and soundness of management. The executive officers execute business operations and the Board serves mainly as the overseeing function.

The chairman of the bank also serves as the chairman of the Board; segregates his functions and duties from the president of the bank who controls the overall business operations; does not concurrently hold the position of executive officer; and mainly oversees the business execution. Furthermore, SMBC further strengthens the overseeing function by appointing three outside directors out of seventeen directors for the bank. The executive officers, who manage business operations, are appointed by the Board.

There are a total of eighty-one executive officers, including the president, as of June 30, 2015 (out of eighty-one executive officers, eleven executive officers concurrently serve as directors).

The Management Committee is set up under the Board to serve as the highest decision-making body for the bank. The Management Committee is chaired by the president of the bank, and the executive officers are appointed by the president. The committee members consider important management issues based on policies set by the Board of Directors, and the president has the authority to make the final decision after considering the committee's recommendations.

Furthermore, pursuant to the decisions made by the Board, the president designates certain members of the Management Committee to be Authorized Management Committee members in charge of particular Head Office departments or units. All of these designated individuals are in charge of implementing the directives of the Management Committee within the businesses they oversee.