

SMBC Group Annual Report 2019

YEAR ENDED MARCH 31, 2019

At Sumitomo Mitsui Financial Group, we position “Our Mission” as the universal philosophy underpinning the management of SMBC Group and as the foundation for all of our corporate activities.

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.

Vision

To be a global financial group that leads growth in Japan and Asia by earning the highest trust of our customers

Values

**Customer First
Proactive and Innovative
Speed
Quality
Team SMFG**

Mission

Vision

Values

▶ See page 61 for information on our Code of Conduct.



“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.



Editorial Policy

SMBC Group Report 2019 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:
FY2018 (April 2018 to March 2019)
Some subsequent information is also included.

Organizations covered:
Sumitomo Mitsui Financial Group and its subsidiaries and affiliates

Published
August 2019

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Corporate Infrastructure Supporting Value Creation

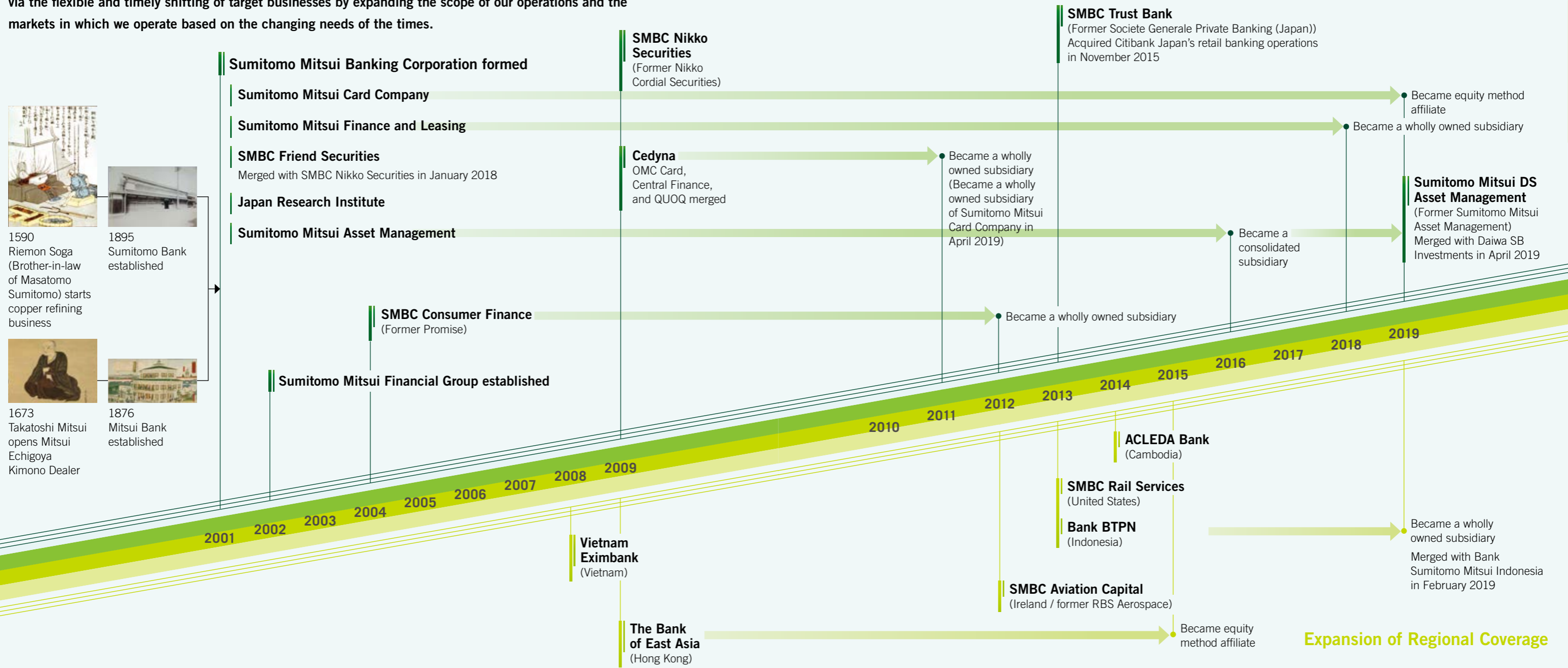
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History of SMBC Group

SMBC Group has overcome numerous challenges and enhanced the quality of our corporate infrastructure via the flexible and timely shifting of target businesses by expanding the scope of our operations and the markets in which we operate based on the changing needs of the times.

Expansion of Business Domain

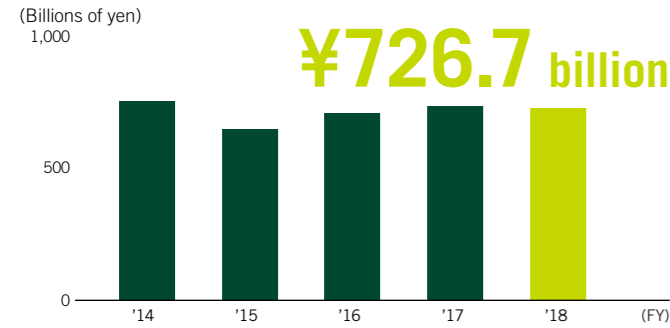


Operating Environment

Region	Operating Environment
Japan	<ul style="list-style-type: none"> “Program for Financial Revival” commenced → Disposal of non-performing Loans conducted Lift the ban of securities intermediary Zero interest rate policy rescinded by the Bank of Japan Firewall regulations between banking and securities alleviated Blanket guarantee of deposits fully lifted Financial Instruments and Exchange Act enacted Full lift of the insurance products sale by banks Japan Post privatized Start of “Abenomics” NISA introduced Japan’s Corporate Governance Code instituted Workstyle reform-related laws established
Global	<ul style="list-style-type: none"> Collapse of the IT bubble Implementation of Basel II Subprime mortgage crisis Financial crisis European sovereign debt crisis Dodd-Frank Act enacted in the U.S. Implementation of Basel III U.S. federal funds rate raised for the first time in nine and a half years Finalization of the Basel III reform U.K. announces withdrawal from the European Union Trade friction between the United States and China erupts

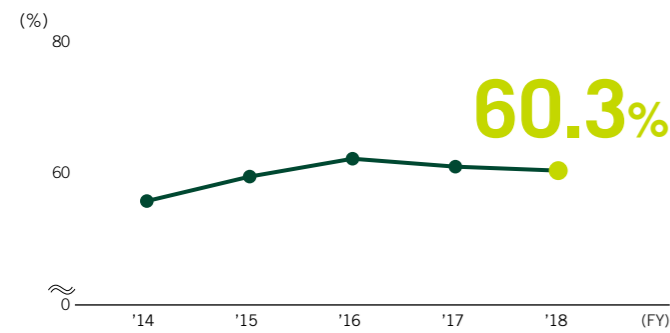
Financial Highlights

Profit attributable to owners of parent



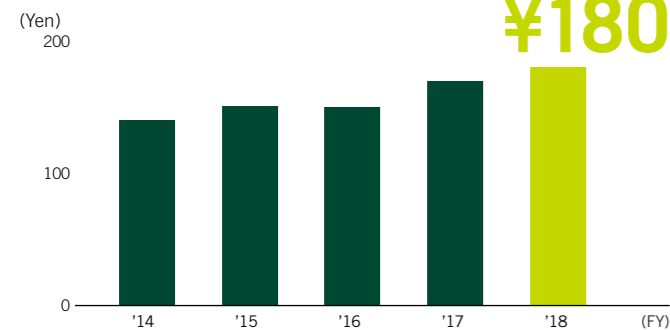
Profit attributable to owners of parent exceeded the target of ¥700 billion in FY2018. This was mainly due to the robust growth in the International Business Unit, a driver of group-wide growth, while the wealth management business was sluggish due to the deterioration of market conditions seen in the second half of the fiscal year.

Overhead ratio (OHR)



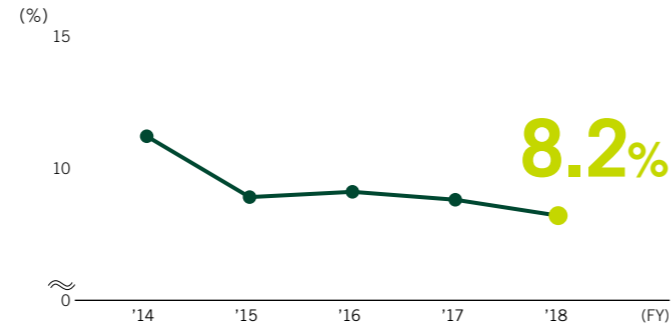
OHR was lower than the target of the Medium-Term Management Plan: 1% reduction compared with FY2016 (62.1%). This was the result of ongoing group-wide cost control measures as well as the benefits of the deconsolidation of Kansai Urban Banking Corporation and THE MINATO BANK, both of which have relatively high OHR.

Dividend per share of common stock



Dividend per share was ¥180 in FY2018, ¥10 higher than the previous fiscal year and our initial forecast, since profit attributable to owners of parent was higher than our target because of the steady progress in the Medium-Term Management Plan.

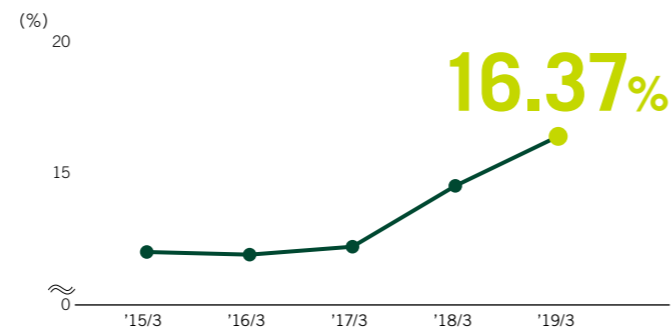
Return on equity (ROE)*



* Calculated using stockholders' equity as the denominator

ROE exceeded our Medium-Term Management Plan target of 7–8% due to the steady progress of the plan that led to higher than expected profit attributable to owners of parent.

Common Equity Tier 1 capital ratio (CET1 ratio)*



* Basel III fully-loaded basis

CET1 ratio increased by 1.87% due to the rise in CET1 capital following the accumulation of retained earnings as well as the decrease in risk-weighted assets primarily attributable to the deconsolidation of Sumitomo Mitsui Finance and Leasing Company.

Credit ratings (As of June 30, 2019)

	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

Accreditation



Received a 4-star rating in the 2nd NIKKEI Smart Work Management Survey through which Nikkei recognizes companies that stand on the forefront of sustainable growth by heightening productivity through workstyle reforms



Selected for the third time as a Certified Health and Productivity Management Organization (large enterprise category) by the Ministry of Economy, Trade and Industry in a program designed to recognize companies exercising superior health and productivity management



Selected for the fourth time in the Nadeshiko Brand selection of listed companies excelling at empowering female employees compiled jointly by METI and the Tokyo Stock Exchange



Selected for inclusion in the 2019 Competitive IT Strategy Company Stock Selection of listed companies engaged in competitive and strategic IT investment aimed at increasing corporate value and competitiveness from a medium- to long-term management perspective compiled jointly by METI and the Tokyo Stock Exchange

Support for initiatives in Japan and overseas

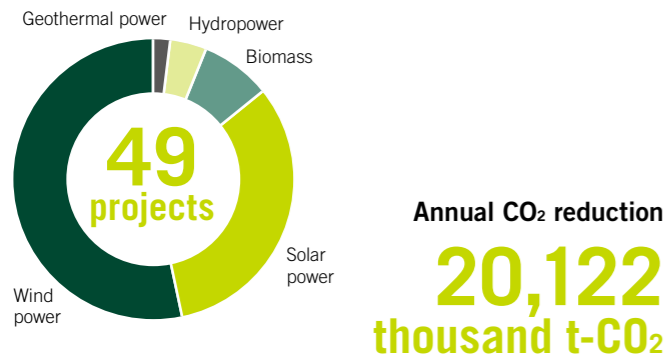
As a global corporate citizen of the global society, SMBC Group is fully aware of the social impact of financial institutions, and it supports the following initiatives in Japan and overseas (the action guidelines for the corporate activities and principles).



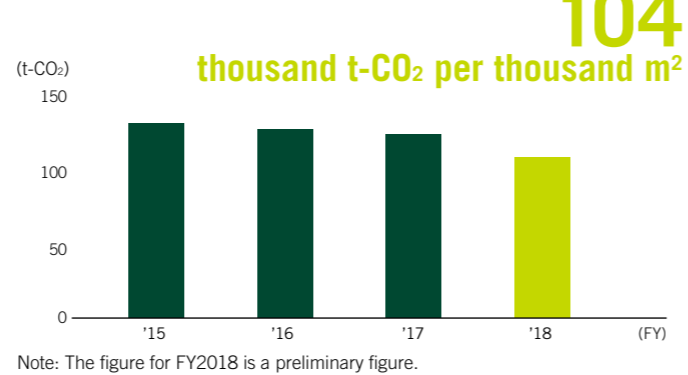
ESG Highlights

Environment → See page 76 for more information.

Project finance for overseas renewable energy projects

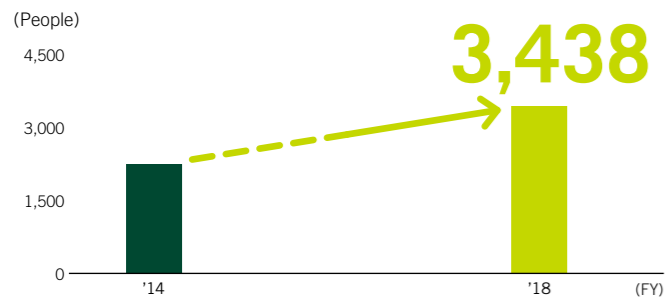


Total CO₂ Emissions (per m²)

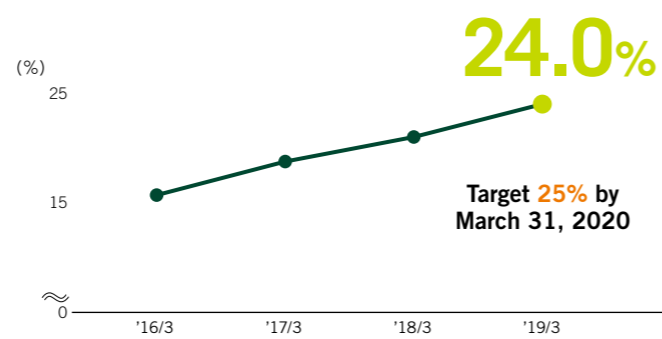


Social → See page 78, 92 for more information.

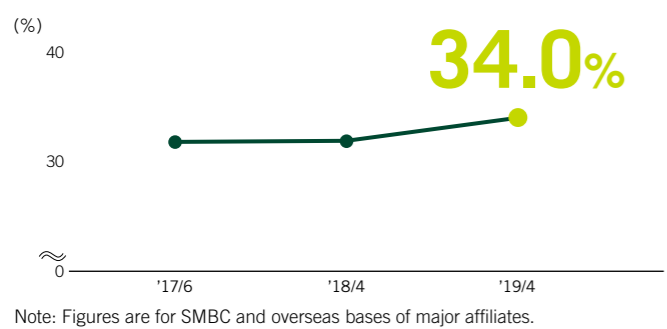
Number of employees taking parental leave (male and female)



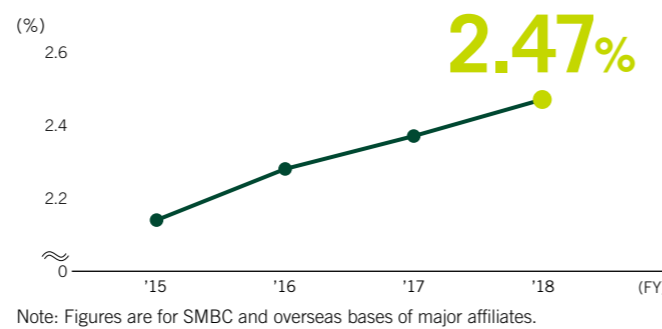
Ratio of female managers



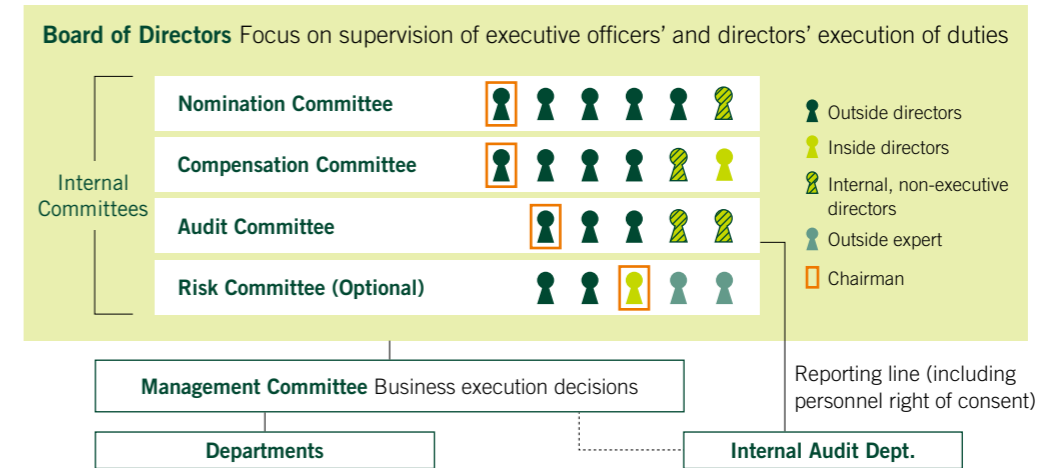
Ratio of GM positions with locally hired employees



Ratio of employees with disabilities

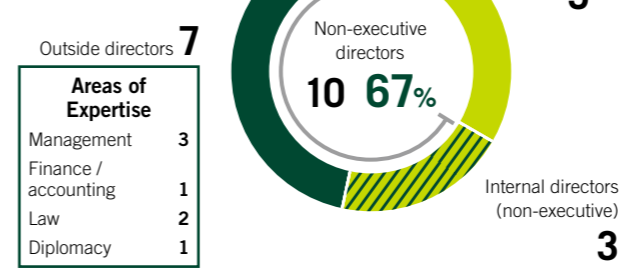


Governance → See page 60 for more information.

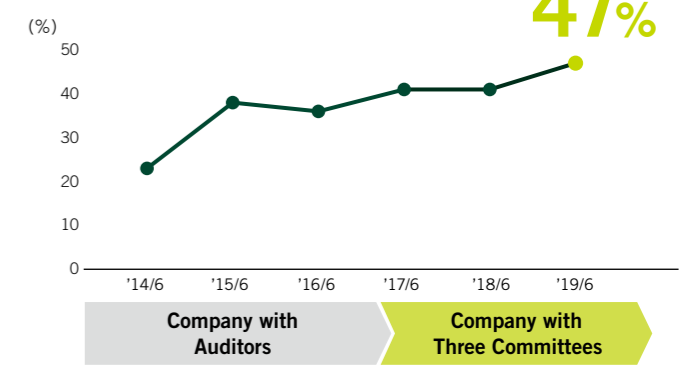


Composition of the Board of Directors

Change in Number of Directors (Year on Year)
17→15



Ratio of Outside Directors



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, 2019).



SMBC Group's Value Creation Process

SMBC Group works to improve corporate value by providing high-quality services to its customers.
At the same time, we address social issues through a concerted Group effort.

Social Issues

E Environment

- Climate change
- Low-carbon society

S Social

- Support for growing industries and regional revitalization
- Financial inclusion
- Digitalization
- 100-Year life society

G Governance

- Compliance
- Anti-money laundering
- Fiduciary duties
- Cybersecurity
- Diversity, Workstyle reform

Financial Environment

- Cashless payment
- Global liquidity glut
- Prolonged negative interest rate environment in Japan
- Trade friction between the United States and China

Sources of Value Creation for SMBC Group



Provision of Value to Stakeholders



Medium- to long-term vision

To be a global financial group that leads growth in Japan and Asia by earning the highest trust of our customers

Promotion of Sustainability Management

SMBC Group has designated three priority issues, “Environment,” “Next Generation,” and “Community,” to guide its efforts to fulfill its mission as a global financial group. In addition, 10 goals from among the United Nations Sustainable Development Goals (SDGs) have been selected as areas of focus. Initiatives for addressing issues in these areas are incorporated into the measures of business units so that we can respond to these issues through our business activities.

Furthermore, the Corporate Sustainability Committee, which is chaired by the Group CEO, was established in October 2018 to promote the realization of a sustainable society. Under the strong commitment of top management, SMBC Group will accelerate sustainability management initiatives and seek to contribute to the resolution of social issues and the accomplishment of the SDGs through its business activities.



SMBC Group's Initiatives

	Issues We Should Address	Focused SDGs	Initiative Examples
E Environment	Promote Environmental Business Manage Environmental Risks Reduce Environmental Impacts	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	<ul style="list-style-type: none"> Renewable energy initiatives Funding through green bonds Measures for combating climate change <p>▶ P76</p>
S Next Generation	Support for growth industries Contribute to emerging countries Promote financial literacy education	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY INNOVATION AND INFRASTRUCTURE	<ul style="list-style-type: none"> Promotion of cashless payments among SMEs Business succession support that addresses cognitive impairment issues Financial and economic education <p>▶ P78</p>
C Community	Achieve safe/secure community Promote social inclusion Reconstruct natural disasters	1 NO POVERTY 11 SUSTAINABLE CITIES AND COMMUNITIES	<ul style="list-style-type: none"> Regional revitalization using traditional Japanese dwellings SDGs social loan initiatives Support for developing countries via donations through employee volunteer fund <p>▶ P79</p>
G Governance	Corporate Governance Risk Management Compliance Internal Audits Customer-Oriented Initiatives Human Resources Strategy	5 GENDER EQUALITY 10 REDUCED INEQUALITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	<ul style="list-style-type: none"> Strengthening and enhancement of corporate governance Customer-oriented business conduct and customer satisfaction and quality improvement Promotion of diversity and workstyle reforms <p>▶ P60 ▶ P80 ▶ P90</p>

Various Social Issues

Realization of a Sustainable Society

Message from the Group CEO

Building the Future of Finance

We will Pursue Further Excellence by
Tirelessly Reinventing Ourselves



Jun Ohta

Director President and Group CEO
Sumitomo Mitsui Financial Group, Inc.

I was appointed as President and Group CEO of Sumitomo Mitsui Financial Group in April 2019. My key responsibility as Group CEO is to leverage the business foundations and strengths which our predecessors built over our long history to realize the further growth and development of SMBC Group. There is no change in our basic principles or vision that we are pursuing together as SMBC Group. I will spearhead efforts to realize our medium- to long-term vision: “To be a global financial group that leads growth in Japan and Asia by earning the highest trust of our customers.”

The Future we are Facing

We are currently facing the need to evolve.

Distortions and deviations have become visible in the framework of capitalism, which has been the prerequisite for the continued growth of the global economy in the post-war era. Cracks are becoming ever more apparent in the traditional global order led by the United States. Nationalism is on the rise in the United States, and we are seeing the rapid spread of anti-globalism that is symbolized by protectionism. In Europe, which has long walked beside the United States, democracy and multi-culturalism, concepts that are the basic principles of European integration, are being challenged with populism and anti-government movements gaining momentum. There is an increasing possibility that the clash between the United States and China for economic, technological, and military hegemony will continue as China, which has expanded its presence in the global economy, pursues its unique brand of state capitalism. The new era of Reiwa has ushered in a world of uncertainty and doubt where there is no clear or agreed upon global leader.

Domestically speaking, we are also moving into a new period. While we have been aware of this for quite some time, Japan is expected to face serious population decline that would accelerate the contraction of the domestic market. In 2040, about twenty years from now, while the global population is expected to increase by 20%, Japan’s working age population is expected to decrease by more than 20%. However, this can also be viewed as an excellent opportunity to break free of traditional business models. For example, it will become possible to draw out the full potential of each employee by implementing work style reform and streamlining operations. Furthermore, if the private and public sectors work together to promote innovation and improve productivity, it should reverse Japan’s decline in international competitiveness. I believe that Japan still possesses much growth potential although it is facing headwinds, such as population decline and a fall in its relative status on the global stage.

The unprecedented levels of monetary easing pursued by various countries have led to massive liquidity. The Bank of Japan’s total assets now easily exceed ¥500 trillion and for the first time in the post-war era surpassed Japan’s GDP. This number jumps to ¥1,600 trillion if we include the total assets of the US Federal Reserve and the European Central Bank. This means that the total assets held by the central banks of Japan, the US, and the EU have quadrupled during the decade following the global financial crisis. This type of liquidity may destabilize financial markets due to the increased risk of an asset bubble forming. The underlying question going forward will be whether central banks can carry-out monetary policy normalization without causing disruption given that it is an unprecedented challenge.

Digitalization has brought on a paradigm shift in various industries, including the financial sector. Changing industrial structures and advances in technology have blurred traditional boundaries that

have separated businesses. Our business has not been immune to this trend with players from sectors such as logistics, telecommunications, and IT entering the financial sector. In the not too distant future, business-based categories within the financial sector, such as banking, securities, and insurance may have lost all relevance, leaving only function-based categorizations, such as loans, deposits, payments, and investments.

What is common among these structural changes is that they are irreversible and that they will have a major impact on us. In other words, issues such as Japan being our contracting “mother market” or intensifying competition due to entrants from other sectors are not cyclical issues which will eventually resolve themselves; these are unpleasant realities which we must confront head-on. If we are to realize sustainable growth we must, now more than ever before, look forward into the future and evolve relentlessly.

SMBC Group: Our Journey and Our Strengths

However, these structural changes are by no means a recent development. SMBC, SMBC Group’s core commercial banking entity, set sail in stormy waters when it was formed in 2001. Japan’s financial sector had just embarked on an age of large-scale restructuring and reorganization due to domestic non-performing loans becoming a serious problem under Japan’s prolonged deflationary environment. Shortly after we had completed paying back our public funds and turned our attention to pursuing growth, the US subprime loan crisis triggered the global financial crisis in 2008. The lessons that were learned during this period led to the tightening of international financial regulations, which was a game changer.

While these events shook our business at its very foundations, each time we succeeded in realizing quality growth by refashioning ourselves into a stronger, more tenacious financial group. As a result of such changes, we have developed three universal strengths.

First, a robust client base built upon many years of mutual trust.

SMBC Group is made up of leading corporates operating in various industries, such as banking, leasing, securities, and consumer finance. The unique combination of SMBC (a Japanese megabank) and SMBC Nikko (one of the three major Japanese securities companies) is one of our key strengths. In terms of our domestic retail business, we hold the number one position in key fields, such as credit card memberships and consumer loan balance, with 43 million customers supported by 50 thousand employees.

In regards to our global business, our traditional approach was to build a strong presence by cultivating relationships focusing on corporate clients, for example western multi-national corporations and leading companies of key ASEAN countries. However, in February 2019 we completed the merger of BTPN, a local Indonesian bank, with PT Bank Mitsui Sumitomo Indonesia, establishing a platform from which we can offer a full-line of wholesale and retail banking services in Indonesia. The post-merger bank is staffed by approximately 20 thousand employees and serves seven million customers through its digital banking business where our collaborations with BTPN commenced well before the merger.

Second, a solid business foundation which has been developed with proactive and speedy initiatives through the changing times.

In Japan, our mother market, the business environment for commercial banks has been challenging for some time now due to low growth and low interest rates. However, by diversifying our revenue sources through the expansion of our business and regional coverage, the contribution of SMBC

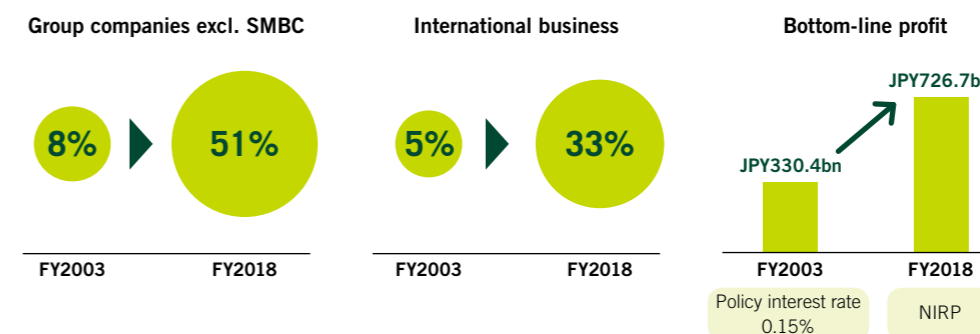
Group companies other than SMBC to consolidated net business profit increased significantly from 8% in FY2003 to 51% in FY2018, surpassing 50% for the first time. During this time, profit attributable to owners of parent increased from ¥330.4 billion to ¥726.7 billion, proving that we have been successful in our efforts to realize quality growth.

As a growth driver, our international business has been increasing its net business profit at an annual rate of 13% since the establishment of our Group. As a result, our international businesses’ contribution to consolidated net business profit rose from 5% in FY2003 to 33% in FY2018. We have also increased businesses that we are globally competitive in. For example, our project finance business, which a team of four employees including myself launched thirty-three years ago with the dream of one day becoming the best in the world, is now ranked number two in the world.

