SMBC Group has devoted its best efforts to contribute to the sound development of society, mainly via its financial services. To clearly reflect this stance, in April 2020 Our Mission was revised to include the statement “We contribute to a sustainable society by addressing environmental and social issues.”

At this time, we also put forth the new Vision of being “a trusted global solution provider committed to the growth of our customers and advancement of society” while revising the “Five Values” that represent the values we aim to share with all SMBC Group members.

In accordance with the revisions to Our Group Mission, Vision, and Values, we will continue to fulfill our social mission by further building upon a variety of initiatives that are not limited to financial services.

We grow and prosper together with our customers, by providing services of greater value to them. We aim to maximize our shareholders’ value through the continuous growth of our business. We create a work environment that encourages and rewards diligent and highly-motivated employees. We contribute to a sustainable society by addressing environmental and social issues.

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

MISSION

VISION

FIVE VALUES

INTEGRITY  As a professional, always act with sincerity and a high ethical standard.
CUSTOMER FIRST Always look at it from the customer’s point of view, and provide value based on their individual needs.
PROACTIVE & INNOVATIVE Embrace new ideas and perspectives, don’t be deterred by failure.
SPEED & QUALITY Differentiate ourselves through the speed and quality of our decision-making and service delivery.
TEAM “SMBC GROUP” Respect and leverage the knowledge and diverse talent of our global organization, as a team.
Editorial Policy

SMBC GROUP REPORT 2020 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 review 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


Some subsequent information is also included.

Organisation: Sumitomo Mitsui Financial Group and its subsidiaries and affiliates

Published: August 2020

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SMBC Group’s Response to COVID-19

Considering the significant impact on people’s lives and the economy caused by COVID-19, SMBC Group strive to ensure the health and safety of our customers and employees. Furthermore, SMBC Group will support our customers through financial services and be committed to contributing to the medical industry and society overall.

Customers

Support Customers Through Financial Services

SMBC Group, as a financial institution which is a part of the social infrastructure, will fulfill its responsibility by continuing to provide services such as financing and payment. To this end, with extensive safety precautions in place, SMBC is continuing the operation of all branches and ATMs while also enhancing its online services to allow customers to perform transactions without having to visit a branch. In April 2020, the number of individual customers performing Internet banking services was 36% higher than in the same month of the previous fiscal year. We are also supporting the urgent financial needs of customers by offering loan programs with special interest rates and customer reliefs such as relaxing conditions of existing loans. In addition, we have established investment funds to support medical ventures and implemented a short-pitch contest designed to offer support for the promotional activities of ventures. Meanwhile, we also launched the support program for SMEs, which provides partial funding support for telework of ventures. Meanwhile, we also launched the support program for SMEs, which provides partial funding support for telework of ventures. Meanwhile, we also launched the support program for SMEs, which provides partial funding support for telework of ventures. Meanwhile, we also launched the support program for SMEs, which provides partial funding support for telework of ventures. Meanwhile, we also launched the support program for SMEs, which provides partial funding support for telework of ventures. Meanwhile, we also launched the support program for SMEs, which provides partial funding support for telework of ventures. Meanwhile, we also launched the support program for SMEs, which provides partial funding support for telework of ventures. Moreover, we have also established a page on its website devoting its response to COVID-19. Please refer to this page for more information.

Employees

Prevention of the Spread of Infection and Initiatives for Continuous Business Operation

In order to continue providing our services as a social infrastructure while preventing the spread of infection, ensuring the health of our employees as well as their families, and safety and security of our customers, we are implementing various initiatives all over the world.

To prevent the spread through droplet infection, we have installed acrylic boards at our branches. Our call centers and operational offices has been making efforts to keep conducting business operation by separating staffs into two or more teams. In addition, apart from those who need to work at their office for smooth operations, we are enabling most of the staffs to telework or stand by at home. We are also giving consideration to the health of our employees and their families through measures such as encouraging our employees who need to take care of their children to work at home via telework or to obtain special leave, and also established a health consultation counter.

Community and Society

Contributing to the Community and Society

SMBC Group donated a total of 1.5 billion yen to fund measures for combating COVID-19, and we engaged in other support activities together with customers.

Supporting Medical Research and Activities

SMBC Group donated 500 million yen to the Center for IPS Cell Research and Application, Kyoto University (CiRA), to support research on the behavior and characteristics of COVID-19 and other newly discovered viruses, in order to help develop effective means of treating these viruses. These donations were used to fund large-scale epidemiological studies pertaining to COVID-19 advanced by the Center for IPS Cell Research and Application together with municipalities, hospitals, and research institutions.

Enhancing Medical Care and Education in Emerging Countries

As part of our efforts to support the enhancement of medical and educational systems in emerging market economies, SMBC Group donated 100 million yen to the Japan Committee for UNICEF. The donation will be used to support a number of worthy causes, such as enhancing the medical system in Indonesia, where our Group company PT Bank BTPN Tbk has operations.

Response to SMBC Group’s Donations to the Center for IPS Cell Research and Application, Kyoto University (CiRA)

Pursuing a Safe and Quick End to the COVID-19 Pandemic

The COVID-19 pandemic continues to disrupt our lives, and we all pray that a vaccine or another effective treatment will be developed as soon as possible. However, such breakthroughs require time, and we therefore have to prepare for a drawn-out battle with this virus.

In the midst of this battle, SMBC Group graciously offered to donate equipment to CiRA. This most-generous action enabled us to quickly commence a number of research ventures together with prefectural governments and research institutions, and I am incredibly grateful for this kindness. We are encouraged by the dedicated efforts of SMBC Group and various other companies and individuals looking to do what they can today to help bring about a safe and quick end to the COVID-19 pandemic.

Understanding the behavior and characteristics of a virus is imperative to developing treatments. We are working together with other institutions to contribute to the development of treatments by means of research using iPS cells.

Let us all come together to protect ourselves, our loved ones, and our society.
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

- Sumitomo Mitsui Banking Corporation formed
- Sumitomo Mitsui Card Company
- Sumitomo Mitsui Finance and Leasing
- SMBC Friend Securities
- Merged with SMBC Nikko Securities in January 2018
- Japan Research Institute
- Sumitomo Mitsui Asset Management
- SMBC Consumer Finance (Former Promise)
- SMBC Financial Group established
- SMBC Nikko Securities (Former Nikko Cordial Securities)
- Cedyna
  - DMC Card
  - Central Finance
  - and QUOQ merged
- Became a wholly owned subsidiary
- (Became a wholly owned subsidiary of Sumitomo Mitsui Card Company in April 2018)
- Sumitomo Mitsui DS Asset Management
  - Became a consolidated subsidiary
  - Became a wholly owned subsidiary
- Sumitomo Mitsui DS Asset Management
  - Became an equity-method affiliate

Expansion of Regional Coverage

- 1590 Riemon Soga (Brother-in-law of Masatomo Sumitomo) starts copper refining business
- 1673 Takatoshi Mitsui opens Mitsui Echigoya Kimono Dealer
- 1895 Sumitomo Bank established
- 2007 SMBC Trust Bank (Former Societe Generale Private Banking (Japan)) acquired Citibank Japan’s retail banking operations in November 2015
- 2019 SMBC Rail Services (United States)
- Bank BTPN (Indonesia)
- SMBC Aviation Capital (Ireland / former RBS Aerospace)
- ACLEDA Bank (Cambodia)
- The Bank of East Asia (Hong Kong)
- Viet Nam Eximbank (Vietnam)
- SMBC Consumer Finance
  - Became a consolidated subsidiary
  - Became an equity-method affiliate

Operating Environment

- 2001 "Program for Financial Revival" commenced
- 2002 Lift the ban of securities intermediary
- 2003 Blanket guarantee of deposits fully lifted
- 2004 Financial Instruments and Exchange Act enacted
  - Full lift of the insurance products sale by banks
  - Japan Post privatized
- 2005 Final regulations between banking and securities alleviated
  - Financial Instruments and Exchange Act enacted
  - Full lift of the insurance products sale by banks
  - Japan Post privatized
- 2006 Firewall regulations between banking and securities alleviated
- 2007 Financial Instruments and Exchange Act enacted
  - Full lift of the insurance products sale by banks
  - Japan Post privatized
- 2008 "Zero interest rate policy rescinded by the Bank of Japan"
- 2009 "Great East Japan Earthquake"
- 2010 "Start of "Abenomics"
- 2011 "Introduction of quantitative and qualitative monetary easing"
- 2012 "European sovereign debt crisis"
- 2013 "Implementation of Basel II""NISA introduced"
- 2014 "Japan’s Corporate Governance Code instituted"
- 2015 "Introduction of negative interest rate policy"
- 2016 "Workstyle reform-related laws established"
- 2017 "Introduction of quantitative and qualitative monetary easing"
- 2018 "Implementation of Basel III"
- 2019 "Finalization of the Basel III reform"
- 2020 "Consumption tax rate raised to 10%"
- 2021 "COVID-19 pandemic begins"
- 2022 "U.K. withdrawal from the European Union"
- 2023 "Trade friction between the United States and China erupts"
Financial Highlights

Profit attributable to owners of parent

<table>
<thead>
<tr>
<th>Billions of yen</th>
<th>703.9</th>
</tr>
</thead>
</table>

Profit attributable to owners of parent exceeded the target of ¥700 billion in FY2019 despite the negative impact of COVID-19 pandemic. This was mainly due to the increase in gains on sales of bonds with the decline of overseas interest rates, low credit costs that continued until the third quarter of the fiscal year under review, and a reduction in tax burden.