Furthermore, in the past few years our focus has shifted from growing our topline profit to maximizing efficiencies given the slowdown in the growth of emerging markets, the introduction of the negative interest rate policy by the Bank of Japan and tightening international financial regulations. We have been able to raise the quality of our business foundation by reorganizing our Group companies (regional banking subsidiaries, leasing business, etc.), and realizing strict cost controls through Robotic Process Automation (“RPA”) and branch reorganization.

Expand business and regional coverage

(Contribution to consolidated net business profit)



Third, top-tier employees who provide advanced and client-focused business solutions.

Employees are the most important management resource for a financial institution. The reason that we have been able to consistently maintain the highest loan spread among the Japanese megabanks and net business profit per employee at a very high level over the years is thanks to our motivated employees who possess excellent marketing capabilities and expertise providing speedy and on-target business solutions to our clients. None of our success would have been possible without the trust and knowhow accumulated by our employees.

We are also carrying out work style reform related initiatives so that our employees can perform at an even higher level. We have introduced RPA on a Group basis and have already produced world-class results. RPA is often described in the context of headcount reduction, but this is incorrect. The purpose of RPA is to leverage digital technology to free our employees from low productivity tasks and allow them to focus on high-value added tasks and corporate planning activities so that we can further enhance the quality of our products and services. Such initiatives should contribute to our growth as they lead to heightened employee motivation.

▶ **P54**
Merger of BTPN and PT Bank Sumitomo Mitsui Indonesia

▶ **P4**
Expand business and regional coverage



“I believe that if banks are not really needed, we do not have to continue being a bank.”

Stakeholder Themes that I will Work on Looking Ten, Twenty Years in the Future

I will work on the following stakeholder themes looking ten, twenty years in the future, while also taking into account our unchanging universal strengths and the irreversible major changes in the external environment which I shared with you earlier.

▶ **P80**
Customer-Oriented Initiatives

Customers: Ensure Customer-Oriented Business Conduct and Provide New Added Value

“We grow and prosper together with our customers, by providing services of greater value to them.” This is the very first section of Our Mission. In addition, “Customer First” (always acting based on a customer-oriented mindset) has been placed at the head of our Five Values; a set of common values and behavioral guidelines which are shared among SMBC Group employees to realize Our Mission. We are working to ensure the comprehensive implementation of customer-oriented business operations based on the belief that continuously providing high quality products and services that address our clients’ needs increases business, which in turn leads to the growth of SMBC Group.

We will continue our never-ending efforts to provide clients with higher quality services and new added value. Recently, some have made the argument that banks are no longer needed. I believe that if banks are not really needed, we do not have to continue being a bank. There is no need for us to remain as a bank if the nature of finance changes due to the spread of digitalization, leading to the creation of more convenient, lower priced products and services which benefit the economy and society, and these products and services are being provided by entities other than banks. I am determined that SMBC Group will become a provider of such products and services by tirelessly reinventing ourselves.

Shareholders: Maximize Shareholder Value by Further Enhancing Shareholder Returns and Realizing Sustainable Growth

I will continue to devote our utmost efforts to maximize shareholder value by further enhancing shareholder returns and realizing sustainable growth.

The goal of our basic capital policy is to achieve a healthy balance between securing financial soundness, enhancing shareholder returns, and investing for growth. In regards to securing financial

▶ **P28**
Capital Policy

soundness, our CET1 ratio at the end of FY2018 reached the 10% target set under the Medium-Term Management Plan, one year ahead of schedule. As such, we will shift from a phase where capital accumulation was the priority to a new stage where we can focus on strengthening shareholders returns and investing for growth.

Going forward, we will strive to maximize shareholder value by further enhancing shareholder returns and realizing sustainable growth as a result of striking the right balance of allocating capital between shareholder returns and investing for growth. In terms of investing for growth, we will engage in organic investments to accelerate the growth of our domestic and global businesses, in addition to pursuing inorganic opportunities in a disciplined manner. Potential inorganic opportunities which we may pursue would be investments in global businesses and portfolios which possess high capital or asset efficiencies, and investments related to the construction of business platforms aimed at realizing future growth.

Dividends are our principal approach to shareholder returns, and we are aiming to achieve a dividend payout ratio of 40% during the next Medium-Term Management Plan. In respect to flexible share buybacks, we implemented a ¥70 billion share buyback program in May 2018 and a ¥100 billion share buyback program in May 2019. The total payout ratio for FY2019 is expected to be 50%, which means that we will return exactly half of our earnings to shareholders. We have been steadily enhancing shareholder returns with our total payout ratio increasing by 20% over the three year period covered by the current Medium-Term Management Plan.

Employees: Create a Work Environment Where Employees can Pursue Their Dreams with Confidence and Ambition.

I will create a work environment where each one of our employees can pursue their dreams with confidence and ambition.

Ever since I was appointed as Group CEO, I have been calling on employees to “Break the Mold.” We will surely be left behind in this era of rapid change if we shut ourselves behind our molds, in other words, if our thoughts and actions are constrained by precedent and preconceptions, prohibiting us from engaging in self-improvement. Financial institutions have traditionally been considered as being conservative and as devoted followers of the so called “demerit principle.” Now we must actively pursue new challenges and determine how we can best leverage the experiences we have gained through past failures. I will create an energetic workplace in which our employees bravely pursue new challenges with their colleagues being inspired by such challenges, leading to a steady stream of new business opportunities being developed.

In addition, we will also revise our human resources framework so that our employees can carry out their responsibilities with a sense of enthusiasm and maximize their potential. For example, with the aim of encouraging employees to engage in new challenges, SMBC is in the process of revising its human resources framework based on the three concepts of Fair: A framework that fairly evaluates and rewards our employees, Challenge: A framework that encourages and rewards an employee’s desire to engage in more challenging responsibilities, and Chance: A framework under which all employees are given opportunities to demonstrate their abilities to the fullest extent. In addition, as Group CEO, I will redouble our efforts to develop next generation leaders and assign employees based on the “right person for the right position” approach. I believe that developing a culture and establishing a framework that allows employees to pursue their dreams with confidence and ambition is one of the key tasks of a business leader.

▶ **P90**
Human Resources Strategy

“Ever since I was appointed as Group CEO, I have been calling on employees to ‘Break the Mold.’”

Environment and Society: Resolving Social Issues Through Our Business Operations and Our Initiatives Related to the Sustainable Development Goals (“SDGs”).

We are currently facing various environmental and social issues which need to be addressed on a global basis, for example climate change resulting from global warming and human rights violations in supply chains operating in emerging markets. Financial institutions are expected to play a substantial role in addressing such developments as our business allows us to act as a hub connecting various industries. SMBC Group will further strengthen efforts to resolve social issues through our business operations and in relation to our SDG related initiatives so that we may realize the sustainable development of society.

We at SMBC Group have positioned the sustainable development of society as a key issue and in October 2018 reorganized the CSR Committee into the Corporate Sustainability Committee to enable us to better carry out CSR-related initiatives. The committee has the strong support of top management, I serve as the Chairperson of the committee, and it will lead our efforts to promote sustainability management based on a non-financial perspective. Furthermore, we have designated Environment, Next Generation, and Community as social issues we will address over the medium- to long-term. We designated ten goals within the SDGs to focus on in order to resolve the three social issues and have incorporated them into our business units’ strategies and initiatives. Our initiatives have been highly evaluated by outside parties as illustrated by the fact that Sumitomo Mitsui Financial Group is included in many of the world’s major ESG indices. We will continue to engage in group-based efforts from the perspectives of Environment, Next Generation, and Community to resolve social issues via our business operations and to achieve the SDGs.

The Environment

We continue to engage in proactive initiatives that are ahead of our competitors. In December 2017, SMBC Group expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD), a task force established by the Financial Stability Board. As a part of our efforts, in April 2019 SMBC Group became the first global financial institution to calculate the financial impact of climate-related risks and disclose the detailed results of such calculations. Furthermore, in February 2019 SMBC promptly announced its endorsement of the Principles for Responsible Banking put forward by the United Nations Environment Programme Finance Initiative.

With environmentally friendly finance drawing increasing attention, SMBC has limited the financing of new coal-fired power plants to those using ultra-supercritical or more highly efficient methods, in addition to the issuance of green bonds to fund eco-friendly projects. Furthermore, SMBC Nikko established the SDGs Finance Department in September 2018 to support clients in issuing SDG bonds, namely green bonds, and raise funds that help resolve social and environmental issues.

Society

From the standpoint of initiatives aimed at addressing social issues, SMBC Group companies, such as SMBC, SMBC Nikko, and SMBC Consumer Finance have been focusing on financial literacy education based on their respective business models. In addition, in light of Japan’s changing

demographics, SMBC Group is introducing facilities and services in order to become a financial institution which all our customers, including elderly customers, customers with cognitive impairments, and customers with disabilities feel comfortable dealing with.

We will also accelerate our diversity-related initiatives to further enhance the engagement of our employees, one of SMBC Group’s strengths. The ratio of female managers is on an upward trend with SMBC announcing a new target of 25% to be achieved by the end of FY2019 as they had achieved their original target of 20% by FY2020 ahead of schedule. The ratio of locally hired General Managers is also rising, reaching 34% as of April 2019. Having said this however, our diversity-related initiatives are far from complete as long as we continue to apply categorizations such as “sex” and “locally hired.” SMBC Group will continue its efforts to construct a truly diverse workplace in which innovation is realized as a result of employees of different backgrounds and attributes, such as gender, nationality, and values engaging in open and free-spirited debate.

Governance

We realize that there is no perfect form for corporate governance structures. Accordingly, we will continue working, on both a group and global basis, toward the enhancement of corporate governance in order to realize higher levels of effectiveness. In April 2017, we instituted a new Group governance system through the introduction of group-wide business units and the CxO system. In June of the same year, we transitioned to a Company with Three Committees. Due to these changes, I feel that at our Board of Director meetings “big-picture” discussions have increased as it is now possible to engage in more intensive deliberations while leveraging the expertise of our outside directors. In June 2019, the number of directors was reduced from 17 to 15. As a result, the ratio of outside directors sitting on the Board of Directors rose to 47%. Also, in June 2019, SMBC and SMBC Nikko transformed to a company with an Audit and Supervisory Committee in order to accelerate the execution of operations and enhance the Board of Directors’ supervisory capabilities.

In August 2018, SMBC Group established the SMBC Group Global Advisory Meeting, a meeting which SMBC Group Global Advisors, a select group of experts in global political, economic, and business matters, would act in an advisory capacity to the SMBC Group Management Committee. The management committee is receiving valuable advice concerning changes in global trends and the state of various countries’ political and economic environments. We are also working to ensure the effectiveness of corporate governance-related efforts by conducting compliance surveys so that management is aware of our employees’ thoughts and concerns.

Progress of the Medium-Term Management Plan and the Focus of Our Strategies Going Forward

I will now address the progress we have made regarding the strategic initiatives introduced under the current Medium-Term Management Plan and discuss the focus of our strategies going forward.

In April 2017, the Medium-Term Management Plan “SMBC Group Next Stage” was introduced under the new Group management system, and we have been engaging in various initiatives focusing on three core policies: Discipline, Focus, and Integration.

Generally speaking, we have produced solid results during the first two years in terms of implemented initiatives and financial results.

First, I will discuss the core policy of Discipline. Under the current Medium-Term Management Plan we have consistently looked to better control our costs. During the first two years we realized

► **P12, P76**
Sustainable Development
of Society

► **P60**
Corporate Governance

► **P68**
SMBC Group
Global Advisors

► **P32**
Medium-Term
Management Plan
“SMBC Group Next Stage”

▶ **P52**
Reorganization of
Group companies

cost savings of ¥36 billion versus the three year target of ¥50 billion due to the success of key initiatives, such as business process reform through the application of RPA and the transformation of all of the 430 SMBC branches into smart branches (259 branches have been converted into smart branches in the first two years). We also improved asset and capital efficiencies as a result of implementing a number of measures aimed at reorganizing our Group companies, for example Sumitomo Mitsui Finance and Leasing Co., Ltd., the two Kansai regional banks, Sumitomo Mitsui Card Company, and BTPN.

▶ **P42**
Four Business Units

For Focus, initiatives targeting each of the Seven Core Business Areas are producing steady results. Our Retail Business Unit is transforming its wealth management business into a management fee based revenue model from its original sales commission based revenue model. Our International Business Unit accelerated its Multi-Franchise Strategy by merging BTPN and PT Bank Mitsui Sumitomo Indonesia. In our asset management business, Sumitomo Mitsui Asset Management Company merged with Daiwa SB Investments in April 2019 to form Sumitomo Mitsui DS Asset Management. The new company has ¥21 trillion of assets under management, number eight in the domestic market.

For Integration, as I have discussed earlier, initiatives related to enhancing the Group management system, digitalization, and ESGs are being steadily carried out.

Key initiatives

Discipline	<ul style="list-style-type: none"> ■ Executed Group reorganization measures in a speedy manner to improve capital and asset efficiency ■ Already reduced cost by ¥36 billion out of the ¥50 billion target
Focus	<ul style="list-style-type: none"> ■ Each business unit made good progress in key strategic initiatives of the Medium-Term Management Plan ■ Completed M&A in strategic business areas (credit cards, Indonesia, asset management)
Integration	<ul style="list-style-type: none"> ■ Sophisticated Group management by transforming to a Company with Three-Committees and implemented the business unit system and the CxO system ■ Capital policy entering into a new stage as the CET1 ratio reached the target one year ahead of schedule

Digitalization Initiatives

Going forward, I believe digitalization will be a key decisive factor in determining a company's competitive advantage, regardless of the industry it is operating in. In order to realize our goals of becoming "A Group which leads the evolution of the financial sector" and "A Group that drives innovation without being bound by existing frameworks or boundaries," we are accelerating our digitalization initiatives with cashless payment, data utilization, and generating new businesses as the key themes.

For example, cashless payment in Japan is not as popular as in other countries given that it possesses a highly developed banking system which offers a variety of services, such as account transfers, and the high level of trust placed in cash. However, we view Japan's cashless payment market as having great growth potential over the medium- to long-term. If we take a closer look at the market, the value of credit card settlements is about ¥50 trillion while the value of cash settlement remains quite high at about ¥130 trillion. I believe that promoting cashless payments in Japan and taking over some of the market share from cash settlements will lead to substantial business opportunities. With Sumitomo Mitsui Card Company and Cedyne, SMBC Group has top-tier capabilities in both the issuing and acquiring operations in Japan. As part of efforts to further expand our competitive advantage, we entered into a strategic partnership with GMO Payment Gateway, a leading company in the electronic commerce and online payment market, and Visa, a company that possesses the world's largest payment network, to develop a next-generation payment platform. We are also working

▶ **P34**
Digitalization

"SMBC Group will continue to act as a front-runner in the spread of cashless payments in Japan."

to expand the availability of cashless payments to medium and small size merchants through collaboration with Square, a US company with which we have a capital and business partnership, by providing free of charge small terminals that process credit card payments. SMBC Group will continue to act as a front-runner in the spread of cashless payments in Japan.

In recent years, advances in digital technology have enabled the collection and analysis of large volumes of diverse data. The utilization of data, which has been called "the oil of the 21st century," is drawing the attention of not only the financial sector but of various industries from around the world. SMBC Group companies operating in the banking, securities, and consumer finance businesses possess a tremendous volume of payment and credit information. Of course, ensuring the protection of our customers' information and data security are key issues which must be addressed prior to the use of such data, and SMBC Group's expertise in information management and the trust which we have accumulated over many years are significant advantages when addressing our customers' concerns. SMBC Group already has a head start in the application of data for business purposes with SMBC developing a system which uses artificial intelligence ("AI") to detect changes in a company's financial conditions, while SMBC Nikko has launched an investment information service which uses AI to predict individual stock prices. With these initiatives being highly evaluated, SMBC became the only bank to be selected as a "Competitive IT Strategy Company 2019" by METI and the Tokyo Stock Exchange.

Generating new business through collaborations with other industries is also an important theme. In September 2019, SMBC Group established an innovation hub, hoops link tokyo, in Shibuya, Tokyo. As part of hoops link tokyo's activities, we established SMBC BREWERY, a workshop program conducted by SMBC Group together with outside companies. The AI investment information service which I introduced earlier was a new business developed as a result of SMBC BREWERY bringing together HEROZ, inc., a company renowned for its Shogi (Japanese chess) AI, with SMBC Nikko.

Risk Management Initiatives

While there are an extremely diverse set of risk factors which global financial institutions must pay close attention to, AML/CFT and cybersecurity are issues which are of particular concern, along with growing geopolitical risks and prolonged monetary easing.

With the threat of terrorism rising throughout the world, international AML/CFT standards have rapidly increased in severity, and we have seen many cases in which companies have been subject to substantial fines levied by overseas regulatory authorities. Overlooking the movement of funds connected to criminal or terrorist activities can disrupt the lives of law abiding citizens as it allows criminal proceeds to reach criminal and terrorist organizations. In addition, there is the risk that international trust in Japan's financial system will be damaged if it is deemed that related controls and frameworks put in place by Japanese financial institutions are inadequate. The onsite inspection related to the fourth round of the FATF mutual evaluation for Japan is scheduled to commence in fall 2019. Management has been driving efforts to ensure SMBC Group's success in the mutual evaluation by launching a cross-group project team to review AML risk and client management procedures while incorporating the recommendations of third party experts, in addition to strengthening related systems and heightening employees' awareness.

▶ **P86**
Risk Management

Although convenience is increasing with business and operational processes becoming digitalized, cybersecurity risk is growing at a rapid pace because every system is now connected to the internet. Finance is a key part of the economic and social infrastructure of today's world, and it goes without saying that system failures, data breaches, and data tampering resulting from cyberattacks would not only seriously impact SMBC Group's operations but also Japan's economic activities and the lives of Japanese people. In fact, as a result of global networks there is the risk that such attacks would also substantially affect the systems of countries around the world. SMBC Group recognizes cyber-risk as a key management risk, and management is leading efforts to implement various measures to strengthen our cybersecurity measures based on the Declaration of Cyber Security Management issued in March 2018 to address cyber-threats which are becoming increasingly sophisticated on a daily basis. Some examples of such measures are training personnel to ensure that they have the necessary expertise and experience and establishing contingency plans aimed at realizing prompt recovery from cyber-incidents.

The Focus of Our Strategies Going Forward

FY2019 is the final year of the current Medium-Term Management Plan. Thanks to the above mentioned initiatives delivering the desired results, we have made good progress concerning the three financial targets of financial soundness, capital efficiency, and cost efficiency set under the Medium-Term Management Plan. However, we cannot deny the fact that uncertainty in the global economy's future is increasing. Given such a backdrop, SMBC Group aims to reach its goals by focusing its resources with a keen sense of urgency to ensure that its various initiatives produce results, and we will consistently strive to be one step ahead of the times and clearly understand what our customers' true needs are.

The new Medium-Term Management Plan will not be a mere extension of the current plan, rather, we are planning to actively debate a range of topics, including new business opportunities, without being bound by a traditional mindset. I have identified the following three points as the focus of our strategies going forward so that we can meet the true needs of our customers by taking full advantage of our competitive strength; our ability to keep-up with the changing times by transforming ourselves.

Bold Transformation

In response to the challenging earnings environment, we will focus on evolving our business model and optimizing the allocation of resources. For example, in our Retail Business Unit, we will realize sustainable growth by making further progress in our efforts to shift the business model of our wealth management business from one that relies on sales commissions generated by investment products to one that relies on management fees generated by customers' assets under management ("AUM") while reducing costs through branch reorganization and the promotion of digitalization. In the International Business Unit, we will shift to a growth model that does not rely on expanding our balance sheet. Furthermore, in addition to expanding our business and regional coverage by investing for growth, including through inorganic measures looking at businesses' growth potential, profitability, and efficiency, we will continue to pursue our "select and concentrate" strategy and further strengthen our cost control initiatives.

Continuous Innovation

The spread of digitalization is changing how the financial sector operates, with SMBC Group's role and the expectation of our customers also changing. In the face of such change, SMBC Group will

engage in continuous innovation so that we not only survive but thrive in this environment. We will consistently provide new value to our customers by identifying what the next age will bring, focusing on generating new business by collaborating with other industries, utilizing data, and process automation.

Maximize Our Group Values

I feel that the Group management system centered on the holding company has steadily taken root over the past two years through group-wide business units and the CxO system. On the other hand, potential still remains in various sectors to expand Group synergies. In addition to determining how to best increase the corporate value of SMBC Group companies, for example via increased investment and allocating human resources to growth areas, we will enhance our ability to address customers' needs by maximizing synergies as a result of further expanding collaborations among Group companies and optimizing resource allocation on an SMBC Group basis.

Building the Future of the Financial Sector

Looking back over our history, you can see that we have overcome various challenges, for example issues regarding non-performing loans and the global financial crisis, by continuously evolving. The impact of the structural changes we are currently facing equals or even exceeds that of past challenges, but I firmly believe that they present a rare opportunity for us, if we can face these changes head-on and adjust accordingly, to drive forward our competitive advantages.

I am certain that we can unlock a new era and build the future of finance, if we boldly pursue cutting-edge initiatives which are one step ahead of the times while steadily carrying-out strategies formulated under a long-term vision leveraging the various strengths of SMBC Group which I have shared with you during the course of this message. We will pursue further excellence through tireless self-reinvention.

In closing, I would like to ask for the continued support and understanding of all our stakeholders.

July 2019

Jun Ohta
Director President and Group CEO
Sumitomo Mitsui Financial Group, Inc.




Message from the Group CFO



Implement a capital policy focused on enhancing shareholder returns and investing for growth while proactively disclosing information via interactive and constructive communication

Toru Nakashima
Group CFO
Director Senior Managing Corporate Executive Officer

I was appointed as Group CFO and CSO in April 2019. The positions of CFO and CSO are concurrently held by the same individual based on the belief that in the context of management, financial and business strategies are two sides of the same coin. In other words, we believe that both strategies are fundamental to the continued success of our business. By having one individual fill these two roles, it makes it possible to accelerate the decision making process and consistently take into account both perspectives when developing strategies.

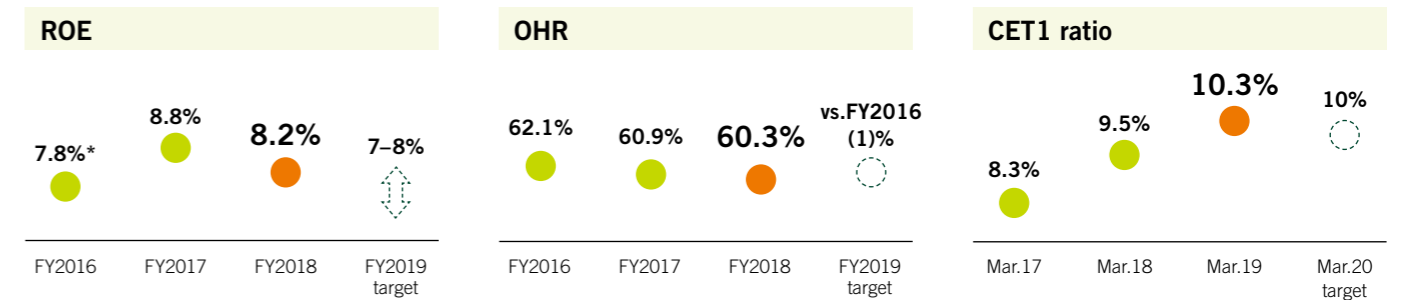
Business Management Focusing on Enhancing Operational Efficiencies

SMBC Group aims to become a resilient, first class global financial group by focusing on enhancing capital, asset, and cost efficiencies. In order to realize this vision, we have established three financial targets in the current Medium-Term Management Plan: ROE, OHR, and CET1 ratio.

We produced strong financial results for 1H FY2018 with all four of our business units realizing a Year-on-Year increase in profit. We have exceeded our targets for consolidated net business profit and profit attributable to owners of parent due

to the performance of the International Business Unit and a group-wide cost control approach, although the Retail Business Unit's wealth management business experienced difficulties in 2H FY2018 due to deteriorating market conditions. Controlling risk-weighted assets through the reorganization of Group companies, which I will describe in more detail later, was also an important factor behind the strong results in regards to our three financial targets.

Financial targets



* Excluding special factors, such as the effects of implementing the consolidated corporate-tax system

* Post-Basel III reforms basis

Transforming Our Business and Asset Portfolio

In order to enhance capital and asset efficiencies, we need to maximize returns by carefully selecting target businesses and focusing our resources on those businesses. SMBC Group has been swiftly reorganizing its Group companies by reviewing its business and asset portfolio based upon the goals and strategies established under the Medium-Term Management Plan.

We carried out in rapid-succession the reorganization of businesses for which there was room to improve capital and asset efficiencies and merged overlapping business that existed within SMBC Group. In addition to the merger of SMBC Nikko and SMBC Friend Securities and the deconsolidation of the Kansai regional banks, in FY2018 we reorganized our leasing business to deconsolidate Sumitomo Mitsui Finance and Leasing and consolidated BTPN by merging the bank with PT Bank Mitsui Sumitomo Indonesia and by increasing our capital investment. In April 2019, we also merged Sumitomo Mitsui Asset Management Company with Daiwa SB Investments and turned Sumitomo Mitsui Card Company, a joint venture with NTT DOCOMO, into a wholly owned subsidiary. Both of these initiatives contributed to improving capital and asset efficiencies by increasing bottom-line profit and/or reducing risk weighted assets.

These reorganizations possess multiple merits, not only from the standpoint of improving efficiencies but also business strategy. For example, due to the reorganization of our leasing business, Sumitomo Mitsui Finance and Leasing is able to expand its leasing operations by entering into new businesses while SMBC Group is now able to initiate strategic initiatives through Sumitomo Mitsui Card Company in a flexible and speedy manner, making the company the central piece of our group's cashless payment strategy.

▶ Please refer to page 52 for the reorganization of Group companies

Cost Control

The current Medium-Term Management Plan has a target to reduce cost by ¥50 billion during its three years by implementing three key initiatives: business reform to improve efficiency, retail branch reorganization, and reorganization of Group companies. We have already realized cost savings of ¥36 billion as of the end of FY2018 and expect to exceed our target of ¥50 billion in FY2019.

For business reform to improve efficiency, we are proactively introducing RPA to various parts of our business and SMBC Group has already produced world-class results. The Medium-Term Management Plan set a target to automate three million working hours (annual workload of 1,500 employees) of operations for which we have already accomplished automating two million working hours (annual workload of 1,025 employees) as of the end of FY2018. For retail branch reorganization, our goal is to transform all of the 430 branches into smart branches which leverage digital technologies during the three year term. As of the end of FY2018, 259 branches have been transformed into smart branches and we have consolidated the back-office clerical operations of 278 branches. In regard to reorganization of our Group companies, we are expecting to realize cost reductions which exceed our target via the integrated management of Sumitomo Mitsui Card Company and Cedyne Financial Corporation which was not planned at the time of preparing the current Medium-Term Management Plan. We will continue to reduce cost with our medium-term goal being ¥100 billion.

Furthermore, while we initially planned to reduce the workload equivalent to four thousand employees through the key initiatives, we now expect to exceed this target and reduce the workload equivalent to five thousand employees as we have introduced RPA to Group companies other than SMBC. We expect to reduce our domestic headcount by about four thousand through attrition taking into account the above mentioned workload reduction.

While we will continue our efforts to reduce cost so that we may achieve our OHR target, we understand the importance of making the necessary investments in IT given the rapid spread of digitalization. As such, we have been reviewing our budget during the fiscal year in a flexible manner so that we

can address changes in the environment. Of course, we are applying ample levels of discipline when engaging in such investments, carefully studying the benefits that they will bring.

▶ Please refer to page 94 for our IT investment strategy

Our Capital Policy: A New Stage

Our Basic Capital Policy

As stated in the "Message from the Group CEO," the goal of our basic capital policy is to achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth. We will shift from a phase where capital accumulation was the priority to a new stage where we will focus on shareholder returns and investing for growth, as we reached our CET1 ratio target of 10% as of the end of FY2018, one year ahead of schedule. We have traditionally used a triangle to illustrate our basic capital policy with securing financial soundness placed at the top. To show that our capital policy has entered a new stage, we have started using an inverted triangle with enhancing shareholder returns and investing for growth at the top. Going forward, we will focus on striking the right balance of allocating capital to these two items.

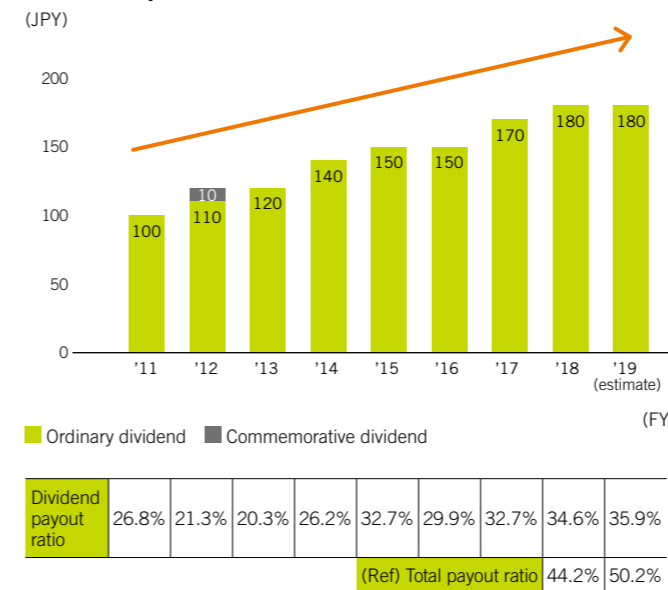
Enhancing Shareholder Returns

Dividends are our principal approach to shareholder returns. We will pursue a progressive dividends policy, a policy which means that we will not reduce dividends; we will maintain or increase dividends. Our goal is to achieve a payout ratio of 40% during the next Medium-Term Management Plan. In addition, we will proceed with share buybacks on a flexible basis.