Overhead ratio (OHR)

<table>
<thead>
<tr>
<th>(%)</th>
<th>62.8%</th>
</tr>
</thead>
</table>

We were able to reach our Medium-Term Management Plan target for ROE of 7-8% due to the steady progress of the plan, which led to higher-than-expected profit attributable to owners of parent.

Common Equity Tier 1 capital ratio (CET1 ratio)

<table>
<thead>
<tr>
<th>(%)</th>
<th>15.55%</th>
</tr>
</thead>
</table>

CET1 ratio is still greatly exceeding the required level, while it decreased YoY by 0.82%. This decrease was mainly due to an increase in risk-weighted assets through allocating capital in overseas business and providing financial support to customers, as well as a decrease in net unrealized gains on other securities as a result of stock price decline caused by COVID-19 pandemic.

Dividend per share of common stock

<table>
<thead>
<tr>
<th>Yen</th>
<th>190</th>
</tr>
</thead>
</table>

We increased dividend per share for FY2019 to ¥190, ¥10 higher than FY2018 and our initial forecast as we exceeded our target for profit attributable to owners of parent because of the steady progress in the Medium-Term Management Plan and took steps towards achieving adividend payout ratio of 40%.

ESG Highlights

Accreditation

Garnered solid reputation for our investor engagement and other IR activities.

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).

Credit ratings (As of June 30, 2020)

<table>
<thead>
<tr>
<th>Rating</th>
<th>Holding company</th>
<th>SMBC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Long-term</td>
<td>Short-term</td>
</tr>
<tr>
<td>Moodys</td>
<td>A1</td>
<td>P-1</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>A-</td>
<td>—</td>
</tr>
<tr>
<td>Fitch</td>
<td>A</td>
<td>F1</td>
</tr>
<tr>
<td>R&amp;I</td>
<td>A+</td>
<td>—</td>
</tr>
<tr>
<td>JCR</td>
<td>AA-</td>
<td>—</td>
</tr>
</tbody>
</table>
ESG Highlights

Environment

- Project finance for overseas renewable energy projects
- Annual CO2 reduction: 17,643 thousand CO2
- Total CO2 Emissions (per m²): 97 thousand CO2

Social

- Rate of employees taking parental leave (male): 100%
- Target: Maintain rate of 100% every year
- Ratio of female managers: 15.3%
- Ratio of GM positions with locally hired employees: 35%
- Paid leave acquisition rate: 74.7%

Governance

Corporate Governance System

- Board of Directors
  - Focus on supervision of executive officers and directors' execution of duties
  - Nomination Committee
  - Audit Committee
  - Risk Committee (Optional)
- Management Committee
  - Business execution decisions
- Audit Dept.
- Reporting line

Ratio of Outside Directors

- 47%

Composition of the Board of Directors

- Number of directors: 15
  - Non-executive directors: 10
  - Inside directors: 5
- Area of Expertise of Inside Directors
  - Management: 3
  - Finance / accounting: 3
  - Law: 2
  - Diplomacy: 1

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, 2020):
  - FTSE4Good
  - FTSE Blossom Japan
  - 2020 S&P/ESG Diversified Asia Pacific Index
  - 2020 MSCI Japan ESG Select Leaders Index
  - 2020 MSCI Japan Sustainability Index
  - 2020 MSCI Japan Empowering Women Index (WIN)
Business Activities / Models

Inputs

Outputs

Outcomes

SMBC Group’s Value Creation Process

Definition of Sustainability

Creating a society in which today’s generation can enjoy economic prosperity and well-being, and pass it on to future generations.

Inputs

SMBC Group’s intangible assets

Business activities emphasizing three Materiality (“Environment,” “Community,” and “Next Generation) Beyond the impacts, value returns to stakeholders by improving SMBC Group’s corporate value, as well as enhancing intangible assets that are sources of SMBC Group’s corporate value.

Outputs

New business development, Digital transformations, Financial literacy education

Outcomes

Employee’s Employees

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

Three Priority Issues

Fostering of people and industries that will shape the future

Preservation of a healthy environment

Value Creation Cycle

Employees

Value Cycle

Creation and intermediation of value

Renewable energy projects

Green bond underwriting

Cash settlements

Wealth management

Financial inclusion

Human Capital

Social and Relationship Capital

Intellectual Capital

Financial Capital

Definition of Sustainability is the practice of continuously enriching the soil (an intangible asset) that we have inherited from the past and which is the origin of our corporate value.

Sustainability management is the practice of continuously enriching the soil (an intangible asset) that we have inherited from the past and which is the origin of our corporate value.
MESSAGE FROM THE GROUP CEO

Overcoming the “Unexpected”

Our world is undergoing fundamental change. We have seen COVID-19 spread to all corners of the globe in what seemed like the blink of an eye, and the virus continues to wreak havoc on an unprecedented scale. No one could have possibly foreseen the scale of disruption COVID-19 would have on our lives at the beginning of the year. “Unexpected” is a fitting description of COVID-19 and its global impact. However, I feel that circumstances described as “unexpected” have increased over the past few years. Natural disasters of a scale previously occurring only once in a 100 years are occurring on a seemingly annual basis. The results of the 2016 United States presidential election and the United Kingdom European membership referendum overturned prior expectations.

While it is easy to merely dismiss these events as unexpected, we need to ask ourselves if they really were. Before the COVID-19 pandemic, humanity battled and defeated numerous new infectious diseases, such as cholera, smallpox, and SARS. Thus, the speed and scope at which COVID-19 has spread can be viewed as a negative aspect of globalization, an ideal that we have all benefited from, coming to rise. Similarly, global warming lies behind the intensification of natural disasters, and the rise of populism has its roots in the fact that frameworks, such as democracy, which served as the foundations of economic growth in the post-war era have become outdated in their current format. The point I am trying to illustrate is that the events which we have witnessed over the past few years would most likely have occurred in some form or format eventually. In order to realize sustainable growth, SMBC Group must strive to become a more sophisticated organization, capable of asking ourselves if they really were. Before the COVID-19 pandemic, humanity battled and defeated numerous new infectious diseases, such as cholera, smallpox, and SARS. Thus, the speed and scope at which COVID-19 has spread can be viewed as a negative aspect of globalization, an ideal that we have all benefited from, coming to rise. Similarly, global warming lies behind the intensification of natural disasters, and the rise of populism has its roots in the fact that frameworks, such as democracy, which served as the foundations of economic growth in the post-war era have become outdated in their current format. The point I am trying to illustrate is that the events which we have witnessed over the past few years would most likely have occurred in some form or format eventually. In order to realize sustainable growth, SMBC Group must strive to become a more sophisticated organization, capable of
To Our Stakeholders

MESSAGE FROM THE GROUP CEO

However, we must keep in mind that overreacting to these risks or allowing our awareness of them to become distorted could cause us to misread how the world is changing or what our business vision should be. The COVID-19 pandemic is said to have sparked a fundamental change in peoples’ values, but I believe that it is during times such as these that we must take a long and careful look at what we change and what we keep untouched. The further acceleration of digitalization to realize “Society 5.0” is the key example of how our world will change. For example, we are seeing an increasing number of customers using online transactions as part of their efforts to prevent the further spread of COVID-19. The number of SMBC’s customers engaging in online transactions increased by 36% year-on-year and digital contracts concluded using services provided by SMBC CLOUDSIGN experienced a dramatic 10-fold month-on-month increase following the Government of Japan declaring a state of emergency in April 2020. I expect for online transactions to continue gaining popularity even after COVID-19 is brought fully under control given its superiority in terms of convenience and cost-efficiency, not to mention that the benefits of those services will increase given the ripple effect of additional users. On the other hand, lifestyles, habits, and family and work-related values that have developed over hundreds, if not thousands, of years will not be so easily changed. For example, is it possible to provide optimal solutions that address customer needs without engaging in face-to-face communication? Is it possible to pass-on SMBC Group’s corporate culture to junior employees or ensure their proper professional development without person-to-person interaction? Such concerns require serious and in-depth consideration. Business leaders must be able to accurately identify medium- to long-term trends by keeping calm and viewing matters from a bird’s-eye view, even though the world may be in the midst of major upheaval.

Business leaders must be able to accurately identify medium- to long-term trends by keeping calm and viewing matters from a bird’s-eye view, even though the world may be in the midst of major upheaval.