Based on this policy, we increased our dividend for FY2018 to ¥180 per share, ¥10 higher than our initial forecast, and announced a ¥100 billion share buyback program in May 2019. This was an increase of ¥30 billion from the previous year. We decided to increase the amount due to various factors, such as the fact that we had achieved our CET1 ratio target, we expect to continue to accumulate profits in FY2019, current growth investment opportunities, our stock price, and the positive impact on ROE. Among them, our low stock price was the key factor.

For FY2019, we will maintain dividends at ¥180 per share despite an expected decline in profit attributable to owners of parent as part of our efforts to meet the expectations of our shareholders and investors.

Dividends per share

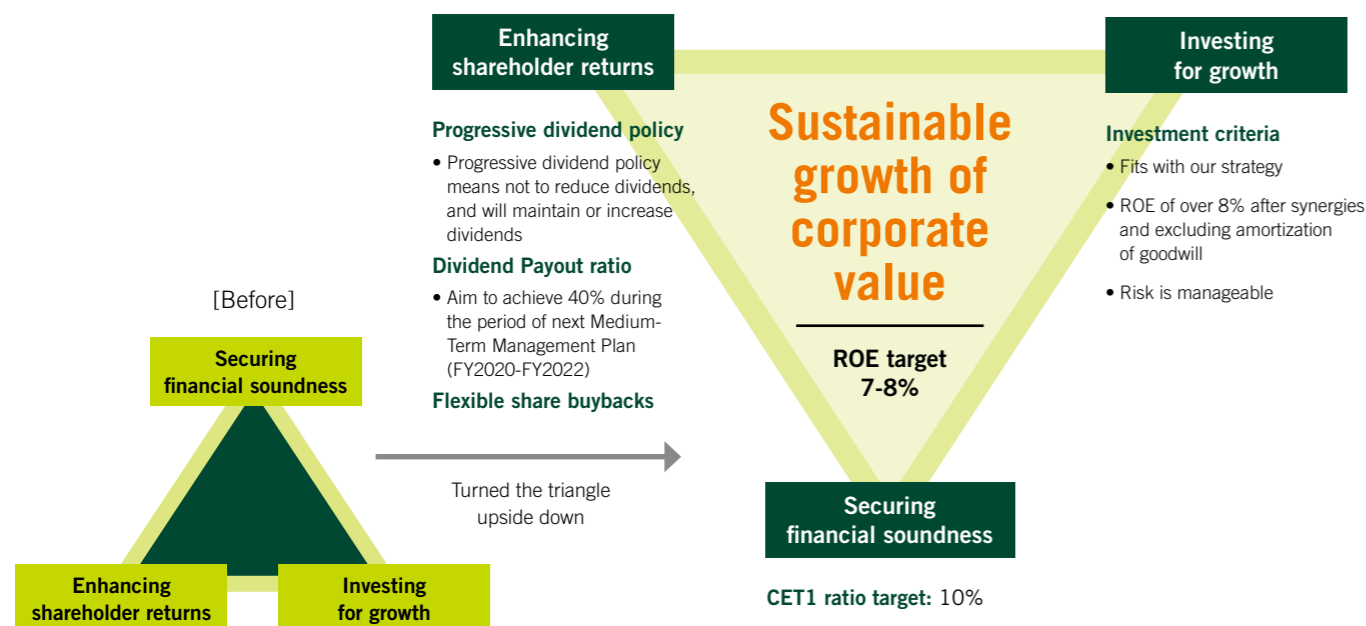


Investing for Growth

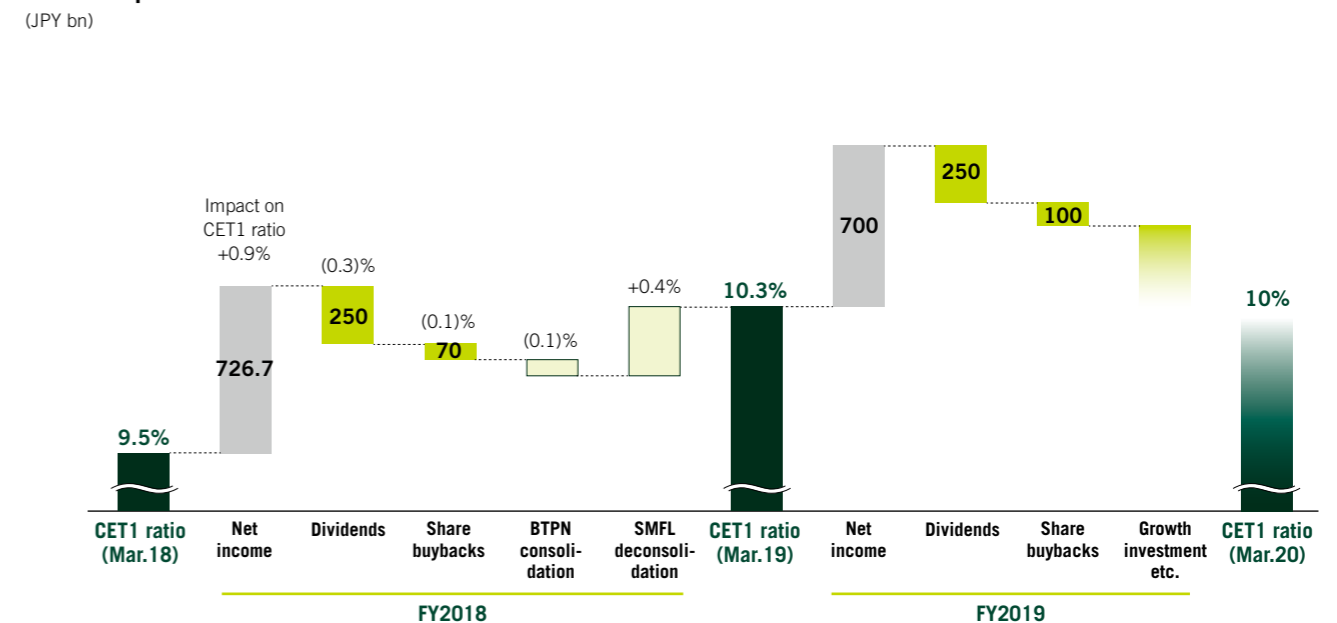
SMBC Group will pursue sustainable growth by using its capital to invest in growth opportunities. While we focused on capital accumulation and not increasing risk weighted assets prior to achieving our CET1 ratio goal, going forward we will pursue organic growth by increasing assets, especially in overseas markets. We will determine whether to pursue M&A opportunities based on whether the deal contributes to sustained ROE improvement following the three investment criteria shown in the basic capital policy chart. Potential M&A opportunities which we will pursue will be investments that focus on global businesses and portfolios which possess high capital or asset efficiencies and investments related to the construction of business platforms aimed at realizing future growth.

The former refers to areas in which SMBC Group possess global strengths. Past investments include aircraft leasing, rail car leasing, and middle-market LBO finance. Investments of this type will not only further strengthen our global business but will also promptly raise ROE. Some examples of investments of the latter type are commercial banking in Asia, asset management, securities, and trust banking businesses. In February 2019, the merger of BTPN and PT Bank Sumitomo Mitsui Indonesia was completed with the post-merger bank becoming the eighth largest commercial bank in Indonesia in terms of loan balance. We will pursue investment opportunities

Basic Capital Policy



Use of capital



in other countries so that we can create a second, or potentially a third, SMBC Group.

How we use our capital is drawing increasing attention from our shareholders and investors as a result of our capital policy shifting to a new stage. We began using the chart shown below as of the beginning of this fiscal year at investor presentations so that we could better convey how we are using our capital.

Profit attributable to owners of parent is expected to be ¥700 billion in FY2019, and we are allocating ¥250 billion to dividends and ¥100 billion to share buybacks. This means that we will return about half of our profit to shareholders. In terms of investing for growth, we allocated ¥80 billion to the conversion of Sumitomo Mitsui Card Company to a wholly owned subsidiary and the merger of Sumitomo Mitsui Asset Management Company and Daiwa SB Investments, both of which took place in April 2019. We are planning to allocate about ¥150 billion to organic growth opportunities with the focus being on increasing assets overseas. The remaining capital will be allocated to other growth investment opportunities.

■ Securing Financial Soundness

Although our capital policy has entered a new stage, there is no change to the fact that capital will be allocated to enhancing shareholder returns or investing for growth only when we are sure that financial soundness has been secured.

Our CET1 ratio target of 10% has been calculated taking into account the impact of the Basel III reforms which were finalized in December 2017, and as I stated earlier we achieved this target as of the end of FY2018. We set our target at a level which allows us to maintain the minimum CET1 ratio of 8% even in the case of a once-in-a-decade stress scenario.

Furthermore, the TLAC framework came into effect in Japan from the end of March 2019. The minimum TLAC requirements which SMBC Group must satisfy are 16% in terms of risk-weighted assets and 6% of the leverage exposure measure. SMBC Group has cleared both requirements as of the end of FY2018. We are currently working to secure the capital required to satisfy the new TLAC requirements, which will increase starting from 2022 to 18% and 6.75%, respectively. The minimum acceptable leverage ratio has been set at 3.0% for 2019-2021 and 3.5% for 2022 onwards. SMBC Group has already secured a leverage ratio of 4.88% as of the end of FY2018.

■ Reducing Strategic Shareholdings

Our goal is to reduce strategic shareholdings in five years by ¥500 billion (book value basis) based on the policy: “We will halve the ratio of stocks to CET1 to 14% over the five years starting 2015 September-end.” SMBC Group has reduced its strategic shareholdings by ¥360 billion since 2015

September-end, including a reduction of ¥130 billion during FY2018. In addition, we have obtained our clients’ consent to sell a further ¥88 billion of strategic shareholdings that has yet to be executed. Thus, as of the end of FY2018 we have practically realized a total reduction of ¥448 billion.

We will continue efforts to reduce our strategic shareholdings so that we have reached a level at the end of FY2019

where we have practically achieved our final target figure with the aim of conforming to Japan’s amended Corporate Governance Code and mitigating the impact of share price fluctuations on our financial base.

Communicating with Our Shareholders and Investors

Although I was appointed as Group CFO in April 2019, I communicated with institutional and individual investors during FY2018 in my role as Deputy Group CFO. I engaged in numerous discussions with investors during my four overseas investor relations trips and the various conferences which I took part in. I also met with representatives from domestic and overseas credit rating agencies. While I became confident that we were able to gain the understanding of our shareholders/ investors regarding the aims and goals of our strategies through these discussions, I also came to appreciate the very high expectations our shareholders/investors had regarding the enhancement of shareholder returns. In response to such matters, we decided to increase dividend payments and share buybacks in our FY2019 shareholder return policy following repeated discussions at meetings of our Board of Directors.

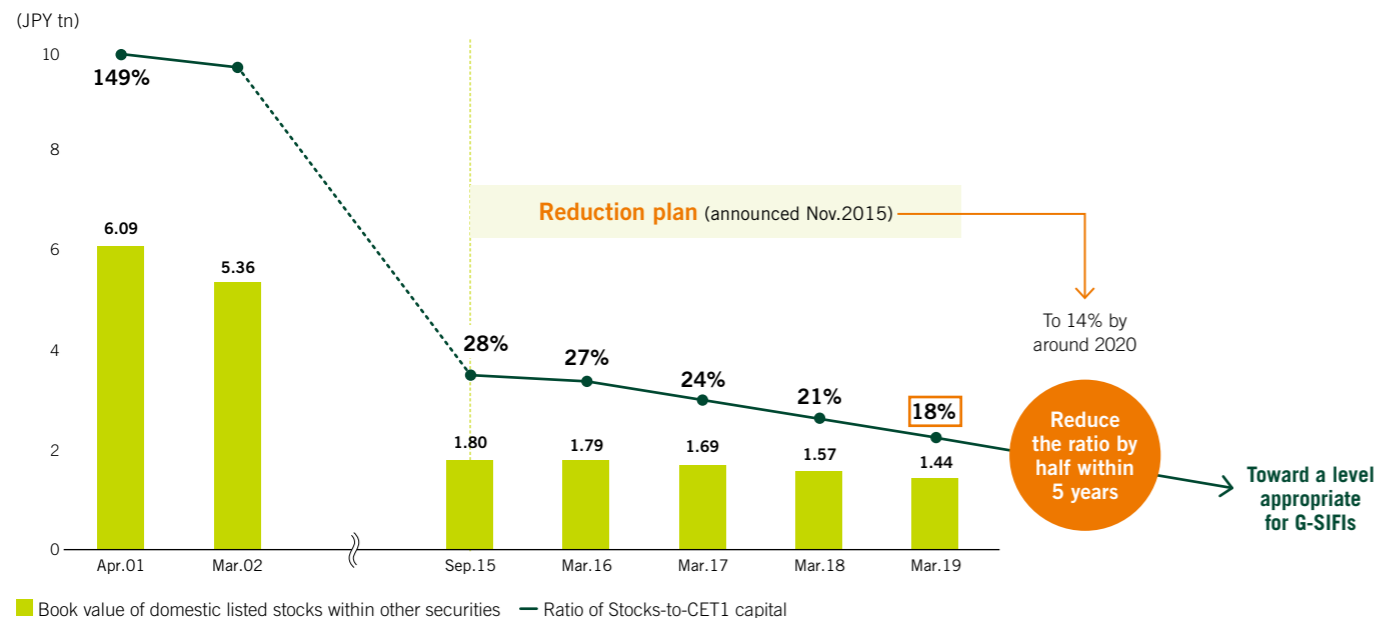
In addition, my discussion with shareholders/investors regarding ESG and SDGs led to SMBC calculating and disclosing the financial impact of climate change as part of our TCFD-related measures.

I strongly believe that one of my most important missions as Group CFO is to engage in constructive discussions with investors and analysts. SMBC Group will continue to proactively disclose information that is useful to shareholders/ investors while leveraging interactive communications to increase our corporate value and realize sustainable growth.

Toru Nakashima
Group CFO
Director Senior Managing Corporate Executive Officer



Reduction Plan



■ Book value of domestic listed stocks within other securities — Ratio of Stocks-to-CET1 capital

* Apr.01 and Mar.02 are ratio against SMBC consolidated Tier1 capital



Core Policies of Medium-Term Management Plan (FY2017–2019)

SMBC Group Next Stage

To achieve sustainable growth by combining the Group's strengths with more focused business management

Discipline

Disciplined business management

- Transformation of business/asset portfolio
- Improving productivity and efficiency

Focus

Focus on our strengths to generate growth

- Focus on Seven Core Business Areas

Integration

Integration across the Group and globally to achieve sustainable growth

- Introduced CxO system and group-wide business units
- Digitalization
- ESG

FY2019 Financial Targets

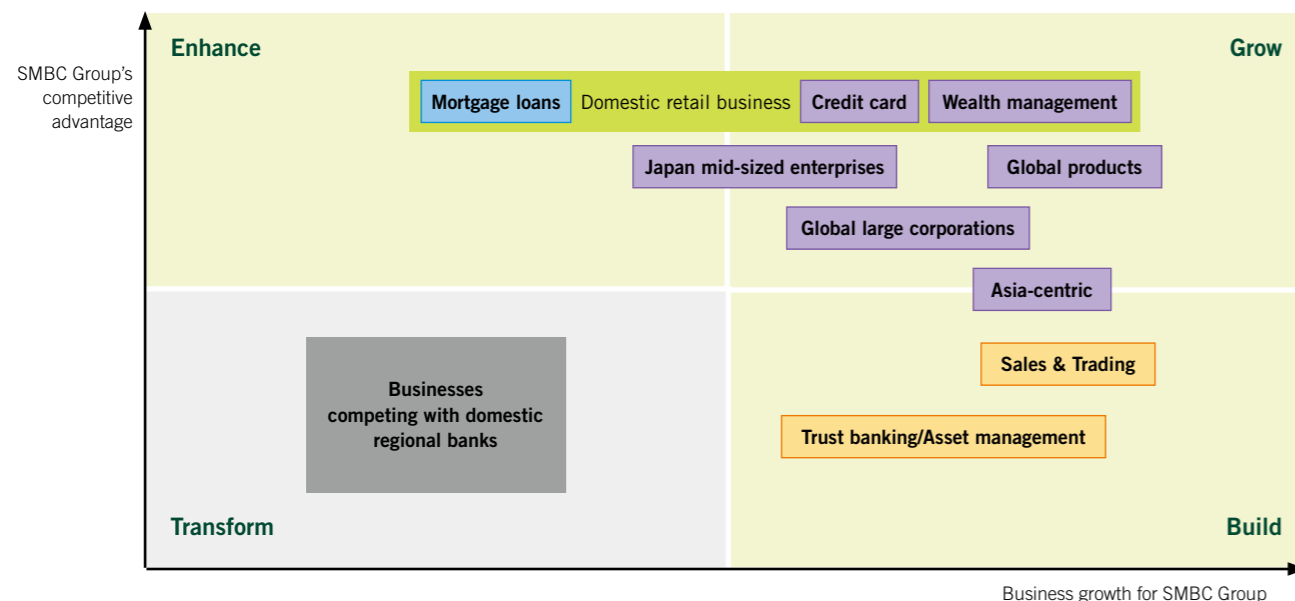
Capital Efficiency	ROE	7~8%	Maintain at least 7% notwithstanding accumulation of capital
Cost Efficiency	OHR	1% reduction compared with FY2016	Reduce to around 60% at the earliest opportunity in or after FY2020 (FY2016: 62.1%)
Financial Soundness	CET1 ratio*	10%	Maintain capital in line with the tightening of regulations (FY2016: 8.3%)

*Post-Basel III reforms basis

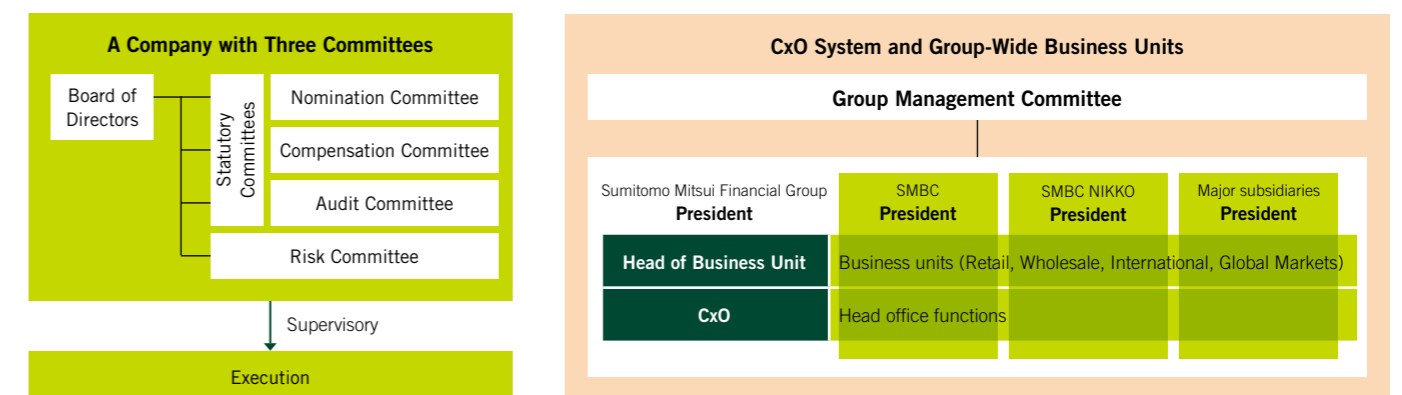
Seven Core Business Areas

Concept		Strategic Focus	
Enhance Enhance business base in domestic market	1	Hold the number one retail banking franchise in Japan	Digitalization
	2	Build on our lead position in the Japanese medium-sized enterprise market	
	3	Increase market share in Corporate & Investment Banking in key global markets	
Grow Sustainable growth of US/EU businesses Make Asia our second mother market	4	Establish a top-tier position in product lines where we are competitive globally	
	5	Accelerate our "Asia-centric" strategy	
Build Build our new strengths for future growth	6	Strengthen sales & trading capability	
	7	Develop asset-light businesses: trust banking and asset management	

Business Portfolio Transformation



Corporate Governance Framework



Using Digital Technology to Create the Future of Finance

As CDIO, I will become SMBC Group's internal disrupter and lead efforts to pursue new opportunities.

Katsunori Tanizaki
Senior Managing Corporate Executive Officer
Group CDIO

The economy and society are in the process of undergoing major change due to the spread of digitalization. Technology is progressing at an astonishing speed, and SMBC Group is faced with a situation in which its business model may undergo change of such a scale that it could be seen as a paradigm shift. There is no doubt that this is a substantial challenge for us. However, I believe that there is much potential for us to evolve by absorbing and adopting these technological advances. In addition, we will collaborate with external partners to create new business opportunities, which would not have been possible based solely on the resources and expertise of SMBC Group.

In our current Medium-Term Management Plan "SMBC Group Next Stage," we have positioned digitalization as a pillar which penetrates all Seven Core Business Areas. More specifically, we will spread digitalization by leveraging new technology, such as blockchain and AI, in all business areas with the goal of increasing customer convenience, creating new businesses, increasing productivity and efficiency, and enhancing our business infrastructure.

For example, in the cashless payment sector we are in the midst of creating a next-generation payment platform with the aim of providing hybrid payment solutions that fuse together finance, IT, and marketing. Furthermore, by using data which

is accumulated through activities such as payments, we are working to develop and provide advanced financial products using high-quality risk analysis and realize a more personalized approach to marketing. New business models which leverage data, such as the information bank business model, are being developed, and I believe there is the possibility that in the future SMBC Group will gradually move from the financial sector to the information sector.

Our digitalization initiatives have been recognized by outside parties



Received an award in the Cyber Security Category (conducted by a subsidiary of the Financial Times)



Selected as a "Competitive IT Strategy Company 2019" by METI and the Tokyo Stock Exchange

Reinventing SMBC Group and Pursuing New Opportunities

In order to implement our digitalization initiatives in a speedy and efficient manner, we must engage in open innovation that brings together the data, technology, and expertise of not only SMBC Group companies, but also of partner companies, which include start-ups, and our customers. We will no longer rely on our traditional principle of self-sufficiency; rather, we will focus on developing business opportunities by collaborating with partners, including the use of application programming interface ("API"s.)

In regards to the digitalization of SMBC Group, I believe it is important that innovation is not undertaken by a small group of personnel or divisions with specialized skill sets. Digitalization must involve all parties within SMBC Group. In order to make this vision a reality, we need to create an environment in which all SMBC Group employees, especially our younger employees, can pursue new challenges without fear of failure. At the same time as CDIO, I will become SMBC

Group's disrupter and spearhead efforts to drive forward initiatives that are not bound by traditional frameworks.

We will create high-quality, appealing services by focusing equally on accelerating the reinvention of SMBC Group's business culture, for example marketing style and the work-style of head office employees, and pursuing new opportunities. All of our customers will be offered these services, regardless of whether they are wholesale or retail customers.



Mr. Tanizaki attended the 2019 Spring Membership Meeting of the Institute of International Finance.

A company's IT strategy is a key business strategy given the rapid digitalization of our world. SMBC Group has positioned digitalization as an initiative that will encompass all Seven Core Business Areas and will promote digitalization from both defensive and offensive perspectives.

I would now like to share with you a few examples of SMBC Group's digitalization related initiatives.

Promoting Open Innovation

SMBC BREWERY

SMBC BREWERY, a workshop in which SMBC Group companies collaborate with non-financial sector partners to develop new ideas, kicked-off in April 2018. SMBC Group companies spend half a day working with companies, including start-ups, from outside the financial sector to discuss ideas on which they could collaborate.

Through the workshop, SMBC Nikko and HEROZ, inc., a firm with considerable expertise in AI, partnered together to develop an investment information service "AI Portfolio Diagnosis," a service which has been successfully commercialized and is available to customers.

* The AI program compiles a suggested portfolio with a high expected rate of return by forecasting companies' profitability one month in the future based on an analysis of factors such as stock price and earnings.



Discovering and Developing Cutting Edge Technology

The SMFG Silicon Valley Digital Innovation Laboratory

The SMFG Silicon Valley Digital Innovation Laboratory was established in Silicon Valley and is in charge of discovering high-potential local start-ups. For example, SMBC Group adopted Trifacta Wrangler Enterprise, software which dramatically accelerates data analysis, starting March 2019. Traifacta, the company which developed the software, was discovered by the SMFG Silicon Valley Digital Innovation Laboratory.



Establishing the Advanced Technology Laboratory

SMBC Group has established the Advanced Technology Laboratory at The Japan Research Institute, and through the laboratory we conduct research/studies into basic and advanced technology in collaboration with IT companies and research institutes.

Application of AI

AML Initiatives

The efficiency of the screening process targeting suspicious transactions has greatly increased following the application of AI.

SMBC Chatbot

We are proactively marketing commercialized systems such as the SMBC Chatbot, an AI-based automatic response system developed to deal with internal inquiries, to customers.

A System that Detects Changes in a Company's Financial Conditions

A system that detects changes in a company's financial conditions which was developed in partnership with JSOL*, a company that engages in IT consulting and systems development, uses AI to analyze movements in the target company's bank account to recognize changes in the company's financial conditions in a timely manner. The system is already in use at SMBC and SMBC Group is planning to market the system to customers with the initial focus being Japanese regional banks.

* JSOL is a subsidiary of NTT Data and an equity-method affiliate of SMBC Group.



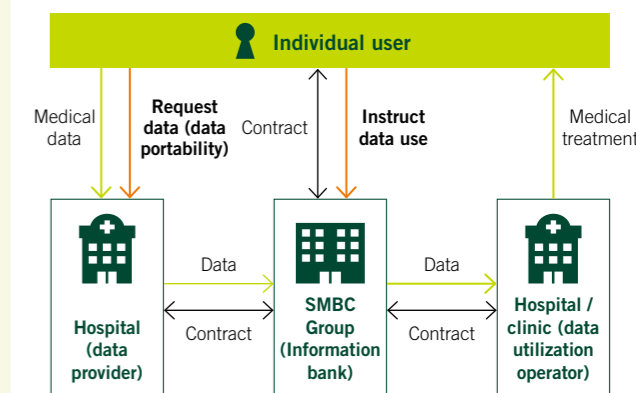
Enhancing Our Data Analysis Capabilities

Promoting Digital Marketing Initiatives

BrainCell, Inc., which was established in partnership with Yahoo! JAPAN, is classified as a business that will contribute to the sophistication of the banking industry under Japan's Amended Banking Act. We will initially focus on pushing forward SMBC Group's digital marketing initiatives leveraging the search knowledge of Yahoo! JAPAN.

Verification Exercises Regarding the Data Bank Business Model

SMBC and The Japan Research Institute have been commissioned by the Ministry of Internal Affairs and Communications to conduct verification exercises regarding the data bank business model. We are working to enhance the convenience of patients by facilitating the sharing of information regarding medical examinations/check-ups and prescriptions between hospitals and pharmacies.



Have a good Cashless.

Good Cashless Solutions make a Good Day, Everyday



While cashless payments are increasing in popularity all over the world, cashless payments account for only about 20% of payments made in Japan. Having said this, interest in cashless payments in Japan has been rapidly increasing in recent years. The Japanese government has set a target to increase the ratio of cashless payments to 40% by 2025.

A variety of measures to promote cashless payments, for example a points reward program for consumers and subsidies for fees associated with cashless payment terminals, are scheduled to be introduced to coincide with the scheduled 2019 consumption tax rise.

Japan's cashless payments market has grown while also becoming more diverse and complicated with new payment methods, such as mobile payments and QR codes, joining the more traditional methods of credit cards, debit cards, and e-money. In order to accelerate the spread of cashless

payments in Japan, it is not enough to merely offer new payment methods. Rather, we believe that the best strategy is to create an open payment platform which can address the needs of both merchants and end-users in a flexible and speedy manner.

SMBC Group has Sumitomo Mitsui Card Company and Cedyne, two credit card companies that have long led Japan's cashless payment market, amongst its Group companies. From April 2019 we started to manage, in practice, the two firms as a single business entity, an entity which forms the cornerstone of SMBC Group's cashless payment strategy. SMBC Group will drive the spread of cashless payments in Japan by implementing a highly efficient and up-tempo strategy that brings together the wide-ranging strengths of our business partners, the expertise accumulated by Sumitomo Mitsui Card Company and Cedyne, and the client base of SMBC.

manpower required to processes payments, and stimulating consumption via the use of payment data.

We believe that the key aspects to spreading cashless payments in Japan are not merely convenience and rationality. Carrying "safety" which also results in carrying "peace of mind and freedom" are also key aspects of spreading cashless payments in Japan.

A society in which anybody can spend their days in a carefree manner. A society in which each day is free and welcoming.

Sumitomo Mitsui Card Company has adopted the motto "Have a good Cashless" to reflect these values.

Have a good Cashless.