Steering a Supertanker

Innovation is the key to successfully overcome changes in the current business environment, as innovation is what allows for the creation of a strong yet flexible organization that continuously evolves its business model. People often associate the term innovation with the image of a genius experiencing an epiphany and discovering a new concept or vision. However, this is not always the case. In order to pursue sustainable growth, it is crucial to develop a corporate culture which encourages all employees to be unafraid of failure and continue attempting to create new business opportunities so that small improvements are realized throughout SMBC Group.

For this reason, ever since I was appointed Group CEO in April 2019, I have urged employees to “Break the Mold” and proactively pursue new challenges without being bound by precedent or fixed ideas. I have assigned management resources to employees who have stepped forward and established new companies for them to lead. So far, nine companies have been established in such a manner, and I will continue to encourage in-house business ventures as part of my CEO production project. The introduction of a free dress code policy which received considerable media attention was also aimed at changing the mindset of employees. I want to establish a transparent and encouraging corporate culture that allows employees to freely pursue their dreams and aspirations.

Making this vision a reality however is by no means an easy task. There will be employees who hesitate, fearing their careers could still be negatively impacted even though the Group CEO’s message is to be unafraid of failure, and many people will view change as an inconvenience rather than as an opportunity. Therefore, I will continue to encourage employees who are pursuing new challenges by repeating my message and building a track record of successful in-house business ventures. Even when employees are not successful in their efforts, I will not blame them. Rather, I will praise them for their bravery and determination.

SMBC Group is made up of one hundred thousand employees who are located throughout the world. So, in terms of size, you could say that SMBC Group is like a supertanker. When you attempt to change the direction of such a large vessel, those changes may appear to be slow and gradual. However, once the correct direction has been set and we begin the journey towards our goals, I promise you that the momentum we witness will be phenomenal.

Becoming a Global Solutions Provider

So where should we direct our supertanker? In April 2020, we established SMBC Group’s new vision: “A trusted global solution provider committed to the growth of our customers and advancement of society.”
This new vision reflects our commitment to realizing the sustainable growth of SMBC Group by providing top tier solutions on a global basis, not only by further honing our capabilities in the financial sector, but also expanding into non-financial sectors so that we can better address the needs and issues of customers and of society.

There are three key themes that we must adhere to in order to realize this vision.

Data Oriented
The first theme is data oriented. Information and data are very valuable assets which are not represented in a company’s balance sheet, and businesses around the world, not only those in the financial sector, are striving to monetize these assets.

Going forward, how well a company can monetize information assets and incorporate them into its P&L will be the key to success. In addition to accumulating a vast volume of payment and credit information through our various business lines which include banking, securities, and consumer finance, SMBC Group also possesses top tier capabilities in personal data protection and online security, two issues which must be addressed before utilizing data.

For example, Sumitomo Mitsui Card released “stera,” a payment platform that provides all the necessary functions to facilitate cashless payment transactions. At the same time, it released “Custella,” a service which supports clients in planning management strategies, developing new products, and creating new marketing strategies by using AI to analyze the payment data that is accumulated via the platform. If we can further develop such services, it will allow us to engage in a variety of new “data +Q” businesses, for example personnel data trust banking, advertising, and personalized marketing that targets individual customers.

Building Platforms
The second theme is to build platforms.

Through bank deposits and payment services we have established relationships with corporate and individual customers both in and outside of Japan. By leveraging this robust customer base that is based on many years of mutual trust, SMBC Group can build platforms which provide a variety of services with its capabilities in the financial sector.

I am not concerned about the principle of self-sufficiency in our efforts to enhance our platforms. In the unbundling of financial functions, I think that it is only natural that players from outside the financial sector take over some of those functions. I view companies from outside the financial sector, not only as rivals with whom we engage in healthy competition, but also as partners whose capabilities complement ours and vice-versa. For example, SMBC Group recently established Plani Town, Inc., a digital platform that supports the digitalization of mid-tier companies and SMEs, and we are working to swiftly enhance the value of the platform by including various services provided by external partners. We will strive to create an ecosystem that creates business opportunities involving not only SMBC Group and our customers, but also between customers themselves, by collecting various information as a result of our platform securing an ever growing customer base.

Solutions Provider
The third theme is to become a solutions provider. Customer needs are becoming increasingly diverse and sophisticated, and SMBC Group must become our customers’ most trusted business partner who can provide solutions to a wide range of issues. Let us take Japan’s aging society as an example. When a financial institution considers potential measures to address the needs of an aging society, a common approach is to consider the types of financial products, with the focus being on existing products, that can be used to build customers’ post-retirement asset portfolios. We need to break-out of this outdated method of thinking. The concerns of elderly customers are not limited to building-up their post-retirement assets, they include a range of issues, such as nursing and health care, the passing on of assets to the next generation, and relations with family members. We cannot allow ourselves to view potential solutions based on the narrow perspective of wealth management products and loans. Rather, we must identify all the issues that our customers are facing and work with companies from outside the financial sector to provide solutions which add true value.

Concepts Behind the New Medium-Term Management Plan
We launched a new Medium-Term Management Plan in FY2020 to take the first step to realize this vision and begin our journey to build the future of the financial sector. The preparation of the new Medium-Term Management Plan included more than one year of deliberations in an all team’s effort including mid- and junior-level employees. While the impact of the COVID-19 pandemic was certainly not part of the deliberation process, the new Medium-Term Management Plan was prepared based on the understanding that our business environment would be challenging with irreversible structural changes, such as climate change, our shrinking mother market, and the rise...
First, so that we may emerge victorious from this challenging business environment, we will devote our utmost efforts to continue restructuring our business model and cost structure. In the previous Medium-Term Management Plan, we concentrated on enhancing productivity by establishing Discipline and Focus as core policies. In the new Medium-Term Management Plan, we took these policies one step further to “Transformation”, and we will increase profit by engaging in the fundamental transformation and streamlining of our business model.

For example, for cost control our goal is to realize cost reductions of ¥100 billion, double our target for the previous Medium-Term Management Plan, by retiring domestic businesses, reorganizing our domestic retail branches, and integrating group operations. In addition, we will continue to reduce unprofitable assets and strategic shareholdings as part of our efforts to optimize risk-weighted asset management.

On the other hand, while we were still in the process of accumulating capital in the previous Medium-Term Management Plan, we have now reached our CET1 ratio target which will allow us to utilize capital and other management resources in the New Medium-Term Management Plan. As such, we will decisively allocate capital to business sectors for which medium- to long-term growth can be expected.

For example, in our inorganic strategy, while being disciplined we will use surplus capital to proactively pursue opportunities to acquire businesses and portfolios with high capital and asset efficiencies, in addition to business platforms to realize medium- to long-term growth. In addition, ¥100 billion has been allocated as “CEO Budget” for IT related investments. This framework will allow for agile investments to be made in businesses, such as digital-related enterprises and cashless payments, that are deemed to have potential for significant future growth.

Quality is the core policy that applies to our management base. We will work tirelessly to strengthen our management base so that we may meet the expectations of our stakeholders as a global financial group, for example accelerating sustainability management, realizing human resource management that allows for personnel to realize their full potential, and further enhancing our Risk Appetite Framework to promote appropriate risk taking.

Presently, on a core earnings basis our bottom-line is approximately ¥640 billion. In the previous Medium-Term Management Plan, our bottom-line exceeded ¥700 billion for all three years due to reversal of provisions from large borrowers and gains from the sale of strategic shareholdings. However, I am by no means satisfied with this profit level. In the new Medium-Term Management Plan, through our seven key strategies we will strive to increase consolidated net business profit by ¥100 billion and realize a core earnings bottom-line of more than ¥700 billion in the final year.

Seven Key Strategies

We will focus on our seven key strategies to realize our goal of raising our profit level on a core earnings basis. I will introduce two key strategies which I feel best characterize the core policies of Transformation and Growth as the heads of our respective business units will discuss the details of their specific strategies in the later sections of this report.

Pursue Sustainable Growth of Wealth Management Business

Given Japan’s declining population, in order to realize sustainable growth of our retail business we need to focus management resources on growth areas while simultaneously enhancing efficiencies. In regard to enhancing efficiencies, we are reforming our cost structure while preserving, if not improving, the customer experience by further developing non-face-to-face channels, for example online services, and improving the productivity of face-to-face transactions by reorganizing our domestic retail branches. For high-net-worth customers possessing minimum assets of ¥2 billion, we have consolidated our banking, securities, and trust banking services under the new brand SMBC Private Wealth. In addition to wealth management products which reflect our unique strengths, SMBC Private Wealth offers customers a comprehensive line-up of solutions including business succession consulting, trust banking, and concierge services. For mass affluent customers we will engage in personalized marketing by analyzing their transaction data so that our proposals fit their preferences and lifestyles. Through these efforts we will grow our top line revenues while lowering the break-even point of our wealth management business.