The reason for the slow spread of cashless payments in Japan is the convenience offered by Japan's extensive ATM network and the ease which cash can be obtained, for example consumers feeling safe carrying cash due to Japan's low crime rate. Having said this, there are a number of positive factors that will arise from the spread of cashless payments, such as increased liquidity, less

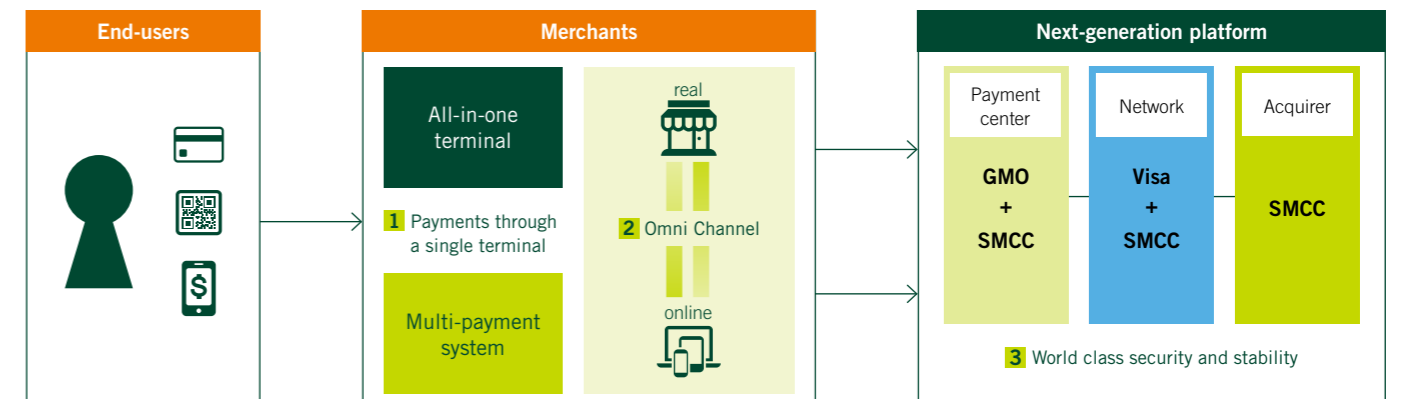
Constructing a Next-Generation Payment Platform

Visa, the company that possesses the world's largest payment network, joined Sumitomo Mitsui Card Company and GMO Payment Gateway in establishing a next-generation payment platform. In February 2019, the three companies came to an agreement to develop an even stronger payment platform by bringing together each company's respective skills and expertise.

Our goal is to build a payment platform which satisfies the following criteria: 1) The terminal must be compatible with the large number of cashless payment options which exist in the domestic market, a situation which can be said to be unique to Japan, 2) The platform must seamlessly merge the online and real worlds, and 3) The platform must provide new high-value added services while offering world-class security. We

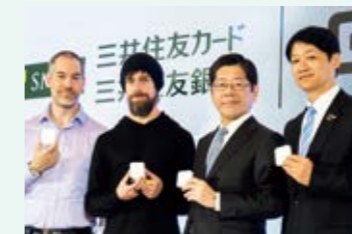
are aiming to launch the new platform during FY2019.

Lately, we are seeing an increasing number of non-financial companies introduce their own, unique payment service with the aim of obtaining and using customers' payment data. We at SMBC Group have also identified the successful use of data obtained from payments as a key part of our cashless payment strategy. SMBC Group possesses one of Japan's largest cashless payment foundations, processing payments worth ¥30 trillion. SMBC Group will develop/enhance our ability to support businesses' marketing needs and produce competitive services while increasing the added value we derive from our payment data by fully leveraging this foundation so that our next-generation payment platform is used by as many merchants and end-users as possible.



Enhancing Solutions for Merchants

By promoting the adoption of Square, a credit card payment system for medium/small size merchants and sole proprietors, and keeping in mind the Japanese government's Point Reward Project for Consumers using Cashless Payment that will come into effect in October 2019, we will accelerate growth in the number of stores which have installed Square. Square can be acquired at all domestic SMBC branches.



Joint press conference with Square

Enhancing Services to End-users

SMBC Group will realize a new cashless payment experience with convenience, safety/peace of mind, and good value as the three key pillars. We renewed the mobile application of SMBC/Sumitomo Mitsui Card Company in FY2018 and added a number of new features, such as a payment limit for debit cards and an asset management function which reflects funds held in banks other than SMBC.

Our Renewed Mobile Application





Business Strategies for Creating Value

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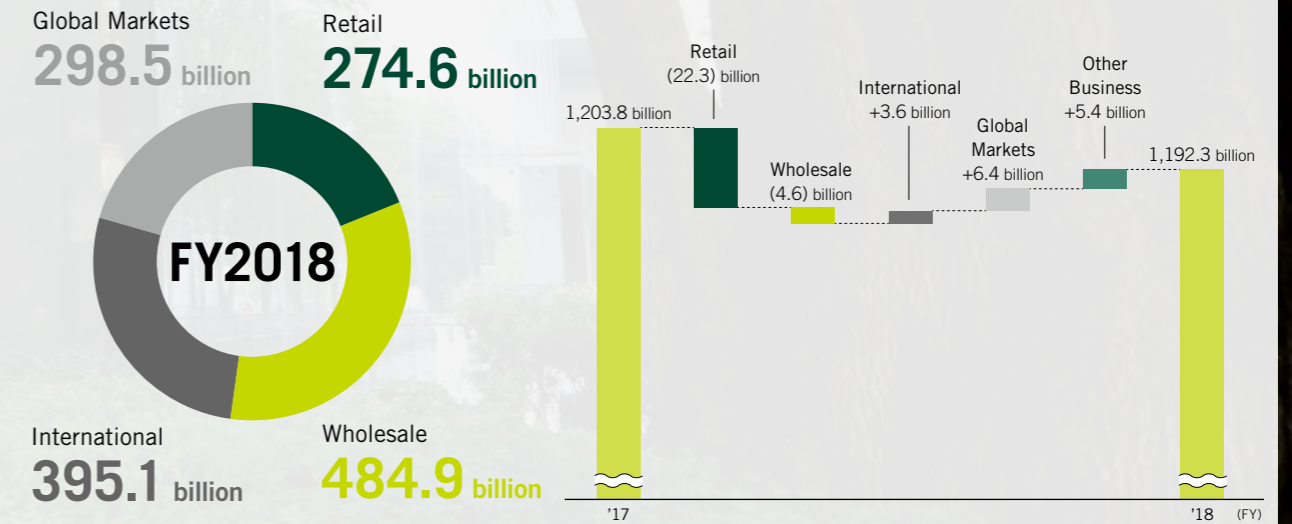
Group Structure

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.

三井住友フィナンシャルグループ
三井住友銀行

Net Business Profit by Business Unit



Group-Wide Business Units and CxO System

Business Units	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	Cedyna	SMBC Consumer Finance	Japan Research Institute	Sumitomo Mitsui DS Asset Management
Retail	○	○		○	○	○	○		
Wholesale	○	○	○	○					
International	○	○	○	○					
Global Markets	○			○					

Head Office (CxO System)	CFO	CSO	CRO	CCO	CHRO	CIO	CDIO	CAE
	Chief Financial Officer	Chief Strategy Officer	Chief Risk Officer	Chief Compliance Officer	Chief Human Resources Officer	Chief Information Officer	Chief Digital Innovation Officer	Chief Audit Executive

Retail Business Unit

The top-class companies in banking, securities, credit card, and consumer finance industries that comprise the Retail Business Unit are enhancing intra-Group coordination to address the financial needs of all individual customers, striving to develop the most trusted and No. 1 Japanese retail finance business.

Senior Managing Executive Officer
Head of Retail Business Unit
Naoki Tamura



With a wide range of businesses encompassing wealth management, cashless payments, and consumer finance, the Retail Business Unit boasts the No. 1 operating foundation in Japan. After the introduction of the group-wide business units, we were quick to conduct business model reforms, including those related to customer-oriented business operations and digitalization. The benefits of these efforts are steadily emerging in the forms of improved customer convenience and reformed cost structures.

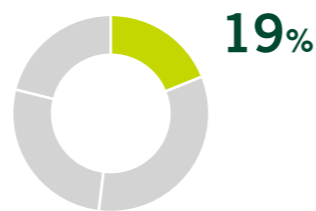
Currently, changes in society are giving rise to business opportunities, such as the new financial needs appearing as the era of the centenarian approaches and the Japanese government's push to promote cashless payments.

Faced with these changes in the operating environment, the Retail Business Unit continues to advance cutting-edge business model reforms based on the key themes of "customer oriented" and "digitalization."

Review of FY2018

Our credit card and consumer finance businesses performed favorably with growth in sales handled exceeding the industry average coupled with success in capitalizing on the healthy capital needs of individual customers. Conversely, the wealth management business suffered a year-on-year decline in profit due to low appetites for investment amid a sluggish market. As a result, net business profit in the Retail Business Unit decreased ¥22.3 billion, to ¥274.6 billion, while return on equity (ROE) declined to 7.3%. Nevertheless, our customer-oriented wealth management business initiatives, cashless payment strategies, and branch reorganizations drove steady increases in the underlying strength that supports ongoing profit growth.

Contribution to Consolidated Net Business Profit



	FY2018	Increase (Decrease) ^{*1}
Gross profit (JPY bn)	1,281.6	(25.7)
Expenses (JPY bn)	1,021.4	(4.5)
(Overhead ratio)	79.7%	+1.2%
Net business profit (JPY bn)	274.6	(22.3)
ROE^{*2}	7.3%	+0.1%
RwA^{*3} (JPY tn)	12.8	(0.1)

*1 Figures are after adjustments for interest rate and exchange rate impacts.
*2 Figure is on a managerial accounting basis with RwA calculated assuming Basel III reforms are finalized and exclude the impact from the provision for losses on interest repayments and the cost from branch reorganizations.
*3. Figures are on a Basel III transitional basis.

Priority Strategies

■ Wealth Management Business

In the wealth management business, we continued to promote the transition to a customer-oriented wealth management business throughout FY2018. Our goal in this area is to develop a sustainable, customer-oriented business and stabilize profits by providing medium- to long-term diversified investment proposals that respond to customers' need to protect and increase their assets.

The senior citizen market is anticipated to grow in the upcoming era in which people consistently live to be 100. We therefore intend to augment our ability to respond to the long-term wealth management, inheritance, and succession needs seen in this market.

■ Cashless Payment Strategies

The Retail Business Unit looks to grow its market share through the full-fledged implementation of cashless payment strategies. For example, U.S. partner Square, Inc., has developed a cashless payment service with a simple and intuitive interface. We will focus on increasing the number of small and medium-sized enterprises that handle this service by utilizing SMBC's customer base.

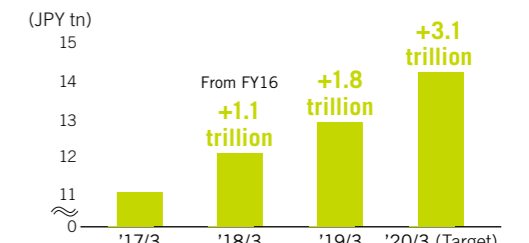
In addition, we renovated our smartphone application in FY2018. We are now focused on the enhancement of user services, with regard to which we have begun offering on-the-spot issuance of debit cards, use limit settings, and household budget management functions.

■ Branch Reorganizations

Over the past two years, SMBC has transformed 259 of its 430 branches into next-generation branches. The goal of our reorganizations is not to reduce the number of branches, but rather to maintain our network, which furnishes our points of contact with customers, while cutting costs at branches. We are also reforming our ATM network to better accommodate customer needs. In September 2019, we plan to make it possible for customers of both MUFG Bank, Ltd., and SMBC to use the same off-site ATMs (ATMs in unstaffed locations other than branches and convenience stores).

Another area of focus is enhancing the functionality and user interface of our smartphone application. To this end, we are utilizing the input and requests garnered from customers through our various contact points to develop optimal services.

Balance of Stock-Based Assets (SMBC and SMBC NIKKO)

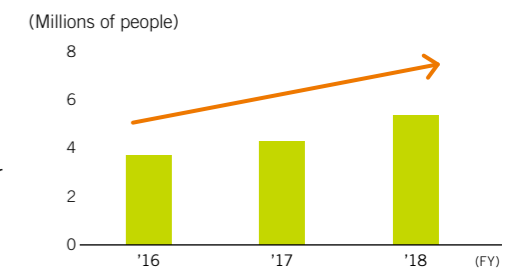


Note: Investment products that generate stock-based gains, such as investment trusts, fund wraps, and foreign currency deposits (market value basis)

Payment Service Using Square's Card Reader



Number of "SMBC Direct" Users*



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

Initiatives for Accomplishing Sustainable Development Goals



Opportunities for Investment in Environmentally and Socially Minded Companies

SMBC Nikko Securities handles investment trusts emphasizing environmental, social, and governance (ESG) factors to provide customers with opportunities for investment in environmentally and socially minded companies. In addition, SMBC began offering the World Impact Investment Fund that invests in companies boasting innovative technologies or business models.

Through these and other initiatives, SMBC Group is supporting companies intent on accomplishing the United Nations Sustainable Development Goals.

▶ For more information on SMBC Group's initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 76.



Wholesale Business Unit

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



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

Senior Managing Executive Officer
Co-Head of Wholesale Business Unit
Kimio Matsuura

The operating environment for financial institutions is transforming rapidly as indicated by changes in economic and financial circumstances and reforms to customer business models stimulated by progress in the digitalization trend.

Even in the midst of such constant changes to customer business models, the Wholesale Business Unit has remained focused on developing frameworks for providing customers with high levels of value through a united Group effort.

Going forward, we will further improve our strengths, including our keen ability to make proposals, speed, and pioneering spirit, while sharing management resources among Group companies to provide high-value-added, customer-oriented solutions.

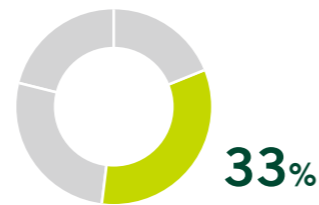
As a business unit that develops operations in our mother market of Japan, we will give each of our corporate clients our full attention, grow with them, and contribute to the development of the Japanese economy.

Review of FY2018

In FY2018, high levels of net business profit and ROE were achieved with figures of ¥484.9 billion and 12.1%, respectively. This achievement can be attributed to higher non-interest income at SMBC following profit structure reforms as well as growth in the investment bank operations of SMBC Nikko Securities. These factors counteracted the decline in domestic loans and investment management income at SMBC that was a result of Japan's negative interest rate policy and intense competition.

In addition, we were No. 1 in terms of the number of M&A advisory deals for the second consecutive year and also became No. 1 in the number of initial public offerings in which we were the lead underwriter. These accomplishments indicated the steady growth of the Wholesale Business Unit's underlying strength.

Contribution to Consolidated Net Business Profit



	FY2018	Increase (Decrease) ^{*1}
Gross profit (JPY bn)	784.9	+0.6
Expenses (JPY bn)	345.1	+0.9
(Overhead ratio)	44.0%	+0.1%
Net business profit (JPY bn)	484.9	(4.6)
ROE^{*2}	12.1%	(0.1)%
RwA^{*3} (JPY tn)	19.5	(0.4)

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

*2 Figure is on a managerial accounting basis with RWA calculated assuming Basel III reforms are finalized.

*3 Figures are on a Basel III transitional basis.

Priority Strategies

■ Increase Market Share in Corporate & Investment Banking in Key Global Markets

We will fully utilize the available capabilities of Group companies to propose solutions to large corporations active on the global stage.

Specifically, we will develop frameworks that allow for greater coordination among domestic and overseas bases and Group companies to swiftly make high-quality proposals pertaining to global initiatives.

We will provide solutions for improving the corporate value of our clients and increase customers' satisfaction and market share of SMBC Group.

■ Build on Our Lead Position in the Japanese Mid-Sized Corporation and SME Market

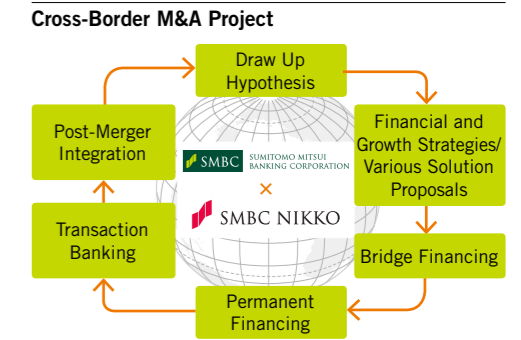
In the Japanese mid-sized corporation and SME market where we have strengths, the Wholesale Business Unit will expand SMBC Group's customer base by providing various solutions based on the customers' growth stages.

For companies in the early stages of their development, SMBC Group provides comprehensive management support through SMBC Startup Hub, which was opened in Tokyo's Shibuya Ward with the goal of offering assistance to start-up companies. For growing companies, we propose measures for resolving management issues pertaining to initial public offering to support their ongoing growth. SMBC Group thereby aims to grow with our customers and expand our customer base.

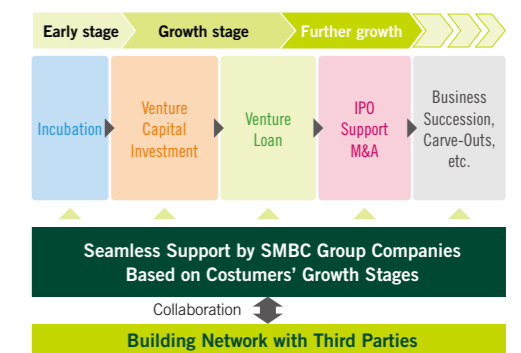
■ Adaptation to New Business Models

SMBC Group's business model is being updated to adapt to the changes in customer business models spurred by the progress of the digitalization trend. At the same time, we are working to create new markets through co-creation activities with customers in various business fields.

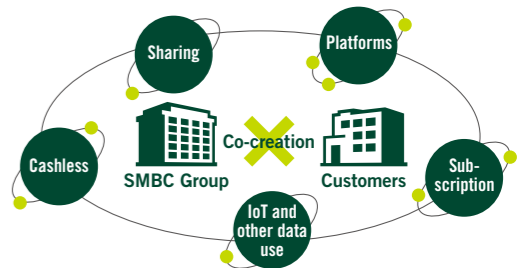
Other initiatives include development of infrastructure, active use of data acquired both inside and outside of the Group, and improvement of employee digital literacy to build frameworks for making higher-quality proposals to customers.



Ongoing Support Based on Customers' Growth Stages



Adaption to New Business Models



Initiatives for Accomplishing Sustainable Development Goals



Assessment Loans

The Wholesale Business Unit provides a wide variety of assessment loans to support customers seeking to work toward environmental issues or to address social issues such as the empowerment of female employees and workstyle reforms.

In FY2019, we began offering SDG promotion assessment loans through a scheme in which we first identify the relationship between customers' businesses and the SDGs when commencing new financing and then offer advice for advancing future initiatives pertaining to the SDGs. These loans are just a part of our proactive efforts to contribute to the accomplishment of the SDGs.



▶ For more information on SMBC Group's initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 76.

International Business Unit

The International Business Unit supports the global business operations of domestic and overseas customers by leveraging SMBC Group's extensive office network and the various products and services in which the Group possesses global strengths.

Deputy President and Executive Officer
Head of International Business Unit
Masahiko Oshima



Over the years, the International Business Unit (“INBU”) bolstered its foreign currency procurement capabilities while overcoming numerous financial crises, expanded transactions with leading overseas companies, and enhanced its ability to offer products which met customers’ demands. Through such efforts, INBU was able to realize steady growth while expanding its balance sheet. SMBC Group’s overseas network has grown to 137 branches and offices in 40 countries and regions. Revenue generated by INBU has increased tenfold over the past 20 years, coming to represent roughly 30% of SMBC Group’s total revenue. Going forward, we will maintain our focus on capital and asset efficiencies. In order to realize this vision, we will pursue synergies by carrying out various initiatives, such as leveraging the products in which SMBC Group possesses top-tier capabilities to enhance our cross-selling capabilities and asset turnover initiatives. In this manner, we will fully capitalize on the competitive edge we have over rivals to transition to a growth model that is not overly dependent on the expansion of our balance sheet. Through such efforts, we will enhance SMBC Group’s collective strengths in high growth potential overseas markets so that we may achieve sustainable growth. INBU will also seek to reinforce corporate governance, compliance, and risk management to achieve a healthy balance between “offense” and “defense” as it fulfills its role as a growth driver for SMBC Group.

Review of FY2018

The highly volatile market of FY2018 led to our securities businesses underperforming, and we also booked one-time expenses associated with Brexit and the merger of BTPN and SMBCI. Nonetheless, growth was achieved in deposits, foreign exchange, derivatives, and other non-asset-based profits. In addition, we were able to progressively move forward with priority strategies pertaining to initiatives such as the implementation of asset-turnover based business models. As a result, net business profit in FY2018 rose ¥3.6 billion, to ¥395.1 billion, and ROE was 9.3%.

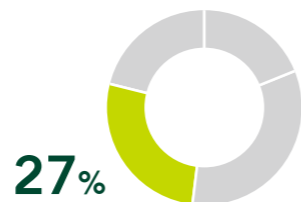
Furthermore, we were able to maintain the balance of foreign currency deposits, a key prerequisite for sustainable growth, at a high level of approximately US\$200 billion, while also improving the quality of those deposits.

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

*2 Figure is on a managerial accounting basis with RWA calculated assuming Basel III reforms are finalized and excludes medium- to long-term foreign currency funding costs.

*3 Figures are on a Basel III transitional basis.

Contribution to Consolidated Net Business Profit



	FY2018	Increase (Decrease) ^{*1}
Gross profit (JPY bn)	689.6	+31.2
Expenses (JPY bn)	333.4	+22.2
(Overhead ratio)	48.3%	+1.1%
Net business profit (JPY bn)	395.1	+3.6
ROE^{*2}	9.3%	(1.1)%
RwA^{*3} (JPY tn)	22.3	+1.1

Priority Strategies

■ Improve Efficiencies (Asset and Capital)

We will leverage strengths in product areas in which SMBC Group boasts top-tier capabilities, such as aircraft-related businesses and project finance, to enhance relationships with customers so that we are able to service their funding and investment management needs, such as loans, deposits, foreign exchange, and capital market transactions. We will also continue with our efforts to grow asset-turnover based businesses and make further progress in shifting the make-up of our portfolio from low-profit assets to high-profit assets. At the same time, we will coordinate these various initiatives to heighten synergies and improve profitability to achieve sustainable growth without significantly expanding INBU’s balance sheet.

■ Maximize Group Strengths

SMBC Group’s growth has traditionally been driven by SMBC, which accounts for approximately 80% of the group’s revenue. Going forward, however, we will seek to enhance synergies among Group companies, investees, and partners in order to further bolster our earnings capacity. The securities business, in particular, will continue to be a strategic focal area with significant growth potential. In regards to the merger of PT Bank Tabungan Pensiunan Nasional Tbk (“BTPN”) and PT Bank Sumitomo Mitsui Indonesia (“SMBCI”), which was concluded in February 2019, we will look to accelerate intra-group collaborations with the post-merger full-line commercial bank in order to enhance our foundation for medium- to long-term growth under the Multi-Franchise Strategy.

■ Enhancing “Defense” through Better Controlled Business Operations

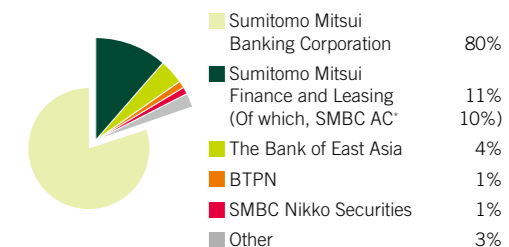
For foreign currency deposits, INBU will conduct funding activities with an emphasis on costs and stickiness, in addition to diversifying procurement methods in order to further stabilize its foreign currency procurement capabilities. At the same time, cost reductions will be pursued by eliminating redundant functions throughout SMBC Group and consolidating back-office operations.

INBU will also pursue ongoing improvements in corporate governance, control functions, and compliance in conjunction with the growth of its business. At the same time, we will practice flexible and agile business management, paying due consideration to rising geopolitical risks and market volatility while vigilantly monitoring changes in the operating environment.

Promote Cross-Selling by Leveraging Our Strengths

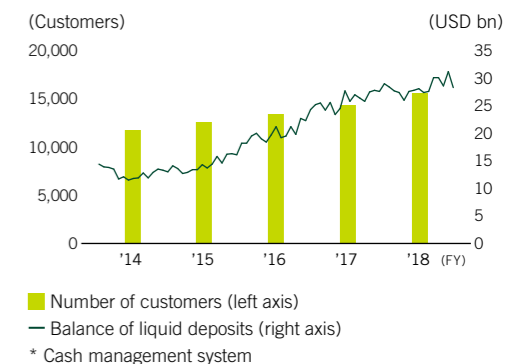


Breakdown of Net Business Profit (FY2018)

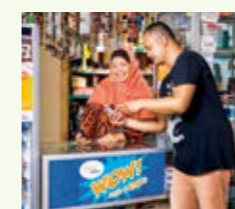


* SMBC Aviation Capital

Enhancement of Sticky Foreign Currency Deposits Based on CMS*



Initiatives for Accomplishing Sustainable Development Goals



Financial Inclusion* through Our Multi-Franchise Strategy

In Indonesia, Bank BTPN offers “BTPN Wow!”, a service that uses mobile phone technology to allow customers without bank accounts to perform bank transactions. By leveraging its strengths and collective capabilities, SMBC Group is promoting financial inclusion* by providing everyone with safe and easy-to-use financial services.

* The act of facilitating access to financial services to help add new levels of stability to people’s lives.

▶ For more information on SMBC Group’s initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 76.



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 which comprehensively control balance sheet liquidity risks and interest rate risks.

Senior Managing Executive Officer
Head of Global Markets Business Unit
Hiroshi Munemasa

The Global Markets Business Unit is a team of market professionals that transforms economic cycles into profits by collecting and analyzing information on various global developments to formulate scenarios and accurately identify short-, medium-, and long-term market trends.

This unit is responsible for efforts to “strengthen sales & trading capability,” one of the Group’s strategic focuses. Aiming to satisfy as many customers as possible, we will provide customers with optimal solutions by fully utilizing the market-related insight and experience we have accumulated in order to fulfill this responsibility.

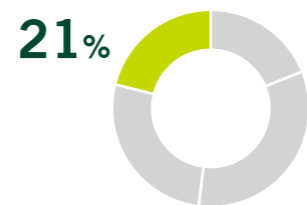
Another responsibility of the Global Markets Business Unit is to support SMBC Group’s overseas businesses by efficiently managing assets and liabilities based on consideration for stability and costs. We continue to expand our investor base and diversify procurement methods for this purpose.

Review of FY2018

In FY2018, we achieved earnings amid a volatile operating environment by rebalancing risks associated with the increasing severity of the trade disputes between China and the United States and by implementing other flexible portfolio management measurements. As a result, net business profit grew by ¥6.4 billion, to ¥298.5 billion, and ROE was 31.8%.

In sales and trading, foreign exchange-related transactions were brisk. These brisk transactions were a reflection of our ability to solicit transactions from various customers by responding to diverse customer needs with high-quality solutions proposals.

Contribution to Consolidated Net Business Profit



	FY2018	Increase (Decrease) ^{*1}
Gross profit (JPY bn)	333.6	+4.8
Expenses (JPY bn)	54.2	(0.4)
(Overhead ratio)	16.2%	(0.4)%
Net business profit (JPY bn)	298.5	+6.4
ROE^{*2}	31.8%	+1.4%
RwA^{*3} (JPY tn)	4.9	(1.2)

^{*1} Figures are after adjustments for interest rate and exchange rate impacts.
^{*2} Figure is on a managerial accounting basis with RwA calculated assuming Basel III reforms are finalized and excludes IRRBB (Interest-Rate Risk in the Banking Book).
^{*3} Figures are on a Basel III transitional basis.

Priority Strategies

Market-Sensitive, Dynamic Portfolio Management

By conducting various scenario analyses by dealers around the globe, we will strive to find opportunities to optimize our risk/reward ratio. We will identify signs of market change to take advantage of profit opportunities through proactive monitoring and dynamic but well-calculated market operations.

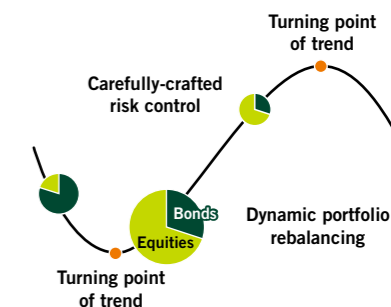
Solutions Provided through Marketable Financial Products—S&T Operations

The Global Markets Business Unit is strengthening its sales and trading operations to create an earnings pillar that is not dependent on market conditions. Specifically, we intend to respond to customers’ hedging and investment management needs by enhancing cooperation between domestic and overseas product sales teams and bolstering our lineup of foreign exchange, derivatives, bonds, stocks, and other marketable financial products.

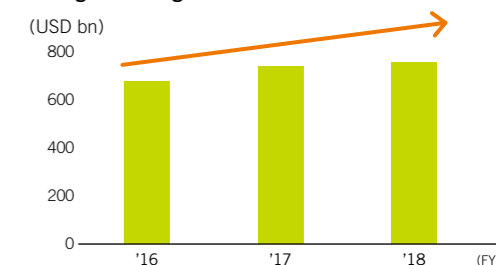
Strengthening of Foreign Currency Funding Capabilities

In FY2018, we sought to expand our investor base and diversify procurement methods by issuing Japan’s first contractual law covered bonds along with regular foreign currency bonds. At the same time, we have been pursuing the ideal foreign currency funding portfolio by increasing medium- to long-term currency swaps while being mindful of procurement costs.

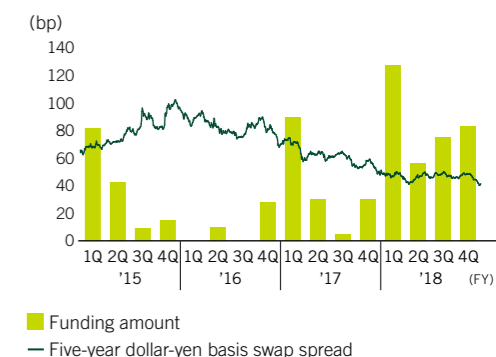
To support the overseas businesses of SMBC Group, we will continue to promote high-quality foreign currency funding emphasizing stability and costs. At the same time, we will appropriately control our balance sheet in response to international financial regulations.



Foreign Exchange Transaction Volume



Funding through Medium- to Long-Term Currency Swaps



Initiatives for Accomplishing Sustainable Development Goals



Issuance of Green Bonds

Green bonds are bonds for which the use of procured funds is restricted to renewable energy and other eco-friendly projects. By issuing green bonds, SMBC Group is contributing to the promotion of environmental businesses and the reduction of environmental impacts. Furthermore, we became the first private Japanese company to issue green bonds to individual customers in December 2018.

Going forward, we seek to help drive the development of the market and the preservation of the global environment as a leading Japanese issuer of green bonds.

▶ For more information on SMBC Group’s initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 76.

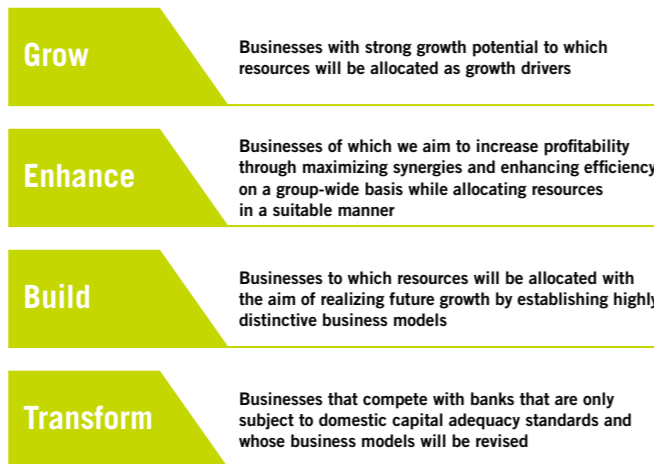


Transformation of Business and Asset Portfolio through Group Reorganization

Transformation of Business Portfolio

In accordance with the Medium-Term Management Plan, “SMBC Group Next Stage”, SMBC Group has categorized its current business portfolio into the four quadrants detailed to the right (see page 32 for details).

Based on these quadrants, we are undertaking swift reorganizations of the Group’s businesses in order to optimize our Group structure while pursuing improvements in capital and asset efficiency.



Reorganization	Quadrant	Timing
Merger of SMBC Nikko Securities and SMBC Friend Securities	Grow	January 2018
Conversion of The Japan Net Bank, into a consolidated subsidiary of Yahoo! JAPAN	Transform	February 2018
Change of ownership ratio of (reduction of investment in) POCKET CARD	Transform	March 2018
Deconsolidation of Kansai Urban Banking Corporation and THE MINATO BANK	Transform	March 2018
Reorganization of the Sumitomo Mitsui Financial Group and Sumitomo Corporation Joint Leasing Partnership	Enhance	November 2018
Merger of BTPN and Bank Sumitomo Mitsui Indonesia	Grow, Build	February 2019
Conversion of Sumitomo Mitsui Card Company into a Wholly Owned Subsidiary	Grow	April 2019
Merger of Sumitomo Mitsui Asset Management and Daiwa SB Investments	Build	April 2019

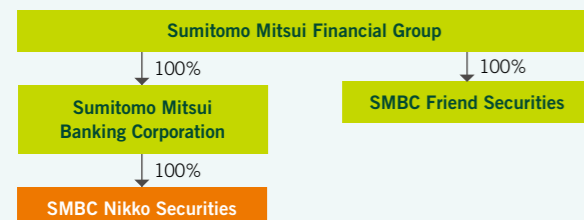
Merger of SMBC Nikko Securities and SMBC Friend Securities

Grow

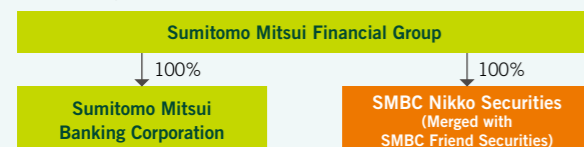
Goals of Reorganization

- Improve customer satisfaction through increased product offering, product-related research and enhancement of sales channels
- Enhance productivity through the optimization of sales personnel staffing
- Streamline overlapping functions and management infrastructure to achieve cost saving synergies

Before Reorganization



After Reorganization



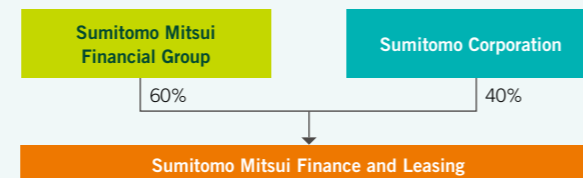
Reorganization of the Sumitomo Mitsui Financial Group and Sumitomo Corporation Joint Leasing Partnership

Enhance

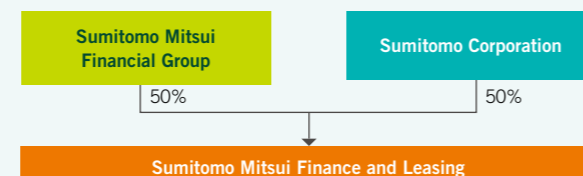
Goals of Reorganization

- Engage in the full-scale undertaking of new business initiatives
 - Develop of operations in the eco-business, infrastructure, healthcare, and other growth fields
 - Grow asset-based finance operations
 - Create value chains with the aim of enhancing businesses targeting clients’ commercial channels
- Improve capital and asset efficiency

Before Reorganization



After Reorganization



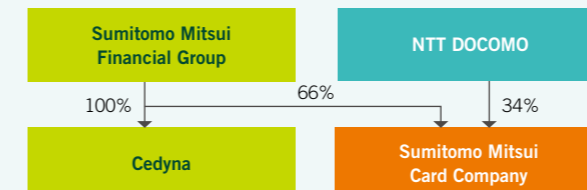
Conversion of Sumitomo Mitsui Card Company into a Wholly Owned Subsidiary

Grow

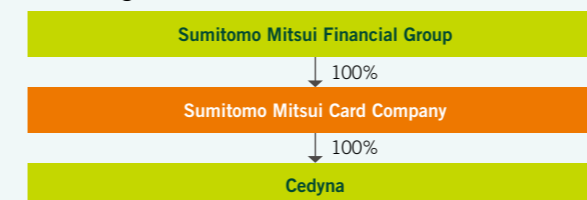
Goals of Reorganization

- Develop business structure to form the core of cashless payment strategies
- Facilitate flexible strategy formulation and swift strategy execution
- Use management resources mutually

Before Reorganization



After Reorganization



Note: The two companies were owned through an intermediate holding company

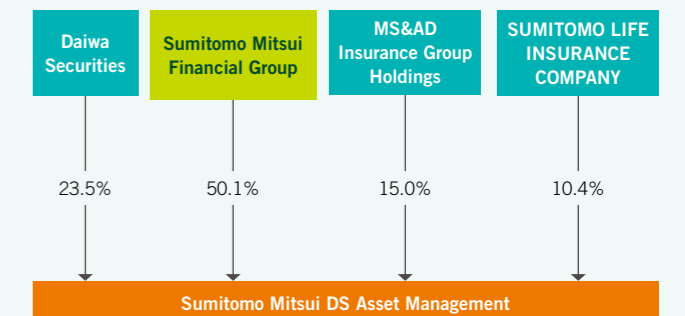
Merger of Sumitomo Mitsui Asset Management and Daiwa SB Investments

Build

Goals of Reorganization

- Maximize use of personnel, customer base and product lineup to expand through the merger
- Lead the industry in areas such as product development and digitalization
- Management that effectively controls costs, such as streamlining overlapping management bases and operations

After Reorganization



Company formed through merger of Sumitomo Mitsui Asset Management and Daiwa SB Investments

Realizing Asia-centric: The New BTPN Opens Its Doors for Business



In February 2019, PT Bank Tabungan Pensiunan Nasional Tbk (“BTPN”), an equity-method affiliate of Sumitomo Mitsui Banking Corporation, merged with PT Bank Sumitomo Mitsui Indonesia (“SMBCI”), a local subsidiary of Sumitomo Mitsui Banking Corporation, to create PT Bank BTPN Tbk (“Bank BTPN”), a commercial bank with net assets exceeding ¥1 trillion. Bank BTPN will play an important role in realizing SMBC Group’s Asia-centric strategy as a full-line commercial bank that offers a comprehensive range of banking services in both the wholesale and retail sectors.

BTPN: A Bank with a Robust Presence in the Retail Sector

BTPN was established in 1958 to handle the pensions of retired military personnel. BTPN focused on providing financial education and services to retirees, micro-, small, and medium-enterprises, and people residing in rural areas who did not possess a bank account. Through such efforts, BTPN deepened its footprint in Indonesia as a commercial bank with a robust presence in the mass market segment.

BTPN also developed a reputation as one of Indonesia’s most innovative banks. While Indonesia’s population exceeds 260 million, an estimated 50% of its adult population does not possess a bank account. Given such an environment, BTPN was quick to focus on expanding its digital services in line with the rapid spread of mobile phones and smartphones, launching its mobile banking service “BTPN Wow!” in 2015. The aim of BTPN Wow! is to provide affordable, safe, and convenient financial services to the many people who do not possess a bank account. The number of BTPN Wow! users have now exceeded 6 million. “Jenius,” a mobile banking service for

smartphones that targets the middle-class, was launched in 2016. The number of Jenius users exceeded 1 million by the end of the service’s second year.



Transformation into a Full-Line Commercial Bank

SMBCI was established in 1989 and offered various financial services targeting the wholesale sector. SMBCI developed a strong presence in the market for large corporates, namely Japanese and leading local companies. In recent years, SMBCI actively engaged in project finance, syndicated loans, and structured finance transactions in relation to infrastructure development, a theme which continues to draw the strong interest of the Indonesian government.

Through its merger with SMBCI, BTPN transformed into a full-line commercial bank by adding a comprehensive portfolio of wholesale banking services to its existing portfolio of retail banking services. The new bank’s net assets exceed ¥1 trillion, making it the 8th largest Indonesian bank.



New company logo of the merged bank

BTPN Milestones

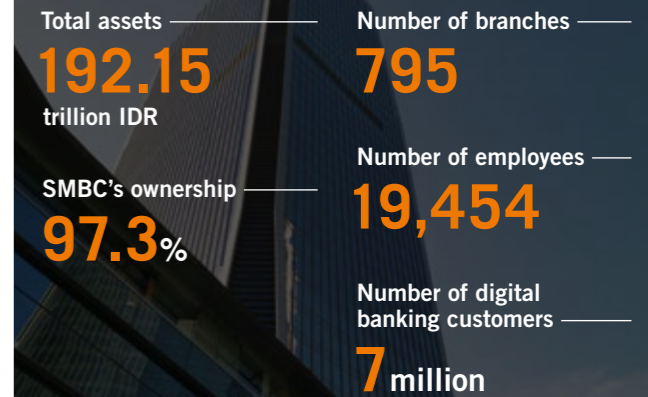
- 1958** Established to serve retired military personnel
- 2008** Listed on the Indonesia Stock Exchange.
- 2013** SMBC acquired a 24.3% ownership in BTPN via the purchase of shares owned by TPG Nusantara S.à r.l. and other shareholders.
- 2014** SMBC increased its ownership in BTPN to become the controlling shareholder with a 40.0% ownership stake.
- 2019** Merged with PT Bank Sumitomo Mitsui Indonesia to form PT Bank BTPN Tbk.

A Strategic Component of Asia-centric

SMBC Group’s medium- to long-term vision is: “To be a global financial group that leads growth in Japan and Asia by earning the highest trust of our customers.” Furthermore, “Accelerate our ‘Asia-centric’ strategy” has been stipulated as one of the Group’s Seven Core Business Areas in the current Medium-Term Management Plan (FY2017-FY2019).

As part of such efforts, SMBC Group has been pursuing its Multi-Franchise Strategy, through which it will create a second and a third SMBC Group in Asia that offers full-line commercial banking services. Indonesia was selected as the first country to implement the strategy given its high growth potential, and the creation of Bank BTPN can be said to be an embodiment

Overview of Merged Bank (as of March 2019)



of the strategy’s goal. As a result of the merger, SMBC Group was able to make significant strides towards realizing its Asia-centric strategy.

Bank BTPN will leverage the strengths its predecessor banks have developed over the years to expand the coverage of its services. In the retail sector, Bank BTPN will work to expand its presence from the mass market segment to include middle-class customers, while in the wholesale sector it will expand its traditional focus on large corporates to include medium-sized corporate/SME customers. Bank BTPN’s operations will transcend Indonesia so that it may function as a strategic component of SMBC Group’s Asia-centric strategy.

We will be the most preferred bank in Indonesia that changes our customers’ lifestyles

The merger of BTPN and SMBCI to form Bank BTPN represents a unique and an ideal combination of two complementary banks. With its new vision, to be Indonesia’s most preferred bank which makes a meaningful difference in the lives of millions powered by technology, Bank BTPN will become a larger and stronger bank that contributes more to the country’s economy. We believe Bank BTPN will be able to unlock the opportunities that generate more valuable customer solutions across businesses.



Ongki Wanadjati Dana President Director

Issuance of Japan's First Contractual Law Covered Bonds

SMBC has succeeded in issuing Japan's first contractual law covered bonds. In this section, we will explain the background and the significance behind the arrangement and issuance of these covered bonds, which entailed overcoming the challenges presented by a lack of legal frameworks in Japan in comparison with Europe.

Realization of a New Method of Foreign Currency Funding

The prolongation of low interest rates in Japan is placing downward pressure on the profitability of domestic businesses. This situation has prompted SMBC to bolster its overseas operations, causing the balance of outstanding loans overseas to quadruple over the past decade and climb above ¥20 trillion. In response to this increase in foreign currency-denominated assets, SMBC ramped up its foreign currency funding by working to increase customer deposits and issuing senior unsecured bonds. We also looked to diversify our foreign currency funding methods through the issuance of Australian dollar-denominated bonds and green bonds as part of our efforts to realize stability in foreign currency funding.

The issuance of covered bonds was one new initiative that drew our attention in this undertaking. Covered bonds are a type of secured corporate bond originating in Europe that are generally issued with collateral provided in the form of a pool of housing loans and other low-risk assets (cover pool). Should the issuer default, investors are able to seek recourse to the issuer and are given priority access to recourse to the cover pool above other creditors. This dual recourse framework is a major characteristic of covered bonds. These bonds also feature other investor protection provisions, such as requirements that the issuer maintain an amount of collateral in excess of the outstanding principal amount of the bonds. These bonds are commonly issued overseas, with legal frameworks pertaining to covered bonds in place in various European and other countries. However, such frameworks do not exist in Japan, and there are no prior cases of covered bonds being issued in this country. It was against this backdrop that SMBC sought to arrange and issue covered bonds as a new method of foreign currency funding.

Goals of Covered Bond Issuance

SMBC turned its attention to covered bonds with two main goals. The first goal was to realize a foreign currency funding method that is highly viable under extraordinary

circumstances, such as those of high market volatility. In Europe, the financial crises seen in the 2000s and forward underscored the importance of covered bonds as a viable foreign currency funding method for use when conditions are extreme, spurring an increase in the utilization of such bonds. The worldwide balance of outstanding covered bonds stood at €2.5 trillion, and the total amount of covered bonds issued in 2017 climbed as high as €445.0 billion.

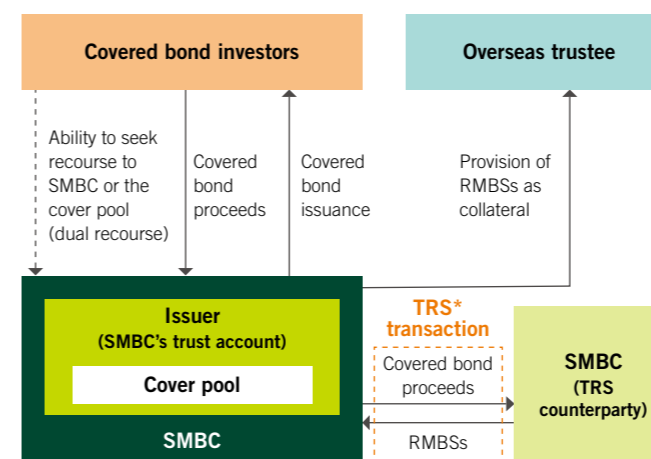
The second goal was to diversify our investor base. Until now, attracting central banks, government institutions, and other such investors into our conventional senior unsecured bonds has proven difficult. This difficulty arises from the tendency of such investors to only invest in highly rated bonds, such as government bonds and the bonds of government agencies. The ratings assigned by rating agencies display the reliability of bonds. Our senior unsecured bonds will never be able to exceed the ratings of Japanese government bonds. Covered bonds, however, can achieve ratings that are higher than those of Japanese government bonds, thereby enabling us to expand our investor base.

Creation of Revolutionary Scheme for Issuance

The greatest obstacle to arranging covered bonds in Japan was the establishment of a dual recourse framework. In Europe, there are legal frameworks in place ensuring that the cover pool is not affected by bankruptcy proceedings (separation of cover pool from bankruptcy). The legal frameworks in Japan, however, were thought to obstruct the development of dual recourse frameworks.

Breaking away from such preconceptions, we made it possible to realize the separation of the cover pool from bankruptcy through the use of a revolutionary scheme that uses the close-out netting principle by applying the Japanese Netting Act of Specified Financial Transactions Conducted by Financial Institutions should the issuer default. However, the ability to fulfill the necessary requirement to issue covered bonds did not guarantee that there would be demand for this

product from investors. SMBC's covered bonds differ from conventional covered bonds in their application of the aforementioned Netting Act and in their use of residential mortgage-backed securities ("RMBS"s) for the cover pool. In light of these differences, it was unclear whether investors would welcome these bonds. For this reason, we took steps to gather input from a wide range of investors, including central banks, government institutions, asset managers, and banks, and ongoing discussions were held on how to reflect this input into the structure. This process led us to judge that investors would be receptive toward the following structure, which was then used to issue Japan's first contractual law covered bond.



* Total return swap, a derivative transaction in which the principal is swapped together with the economic gains (losses) of an asset

Low-Cost Foreign Currency Funding from a Wide Range of Investors

SMBC's euro-denominated contractual law covered bonds received a rating of Aaa from Moody's Investors Service, Inc., which exceeded the rating therefrom of A1 assigned to Japanese government bonds. SMBC Group thus gained a method of foreign currency funding at interest rates that are lower by 0.35% compared to the rate of the euro-denominated senior unsecured bonds issued in July 2018.

Our contractual law covered bonds were issued in late October 2018, at the same time as the slump in the senior unsecured bonds market that followed market volatility stemming from the downgrading of Italian government bonds and the trade friction between China and the United States. These covered bonds exhibited their viability as a foreign currency funding method under extraordinary circumstances as we were able to raise a sufficient amount of foreign currency funding, despite the adverse market conditions.

Of the investors that purchased SMBC's covered bonds, 42% were fixed income asset managers. The next largest group was comprised of central banks and official institutions, which accounted for 22% of all investors, a substantially higher level than would have been seen for our conventional senior unsecured bonds. This figure is evidence that these bonds have enabled us to incorporate a group of new investors into our investor base that was previously out of reach. In this manner, the contractual law covered bonds achieved their initial goal by making large contributions to the expansion of our investor base.

Amalgamation of SMBC Group's High-Level Expertise

Forged through more than six months of coordination, the contractual law covered bonds were an amalgamation of the high-level expertise of SMBC Group in the areas of banking, securities, and trusts. Covered bonds have a history of more than 250 years in Europe, and there have been attempts to introduce these bonds into Japan for over a decade. However, the issuance of such bonds in Japan was deemed to be impossible due to the legal restrictions. It was the passion of the team to overcome these restrictions and realize the issuance of covered bonds in Japan that drove this undertaking to success. This accomplishment made waves throughout the market and legal community in Japan and overseas, with some going as far as to compare this innovative idea with the egg of Columbus. We hope that this Aaa-rated scheme of foreign currency

funding will find a wider range of use throughout the market as a low-cost, stress-resistant foreign currency funding method and come to contribute to the stabilization of the foreign currency funding of Japanese financial institutions going forward.



SMBC Group covered bond team



Corporate Infrastructure Supporting Value Creation

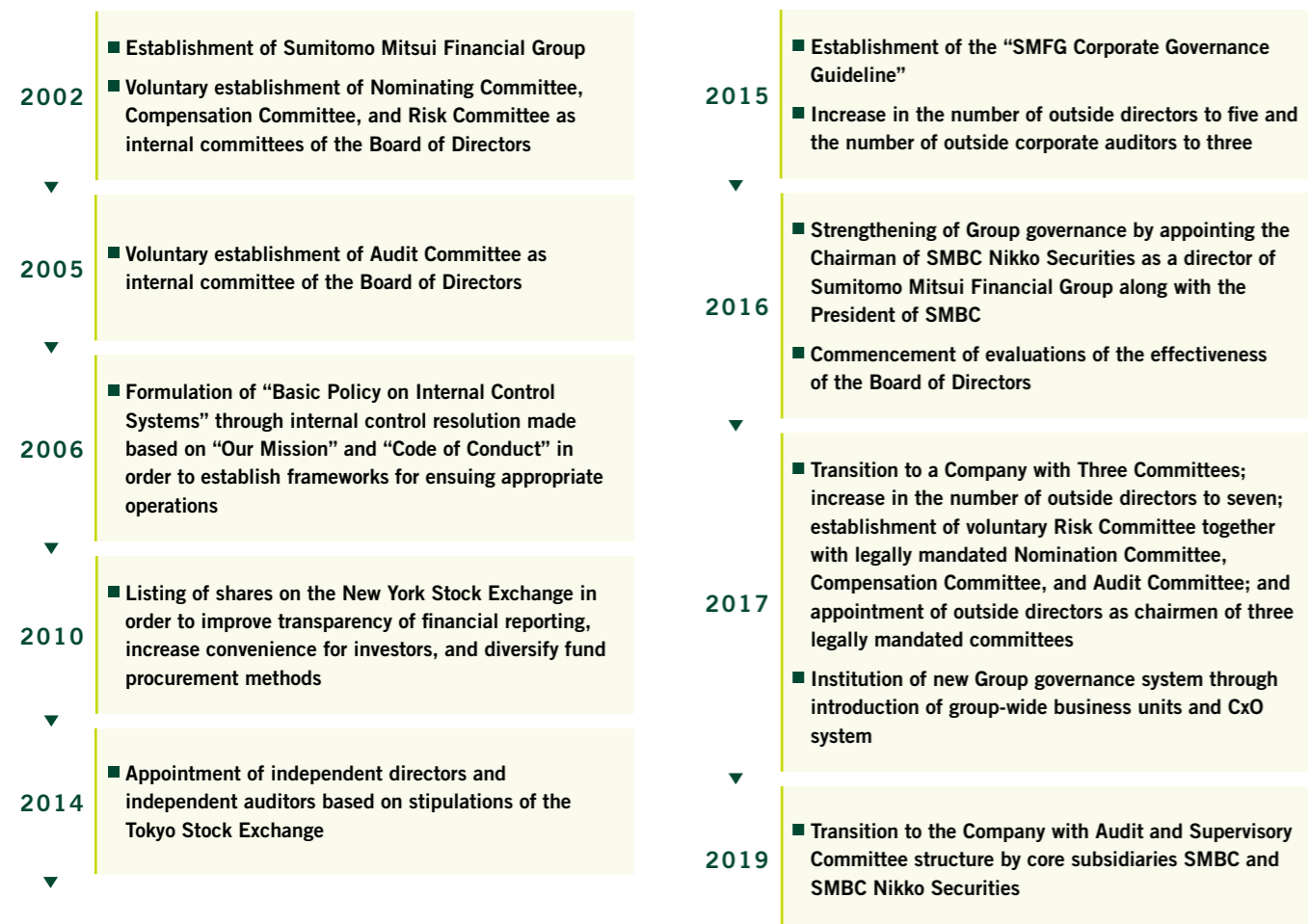
- 60 Corporate Governance
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Corporate Governance

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



Sumitomo Mitsui Financial Group’s Corporate Governance System

We have set forth a “Code of Conduct” to serve as action guidelines across all business activities with the aim of sharing the principles of “Our Mission” throughout the Group. In addition, the “SMFG Corporate Governance Guideline,” a guideline for corporate governance, has been formulated and disclosed. We are promoting awareness and understanding regarding these guidelines among all SMBC Group officers and employees.

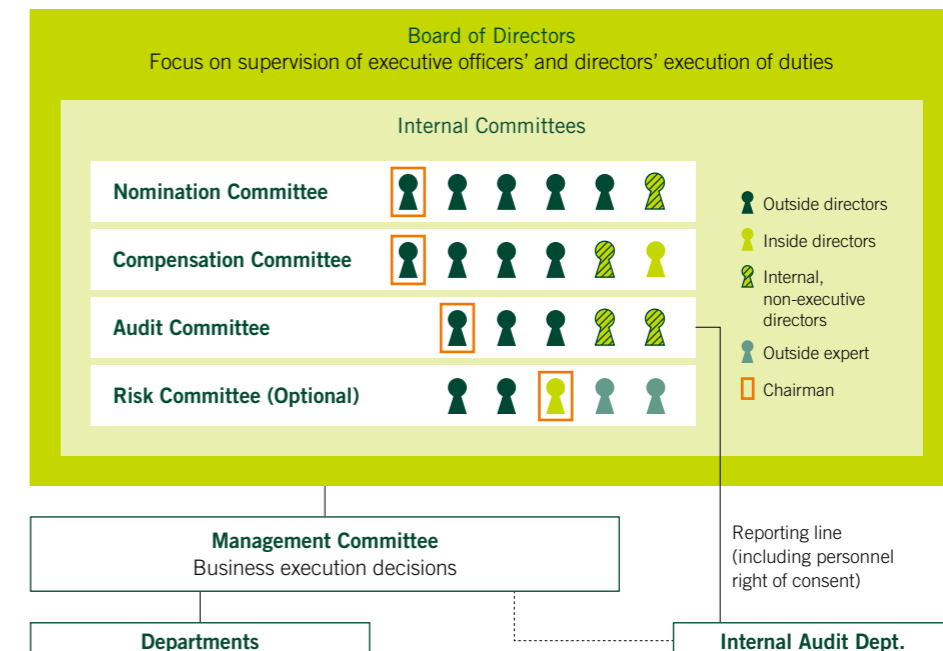
SMBC Group employs the Company with Nominating Committee, etc., structure described in the Companies Act. This structure was adopted in order to establish a corporate governance system that is globally recognized and is aligned with international banking regulations and supervision requirements and achieve enhanced oversight of the exercise of duties by the Board of Directors and expedite this exercise of duties. In addition, core subsidiaries SMBC and SMBC Nikko Securities transitioned to the Company with Audit and Supervisory Committee described in the Companies Act in June 2019.

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.

Code of Conduct

- To strive to increase shareholder value whilst also maintaining healthy relationships with customers, employees, and other stakeholders. To give utmost consideration to the trust which people have in the firm, to abide by all laws and regulations, to maintain a high ethical standard, and to act fairly and sincerely;
- To continue improving our knowledge and capability and, at the same time, to raise our productivity in order to provide superior financial services at competitive prices;
- To establish a top brand global financial group by understanding the needs of each customer and by providing valuable services which meet those needs;
- To be selective and focused in the implementation of our business strategy, to define and develop the competitive advantages which we have over our competitors and, by allocating managerial resources strategically to those businesses, to become a top player in our selected markets;
- To be creative, proactive, and courageous in order to be in a leading position in all business areas and always a step ahead of our competitors;
- To build a strong organization based on market practice and sound principles whilst reflecting our diverse values. To delegate internal authority under an efficient and effective management system which facilitates speedy decision-making and execution;
- To support our business growth and the development of our employees by setting challenging targets within an evaluation and compensation framework which emphasizes their capabilities and achievements.