Expand our Franchise in Asia

Under our Multi-franchise strategy, we have devised and implemented initiatives based upon a time span of ten, twenty years in order to build a second and third SMBC Group in Asia’s developing economies. Indonesia, a key market in our Multi-franchise strategy, is expected to see its economy grow at a slower rate due to the COVID-19 pandemic. However, there are three commitments we made when we were formulating our strategy. First is to become a full-line financial services provider in the target market, second is that the franchise would have a strong home-market focus with...
its foundations firmly embedded in the local economy, and third is that we would not retreat even when faced with changes in the business environment. When we experience a sudden downturn in the economy, such as our current situation, companies often consider the possibility of exiting foreign markets given that such circumstances lead to a renewed focus on their respective mother markets. However, it is not possible to grow together with developing markets if we take such an approach. As such, we will not retreat, even in times of economic downturn, and we will construct a robust business base by establishing firm relationships with markets, such as Indonesia, where GDP is expected to grow over the medium to long-term. Going forward, in addition to expanding our Multi-franchise strategy to India and the Philippines, we will enhance the overseas presence of our securities, leasing, and consumer finance businesses so that we can reach the next stage of growth and development as a full-line financial services provider.

To our Stakeholders

I will now share my commitment to our stakeholders, which extends beyond the term of the new Medium-Term Management Plan.

Supporting our Customers’ Future

Our first and foremost focus is to support customers who are suffering from the adverse effects of COVID-19. As part of our efforts to provide undisrupted financial services that are indispensable to our customers’ everyday lives, we have kept open all SMBC branches by taking necessary safety measures. In addition, we have taken a flexible approach in order to support the cash flow needs of individual and corporate customers, for example introducing loans with special interest rates and extending repayment schedules. SMBC Group will fulfill its responsibility as part of society’s infrastructure so that our customers and society itself can return to normal at the earliest possible date.

“We believe that the crisis has strengthened our businesses and the relationships we have with the communities where we operate. We are also convinced that this crisis has led to a renewed focus on what we can do rather than what we cannot. I want to create a workplace in which innovation is a natural result of employees carrying out their duties with a sense of fun and purpose, even under the challenging business environment we are currently facing.”

Creating a Work Environment Where Employees can Pursue Their Dreams with Confidence and Ambition

First, I would like to express my sincere appreciation to all of our employees who are working tirelessly to ensure that SMBC Group is able to continue offering undisrupted financial services which are indispensable to our customers’ lives amidst the havoc caused by COVID-19. I have a responsibility to protect the health and well-being of all of our one hundred thousand SMBC Group employees, and failing this responsibility will have serious repercussions, including the possibility that we may no longer be able to provide a full range of financial services. Management will continue to extend the maximum level of support to employees, such as the thorough implementation of infection preventive measures at branch offices and carrying out initiatives aimed at ensuring employees’ physical and mental wellbeing, so that they are able to carry-out their responsibilities with confidence and peace of mind.

In addition to the above, I want to create a work environment where employees can pursue their dreams with confidence and ambition. When establishing HR frameworks, for example to enhance employee engagement or to support employees in challenging themselves, we cannot forget that establishing frameworks is not the goal. Frameworks are merely tools to help us achieve our true objectives. In order to transform SMBC Group into a vibrant and energetic organization, in addition to building the corporate culture which I have just shared with you, we are also developing an internal SNS system. The goal is for SMBC Group employees, irrespective of their assigned country or department, to communicate daily and offer encouragement when a colleague puts forth a new idea. The focus must be on what we can do rather than what we cannot. I want to create a workplace in which innovation is a natural result of employees carrying out their duties with a sense of fun and purpose, even under the challenging business environment we are currently facing.

Building a Sustainable Society with our Customers

SMBC Group defines sustainability as “Creating a society in which today’s generation can enjoy economic prosperity and well-being and pass it on to future generations.” In recent years, we are seeing environmental and social issues, for example climate change due to global warming and human rights violations resulting from the establishment of international supply chains, on a global scale. Given this backdrop, the expectations placed on financial institutions to address such developments are extremely high given our business allows us to act as a hub connecting various industries.

In April 2020, we launched the SMBC Group Statement on Sustainability (“the Statement”) and established SMBC Group GREEN×GLOBE 2030, a ten year plan that extends to 2030 through which we will realize the objectives of the Statement, so that we may remarry social issues through our business and further enhance our SDG-related initiatives. Specifically speaking, for
environmental goals a target of ¥10 trillion has been set for Green Finance and a 30% reduction in SMBC’s CO₂ emissions, while for social goals we will hold financial literacy education sessions for 1.5 million participants aimed at realizing financial inclusion and expand retail financial services in Asia’s emerging market economies. Furthermore, for governance goals, we will tirelessly pursue the enhancement of our corporate governance and risk governance capabilities as they are the foundations upon which sustainability management is built.

However, there is a limit on what we at SMBC Group can accomplish by ourselves. What is important is that we create a sizeable, cohesive movement by involving retail and corporate customers. SMBC Group recently launched GREEN×GLOBE Partners, a community platform that aims to solve environmental and social issues. Through the platform, SMBC Group will work with customers to realize a sustainable society by hosting seminars and facilitating the exchange of information concerning the environment and society, assisting participants in connecting with each other, and initiating projects that contribute to solving social issues.

Maximizing Shareholder Value from both Financial and non-Financial Perspectives

Under the previous Medium-Term Management Plan, we launched initiatives aimed at enhancing shareholder returns. We realized a dividend increase of ¥40 over the three years covered under the previous Medium-Term Management Plan and increased our dividend payout ratio from 30% to 37%. We also completed share buybacks totaling ¥170 billion. There is no change to our commitment to enhancing shareholder returns in the new Medium-Term Management Plan. Dividends will remain our principal approach to shareholder returns, and we will also continue our flexible approach to share buybacks. While we are currently facing a challenging business environment due to the COVID-19 pandemic, we will steadily carry-out the business strategies established under the new Medium-Term Management Plan and over the next three years we will strive to grow our bottom line and realize a dividend payout ratio of 40%.

In addition to enhancing the quantitative and financial returns which I have just shared, I am fully aware that enhancing the long-term non-financial value of SMBC Group is equally as important to our shareholders. We will enhance the non-financial corporate value of SMBC Group by focusing on adding value to customers via the three key themes and ESG-related initiatives aimed at realizing a sustainable society. We will continue to proactively disclose both financial and non-financial information so that we can minimize any differences in the information available to our shareholders and SMBC Group, and decrease the cost of shareholder’s equity in order to realize the sustainable growth of shareholder value.

Building the Path to our Future

The Daoist text Liezi from China’s Warring States era contains the fable “The Foolish Old Man Removes the Mountains,” and its message is one of my favorite mottos. Once upon a time in China there was an old man called Yu Gong who lived at the foot of two very high mountains. As the two mountains were a hindrance to Yu Gong and travelers passing by his house, Yu Gong one day decided to level the mountains. Yu Gong’s neighbors mocked him, saying that he was a fool and that he would never accomplish the task during his lifetime. Yu Gong, however, replied that upon his death his son would carry on the task, who then would be succeeded by his grandson, and that the mountains would eventually be leveled if Yu Gong’s family never gave up. Upon hearing this, the heavens approved of Yu Gong’s determination and moved the two mountains. The fable illustrates that perseverance will eventually allow us to accomplish any task, regardless of its size.

We are witnessing the contraction of the global economy and irreversible structural changes. Although we must operate under a very challenging business environment, I have no doubt that by tirelessly working towards the realization of our vision, we too can move mountains and build the path to a bright future for the financial sector. I would like to ask for the continued support and understanding of all our stakeholders as I will stand at the forefront of our efforts to lead SMBC Group to new levels of growth and prosperity, with each and every one of our employees devoting their utmost efforts to accomplish this goal.
Core Policy of the new Medium-Term Management Plan

The new three-year Medium-Term Management Plan began in FY2020. We will pursue major reform of our business model and explore new businesses to overcome the dynamic change of the business environment. Thereby, we will aim to provide solutions for the challenges faced by our customers and society and pursue sustainable growth in order to further enhance our corporate value.

We have established three core policies in order to take an important step towards the realization of our new Vision of becoming “A trusted global solution provider committed to the growth of our customers and advancement of society.”

Financial Targets

As in the previous plan, we have set three targets regarding profitability, efficiency, and financial soundness. We have changed the metric from ROE to ROCET1 for profitability and from OHR to base expenses for efficiency.

Please see page 031 for the Message from the Group CFO.

We will reform existing business models and cost structure to overcome intense competition and create new value for future growth.

Maximize profitability by increasing bottom-line profit and disciplined capital management

Reduce cost while investing for growth

Secure ample level of capital on a post-Basel III reforms basis

Target for FY2022

ROCET1 ≥8.5%

Base expenses < FY2019 results

CET1 ratio C.10%

ROCE1 ≥8.5%

Base expenses < FY2019 results

CET1 ratio C.10%

FY2019 results

9.5%

JPY 1,530 bn
(= FY2019 – JPY 70 bn)

9.8%

Business strategies — Transformation & Growth —

We will reform existing business models and cost structure to overcome intense competition and create new value for future growth.