Corporate Governance System



Board of Directors

■ Role of the Board of Directors

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

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

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



■ Composition of the Board of Directors

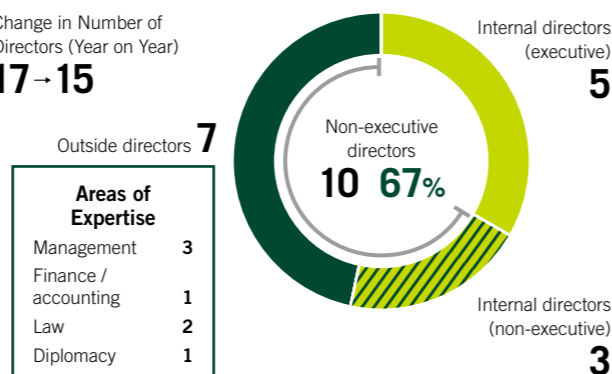
The Board of Directors is comprised of directors with various backgrounds and diverse expertise and experience. The Company strives to maintain the appropriate number of directors in order to enable the Board of Directors to function with the greatest degree of effectiveness and efficiency. In addition, the Board of Directors is to be comprised of at least two directors, and more than one-third of all directors should be outside directors designated as independent directors based on the stipulations of the Tokyo Stock Exchange.

As of June 27, 2019, the Board of Directors was comprised of 15 directors. Ten of the 15 directors did not have business execution responsibilities at the Company or its subsidiaries, with seven of these 10 directors being outside directors. The chairman of Sumitomo Mitsui Financial Group, who does not have business execution responsibilities, served as the chairman of the Board of Directors. This membership ensures an objective stance toward supervising the exercise of duties by executive officers and directors.

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

Composition of the Board of Directors

Change in Number of Directors (Year on Year)
17 → 15



Areas of Expertise	
Management	3
Finance / accounting	1
Law	2
Diplomacy	1

Internal Committees

■ Nomination Committee

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

■ Compensation Committee

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

■ Audit Committee

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

■ Risk Committee

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

Internal Committee Composition

Name	Position	Internal Committee Composition			
		Nomination Committee (1 inside director, 5 outside directors)	Compensation Committee (2 inside directors, 4 outside directors)	Audit Committee (2 inside directors, 3 outside directors)	Risk Committee (1 inside director, 4 outside directors, and outside experts)
Masayuki Matsumoto	Outside director	○		◎	
Arthur M. Mitchell	Outside director	○	○		
Shozo Yamazaki	Outside director			○	○
Masaharu Kohno	Outside director	○			○
Yoshinobu Tsutsui	Outside director	◎	○		
Katsuyoshi Shinbo	Outside director		◎	○	
Eriko Sakurai	Outside director	○	○		
Takeshi Kunibe	Chairman of the Board	○	○		
Jun Ohta	Director President		○		
Toru Nakashima	Director Senior Managing Corporate Executive Officer				◎
Atsuhiko Inoue	Director			○	
Toru Mikami	Director			○	
Hirohide Yamaguchi*1	Outside expert				○
Tatsuo Yamasaki*2	Outside expert				○

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

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

Meetings Only Attended by Outside Directors

As described in the “SMFG Corporate Governance Guideline,” outside directors may hold meetings that only outside directors may attend to serve as forums for building consensus and exchanging information with regard to matters pertaining to corporate governance and businesses from an independent and objective standpoint. In FY2018, three such meetings were held. During these meetings, outside directors engaged in vigorous discussion regarding topics such as the ideal procedures for selecting agenda items based on the role of the Board of Directors and management issues for SMBC Group. The results of these discussions were communicated to management.



Support Systems for Outside Directors

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

Initiatives to support directors in FY2018 included the following.

- 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
- 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 corporate governance and financial regulations
- Small meetings with institutional investors to provide opportunities for understanding the perspectives of stakeholders
- Training through SMBC Academy training website for employees

Outside Director and Corporate Auditor Independence Standards

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

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

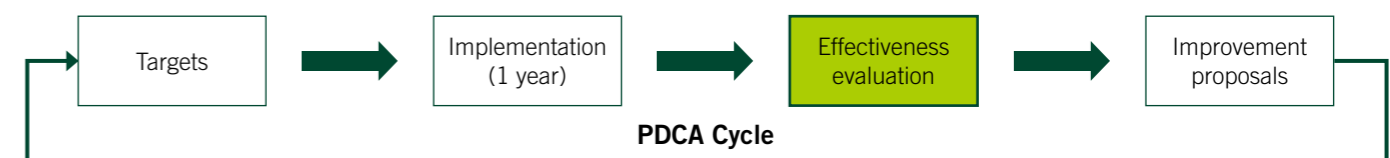
▶ Please see Reference 7 of the “SMFG Corporate Governance Guideline” for more information.
https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf

Evaluation of the Board of Directors’ Effectiveness

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

In FY2018, the evaluation focused on the four areas described below, which are areas for which provisions exist in Japan’s Corporate Governance Code and the “SMFG Corporate Governance Guideline.” All seven outside directors were asked

for their opinions regarding these areas at meetings of the Board of Directors held in April and May 2019, 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 Evaluation Results

Role of the Board of Directors

- Steps are taken to invigorate discussions while taking advantage of 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.”
- 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 the 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.
- Further evaluations and revisions are necessary for enabling outside directors to better exercise their functions based on the issues and future direction for SMBC Group, ongoing, in-depth discussions on the overarching management issues (big picture) pertaining to medium- to long-term targets, and the expectations of outside directors.

Proceedings of the Board of Directors

- The number and content of agenda items as well as the amount of time dedicated to discussion of agenda items were more or less around the appropriate level.
- Discussions were livelier than in the previous fiscal year due to the allocation of time to discuss topics not included in agenda and seating arrangement-related measures.
- The following measures were taken to encourage frank discussion at meetings of the Board of Directors.
 - Preparation of clearer explanations and materials on the points to be discussed
 - Measures related to the direction of proceedings

Composition of the Board of Directors

- As of March 31, 2019, the Board of Directors consisted of 17 directors, seven of which 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.
- There is a need to continue evaluating and revising the number of members and the composition of the Board of Directors to ensure that the Board of Directors is suitable based on its role.

Support Systems for Outside Directors

- Information necessary for making flexible management decisions in a changing operating environment and for exercising effective oversight functions continued to be supplied to Board of Directors’ members in an appropriate and timely manner.
- The Company continued to provide systems for effectively supporting the Board of Directors in making management decisions through venues such as study sessions for outside directors and forums for discussions between outside directors and internal directors, executive officers, and the accounting auditor.
- It is desirable for the Company to continue promoting initiatives for utilizing the insight of outside directors (such as by arranging forums for exchanges of valuable information between outside directors or between the executive and oversight functions and increasing the amount of information provided to outside directors).

Compensation Program

We revised the executive compensation program and introduced new Stock Compensation Plans as a part of the executive compensation program, for the purpose of:

1. Providing more appropriate 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.

We also introduced the malus (forfeiture) of restricted stock and the claw-back of vested stock allocated to the executives under the Plans to restrain excessive risk-taking and foster a prudent risk culture expected of a financial institution.

Executive Compensation System

Compensation Components	Payment Standards (Range of Variation)	Payment Method																			
Base salary	Fixed compensation	• Cash																			
Bonus (cash)	Compensation determined based on SMFG's annual performance (0%–150%) Standard levels × annual performance of SMFG and SMBC as well as on the performance of the executive	• Cash: 70% • Restricted stock: 30%																			
Bonus (Stock Compensation Plan II)																					
Stock Compensation Plan I	Compensation determined based on SMFG's medium-term performance, etc. (0%–150%) Standard levels × SMFG's medium-term performance, etc. [Performance Indices]	• Restricted stock																			
			<table border="1"> <thead> <tr> <th>Category</th> <th>Performance Indices</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Financial Targets</td> <td>Capital Efficiency</td> <td>ROE/RORA</td> </tr> <tr> <td>Cost Efficiency</td> <td>Overhead ratio</td> </tr> <tr> <td>Financial Soundness</td> <td>Common equity tier 1 capital ratio</td> </tr> <tr> <td>Growth</td> <td>Growth (rate/amount) of net profit</td> </tr> <tr> <td>Shareholder Value</td> <td>Total shareholder return</td> </tr> <tr> <td>Customer Value</td> <td>Dividend per share</td> </tr> <tr> <td></td> <td>Customer satisfaction surveys, etc.</td> </tr> </tbody> </table>		Category	Performance Indices	Financial Targets	Capital Efficiency	ROE/RORA	Cost Efficiency	Overhead ratio	Financial Soundness	Common equity tier 1 capital ratio	Growth	Growth (rate/amount) of net profit	Shareholder Value	Total shareholder return	Customer Value	Dividend per share		Customer satisfaction surveys, etc.
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	Customer satisfaction surveys, etc.																				
Stock Compensation Plan III	(Promotion reward plan)	• Restricted stock																			

Applicable to malus and claw-back provisions

■ Providing more appropriate incentives for executives

■ Further aligning the interests of executives with those of shareholders

■ Foster a prudent risk culture expected of a financial institution

Portion of stock-based compensation: 25%

Portion of variable compensation: 40%

Executive Management Systems

Management Committee

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

Group-Wide Business Units and CxO System

In April 2017, the Company introduced group-wide business units and the CxO system with the aim of enhancing Group management. The group-wide business unit structure entailed the creation of the Retail Business Unit, the Wholesale Business Unit, the International Business Unit, and the Global Markets Business Unit. The goal of this structure is to heighten our ability to address the various needs of customers on a group-wide basis by enabling the business units to formulate and implement business strategies based on their respective customer segments. The CxO system entails the appointment of nine Group chief officers in charge of specific areas in addition to the Group CEO (President of Sumitomo Mitsui Financial Group). This system is meant to improve Group management capabilities centered on the holding company. The heads of business units as well as the chief officer positions will, in principle, be filled with executive officers of the Company, with the one exception being the Group Chief Audit Executive (CAE). Individuals appointed to these positions are expected to exercise their duties as the person responsible for overseeing their business unit or head office division and report on the execution of their duties to the Board of Directors.

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 appointed Global Advisors to provide advice to it on global business and on political and economic issues in 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 the respective regions. The Global Advisors also provide regular insight in respect of political and economic issues relating to the formulation of strategy by SMBC Group and key risks faced by SMBC Group.

The Third SMBC Group Global Advisory Meeting

The Third SMBC Group Global Advisory Meeting was held in Tokyo in May 2019. Five SMBC Group Global Advisors and members of the Management Committee took part in the meeting, and actively discussed the business environment, the business trends, and the global affairs which we need to take into consideration when formulating the next Medium-Term Management Plan.

Especially in regards to the business trends in the financial services sector, various opinions were raised concerning how SMBC Group plays roles in the market and what kind of strategy it should focus on, as the digitalization has been rapidly progressing and the threats of new entrants has been increasing.

In addition to that, the business environment was also well discussed from the viewpoints of risks which SMBC Group needs to take into consideration in its global business operations, such as the prolonged US-China tensions.

SMBC Group states in its Vision: “We will become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region” and will actively leverage the expertise of the Global Advisors in achieving the realization of that Vision.



SMBC Group Global Advisors



Dr. Andreas Dombret

Career summary

2010–2018

A member of the Executive Board, Deutsche Bundesbank

2005–2009

Vice Chairman Europe, Bank of America



Dr. Robert D. Hormats

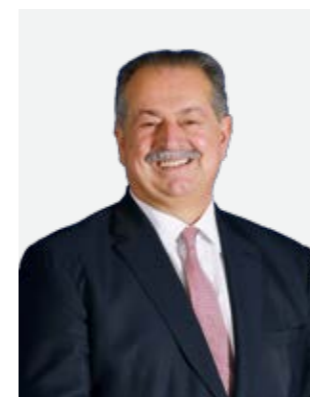
Career summary

2013–Present

Vice Chairman, Kissinger Associates

2009–2013

United States Under Secretary of State



Mr. Andrew N. Liveris

Career summary

2017–2018

Executive Chairman, DowDuPont Inc.

2006–2017

Chairman and CEO, The Dow Chemical Company



Mr. Cesar V. Purisima

Career summary

2010–2016

Secretary of Finance of the Republic of the Philippines

2004–2005

Secretary of Trade and Industry of the Republic of the Philippines



Sir David Wright

Career summary

2003–2017

Vice Chairman, Barclays

1996–1999

British Ambassador to Japan



Mr. Joseph Yam

Career summary

2017–Present

A member of the Executive Council, Hong Kong SAR

1993–2009

Chief Executive of the Hong Kong Monetary Authority

Outside Director Interview: Selection Process for the New Group CEO



Sumitomo Mitsui Financial Group
Director
Chairman of the Nomination Committee
Yoshinobu Tsutsui

Q

FY2019 marked the first time our Group CEO changed since Sumitomo Mitsui Financial Group transferred to a Company with Three Committees. Could you please describe the selection process that was taken?

I was appointed as an outside director of Sumitomo Mitsui Financial Group in 2017, the same year in which the company transferred to a Company with Three Committees. In terms of internal committees, I am a member of the Compensation Committee and I am the Chairman of the Nomination Committee. The Nomination Committee has been constructed in a manner which stresses objectivity and transparency, with five of its six members being outside directors. Of course, the quality of discussions takes precedence over the committee's format. Repeated discussions took place at the Nomination Committee meetings for more than one year regarding the selection of the new Group CEO, and I am confident that the deliberations were conducted in an objective and transparent manner.

The Nomination Committee established a number of specific points which needed to be considered when selecting the new Group CEO after carefully studying the business environment and business operations of SMBC Group and the qualities we believed the Group's leader needed to possess. For example, in order to realize SMBC Group's medium- to long- term vision of becoming a global financial group, we believe that the successful candidate would need to possess a broad global-based perspective, deep insights, and a creative imagination. As such, these qualities were included in the selection criteria. The selection criteria were by no means limited to abilities and skills, they also included character and behavioral traits, for example the tenacity and persistence to assemble timely decisions and to implement those decisions, the ability to form and deploy outstanding teams, leadership and optimism which demonstrate courage, and grit/tolerance. Based on such qualities, the Nomination Committee came to its final decision in December 2018 following a deliberate selection process, which included candidate interviews.

Q

Could you please share with us some points to which you paid particular attention during the Nomination Committee's selection process?

I did not focus on any single point during the selection process. The reason being that the criteria required of the individual selected to lead SMBC Group are multi-faceted and diverse. My focus was on whether the candidates satisfied all of the required criteria to a very high standard, and I believe that the other members of the Nomination Committee shared this mindset, which allowed us to engage in deliberations based on a common understanding.

The purpose of involving outside directors in this type of process is to ensure the presence of opinions that are based on impartiality, fairness, and neutrality. I believe this is precisely what shareholders and other stakeholders expect. As such, I paid very careful attention to ensure that such values were reflected in the discussions I guided as the Chairman of the Nomination Committee. Mr. Ohta was selected as the new Group CEO, and I have no doubt whatsoever that SMBC Group's stakeholders understand why Mr. Ohta was selected once they refer to the required abilities and skills, experience, and character and behavioral traits that I mentioned earlier.

If we take the aforementioned "possess a broad global-based perspective, deep insights, and a creative imagination" as an example, Mr. Ohta has been a leader in SMBC's project finance business since its infancy more than 20 years ago. Project finance has grown into a business in which SMBC Group is a top-tier global player. Mr. Ohta also has abundant experience conducting business on the global stage, including from his experience residing in Singapore. In addition, Mr. Ohta accumulated considerable experience and knowledge concerning digital technology, which is rapidly growing in importance in the financial sector, during his tenure as CDIO where he was responsible for a number of SMBC Group's new business strategies, for example cashless payments.

Having said this, if I was asked what quality I consider to be most important to a business leader, and I was to disregard my role as Chairman of the Nomination Committee, I would reply: "leadership." While similar words exist, for example captaincy, they give the image of individuals forcibly imposing their will on others. The leadership I refer to is the ability to attract people and instill a strong sense of loyalty in them. An individual making the most of his character and insights, in other words his personal capabilities, to guide SMBC Group. This is the leadership which I am referring to.

Q

SMBC Group has stated that becoming a global financial group is its medium- to long-term vision. What do you think is the most important factor to realizing this vision?

I believe the most important factor is to strengthen SMBC Group's corporate governance on a global basis. While it is also necessary to devote resources to create the framework itself, as SMBC Group has been making steady progress in this regard I believe that the focus should now be on further enhancing the framework's effectiveness.

In order for this to happen, SMBC Group employees must address and resolve existing differences in perception by communicating with each other, and this needs to be done on a global basis. People will always have different perceptions. For example, employees will feel different levels of urgency regarding a particular risk. If we look at SMBC Group, differences in perception exist between Group companies, business units, administrative departments and front office departments, domestic and overseas offices, even between customers and markets. Creating a system which can promptly detect and resolve such differences will increase the effectiveness of SMBC Group's corporate governance framework. The key to achieving this is to develop personnel who are highly sensitive to such differences. I believe that developing as many such personnel as possible is a critical part of enhancing SMBC Group's global corporate governance capabilities.

I was President of the Nippon Life Insurance Company for seven years starting in 2011. During this time I failed to sense a critical difference in the perception of the company's employees which led to the deterioration of a particular issue. As such, I have consistently focused on the effectiveness of SMBC Group's corporate governance in my role as an outside director. I will continue to devote my utmost efforts to support the realization of SMBC Group's Medium-Term Management Plan and the sustained improvement of SMBC Group's corporate value by proactively voicing my views, which reflect my experiences as a business leader, at Board of Director, Nomination Committee, and Compensation Committee meetings.

Sumitomo Mitsui Financial Group Directors (As of June 27, 2019)



Takeshi Kunibe
Chairman of the Board

Career summary

- 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)



Jun Ohta
Director
President (Representative Corporate Executive Officer)
Group CEO

Career summary

- 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 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



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

Career summary

- 1986 Joined Sumitomo Bank
- 2013 General Manager of Consumer Business Planning Department of the Company
- 2014 Executive Officer of SMBC
- 2015 General Manager of Corporate Planning Department of the Company
- 2016 Managing Executive Officer of SMBC
- 2017 Managing Executive Officer of the Company
- 2019 Director and Managing Executive Officer of SMBC
Senior Managing Corporate Executive Officer of the Company
Director and Senior Managing Executive Officer of SMBC (to present)
Director Senior Managing Corporate Executive Officer of the Company (to present)



Atsuhiko Inoue
Director
Director of SMBC

Career summary

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



Makoto Takashima
Director
President of SMBC

Career summary

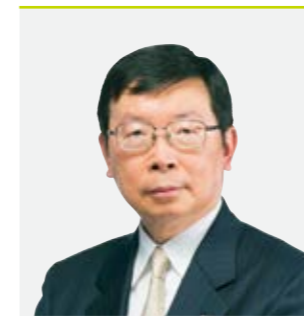
- 1982 Joined Sumitomo Bank
- 2009 Executive Officer of SMBC
- 2012 Managing Executive Officer of SMBC
- 2014 Senior Managing Executive Officer of SMBC
- 2016 Director and Senior Managing Executive Officer of SMBC
- 2017 President of SMBC (to present)
Director of the Company (to present)



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

Career summary

- 1985 Joined Mitsui Bank
- 2011 General Manager of Financial Accounting Department of the Company
- 2013 Executive Officer of SMBC
- 2015 Managing Executive Officer of SMBC
- 2016 Managing Executive Officer of the Company
- 2018 Director and Managing Executive Officer of SMBC
Director and Senior Managing Executive Officer of SMBC (to present)
- 2019 Senior Managing Corporate Executive Officer of the Company
Director Senior Managing Corporate Executive Officer of the Company (to present)



Toru Mikami
Director

Career summary

- 1984 Joined Sumitomo Bank
- 2006 General Manager of Legal Department of SMBC
- 2013 Co-General Manager of General Affairs Department of the Company
- 2015 Senior Manager of Head Office of SMBC
Standing Corporate Auditor of the Company
- 2017 Director of the Company (to present)



Tetsuya Kubo
Director
Representative Director,
Chairman of SMBC Nikko

Career summary

- 1976 Joined Sumitomo Bank
- 2003 Executive Officer of SMBC
- 2006 Managing Executive Officer of SMBC
- 2008 Managing Executive Officer of the Company
- 2009 Senior Managing Executive Officer of the Company
Director and Senior Managing Executive Officer of SMBC
- 2011 Deputy President and Executive Officer of the Company
Director and Deputy President of SMBC
Director of SMBC Nikko Securities Inc. ("SMBC Nikko")
Director of the Company
- 2013 Resigned as Director of the Company
Representative Director, President & CEO of SMBC Nikko
- 2016 Representative Director, Chairman of SMBC Nikko (to present)
Director of the Company (to present)

Sumitomo Mitsui Financial Group Directors (As of June 27, 2019)



Masayuki Matsumoto

Director
Special Advisor of Central Japan Railway Company

Career summary

- 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



Arthur M. Mitchell

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

Career summary

- 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)



Yoshinobu Tsutsui

Director
Chairman of Nippon Life Insurance Company

Career summary

- 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)



Katsuyoshi Shinbo

Director
Attorney at law

Career summary

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



Shozo Yamazaki

Director
Certified public accountant

Career summary

- 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)



Masaharu Kohno

Director
Former diplomat

Career summary

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



Eriko Sakurai

Director
Chairman and CEO of Dow Toray Co., Ltd

Career summary

- 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)

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

▶ Please see page 135 for SMBC directors, Audit and Supervisory Committee.

Towards Sustainable Development of Society

Our Approach

On a global scale, we are currently facing various environmental issues, such as climate change resulting from global warming, as well as social issues, such as human rights violations. In Japan, we must address various challenges arising in conjunction with changes to the social structure, such as rapid population aging and the contraction of the workforce.

SMBC Group believes that it is the social responsibility of a company to contribute to the sustainable development of society as a whole by providing stakeholders with even higher value through the course of its business.

Environment

Renewable Energy Project Funding Amount (FY2018)

¥520.0 billion



Physical Risks Identified through Scenario Analyses (Projected increase in credit costs)

¥30.0–¥40.0 billion



Carbon-Related Asset Exposure Ratio

7.8%



Initiatives for Supporting the Environment

Promotion of Renewable Energy through Financial Functions



SMBC Group is proactive in its efforts to reduce environmental impacts through its business. For example, we are helping promote the spread of renewable energy projects that use natural forces, such as solar and wind, to generate power. As a comprehensive financial group, we are uniting all Group companies and capitalizing on their unique characteristics in this undertaking. Accordingly, support for such projects is provided by SMBC through financing, SMBC Nikko Securities through investment, SMBC Trust Bank through contracting related to generation equipment and sites, and Sumitomo Mitsui Finance and Leasing through leasing of generation equipment.

In addition, SMBC Group has issued four green bonds, a type of bond that is used to collect funds to be exclusively allocated to eco-friendly projects. Furthermore, the SDGs

Finance Department established within SMBC Nikko Securities' Capital Markets Division is playing a central role in the provision of support to customers seeking to issue green or social bonds.

Green Bond Issues

Date of Issue	Issuer	Amount
October 20, 2015	Sumitomo Mitsui Banking Corporation	US\$500 million
October 11, 2017	Sumitomo Mitsui Financial Group	€500 million
December 20, 2018	Sumitomo Mitsui Banking Corporation	US\$227.8 million
		AUD83.2 million
May 30, 2019	Sumitomo Mitsui Financial Group	€500 million

Credit Policy

In the Credit Policy of SMBC, which contains our overall financing policy, guidelines, and rules, we declare that we will cease to provide financial support to borrowers engaged in businesses contrary to public responsibility, or which may have a significant negative impact on the global environment. Caution for environmental, social, and other impacts is practiced with regard to the areas detailed to the right.

- Defense manufacturing, cluster munitions, and other armament
- Palm oil plantation developments
- Deforestation
- Coal-fired power plants
- Soil contamination and asbestos

▶ For more information, please refer to Sumitomo Mitsui Financial Group's corporate website.
https://www.smfg.co.jp/english/responsibility/smfgcsr/esg_initiative/risk/

Response to Climate Change (Announcement of Support for TCFD)

We announced our support of the Task Force on Climate-related Financial Disclosures (TCFD)* in December 2017, and we are performing climate change scenario analysis and working together with customers to address the root causes of climate change and help realize a low-carbon society. The following initiatives are being carried out with regard to the four areas advocated in the recommendations of the TCFD.



Governance	<p>We have established Group environmental policies to continuously implement measures to make our corporate activities conducive to preserving the global environment and curbing pollution.</p> <p>The Basic Policy on Climate Change is reflected in SBMC Group's business strategy based on the discussions of the Corporate Sustainability Committee and decisions of the Executive Committee, and the details of our initiatives are reported regularly to the Board of Directors.</p>
Strategy	<p>■ Physical Risks In light of the recent emergence of natural disasters linked to climate change, SMBC has performed climate change scenario analyses of the physical risks related to water disasters in Japan, thereby calculating, on a preliminary basis, that the impact could equate to an aggregate increase in credit costs of between ¥30.0 billion and ¥40.0 billion by FY2050. When viewed as a per-year average value, it is an additional credit cost of approximately ¥1 billion and thus the impact of water damage caused by climate change on current SMBC's single-year finances is considered to be limited.</p> <p>■ Transition Risks In the process of transitioning to a low-carbon society, there is a risk that the value of the affected assets will decline (Stranded asset Risk). Carbon-related assets (electricity, energy, etc.) currently account for 7.8% of all loans by SMBC. Based on this situation, we will keep evaluating the potential impact of stranded assets.</p> <p>■ Opportunities The market for climate-change-related businesses is expected to grow going forward. Against this backdrop, we are promoting environmental businesses and reducing environmental impacts in Japan and overseas. Measures to this end include conducting a total of ¥520.0 billion in financing of renewable energy projects in FY2018 and issuing green bonds based on the guidelines of the International Capital Market Association and the Ministry of the Environment, Government of Japan.</p>
Risk Management	<p>SMBC has adopted the Equator Principles, which are guidelines developed by private financial institutions for managing environmental and social risks related to financing large-scale development projects to identify and assess risks to both the environment and society.</p> <p>In addition, SMBC Group companies established lending policies for specific sectors, including coal-fired power plants.</p>
Metrics and Targets	<p>SMBC Group is working to reduce greenhouse gas emissions, and it realized reductions in per-area CO₂ emissions of 15.16 tons per m² in FY2017 and 104.21 tons per m² in FY2018.</p>

* The Task Force on Climate-related Financial Disclosures was established to urge individual companies to disclose their impact on climate change in their financial reports.

▶ For more information on initiatives regarding the recommendations of the TCFD, please refer to Sumitomo Mitsui Financial Group's corporate website.
https://www.smfg.co.jp/english/responsibility/smfgcsr/esg_initiative/climate/

Social

Participants at Financial and Economic Education Programs

140,000



Students We Supported in Emerging Countries

10,000



Donations to Social Welfare Organizations through Employee Volunteer Fund

¥20 million



Initiatives for Supporting the Next Generation

Support for SMEs in Introducing Cashless Payment Systems



We are supporting SMEs across Japan in introducing cashless payment systems by promoting the payment services of Square, Inc., a company with which SMBC Group has formed a business alliance.

The card readers offered by Square are very simple payment terminals that allows credit card payments to be made merely by connecting the reader to a smartphone or tablet. As such, these readers can be introduced with ease even at retailers, outdoor events, and other locations with limited space. Moreover, examinations are also brief, allowing for use as early as the day after application, and payments are deducted as soon as the following day, enabling customers to use this payment service in a similar manner to cash payments. Furthermore, introducing Square's point-of-sale register system helps support business growth with increased efficiency in payment processes realized through smooth coordination of inventory management, sales analysis, and accounting software.

Using this system, SMBC Group aims to support SMEs in introducing cashless payment systems and thereby contribute to the promotion of cashless payments throughout Japanese society as a whole.



Business Succession Support Framework that Uses Trust Functions to Address Cognitive Impairment Issues



SMBC Trust Bank provides financial solutions that address potential social issues as the "100-Year life" era approaches.

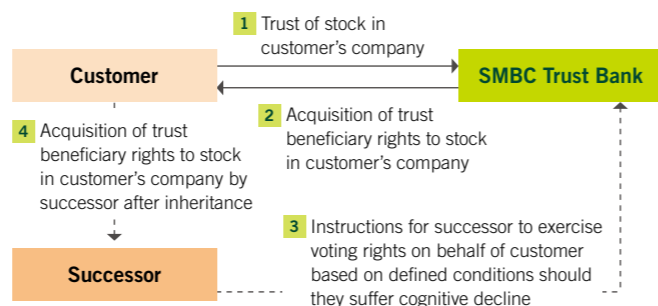
Specifically, SMBC Trust Bank has developed a business succession framework that addresses the needs of customers seeking to decide the process through which shares of their company's stock will be transferred to successors and those looking to mitigate management risks arising from an inability to exercise voting rights due to future cognitive impairment or other forms of cognitive decline.

Characteristics of this product include special provisions for the following:

- Acquisition of trust beneficiary rights to stock by successor after inheritance
- Instructions for successor to exercise voting rights on behalf of customer should they suffer cognitive decline.

Going forward, through the provision of financial products, we hope to contribute to the realization of a society in which business operators are able to feel peace of mind as they continue to develop their business.

Business Succession Support Framework



Initiatives for Supporting Communities

Traditional Japanese Dwelling Lodging Business



In January 2019, Sumitomo Mitsui Finance and Leasing established Dazaifu Co-Creation through joint investment with Nishi-Nippon Railroad Co., Ltd., and The Bank of Fukuoka, Ltd. Dazaifu Co-Creation operates a dispersed traditional Japanese dwelling lodging business via coordination with Dazaifu City, Fukuoka Prefecture, and Dazaifu Tenmangu Shrine. This business entails renovating traditional Japanese dwellings located throughout the region to function as lodging facilities and restaurants and welcoming tourists through a community-wide effort.