Transformation

Transform existing businesses

Growth

Seek new growth opportunities

Quality

Elevate quality in all aspects

Seven Key strategies

1. Pursue sustainable growth of wealth management business
2. Improve productivity and strengthen solutions in the domestic wholesale business
3. Enhance overseas CIB business to improve asset / capital efficiency
4. Hold the number one position in payment business
5. Enhance asset-light business on a global basis
6. Expand franchise and strengthen digital banking in Asia
7. Develop digital solutions for corporate clients

Management base – Quality –

As a global financial institution, we will continue working toward enhancement of our management base to meet the expectations of our stakeholders.

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

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

ESG

Contribute to realize a sustainable society

Enhance corporate governance suitable for a global bank

Resource management

Sophisticated HR management to motivate employees

Business management

Enhance value creation

Contribute to realizing a sustainable society
Ever since I was appointed Group CEO in April 2019, I have urged employees to “Break the Mold.” The message behind the slogan is that I want our employees to proactively pursue new challenges in this rapidly changing business environment without being bound by precedent, fixed ideas, or organizational boundaries. I would like to take this opportunity to share a few examples of how employees responded to this message.

Self-Development of RPA Tools

SMBC Group has been promoting the use of Robotic Process Automation (“RPA”) since FY2017. The purpose of introducing RPA is to free employees from routine tasks so that they can focus on high-value added tasks. While many companies have also introduced RPA, what makes our RPA efforts stand out is that we provide our employees with the training necessary to develop RPA tools themselves. Specifically, we established a comprehensive training program that not only includes classroom learning, but also provides one-on-one support to employees interested in developing RPA tools. Employees now play a critical role in pushing forward work style reform as they are further automating tasks and operations after experiencing firsthand the benefits of using self-developed RPA tools to enhance efficiency.

Feedback from RPA Training Participants:

—Members of my department are often required to travel for work, and the calculation of monthly travel expenses had become a time-consuming burden. Thus, I developed an RPA tool which automatically calculates employees’ travel expenses. As of today, I have developed ten RPA tools, and I feel that I have been able to contribute to the streamlining of my department’s operations.

—My experience with RPA led me to develop an interest in programming, and I earned a certificate in JAVA through self-study. Going forward, I want to challenge myself by taking on new responsibilities where I can leverage my programming skills.

—I am producing new CEOs from our employees in order to enhance efficiency.

Selecting a Free Workstyle

A free dress code policy was introduced in FY2019 as part of efforts to develop a corporate culture in which employees could pursue new challenges without being bound by precedent or convention. We received generally favorable feedback, such as “I felt that our corporate culture is changing” and “I was able to carry out my responsibilities with a positive attitude” in our employee surveys. The policy also received positive feedback from the media, saying that it softened our conservative image. We also introduced frameworks allowing employees to telecommute or adopt flexible work schedules. I hope that providing employees with the flexibility to shape their working lives based on their lifestyle and professional responsibilities, without being bound by strict rules governing where or when they work, will allow them to produce a steady stream of new ideas that are unrestricted by fixed ideas.

Producing New CEOs

I am producing new CEOs from our employees in order to support them in breaking through the confines placed upon them by the expected norms and precedents of the financial sector so that they could pursue new challenges. Through this project I have proactively allocated funds and human resources to employees who have come up with interesting new ideas that I feel could develop into new growth areas for SMBC Group, with the said individual assigned to lead the new in-house business venture. Nine companies have been established so far, with the establishment of SMBC CLOUDSIGN drawing particular attention given its CEO is still in his 30s.

Our Challenge

SMBC Group views the topic of self-reformation. Furthermore, the establishment of SMBC CLOUDSIGN was made possible due to the generous support I received from various internal departments. SMBC Group is an organization where employees who are pursuing new challenges or are thinking about pursuing new challenges can count on receiving the full support of their colleagues and supervisors. The importance of telecommuting is rapidly increasing given the current environment, and our digital contract services are receiving much interest as the last piece of digital technology that makes telecommuting a truly viable workstyle. I take great pride in having a business that has the potential to make a positive impact on society, and I will continue to do my best so that I can become a role model as the CEO of the new in-house business venture.

Becoming a Role Model as CEO of the New in-House Business Venture:

Discussions with my General Manager was the first step in my journey to becoming the CEO of SMBC CLOUDSIGN. I strongly believed that the project should be led by someone who was the most passionate about the new business, and I conveyed this to him. An employee directly approaching his or her superior as I did is unthinkable in the conservative culture of Japanese banks, and I feel that the company taking the time to listen to me and actually appointing me as CEO shows how seriously SMBC Group views the topic of self-reformation. Furthermore, the establishment of SMBC CLOUDSIGN was made possible due to the generous support I received from various internal departments. SMBC Group is an organization where employees who are pursuing new challenges can count on receiving the full support of their colleagues and supervisors. The importance of telecommuting is rapidly increasing given the current environment, and our digital contract services are receiving much interest as the last piece of digital technology that makes telecommuting a truly viable workstyle. I take great pride in having a business that has the potential to make a positive impact on society, and I will continue to do my best so that I can become a role model as the CEO of the new in-house business venture.

Self-Development of RPA Tools

- SMBC Group has been promoting the use of Robotic Process Automation ("RPA") since FY2017.
- The purpose of introducing RPA is to free employees from routine tasks.
- SMBC Group’s employees have introduced RPA tools to enhance efficiency.

Feedback from RPA Training Participants:
- Employees have developed ten RPA tools.
- Employees have developed an interest in programming.

Producing New CEOs
- SMBC Group is producing new CEOs from employees.
- Nine companies have been established so far.
- SMBC CLOUDSIGN has drawn particular attention.

Our Challenge
- SMBC Group views the topic of self-reformation.
- SMBC CLOUDSIGN was made possible due to generous support from various internal departments.

Becoming a Role Model as CEO of the New in-House Business Venture:
- Discussions with my General Manager were the first step.
- SMBC Group is an organization where employees can receive the full support of their colleagues and supervisors.

Break the Mold

- "Break the Mold" is the slogan used by the SMBC Group.
- The challenge is to proactively pursue new challenges.

Self-Development of RPA Tools

- SMBC Group has been promoting RPA since FY2017.
- RPA tools help employees focus on high-value added tasks.
- Employees receive training to develop RPA tools.

Feedback from RPA Training Participants:
- Employees have developed ten RPA tools.
- Employees have developed an interest in programming.

Producing New CEOs

- SMBC Group is producing new CEOs from employees.
- Nine companies have been established.
- SMBC CLOUDSIGN has drawn attention.

Our Challenge

- SMBC Group views self-reformation.
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Becoming a Role Model as CEO of the New in-House Business Venture:
- Discussions with my General Manager were the first step.
- SMBC Group is an organization where employees can receive the full support of their colleagues and supervisors.
MESSAGE FROM THE GROUP CFO

We will leverage our robust capital base to support our customers affected by COVID-19 while further enhancing shareholder returns and investing for growth

Last year, the first year I was responsible for both the Group CFO and CSO roles, was the year we worked on creating the new Medium-Term Management Plan (“the New Plan”). In last year’s message, I shared my belief that in the context of management, financial and business strategies are two sides of the same coin, and I witnessed firsthand the benefits of the current management framework as I was able to consistently plan and verify initiatives from the perspectives of the Group CFO and CSO, positions that are responsible for SMBC Group’s financial and business strategies.

We have now entered the execution phase of the New Plan, and I will continue to leverage our management framework’s strengths to ensure the New Plan’s strategies are carried out in a comprehensive and speedy manner.

Toru Nakashima
Group CFO
Director Senior Managing Corporate Executive Officer

Further Enhancing Efficiencies

SMBC Group strives to conduct a resilient, first class group management by focusing on enhancing our capital, asset, and cost efficiencies.

- Review of the Previous Plan
In the previous Medium-Term Management Plan (“the Previous Plan”), SMBC Group categorized its business portfolio into four quadrants based on our competitive advantage and future potential. Through this categorization we swiftly reorganized our Group’s businesses in order to optimize our Group structure and improve capital and assets efficiencies.

For the “Transform” and “Enhance” quadrants we deconsolidated the Kansai regional banks and SMFL in order to enhance capital and asset efficiencies by reducing our risk weighted assets. On the other hand, for our asset management business, which is positioned in the “Build” quadrant given its potential for future growth combined with our current lack of competitive advantage, we started proactively allocating management resources to build up our overseas presence, as illustrated by our acquisition of TT International and our investment in Ares Management.

Improved capital and asset efficiency through group reorganization

For financial targets, ROE, OHR, and CET1 ratio were selected as the metrics for profitability, efficiency, and financial soundness. Although we were unable to reach our FY2019 OHR target due to COVID-19 reducing our topline revenues, we were able to reach our targets for ROE and CET1 ratio.

The Previous Plan’s Financial Targets

<table>
<thead>
<tr>
<th>ROE*</th>
<th>OHR</th>
<th>CET1 ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>FY2017</td>
<td>FY2018</td>
</tr>
<tr>
<td>7.6%</td>
<td>62.8%</td>
<td>9.8%</td>
</tr>
<tr>
<td>8.3%</td>
<td>63.0%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

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

The New Plan’s Financial Targets

In the New Plan there is no change to our commitment to conducting business management with the focus on enhancing efficiencies. As Mr. Ohta stated in the Group CEO Message, through our core policy of Transformation, we will increase profit by drastic optimization and remodeling businesses, while at the same time leveraging our capital base to pursue further growth through our core policy of Growth.

To Our Stakeholders
As in the Previous Plan, we have set three metrics of profitability, efficiency, and financial soundness as financial targets. However, for profitability we changed the metric from ROIC to ROCE1, while for efficiency we changed the metric from OHR to controlling base expenses.

A target of 8.5% or higher has been set for ROCE1. ROCE1 is calculated using CET1 as the denominator with CET1 being a valuable metric that we use in determining financial soundness. The ROE target of 7-8% set under the Previous Plan is currently equivalent to an ROCE1 of 9-9.5%. As such, our new target reflects practically raising the minimum level by 0.5%.

As for efficiency, we introduced a new concept, “base expenses,” in order to achieve a balanced approach to cost control and investment for growth. Our goal is to realize base expenses that are lower than FY2019 levels. I will explain the definition of base expenses further below.

As for financial soundness, consistent with the Previous Plan, we aim to secure a CET1 ratio of c.10% on a post-Basel III reforms basis and excluding unrealized gains on securities.

Our Basic Capital Policy Remains Unchanged

In the New Plan, we will continue to take a balanced approach to securing financial soundness, enhancing shareholder returns, and investing for growth.

- **Cost Control**
  
  Base expenses, our new efficiency metric, is comprised of G&A expenses net of expenses related to investments for future growth, revenue linked variable costs, and one-off expenses. This new metric was introduced in response to the feedback during the Previous Plan that cost management based on OH-R tends to fall into a shrinking equilibrium feedback during the Previous Plan that cost management.

  In the Previous Plan, we succeeded in reducing costs by ¥54 billion, exceeding our target of ¥50 billion, through efficiency by carefully controlling base expenses.

  Specifically, we will cut costs by ¥100 billion, a figure that is double the Previous Plan’s achievement, through the three key initiatives: reform of domestic businesses, retail branch reorganization, and integration of Group operations.

- **Securing Financial Soundness**
  
  We were able to reach our CET1 ratio target of c.10% as a result of accumulating capital over the course of the Previous Plan. The CET1 ratio target was calculated taking into account the impact of the Basel III reforms which will gradually take place from 2023 to 2028 and excludes unrealized gains on securities. Also, based on the Basel III fully-loaded basis, which is currently required by regulators, our CET1 ratio as of the end of FY2019 was 15.5%, greatly exceeding the required level of 8%.

  Our financial soundness can be a formidable competitive advantage during times of crisis, such as the one we are currently facing. First, we will provide financial support to customers both in and outside of Japan who are being affected by COVID-19. As such, risk weighted assets are expected to exceed our original target for FY2020, the first year of the New Plan, by ¥5 trillion which equals a 0.5% decrease in our CET1 ratio. Therefore, for the foreseeable future we will manage our CET1 ratio at c.9.5%, 0.5% less than the target set under the New Plan, in order to reflect the impact of COVID-19 associated loans.

  It is this robust capital base that will allow us to proactively enhance shareholder returns and pursue attractive growth opportunities.

- **Further Enhancing Shareholder Returns**
  
  In the Previous Plan, we increased dividends throughout all three years (a total of ¥40 per share) while carrying out share buybacks totaling ¥170 billion. In the New Plan there is no change to our shareholder return policy of dividends being our principal approach while conducting flexible share buybacks. We will continue to pursue a progressive dividend policy, meaning that we will at least maintain, if not increase, dividend payments, and aim to achieve a dividend payout ratio of 40% by FY2022.

  We increased our dividends for FY2019 by ¥10 to ¥190 per share attributable to owners of parent and took steps towards achieving a dividend payout ratio of 40%. For FY2020, we will maintain our dividend payout of ¥190 per share based on our progressive dividend policy despite a significant reduction in forecasted net income, which will raise our dividend payout ratio to 65%. Please be assured however, that we will by no means view this as reaching our target dividend payout ratio of 40%. While we must continue to operate in a challenging business environment, we will aim to increase profit attributable to owners of parent during the three years covered under the New Plan and further increase our dividends so that we realize a 40% dividend payout ratio based on these figures.

  We decided not to announce share buybacks in May 2020. We recognize our share price is currently at a very low level and understand that there are expectations for share buybacks from investors. However, at this time, we have concluded that we must focus on providing financial support to our customers and that more time is required to assess the real impact of COVID-19.

- **Investing for Growth**
  
  Unlike the Previous Plan during which we focused on capital accumulation, given that we have reached our CET1 ratio target, the New Plan represents a new stage in which we leverage our capital base to pursue growth opportunities. While asset efficiency will remain a key focus and we will continue reducing unprofitable assets and strategic shareholdings, we will allocate capital to increase risk weighted assets to growth areas. As illustrated in the below chart, over the three years covered by the New Plan we will allocate a net of ¥500 billion of capital and increase risk weighted assets by a net of ¥5 trillion through our seven key strategies.

  We expect that risk weighted assets associated with
COVID-19 related loans will be fully repaid by the end of FY2022 and therefore have no impact on the New Plan’s targets.

We will pursue inorganic growth through strategic M&A while maintaining financial soundness and disciplined investment criteria. There will be no change in the focus of our investments: “assets that promptly raise our ROCET1” and “investments for the future.” The former refers to areas in which SMBC Group possesses global strengths, with past examples being investments in aircraft leasing, middle-market LBO, and asset management businesses. The latter refers to investments in the Asian commercial banking business, securities business, trust banking, and digital businesses.

SMBC Group purchased the aircraft leasing businesses of a European bank (currently SMBC Aviation Capital) following the Financial crisis, and the current market environment may bring opportunities to acquire quality assets at discounted prices. Of course, any investment will be made following our disciplined investment criteria.

The chart below shows the use of capital for FY2019 and FY2020. As for FY2020, the forecast of profit attributable to owners of parent is ¥400 billion. ¥260 billion will be allocated to dividends and we will extend loans to our overseas and domestic customers who are suffering from the adverse effects of COVID-19. Then we will consider how to best deploy our remaining capital.

- Reducing Strategic Shareholdings

Over a five-year period starting October 2015, we set a plan to reduce our strategic shareholdings by ¥500 billion (book value basis). As of March 2020, six months before our deadline, we succeeded in reducing our strategic shareholdings by ¥480 billion, in addition to obtaining customers’ consent to sell another ¥70 billion worth of strategic shareholdings. As such, we are highly confident that we will reach our target.

We have established a new reduction plan in which we will reduce strategic shareholdings by ¥300 billion over a five-year period starting April 2020 together with the launch of the New Plan.

While we have made steady progress in reducing our strategic shareholdings, the pace of reductions going forward will be slower than the previous reduction plan, as the remaining stocks include those of customers who are not open to the idea of having SMBC Group reduce our ownership of their shares. However, there has been no change in our policy to reduce strategic shareholdings over the medium- to long-term, and we will continue to work hard to reduce them.

Use of Capital in FY2019 and FY2020

Changes in Risk-Weighted Assets during the New Plan

Further Enhancing Communication with our Shareholders

Creating opportunities to engage in constructive discussions with investors and analysts is one of my key responsibilities as Group CFO.

During FY2019, in addition to individual and small meetings led by senior management with investors and IR day presentations by the heads of our respective business units, we also held seminars regarding our cashless payment strategy given the strong interest in our efforts in this area. I believe that incorporating the views and opinions we receive in such meetings allowed us to prepare a higher quality Medium-Term Management Plan and capital policy.

Furthermore, in April 2019 SMBC Group became the first global financial institution to calculate and release the financial impact of climate change in response to recommendations made by the Task Force on Climate-Related Financial Disclosures (“TCFD”). Initially, only physical risks related to climate change were calculated and disclosed. However, we tirelessly worked to enhance our analytical capabilities, and in February 2020 we disclosed the transition risks associated with climate change.

I am very happy that such efforts have received proper recognition, with SMBC Group being selected for the top award in the banking category of the 2019 Award for Corporate Disclosure presented by the Securities Analysts Association of Japan and the 2019 Best IR Award presented by the Japan Investor Relations Association.

A different approach to investor communication is required due to COVID-19. For example, our FY2020 Investors Meeting was conducted online and individual investor meetings are being conducted either online or via teleconference. However, it is during times such as these that as Group CFO I must safeguard the continuation of high-quality and timely communication. We will ensure any changes to our business environment or earnings forecasts due to COVID-19 are disclosed in a timely manner. Furthermore, we will place an even greater focus on disclosing non-financial and ESG-related information. For the first time in our history, on June 2020 we held an ESG-themed investor meeting.

SMBC Group will continue to proactively disclose information that is useful to our stakeholders and incorporate these measures into our efforts to realize sustainable growth and increase corporate value.