In this business, traditional Japanese dwellings are rented and renovated to become facilities and restaurants. Sumitomo Mitsui Finance and Leasing supports this business by leasing interior fixtures, lodging facilities, kitchen equipment, and equipment and machinery used in restaurants and by providing other financial services.

SMBC Group is supporting tourism and subsequently the development of regional economies by participating in such tourism projects as a partner and by providing leasing and various other financial services.



Traditional Japanese dwelling converted into lodging facility



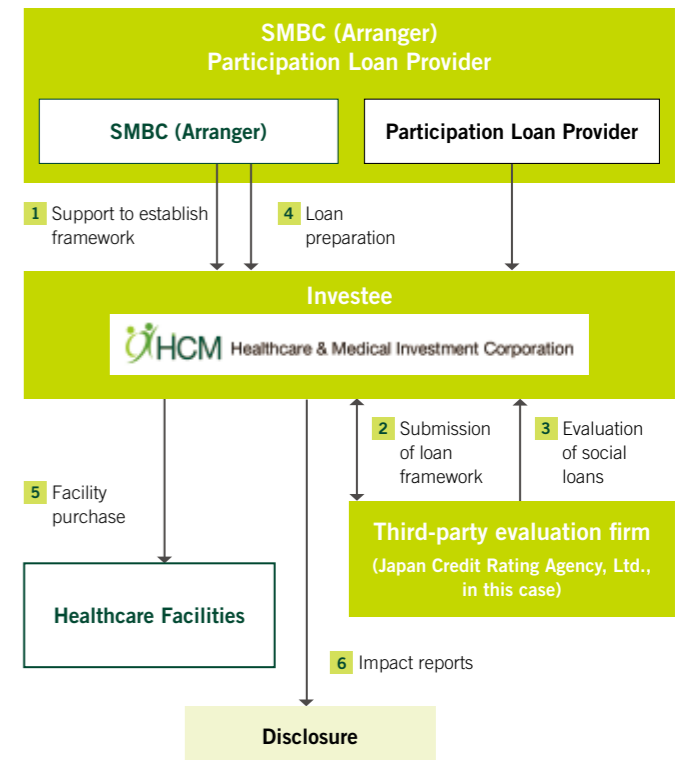
Dazaifu Tenmangu Shrine

SDGs Social Loans



SMBC has launched Japan's first SDG social loan. These loans are meant to provide funding to projects that help resolve social issues. Through a scheme entailing impact reports that measure impacts on society and third-party evaluations, we are working together with customers to resolve social issues.

For example, utilizing funds loaned to Healthcare & Medical Investment Corporation, a Japanese real estate investment trust specializing in healthcare facilities, we are helping supply such facilities. These efforts are largely contributing to resolving the various issues that face the rapidly aging Japanese society, by lowering the burden placed on the families of individuals requiring nursing care, reducing the number of people who are unable to receive such care, and promoting women's participation in the workforce.



Customer-Oriented Initiatives

Our Approach

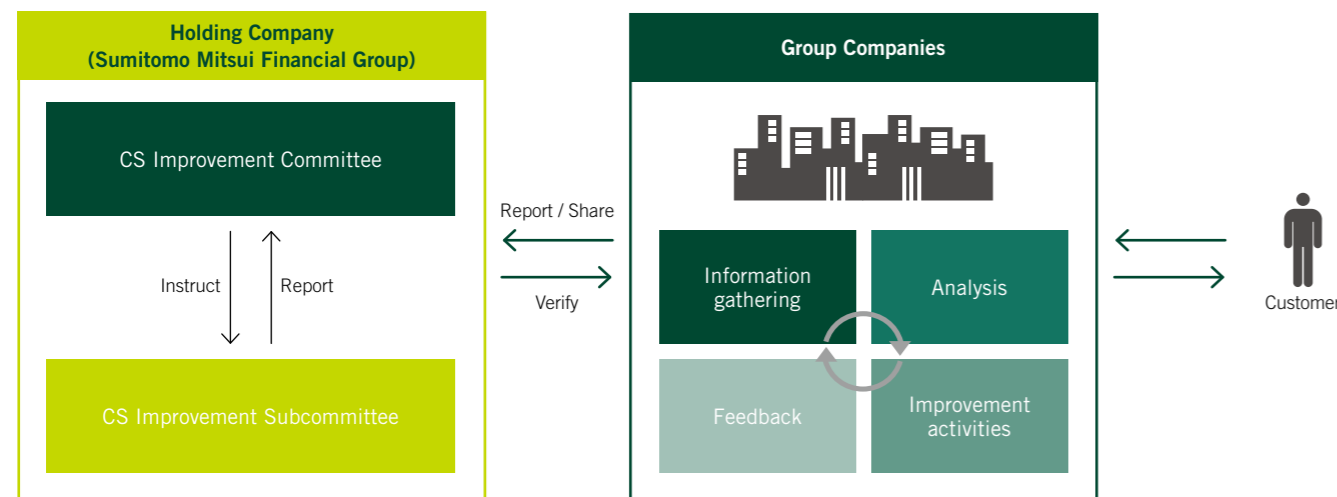
SMBC Group companies are united in their efforts for customer satisfaction (CS) and quality improvement in line with "Our Mission," which states "We grow and prosper together with our customers, by providing services of greater value to them."

CS and Quality Improvement System

We have established the CS Improvement Subcommittee as well as the CS 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 CS Improvement Subcommittee, where information is exchanged on how to fully entrench a customer-oriented mindset. Meanwhile, the CS Improvement Committee, which shares members with the Group Management Committee, deliberates on concrete measures based on reports from the CS Improvement Subcommittee.

Incorporation of Customer Feedback into Management



Declaration of Compliance with ISO 10002

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

Customer-Oriented Business Initiative

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

Basic Policy for Customer-Oriented Business Conduct (Excerpt)

SMBC Group's Customer-Oriented Business Conduct

In "Our Mission," it is stated that "We grow and prosper together with our customers, by providing services of greater value to them." To give form to this principle, we have defined our Five Values, a list of five key words that represent the values and action guidelines shared by executives and employees in Japan and overseas. "Customer First" (always think and act based on a customer-oriented perspective) is at the top of this list.

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 page 124–125.

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

Based on the Sumitomo Mitsui Financial Group's Basic Policy for Customer-Oriented Business Conduct, the Retail Business Unit shall adhere to the following conduct policies in offering service as a retail company that is responsible for providing wealth management and asset building services for individual customers.

In accordance with these policies, the Retail Business Unit shall implement a plan-do-check-act (PDCA) cycle that entails disclosing specific indicators, confirming and analyzing its status in relation to these indicators, and utilizing this information in the future to improve business practices.

Conduct Policies

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

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

2. Lineup of Customer-Oriented Products

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

3. Customer-Oriented After-Sales Services

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

4. Customer-Oriented Performance Evaluation Systems

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

5. Improvement of Consulting Capabilities

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

Disclosed Indicators

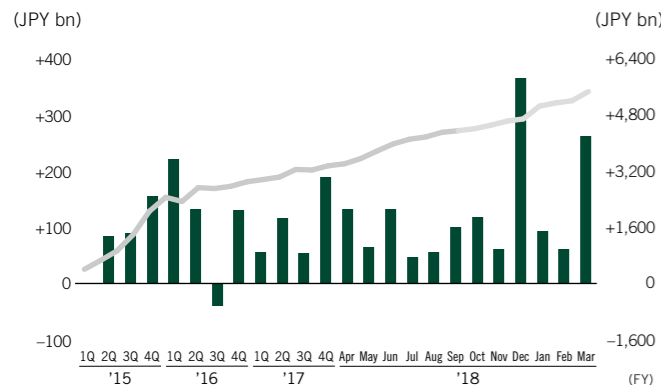
- 1 Increase in balance of investment assets
- 2 Number of customers using wealth management products
- 3 Ratio sales by wealth management product
- 4 Average investment trust holding period
- 5 Fund wrap sales and cancellation amounts
- 6 Amount of fixed-term foreign currency deposits
- 7 Number of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

Performance with Regard to Disclosed Indicators

Increase in Balance of Investment Assets (Indicator 1)

In FY2018, the total balance of investment assets for the entire Retail Business Unit 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



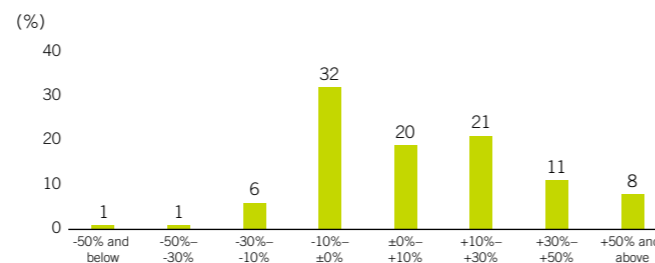
■ Increase in balance of investment assets (left axis)
 — Increase in balance of investment assets (aggregated, right axis)
 Note: Figures for 2015 to 2017 represent quarterly averages.

Breakdown of Losses and Gains by Customers Using Investment Trusts and Fund Wraps (Indicator 13)

Figures are calculated based on the definitions contained in the common key performance indicators (KPIs) comparable across investment trust distributors released by the Financial Services Agency in June 2018.

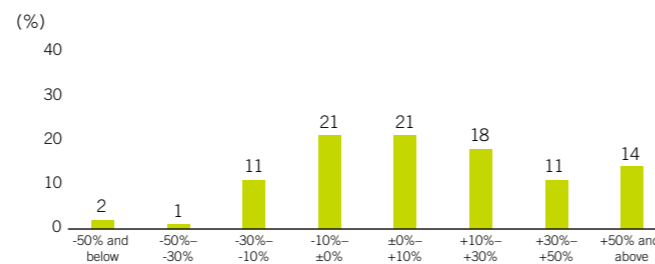
Customers posting net gains represent more than 50% of all customers in both categories.

SMBC (As of March 31, 2019)

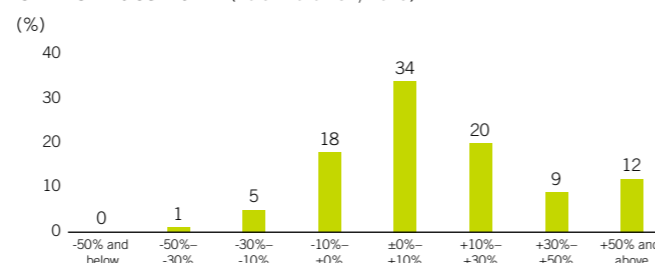


Notes: Figures exclude canceled transactions with no outstanding balance.
 Rate of return = Total return ÷ Market value

SMBC Nikko Securities (As of March 31, 2019)



SMBC Trust Bank (As of March 31, 2019)



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 business units, risk management units, and other units from an independent standpoint and pursues the quality of internal audits in order to contribute to development and the highest trust across the entire SMBC Group.

Overview of the Group's Internal Audit Framework

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

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

Major audit findings and relevant information are regularly reported to the Audit Committee, the Board of Directors, and the Group Management Committee. Whilst the Department strives to strengthen cooperation to conduct proper audit practices through frequent information exchange with external auditors.

Enhancement and Effectiveness of Internal Audit

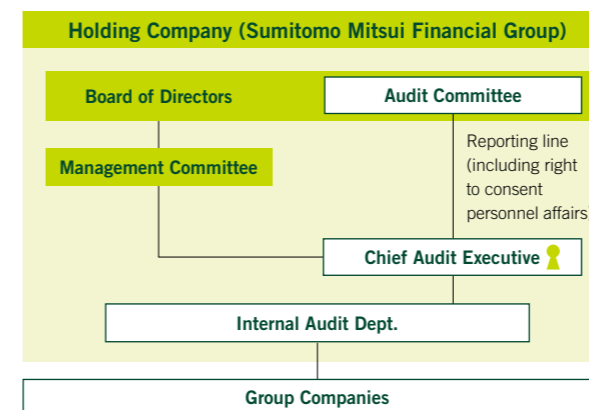
The Department has adopted auditing methods in accordance with the Institute of Internal Auditors (IIA) standards,* conducts risk-based audits, and expands the same approach to Group companies. To implement effective and efficient internal audits, the Department conducts monitoring by attending important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

In addition, the Department seeks to enhance group-wide internal auditors' expertise by gathering up-to-date internal audit practices, providing the practices to Group companies, holding training programs, and encouraging auditors to obtain internal auditors' international certification.

Furthermore, the Department enhances its quality assurance on a group-wide basis by both fully satisfying the IIA standards and referring to G-SIFIs practices.

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

Internal Audit Framework



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

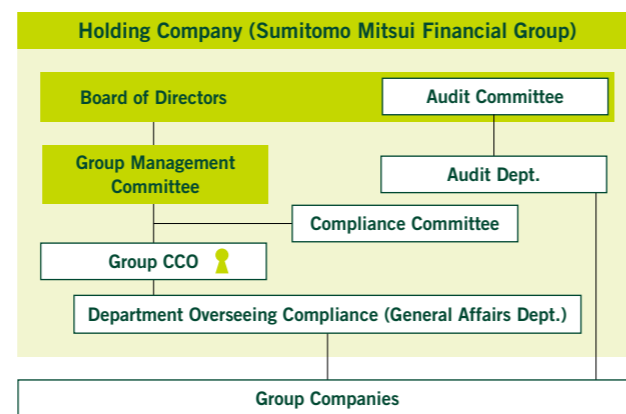
SMBC Group seeks to maintain a compliance system that provides appropriate instructions, guidance, and monitoring for compliance to ensure sound and proper business operations across the Group. Measures have been put in place to prevent misconduct and quickly detect inappropriate activities that have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

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

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

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

Compliance Systems at SMBC Group



Initiatives for Supporting Healthy Risk Taking and Appropriate Risk Management

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. To this end, SMBC Group has defined the Principles of Action on Compliance and Risk to serve as guidelines for executives and employees in practicing compliance and other aspects of risk management.

Business units function as the risk owners responsible for compliance and risk management as it pertains to their

business. Acting in accordance with the Principles of Action on Compliance and Risk, business units practice healthy risk taking (business activities) coupled with disciplined compliance and risk management. The Compliance Unit performs monitoring, oversight, and training regarding the status of compliance and risk management at business units. Furthermore, the Internal Audit Unit verifies and evaluates the adequacy and effectiveness of compliance and risk management systems to help fortify these systems.

Anti-Money Laundering and Prevention of Funding Terrorist Organizations

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

Specifically, SMBC Group is developing systems to prevent its products and services from being used for money laundering (ML) and financing of terrorism (FT), which may have a massive negative impact on the economy.

Agreement with Federal Reserve Bank of New York

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.

Under the terms of the written agreement, SMBC is required to undertake a number of actions to enhance the Branch's overall BSA/AML compliance program, corporate governance and management oversight, the Branch's customer due diligence and suspicious activity monitoring and reporting programs, internal audit, and the Branch's program for compliance with the laws and regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control.

SMBC has already taken actions to improve compliance with U.S. AML requirements and is fully committed to complying with all of the terms set forth in the written agreement.

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 anti-social 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 anti-social 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.

SMBC and its 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.

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

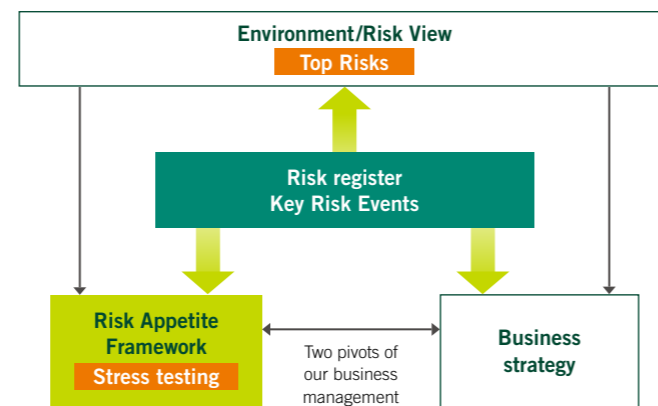
In order for SMBC Group to realize and maintain a sustainable growth in corporate value as a "Top Tier Global Financial Group," each one of our colleagues should think and judge on their own if their actions meet the expectations and requirements of customers, markets, and other stakeholders, not just 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 principle includes "Business based on the Risk Appetite Framework" and "Business operations which give a high priority to the management of risks such as credit risk, market risk, liquidity risk and operational risk." 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

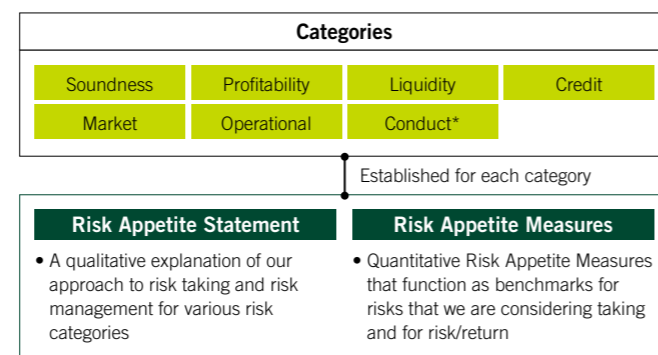
SMBC Group has introduced a Risk Appetite Framework for controlling group-wide risks that clarifies the types and levels of risk that we are willing to take on or are prepared to tolerate in order to grow profits (risk appetite).

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



*Conduct Risk: Conduct risk is the risk that our conduct negatively affects customers, market integrity, or effective competition.

Individual risk appetites have been established for specific business units or strategies 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 in 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. Three risk management levels are set for Risk Appetite Measures, which are monitored accordingly.

In addition, we apply a uniform standard, risk capital^{*1} based on value at risk (VaR),^{*2} which is used to set upper limits for risk exposure based on group-wide management constitution. Each business unit operates their business within that limit.

*1 Risk capital: The amount of capital required to cover the theoretical maximum potential loss arising from risks of business operations.

*2 VaR: The maximum loss that can be expected to occur with a certain degree of probability when holding a financial asset portfolio for a given amount of time.

Top Risks

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

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

Top Risks

Intensification of international political confrontation	Volatile financial and economic environment
Decline in Japan's social vitality	Ideological and religious conflicts
Ceased operation of information systems due to cyber attacks	Changes in competitive climate due to emergence of FinTech or other new technologies
Increase of large-scale natural disasters	Legal or compliance-related incidents
Materialization of strategic risks	

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 109 for Top Risks.

Stress Testing

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

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

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

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.

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 System

Based on the recognition of the importance of risk management, the group-wide basic policies for risk management are determined by the Management Committee before being authorized by the Board of Directors in order to have top management play an active role in the risk management process.

In accordance with these basic policies for risk management, three lines of defense have been defined, and we have clarified related roles and responsibilities. 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.

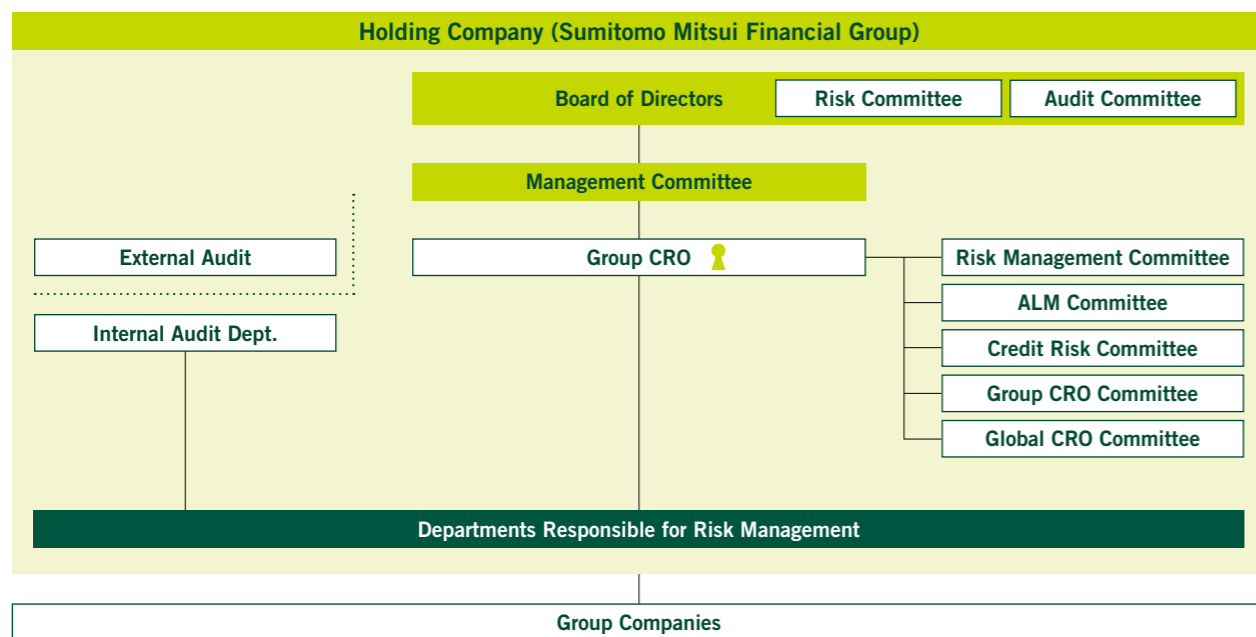
Furthermore, SMBC Group is strengthening group-wide risk management systems through the Group CRO Committee and the Global CRO Committee.

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 defined our three lines of defense with the aim of achieving more effective and stronger risk management and compliance systems through the clarification of roles and responsibilities.

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

SMBC Group's Risk Management System



Human Resources Strategy

Our Approach

We have established the Five Values as a set of shared beliefs and behavioral guidelines for all 100,000 employees around the world in order to achieve “Our Mission.” We are moving ahead with the strategic development of talent and the creation of a workplace that maximizes the contributions of a diverse workforce, to enable all employees to perform to the extent of their capabilities.

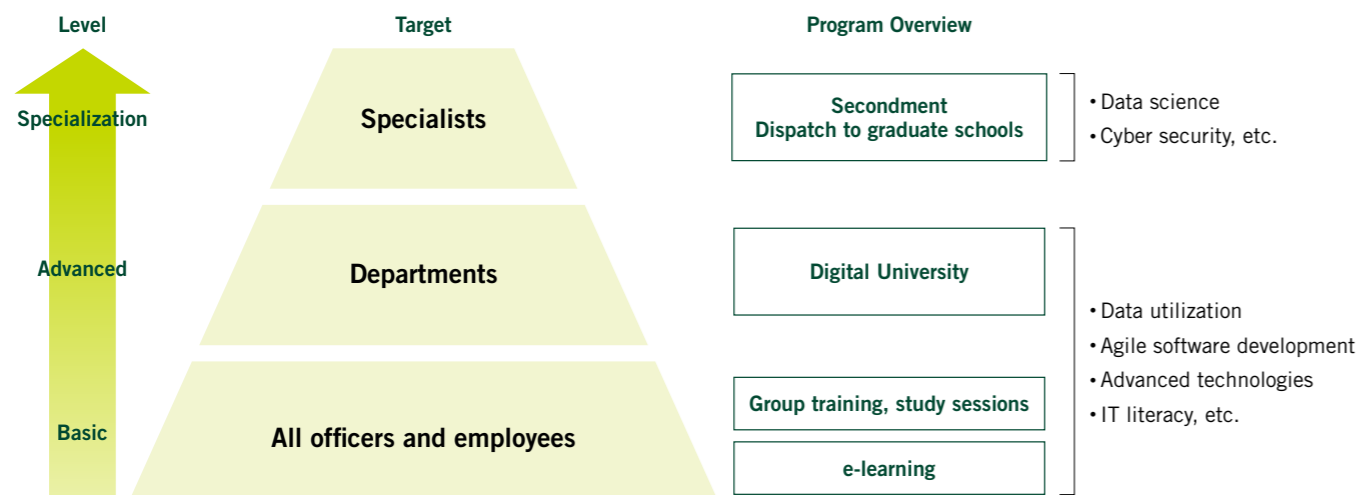
Developing, Retaining, and Recruiting Talent to Support the Group

Group-Wide Talent Development Initiatives

SMBC Group established the Learning and Development Institute to grow its group-wide talent development activities. Through joint training programs and seminars that are available to employees from Group companies, we are promoting cross-entity understanding among employees and fostering a sense of solidarity. Furthermore, we are promoting the development of future leaders of the Group via training and personnel rotations, as well as the establishment of open application platform to support self-driven career development on a group-wide basis.

In addition, we have established the “Digital University” as a talent development program designed in light of the trend toward digitalization. The courses available through this program are not limited to those for bolstering conventional system planning and development capabilities and increasing the IT literacy of all employees; but, moreover, we are expanding our courses which enhance planning and development capabilities by utilizing digital technologies. Furthermore, in view of developing talent required in highly specialized fields, we continue to send our employees to domestic or overseas graduate schools.

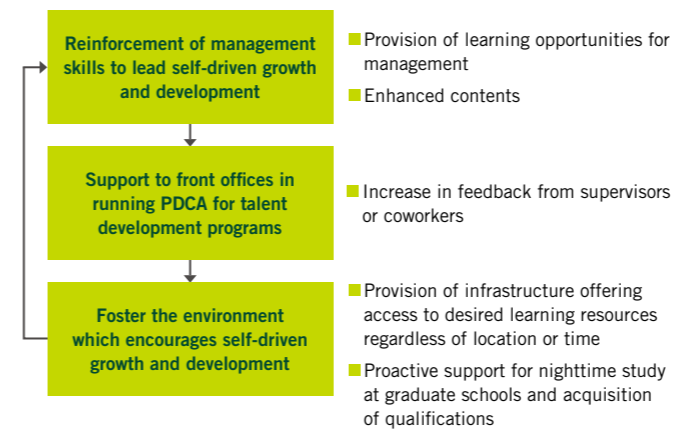
Digitalization-Related Talent Development Programs



Talent Development to Cope with the Changing Business Environment

SMBC is planning to establish a model to encourage “business-oriented, self-controlled development, in response to the changes in the current operating environment. In the highly volatile environment, there is a growing importance for all employees to be motivated to pursue their own growth and to continue learning through autonomous target setting. To accommodate this, we will develop an environment to support those employees who proactively pursue their own targets, regardless of their seniorities.

In addition, we will enhance self-driven career development by reflecting employees’ proactive skill development efforts and results to personnel transfers, such as promotion of junior employees to management.



Development of Talent on a Global Basis

SMBC Group conducts operations in 40 countries around the world and we are working together to realize identification, development, and promotion of our talent on a global basis. We aim to promote our Group business by realizing optimal talent management, regardless of location of hire.

For talent development, we provide global training programs involving participants from offices around the globe. To date, around 1,300 employees have participated at these global programs, including a leadership program delivered in partnership with a world-leading business school and joint training programs targeted for junior to middle-class employees from Japan and overseas offices.

In addition, we promote cross-border secondment of employees for both business promotion and training purposes. We aim to provide services of greater value to our customers by creating an environment where employees with different backgrounds work together and inspire each other.



Participants in a global training program (Global Management Program)

Optimal Allocation of Human Resources to Support Business Strategies

Strategic Allocation of Human Resources

SMBC Group is strengthening capabilities in prioritized areas by reallocating existing human resources as well as by increasing its new hires.

Furthermore, we are actively promoting cross-entity transfers with a view to securing and developing the talent to manage the Group or to aggressively advance business strategies in the medium to long term.

Optimization of Human Resources Allocation

SMBC Group is developing frameworks for gathering human resources-related data, such as employee numbers, personnel expenses, and other information for Group companies. In addition, the Group is developing frameworks to realize optimal allocation of human resources by refining its training programs and establishing cross-entity transfer processes.

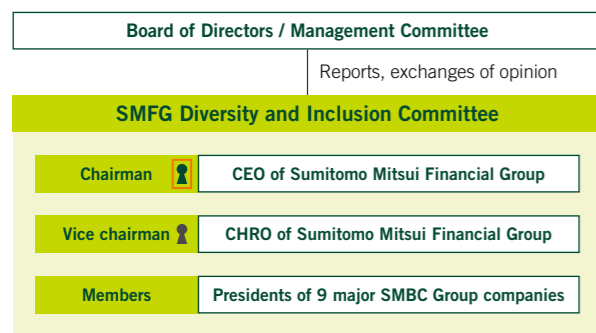
Creating an Environment to Encourage Diverse Workforce

Diversity Promotion Framework and Basic Policies

SMBC Group is promoting “Diversity and Inclusion” as it constitutes a growth strategy itself.

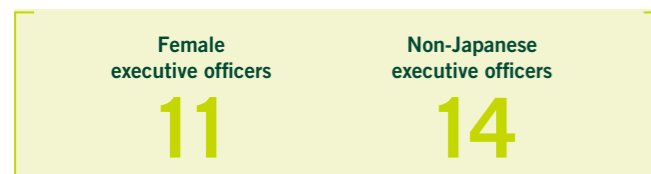
To accelerate diversity and inclusion initiatives on a group-wide basis, SMBC Group established the SMFG Diversity and Inclusion Department as a dedicated diversity promotion organization in 2017. We also hold the SMFG Diversity and Inclusion Committees, chaired by the Group CEO and comprises of the leaders of Group companies.

Diversity Promotion Framework



Promotion of Diversity in Management

SMBC Group is increasing the diversity of our management, including directors and executive officers, in order to create an organization capable of transforming diversity into competitiveness. We are also promoting correct understanding regarding diversity and inclusion and workstyle reforms while encouraging changes in awareness and behavior. For example, training programs designed to help individuals realize and address their own unconscious biases are being introduced at Group companies.



Support for Balancing Careers with Childcare or Nursing Care

SMBC Group strives to ensure that no employee finds themselves wrought with concern over their ability to balance their career with their private life and that all ambitious employees are able to continue working without sacrificing their desired career. To this end, we are expanding our support systems for balancing careers with childcare or nursing care and cultivating a forward-looking corporate culture that is understanding and supportive toward employees seeking to balance their work life with their private life.

SMBC is targeting a 100% acquisition rate for short-term paid childcare leave, which can be acquired flexibly in one-day increments. This company also holds seminars for supporting employees working to balance their career with childcare. Both parents are encouraged to participate in these seminars as part of SMBC’s efforts to foster a workplace environment in which it is natural for men to play a role in childcare.

“Platinum Kurumin” Certification Received from the Ministry of Health, Labour and Welfare



Empowerment of Female Employees

Targets have been set for the promotion of female employees to management positions and initiatives are being advanced with the goal of accomplishing these targets, in order to support the career development of female employees and accelerate the diversification of management.

We also have in place a leadership program for cultivating future management candidates aimed at mid-level female employees in core positions. This program comprises business skills training as well as discussions with management for cultivating the big picture perspective expected of a leader.

This stance toward proactively supporting female employees and the results achieved thereby have led to SMBC Group being included in the Nadeshiko Brand selection for an industry-topping four times. Among other high evaluations by external organizations was our inclusion in the 2019 Bloomberg Gender-Equality Index sponsored by Bloomberg L.P. of the United States.

Initiatives in Support of Sexual Minorities Such as LGBT, etc.

SMBC Group has established a range of human resource and employee welfare systems related to same-sex partners and is supporting TOKYO RAINBOW PRIDE, one of Japan’s largest LGBT pride events, and sending employee volunteers from Group companies to participate in this event in order to foster awareness regarding the LGBT community.



Acquired Top Gold Rating in PRIDE index evaluation for LGBT-related initiatives from work with Pride for second consecutive year (Sumitomo Mitsui Banking Corporation)

Employment of Differently Abled Individuals

Both SMBC subsidiary SMBC Green Service Co., Ltd., and SMBC Nikko Securities subsidiary Nikko MiRun are specially certified subsidiaries as defined under the Act on Employment Promotion of Persons with Disabilities. Together with these companies, we promote employment of and provide employment support for differently abled individuals. Furthermore, we aid all employees in exercising their unique skills and aptitudes.

In addition, we employ numerous leading differently abled athletes who take part in competitions in Japan and overseas to foster understanding with regard to differently abled individuals.



SMBC Green Service

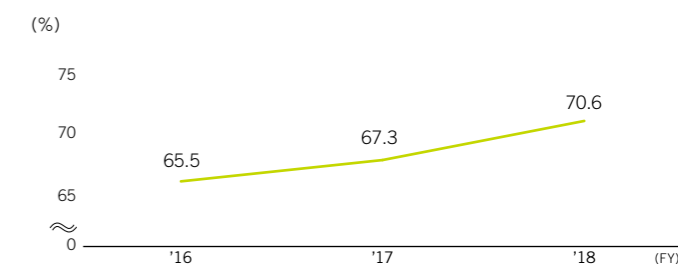
Health and Productivity Management

SMBC Group promotes health and productivity initiatives by implementing stress checks for all employees, establishing consultation venues regarding mental health, and holding health improvement events. In addition, SMBC Nikko Securities has formulated its Declaration of Health and Productivity Management and, under the guidance of its Chief Health Officer, established a dedicated Health and Productivity Management Office to spearhead efforts to strengthen systems for helping employees and their families maintain and improve their health.

Workstyle Reforms

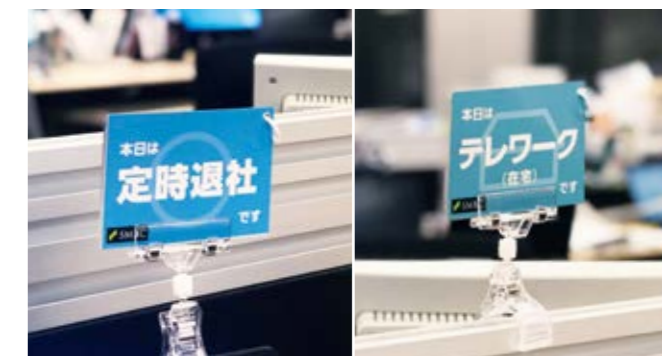
We are implementing workstyle reforms to create a work environment in which every employee is able to feel motivated in their work, fully exercising their skills while realizing high levels of productivity. Group companies are endeavoring to prevent excessive working hours by defining key performance indicators for working hours and paid leave acquisition rates and employing robotic process automation to improve work efficiency. In addition, frameworks are being put in place to allow employees more freedom in choosing the times when and locations at which they work. Examples of these frameworks include flextime, staggered working hours, and teleworking systems.

Paid Leave Acquisition Rate at SMBC Group



At SMBC, employees are provided access to satellite offices to be used to reduce commuting times or to enable sales representatives to utilize the time between appointments more efficiently. In addition to six locations at its branches (as of June 30, 2019, to be increased going forward), employees can choose from any of roughly 50 satellite offices operated by third parties.

Furthermore, SMBC Group is promoting increased flexibility and diversity in workstyle through educational programs for management as well as study sessions and a smart work card system for employees.



Smart work cards used at SMBC

IT Strategies

Our Approach

SMBC Group is advancing both proactive and defensive digitalization initiatives to support efforts in its Seven Core Business Areas.

Proactive and Defensive Digitalization Initiatives

SMBC Group is moving forward with digitalization initiatives targeting four areas. Through proactive digitalization initiatives, the Group aims to (1) generate new businesses and (2) create customer benefits and business value through the transformation of existing business models. Under defensive digitalization initiatives, the Group seeks to (3) automate operations and processes in conventional businesses and (4) establish IT infrastructure to support medium- to long-term business reform.

Proactive digitalization initiatives include utilizing artificial intelligence, promoting cashless and other strategies. Meanwhile, defensive digitalization initiatives go beyond maintaining existing systems and ensuring stable operation to include IT transformation initiatives for adopting cutting-edge architectures. In these initiatives, we pursue efficient operations through the development of shared group-wide platforms and the utilization of cloud technologies while embracing state-of-the-art IT infrastructure and development technologies.

IT Investment Strategies

Under the previous Medium-Term Management Plan, SMBC Group completed the overhaul of large-scale systems through measures including the renewal of its core banking system platform and the implementation of a mutual backup function between data centers. Initiatives as part of the current Medium-Term Management Plan involves the increased allocation of

IT budget to strategic investments for business innovation and the creation of new businesses through digitalization.

SMBC Group applies rigorous standards to the selection of system development projects while also assessing and verifying the benefits of these projects before and after in order to maximize those benefits. Specific targets for return on investment and key performance indicators must be set for all projects, and the degree to which these targets are accomplished will be reviewed over a five-year period after the completion of each project. Corrective measures will be implemented with regard to those systems that have not reached the appropriate performance levels. Even after the desired performance has been realized, the effectiveness of each system will be measured in terms of sufficiency, efficiency, stability, and utilization so that improvements can be implemented to systems that have suffered declines in effectiveness. This process constitutes a PDCA (plan-do-check-act) cycle that will be employed to maximize the benefits of IT investments.

Digital Governance and Sophisticated Human Resources Development

Under the guidance of the Group Chief Information Officer (CIO), we clarify lines of reporting for overseas offices and other Group companies in order to develop a corporate governance system that is integrated across the Group and globally. At the same time, we practice IT governance that emphasizes quality while evolving digital governance frameworks to

incorporate risk-based and speed-oriented perspectives for accelerating digitalization initiatives.

SMBC Group executes systematic personnel exchanges between the IT divisions of Group companies. In addition, the Digital University has been established within core IT Group company The Japan Research Institute, Limited, as an internal training institution for promoting IT adoption and digitalization. At the Digital University, we offer a unique menu of training programs including training based on the operations of specific Group companies, curricula employing the expertise gained from project case studies, and cutting-edge technology workshops.

Cyber Security

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

Seeking to facilitate management-led measures for fortifying response frameworks, the general manager of the System Risk Planning Department has been appointed as the Chief Information Security Officer (CISO). Positioned under the Group CIO and the Group Chief Risk Officer (CRO), the CISO has professional expertise regarding measures in this area, and steps have been taken to clarify the roles and responsibilities

of CISO. Furthermore, we have established a computer security incident response team (CSIRT) and a security operation center (SOC), and analyses are performed on information regarding threats and observed phenomena collected from inside and outside of the Group. The results of these analyses, along with information on the status of security measures currently being implemented, are discussed regularly at meetings of the Board of Directors and the Management Committee to drive ongoing improvements to our cyber security measures.

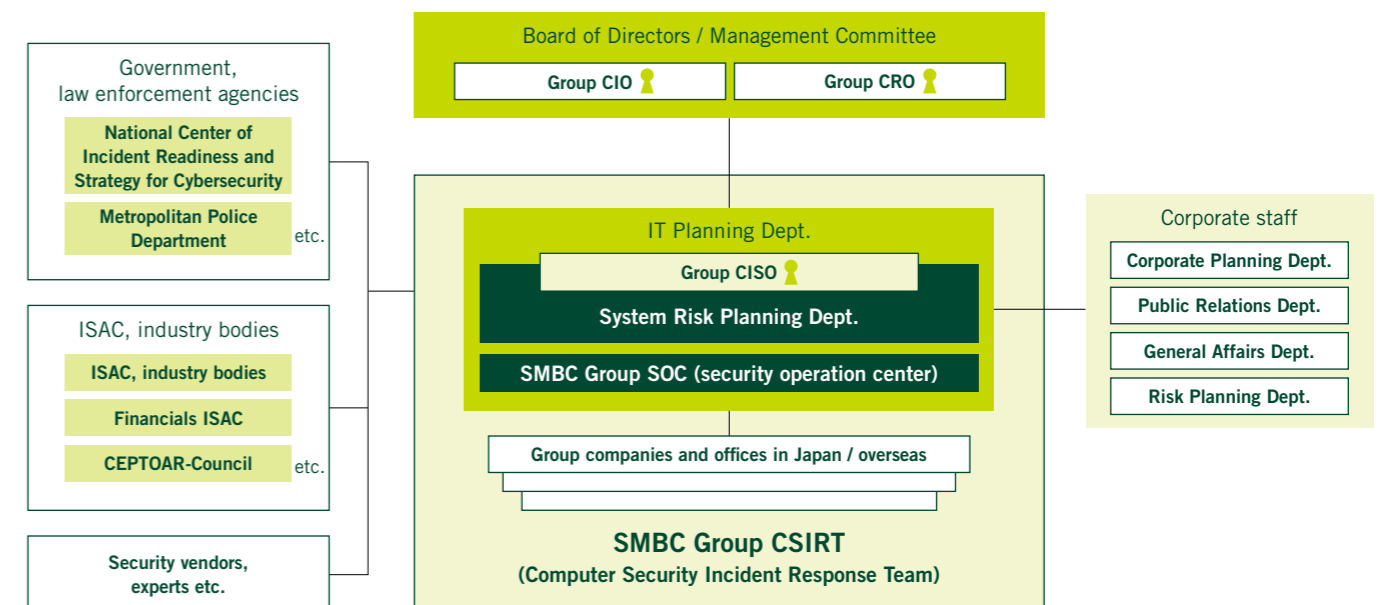
The CSIRT is centered on the System Risk Planning Department, which possesses dedicated cyber security functions. To ensure preparedness for cyber incidents, the CSIRT coordinates with national government agencies as well as with the U.S. Financial Services Information Sharing and Analysis Center (FS-ISAC),^{*1} Financials ISAC Japan (Financials ISAC),^{*2} and other external institutions to share information on pertinent topics such as cyber attack methods and vulnerabilities.

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

*1 An organization responsible for coordinating financial industry cyber security measures in the United States

*2 The Japanese equivalent of the FS-ISAC

SMBC Group's Cyber Security Governance System



Communication with Stakeholders

Our Approach

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

Stakeholders of SMBC Group



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

Engagement with Society and the Environment

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

For example, our employees and their families have taken part in numerous volunteer activities, including retrieving valuables and other belongings from collapsed houses and sorting garbage, in regions still recovering from large-scale natural disasters, such as the Great East Japan Earthquake, 2016 Kumamoto earthquakes, the heavy rains that hit northern Kyushu in 2017, and others.



Volunteering activity in northern Kyushu area

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 enhancing disclosure through investor meetings after announcement of financial results, conferences, one-on-one meetings, large meetings for individual investors, and other activities.



The 17th Ordinary General Meeting of Shareholders



SMBC Group IR Day



Large meeting for individual investors

Activities in FY2018

General meeting of shareholders	585 attendees ^{*1}
IR meetings for institutional investors and analysts ^{*2}	11 meetings
One-on-one meetings with institutional investors and analysts	343 meetings
Conferences held by securities companies	6 conferences
Large meetings for individual investors	3 meetings

^{*1} 143 attendees at site of broadcast in Osaka

^{*2} Investors’ meetings, SMBC Group IR Day, etc.

Engagement with Employees

Each company at SMBC Group holds town hall meetings and discussion forums to enhance mutual understanding between top management and all employees.

In addition, SMBC holds the “SMBC Pitch Contest,” which provides opportunities for all domestic and overseas employees to present their business ideas directly to top management.



Town hall meeting (SMBC NIKKO)



“SMBC Pitch Contest” award ceremony (SMBC)

Financial Review

Principal Financial Data

Consolidated Performance Summary

Year ended March 31	2015	2016	2017	2018	2019
(Billions of yen)					
Consolidated gross profit	2,980.4	2,904.0	2,920.7	2,981.1	2,846.2
Net interest income	1,505.2	1,422.9	1,358.6	1,390.2	1,331.4
Net fees and commissions + Trust fees	999.6	1,007.5	1,017.1	1,070.5	1,064.6
Net trading income + Net other operating income	475.7	473.5	545.0	520.3	450.2
General and administrative expenses	1,659.3	1,724.8	1,812.4	1,816.2	1,715.1
Overhead ratio	55.7%	59.4%	62.1%	60.9%	60.3%
Equity in gains (losses) of affiliates	(10.6)	(36.2)	24.6	39.0	61.1
Consolidated net business profit	1,310.5	1,142.9	1,132.9	1,203.8	1,192.3
Total credit cost (gains)	7.8	102.8	164.4	94.2	110.3
SMBC non-consolidated	(80.1)	(3.2)	61.1	(26.7)	(2.2)
Gains (losses) on stocks	66.7	69.0	55.0	118.9	116.3
Other income (expenses)	(48.2)	(123.9)	(17.6)	(64.5)	(63.1)
Ordinary profit	1,321.2	985.3	1,005.9	1,164.1	1,135.3
Extraordinary gains (losses)	(11.8)	(5.1)	(26.6)	(55.3)	(11.7)
Income taxes	441.4	225.0	171.0	270.5	331.4
Profit attributable to non-controlling interests	114.4	108.4	101.8	104.0	65.5
Profit attributable to owners of parent	753.6	646.7	706.5	734.4	726.7

Consolidated Balance Sheet Summary

March 31	2015	2016	2017	2018	2019
Total assets	183,442.6	186,585.8	197,791.6	199,049.1	203,659.1
Loans and bills discounted	73,068.2	75,066.1	80,237.3	72,945.9	77,979.2
Securities	29,633.7	25,264.4	24,631.8	25,712.7	24,338.0
Total liabilities	172,746.3	176,138.2	186,557.3	187,436.2	192,207.5
Deposits	101,047.9	110,668.8	117,830.2	116,477.5	122,325.0
Negotiable certificates of deposit	13,825.9	14,250.4	11,880.9	11,220.3	11,165.5
Total net assets	10,696.3	10,447.7	11,234.3	11,612.9	11,451.6
Stockholders' equity	7,018.4	7,454.3	8,119.1	8,637.0	9,054.4
Retained earnings	4,098.4	4,534.5	5,036.8	5,552.6	5,992.2
Accumulated other comprehensive income	2,003.9	1,459.5	1,612.5	1,753.4	1,713.9
Non-controlling interests	1,671.7	1,531.0	1,499.3	1,219.6	678.5

Financial Indicators

March 31	2015	2016	2017	2018	2019
Total capital ratio (BIS guidelines)	16.58%	17.02%	16.93%	19.36%	20.76%
Tier 1 capital ratio (BIS guidelines)	12.89%	13.68%	14.07%	16.69%	18.19%
Common equity Tier 1 capital ratio (BIS guidelines)	11.30%	11.81%	12.17%	14.50%	16.37%
Dividend per share (Yen)	140	150	150	170	180
Dividend payout ratio	26.2%	32.7%	29.9%	32.7%	34.6%
ROE (on a stockholders' equity basis)	11.2%	8.9%	9.1%	8.8%	8.2%

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

Nikkei Stock Average (Yen)	19,207	16,759	18,909	21,454	21,206
Foreign exchange rate (USD/JPY)	120.15	112.62	112.19	106.25	111.00

Consolidated Performance Summary

Consolidated Net Business Profit

Consolidated gross profit decreased by ¥134.9 billion year-on-year to ¥2,846.2 billion. Performance was sluggish in the wealth management business of the Retail Business Unit, which showed strong performance in the previous fiscal year, due to the deterioration of market conditions in the second half of FY2018. Meanwhile, strong performance continued in the International Business Unit, leading group-wide growth, which contributed to a slight increase in consolidated gross profit when excluding the financial impacts of Group reorganization detailed to the right.

General and administrative expenses decreased by ¥101.1 billion year-on-year to ¥1,715.1 billion. They decreased even after excluding the impact of Group reorganization because of ongoing group-wide cost control initiatives.

As a result, consolidated net business profit decreased by ¥11.6 billion year-on-year to ¥1,192.3 billion. Excluding the impacts of reorganizations, it reached the same level as the strong performance in FY2017, despite the challenging business environment.

Profit Attributable to Owners of Parent

Total credit cost increased by ¥16.1 billion year-on-year to ¥110.3 billion primarily due to reduced gains on reversal of provisions at SMBC.

Consequently, ordinary profit decreased by ¥28.8 billion year-on-year to ¥1,135.3 billion. Profit attributable to owners of parent decreased by ¥7.7 billion year-on-year to ¥726.7 billion, however, it surpassed the disclosed target of ¥700.0 billion.

Financial Impacts of Group Reorganization*

(Approximations, billions of yen)			
Consolidated gross profit	(139.0)	Consolidated net business profit	(12.0)
General and administrative expenses	(92.0)	Profit attributable to owners of parent	0
Equity in gains (losses) of affiliates	+35.0		

* Deconsolidation of Kansai Urban Banking Corporation, THE MINATO BANK, LTD., and Sumitomo Mitsui Finance and Leasing Company, Limited; the consolidation of PT Bank Tabungan Pensiunan Nasional Tbk; the conversion of Sumitomo Mitsui Card Company, Limited into a wholly owned subsidiary

Performance of Major Group Companies

(Left: FY2018 performance; Right: Year-on-year comparison)

	SMBC		SMBC Trust	
	2018	2019	2018	2019
Gross profit	1,395.6	(32.3)	49.8	+5.6
Expenses	811.5	+0.8	51.7	+1.0
Net business profit	584.1	(33.1)	(1.9)	+4.7
Net income	477.4	(99.7)	(3.8)	+2.0

	SMBC Nikko ¹		SMCC 66%	
	2018	2019	2018	2019
Gross profit	323.1	(61.4)	254.2	+28.1
Expenses	276.0	(15.4)	190.9	+20.6
Net business profit	47.1	(46.0)	63.3	+7.5
Net income	31.0	(27.2)	(58.5)²	(86.9)

	Cedyna		SMBCCF	
	2018	2019	2018	2019
Gross profit	154.1	(3.2)	268.5	+7.4
Expenses	114.4	(1.2)	110.9	+1.8
Net business profit	40.0	(1.8)	157.6	+5.6
Net income	11.9	+9.5	45.1	+20.5

	SMAM 60%		SMFL 50%³	
	2018	2019	2018	2019
Gross profit	25.7	(0.7)	179.8	(4.7)
Expenses	17.9	+0.2	88.3	+3.3
Net business profit	7.9	(0.9)	93.5	(7.9)
Net income	5.3	(0.7)	80.0	+25.5

Ratio of Ownership by SMFG

¹ Excludes profit from overseas equity method affiliates of SMBC Nikko, (consolidated subsidiaries of Sumitomo Mitsui Financial Group), year-on-year comparisons include figures of SMBC Friend Securities

² Includes tax impact of approximately ¥(90.0) billion by becoming a wholly owned subsidiary of SMFG

³ Changed the ownership ratio of SMFL in November 2018. Consolidated subsidiary with 60% ownership until the end of December 2018 and equity method affiliate with 50% ownership after that

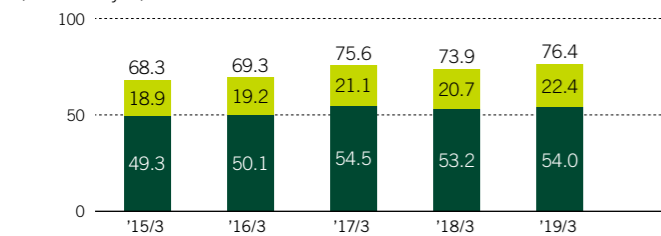
Consolidated Balance Sheet Summary

Loans and Bills Discounted (SMBC non-consolidated)

Loans and bills discounted increased by ¥2,505.6 billion year-on-year to ¥76,401.8 billion due to an increase in overseas loans.

Balance of Loan

(Trillions of yen)



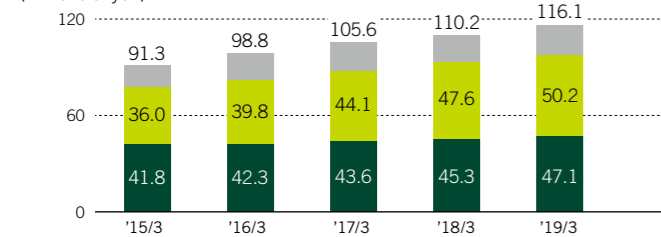
■ Domestic offices (excluding Japan offshore banking accounts)
■ Overseas offices and Japan offshore banking accounts

Deposits (SMBC non-consolidated)

Deposits increased by ¥5,847.9 billion year-on-year to ¥116,091.1 billion. This increase was mainly due to increases in both individual and corporate deposits in Japan.

Balance of Deposit

(Trillions of yen)



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

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

In FY2018, domestic loan-to-deposit spread decreased by 0.04 percentage point year-on-year to 0.94% primarily as a result of a decline of loan spreads. After the second quarter, the decrease in domestic loan-to-deposit spread has been

limited to 0.02 percentage point, and this downward trend appears to be bottoming out.

Domestic Loan-to-Deposit Spread (%)

	FY2018				FY2017	
	1Q	2Q	3Q	4Q	Yearly average	Yearly average
Interest earned on loans and bills discounted	0.95	0.95	0.93	0.93	0.94	0.98
Interest paid on deposits	0.00	0.00	0.00	0.00	0.00	0.00
Loan-to-deposit spread	0.95	0.95	0.93	0.93	0.94	0.98

Securities

Other securities decreased by ¥1,639.6 billion year-on-year to ¥23,800.5 billion due to a decrease in the amount of Japanese government bonds held by SMBC. Net unrealized gains on other securities decreased by ¥86.8 billion year-on-year to ¥2,321.3 billion mainly because of lower stock prices.

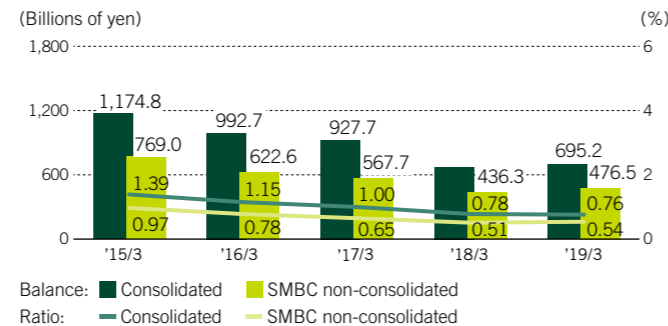
Unrealized Gains (Losses) on Other Securities (Billions of yen)

	Balance		Net unrealized gains (losses)	
	March 31, 2019	YoY	March 31, 2019	YoY
Stocks	3,486.6	(402.7)	1,902.9	(270.7)
Bonds	8,983.7	(2,850.5)	60.4	+16.0
Others	11,330.2	+1,613.5	358.0	+167.9
Total	23,800.5	(1,639.6)	2,321.3	(86.8)

NPLs Based on the Financial Reconstruction Act

The balance of NPLs based on the Financial Reconstruction Act increased by ¥22.8 billion year-on-year to ¥695.2 billion. However, the NPL ratio declined by 0.02 percentage point to 0.76% as a result of an increase in outstanding credit.

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



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

Capital

Capital

Common equity Tier 1 capital increased by ¥437.1 billion year-on-year due to an increase in retained earnings.

Risk-Weighted Assets

Risk-weighted assets decreased by ¥4,597.5 billion year-on-year, due to the deconsolidation of Sumitomo Mitsui Finance and Leasing as well as improvement of the credit portfolio for domestic large borrowers in the Wholesale Business Unit.

Capital Ratio

The common equity Tier 1 ratio was 16.37% and the total capital ratio was 20.76%. In addition, the external TLAC ratio reached its required level on both the risk-weighted asset basis and the leverage exposure basis.

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

	2019 (A)	2018 (B)	Increase (decrease) (A-B)
Common equity Tier 1 capital	9,654.5	9,217.4	+437.1
Additional Tier 1 capital	1,072.7	1,392.9	(320.1)
Tier 1 capital	10,727.2	10,610.2	+117.0
Tier 2 capital	1,513.3	1,693.9	(180.6)
Total capital	12,240.5	12,304.1	(63.6)
Risk-weighted assets	58,942.8	63,540.3	(4,597.5)
Common equity Tier 1 capital ratio	16.37%	14.50%	+1.87%
Total capital ratio	20.76%	19.36%	+1.40%

Leverage Ratio

Leverage ratio	4.88%	5.01%	(0.13)%
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External TLAC Ratio

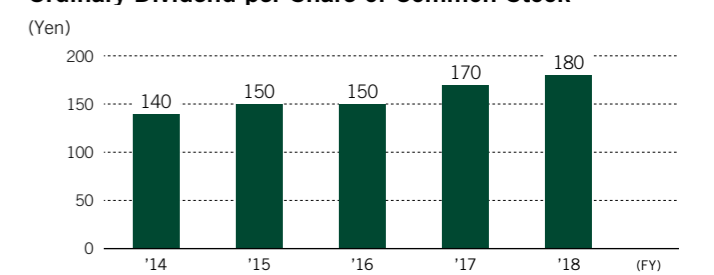
Risk-weighted asset basis	26.90%
Leverage exposure basis	8.19%

Shareholder Returns

For FY2018, the Company distributed ordinary dividend per share of common stock of ¥180, ¥10 higher than in the previous fiscal year and the disclosed forecast, in reflection of the fact that profit attributable to owners of parent was higher than the target because of steady progress in the measures of the Medium-Term Management Plan.

In addition, the Company announced plans to repurchase ¥100.0 billion of own shares with the aim of further enhancing shareholder returns.

Ordinary Dividend per Share of Common Stock (Yen)



Dividend Payout Ratio

2019 (A)	26.2%	32.7%	29.9%	32.7%	34.6%
(Reference) Total payout ratio	44.2%				

Overview of Repurchase of Own Shares

Type of shares to be repurchased	Common stock
Aggregated amount repurchased	¥100.0 billion (upper limit)
Aggregate number of shares to be repurchased	32,000,000 shares (upper limit)
Repurchase period	May 16 – August 30, 2019

SMBC Group Supports the Olympic and Paralympic Games Tokyo 2020.



Initiatives for Generating Interest in the Olympic and Paralympic Games Tokyo 2020



SMBC Group is holding events across Japan with the aim of generating interest in the Olympic and Paralympic Games Tokyo 2020. For example, we organized SMBC FRIENDS RUN 2019 in YOKOHAMA at International Stadium Yokohama 500 days prior to the opening day of the games as part of 500 Days to Go! Festival—500 Days Until the Olympic and Paralympic Games Tokyo 2020.

With only one year remaining until the Olympic and Paralympic Games Tokyo 2020, SMBC is engaged in a concerted effort to generate interest in the Games across Japan.

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

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



SMBC Group employs 12 para-athletes (as of June 30, 2019). These athletes take part in events for fostering understanding with regard to para sports and for encouraging social acceptance by holding para sports workshops for children and acting as presenters at new employee rallies.

Together with these employees, SMBC Group is contributing to the spread of para sports leading up to the Paralympic Games Tokyo 2020.

Note: Photograph is of javelin competitor Yukiko Saito.

Websites



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)



Corporate Social Responsibility

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