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SMBC Group will continue to proactively disclose information that is useful to our stakeholders and incorporate these measures into our efforts to realize sustainable growth and increase corporate value.
## The Impact of COVID-19

As stated in the Group CEO Message, the New Medium-Term Management Plan ("the New Plan") goal is to realize sustainable growth in a challenging business environment, and we have not made any changes to the New Plan’s framework in response to COVID-19. However, I will touch upon some key points given that COVID-19 will have a big impact on our FY2020 financial results.

### Impact on FY2020 Earnings

Excluding some countries and territories, the number of new COVID-19 cases has peaked-out, although we expect new infections to continue for the remainder of the year. Therefore, although the global economy is expected to bottom out in the second half of the year, we expect that negative fallout from the virus will last throughout FY2020. As such, we made major revisions to the various targets that had been originally established for the New Plan’s first year. The revised business targets we announced in May 2020 are as follows. However, we will not hesitate to make further changes to our plans and goals, even during the year, if material changes in our business environment require such adjustments.

### Credit Cost

Our FY2020 forecast for credit cost is ¥450 billion on a consolidated basis, of which ¥290 billion is for SMBC, 60% for Japanese corporations and 40% for non-Japanese corporations. As for Japanese corporations, half is for large corporates and the other half is for medium-sized corporations and SMEs. As for non-Japanese corporations, we expect decreased costs in the leisure industry such as hotels and casinos, oil and gas, and LBOs. As for Group companies other than SMBC, we expect credit cost of ¥160 billion, a ¥40 billion increase from FY2019, centering on retail Group companies (SMBC Consumer Finance, Sumitomo Mitsui Card Company).

While this represents a substantial increase in credit cost, we are not expecting the situation to deteriorate further than what we experienced during the financial crisis in 2008. Although the decline in GDP is expected to exceed that of the Financial crisis, we do not forecast credit cost to increase as much. This is the result of the financial sector’s increased resilience due to more stringent international financial regulations requiring financial firms to set aside greater amounts of capital, in addition to our improved asset quality due to domestic companies’ increased internal reserves.

### Aircraft Leasing Business

Our aircraft leasing business conducted by SMBC Aviation Capital represents a business area in which SMBC Group has a competitive advantage. However, the cash flow of airlines is deteriorating due to worldwide restrictions on travel, and some airlines are finding it difficult to pay leasing fees. Once airlines fail to pay leasing fees, leasing companies take action, for example repossessing aircrafts and re-leasing them to other airlines. In this case, if the leasing fees are reduced, leasing companies record impairment losses on leasing assets due to the reduction of future cash flow. However, we do not expect SMBC Aviation Capital to record significant impairment losses considering its highly liquid portfolio. The majority of the aircraft assets they own are young narrow body aircrafts whose price volatility is low.

Therefore, although a short-term decline in profit is inevitable, bottom-line profit for FY2020 is expected to decline only by 30 to 40% YoY. As SMBC Aviation Capital is our equity method affiliate, the negative impact on our consolidated bottom line profit, based on our ownership share, is expected to be less than ¥10 billion.

### Exposure to the Natural Resources Sector

Our natural resource-related exposure is currently $7.3 trillion, which is equivalent to 5.6% of our consolidated total exposure, and 90% of our obligors have high internal ratings. In addition, we have a diversified portfolio by business area and geographic location. Moreover, by taking a cautious approach, we have reduced exposure of non-Japanese upstream and service transactions that are vulnerable to oil prices, which make them relatively risky. Therefore, we do not expect a significant increase of credit cost in this sector. However, considering the recent sharp decline in oil prices and revisions of demand–supply forecasts, we recorded some forward-looking provisions in FY2019 and expect a certain level of associated credit cost in FY2020.

### Highly liquid portfolio

- **JPY 7.3 tn**

<table>
<thead>
<tr>
<th>Aircraft Assets</th>
<th>USD 13 bn</th>
</tr>
</thead>
</table>

**Exposure to natural resources**
DISCUSSION
Round-Table Discussion with Outside Directors

Group CFO Toru Nakashima asked Katsuyoshi Shinbo and Eriko Sakurai, both outside directors of Sumitomo Mitsui Financial Group, and Sonosuke Kadonaga, an outside director of Sumitomo Mitsui Banking Corporation, for their thoughts about the new Medium-Term Management Plan (“the New Plan”) which was announced in May 2020.

Nakashima Thank you for taking part in today’s round-table discussion. First, I am going to ask everyone for your thoughts regarding the New Plan. Ms. Sakurai, would you be kind enough to start things off?

Sakurai I was also involved in discussions during the formulation of the previous Medium-Term Management Plan (“the Previous Plan”) so I will begin by touching upon the differences that I felt in comparing the two. First, I was impressed by the New Plan’s formulation process. In comparison to the Previous Plan, the involvement of outside directors in discussions began much earlier. In addition, the documents that were used in those discussions were at the draft stage with some pages still being blank. Being able to engage in discussions at the early stages of the respective processes was a valuable tool to boost employee motivation.

My second point is that while further efforts to optimize cost structures must be undertaken as market conditions surrounding the financial sector are becoming even more challenging, SMBC Group must also clarify where it will allocate capital including investments. My third point deals with SMBC Group’s future business model. In other words, what kind of business model will SMBC Group strive to create given that levels of past growth can no longer be realized through its traditional bank-centric model. Although identifying a solution to this predicament is by no means an easy task, we engaged in discussions from the standpoint of how and where management resources, such as capital and personnel, should be allocated in SMBC Group’s efforts to establish its future business model.

Shinbo I agree. Also, I feel that during the formulation of the New Plan, significant time was spent discussing what the right balance is when attempting to address the needs and expectations of SMBC Group’s shareholders, customers, employees, and society. If we take financial targets as an example, a situation must not arise in which customers are negatively impacted due to employees having to pursue unrealistic targets. Having said this, careful attention must also be paid to shareholders’ expectations and genuine efforts must be made to meet those expectations. I believe that fair, achievable financial targets have been set as a result of the senior management team having developed a common understanding by engaging in in-depth discussions regarding what the right balance is.

Kadonaga There are three main points that I would like to share. First, the topic of financial targets just came up and in addition to setting quantitative targets I stressed the importance of setting qualitative goals as well. What sort of corporate group do we want to become by the end of the New Plan? For example, what sort of value will SMBC Group add to customers’ business operations? Where does SMBC Group want to stand in the financial sector given its competitors in the global and domestic markets? The reason for this being that employees are the ones who take the heaviest burden in the execution of plans and initiatives, and qualitative goals are a valuable tool to boost employee motivation.

Secondly, the New Plan’s formulation process involved various departments and divisions of SMBC Group and its subsidiaries. I was also concerned about how to fairly distribute the required resources to each department and division. I feel that the discussions had a level of depth which was not present in earlier discussions. In addition, by using advance briefings to address specific matters pertaining to individual initiatives and the Group CxOs themselves presenting material and conducting Q&A sessions during Board meetings, discussions from a high vantage point were made possible. I also feel that in-depth discussions for each section of the New Plan’s growth investments were made possible by holding study sessions on SMBC Group’s capital policy and creating the opportunity for the Board to reach a consensus.

Nakashima Obtaining input from our outside directors at the earliest possible stage was one of our key focus points during the New Plan’s formulation. We also worked to further enhance the quality of our discussions by not limiting them to Board meetings, but also expanding them to include advance briefings and study sessions. For example, in the study sessions covering SMBC Group’s capital policy, for the first time ever we organized a meeting between our outside directors and investors/analysts. Mr. Shinbo highlighted the importance of viewing matters from a shareholder’s perspective earlier and this is a mindset that all of us at SMBC Group share. I felt the meeting was an excellent opportunity
for our outside directors to also share in this mentality. As you can see, the New Plan has incorporated much of the input we received from our outside directors, and I would like to take this opportunity to thank you all once again. Would anyone like to add anything else?

Kadonaga Ms. Sakurai touched upon the concept of corporate values earlier, and I think very highly of the fact that “integrity” was added to the Five Values, a set of shared beliefs and behavioral guidelines for all SMBC Group employees, in line with the formulation of the New Plan. As the Five Values were already firmly embedded in the SMBC Group mindset, I believe that introducing change to those values was a challenge. However, I believe that adding “integrity” to the Five Values will prove to be beneficial to SMBC Group’s shareholders and investors considering the increased attention being directed to ESG-themed investments, by bringing together the Group’s employees, and helping attract talented personnel. This is a point that I have repeatedly raised from the discussion phase of the New Plan.

Shinbo I was also of the opinion that “integrity” should be added to the Five Values. For example, in recent years corporate fiduciary duty has drawn increasing interest and SMBC Group established the Basic Policy for Customer-Oriented Business Conduct as part of its efforts to ensure that it was in compliance with its fiduciary duty. However, SMBC Group employees most likely viewed the concept of SMBC Group’s fiduciary duty strictly within the context of marketing financial products. By incorporating “integrity” into SMBC Group’s Five Values, a set of values which forms the basis of the Group’s business conduct, a clear message was sent to all SMBC Group employees that the concept of “integrity” applies to all aspects of their actions, in short, that SMBC Group must possess and act according to a strict code of ethics.

Sakurai From the standpoint of preparing the New Plan’s strategies, being able to discuss SMBC Group’s future vision was very valuable. Given the reality that the current business environment is undergoing sudden and substantial change, it is not realistic to focus on determining the details of each initiative and apply an overly rigid approach to their execution. The New Plan recognizes that the future is not fixed. It takes into consideration that events which result in material changes to the business environment, for example the COVID-19 pandemic, will occur and the New Plan shows the broad vision which SMBC Group will work towards through its various initiatives that have been prepared in a manner which allows for sufficient flexibility in their execution. As a result, the initiatives’ varying levels of importance have been made clear.

Kadonaga A phrase that I often use is: “do more better.” It means that even within the same framework, a little more effort can lead to a substantial improvement. However, I believe that it is important that everyone goes one step ahead of this mindset when carrying out the New Plan. Especially in terms of building SMBC Group’s future business model, frank and open discussions must continue, taking into consideration factors such as how consumer behavior and society will change in the post-COVID-19 world.

Sakurai Digitalization is expected to further accelerate in the post-COVID-19 world. The fact that SMBC Group was able to launch initiatives aimed at winning the key digital points of various value chains prior to the commencement of this trend will prove to be very beneficial given SMBC Group’s standing as a leading company in the cashless payment sector.

Nakashima Various opportunities, such as Board meetings, will be used to conduct discussions concerning what SMBC Group’s business will look like in the post-COVID-19 world with a range of counterpaniers, including our outside directors. To bring today’s discussion to a close, could you kindly share with us how, as an outside director, you will draw upon your personal experiences to contribute to enhancing SMBC Group’s corporate value?

Sakurai I am reminded on a regular basis that for the concept of an outside director to properly function, a company’s Board must be comprised of a number of outside directors who have different backgrounds and areas of expertise. As such, I will leverage the experience that I have accumulated over the many years I have spent at a global corporation, experience which I continue to accumulate today, to help enhance SMBC Group’s corporate value. There are a number of differences in the mentality of Western and Japanese firms. For example, Japanese firms view accountability as being identical to responsibility, while in the West they are treated as two separate concepts. In the West, accountability refers to the responsibility of an individual to explain a particular outcome and great importance is placed on who is accountable. As such, this point must be clarified if a business is going to successfully operate in the West. This was one of the perspectives from which I provided advice during the introduction of the CoO framework. Furthermore, a duty of an outside director is to represent the company’s various stakeholders, so I pay careful attention to ensure my comments and questions during Board meetings are made from the standpoint of SMBC Group’s shareholders and customers. As such, in addition to regularly checking the share price and reading analyst reports, I visit an SMBC branch or use smartphone apps to understand SMBC Group from a customer’s perspective.

As a member of the Nomination Committee, I am entrusted with the heavy responsibility of assisting in the selection of SMBC Group’s leaders. To ensure that this process does not become arbitrary, committee members have established a number of common evaluation criteria. When I interview candidates for leadership positions, I add integrity and inclusion to the evaluation criteria so that leaders fitting of SMBC Group are selected.

Kadonaga My career as a management consultant spans more than 30 years. In addition, from 2012 I have served as an outside director of Kao Corporation. Based on such experience, I believe I have the following three key roles. My first role is to check whether the senior management team is pushing forward SMBC Group’s various strategies based on an accurate understanding of the circumstances the Group’s employees are being placed under and whether the goals of those strategies have been determined in a reasonable, rational manner. You can say that this makes me an overseer of suitability, a role which I believe to be of considerable significance. As such, I place great importance on realizing opportunities which will allow me to witness employees’ honest thoughts and concerns.

My second role is to point out instances where I feel that deliberations undertaken by the Board are becoming short-sighted or narrow-minded. For example, if too much focus is being directed towards SMBC Group’s direct competitors, I attempt to expand the scope of the discussion while introducing applicable cases experienced by other companies.

My third role is to act as a catalyst for the candid exchange of views and discussions. I feel that substantial progress has been made in this regard compared to when I joined SMBC’s Board of Directors three years ago as an outside director, and I will continue doing my best to carry out this role.

Shinbo I believe that my input regarding legal matters is expected given that I am a lawyer. Having said this, I have made a conscious effort to refrain from dealing with the specific details regarding legal matters as I believe that the responsibility of a corporate lawyer and not of an outside director. Of course, I firmly believe that it is very important that I put forward my honest opinion without any compromise regarding issues which I feel contain significant risk for SMBC Group. Lawyers need to establish a close relationship with clients but must take care not to lose their objectivity, I believe that using this objectivity to convey tough feedback when needed is the role expected of me. This also applies to my responsibilities as a member of the Remuneration Committee, and I do not hesitate to voice my concerns when I feel that an irregularity exists with the existing compensation framework.

The final role of an outside director, and this applies to situations when the company itself is going down an incorrect path, for example pursuing unsustainable goals or strategies involving too much risk, is to support individuals who are attempting to correct the direction the company is pursuing and stand with them against the senior management team.

Nakashima Thank you very much for your valuable opinions today. I look forward to receiving your frank, continuous input.
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050 Wholesale Business Unit
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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.

<table>
<thead>
<tr>
<th>Business Units</th>
<th>Banking</th>
<th>Leasing</th>
<th>Securities</th>
<th>Credit Cards and Consumer Finance</th>
<th>Other Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>SMBC Trust Bank</td>
<td>SMBC Nikko Securities</td>
<td>Sumitomo Mitsui Card Company</td>
<td>Japan Research Institute</td>
</tr>
<tr>
<td>Wholesale</td>
<td></td>
<td></td>
<td></td>
<td>SMBC Consumer Finance</td>
<td>Sumitomo Mitsui DS Asset Management</td>
</tr>
<tr>
<td>Global</td>
<td></td>
<td></td>
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<tr>
<td>Global Markets</td>
<td></td>
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Net Business Profit by Business Unit in FY2019

- Retail: ¥234.5 billion (17%)
- Wholesale: ¥409.2 billion (29%)
- Global: ¥371.2 billion (26%)
- Global Markets: ¥398.8 billion (28%)

Head Office (CxO System)

- CFO: Chief Financial Officer
- CSO: Chief Strategy Officer
- CRO: Chief Risk Officer
- CCO: Chief Compliance Officer
- CHRO: Chief Human Resources Officer
- CIO: Chief Information Officer
- CDIO: Chief Digital Innovation Officer
- CAE: Chief Audit Executive
We are witnessing significant opportunities for expanding markets in the domestic retail banking field, including the overarching trend of shifting from savings to asset holding, the upcoming era in which people consistently live to be 100, the spread of cashless payments, and increasing digitalization.

Against this backdrop, we are striving to become the most trusted and No. 1 Japanese retail finance business. To this end, the Retail Business Unit was swift to begin reforming its business models through means such as transitioning to a customer-oriented wealth management business and embracing cashless payments and digitalization. In our wealth management, payment services, and financing businesses, we are steadily growing balances of stock-based assets, sales handled, and consumer loans. Meanwhile, branch reorganizations are enabling us to realize improvements in customer convenience alongside reductions in costs. External institutions hold in high regard SMBC Group’s customer-oriented business operations as well as the smartphone applications of SMBC and Sumitomo Mitsui Card Company, indicating a gradual increase in our ability to achieve ongoing growth.

Under the new Medium-Term Management Plan, the Retail Business Unit aims to establish the most sustainable retail finance business in Japan. In our primary businesses, we are proactively allocating resources to growth markets, such as the cashless payment and consumer finance markets as well as those serving wealthy large-scale clients, as we seek to enhance the services we supply to customers and otherwise bolster competitiveness. At the same time, we are pursuing higher levels of efficiency in the branch reorganizations and administrative and middle- and back-office function consolidation efforts implemented previously. By drastically reforming our business processes through these efforts, we aim to further improve customer convenience while cutting costs. We are also endeavoring to develop new businesses utilizing digital technologies and IT in order to create new earnings opportunities amid intensifying competition, thereby realizing ongoing growth for the entire Retail Business Unit.

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**Contribution to Consolidated Net Business Profit**

<table>
<thead>
<tr>
<th>FY2019</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit (JPY bn)</td>
<td>1,257.7</td>
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<tr>
<td>Expenses (JPY bn)</td>
<td>1,025.2</td>
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<tr>
<td>(Overhead ratio)</td>
<td>81.5%</td>
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<tr>
<td>Net business profit (JPY bn)</td>
<td>234.5</td>
</tr>
<tr>
<td>ROE*2</td>
<td>7.2%</td>
</tr>
<tr>
<td>RWi (JPY bn)</td>
<td>12.3</td>
</tr>
</tbody>
</table>

* Figures are after adjustments for interest rate and exchange rate impacts.
* Figures exclude provision for losses on interest repayments, etc.
**Sustainable Growth in Wealth Management Business**

In the Retail Business Unit, we revise resource allocations based on growth potential of specific market segments. In regard to high-net-worth customers, we are strengthening sales capabilities through the consolidation of Group banking, trust, and securities services and appointing dedicated staff to increase the share of transactions from business owners and other wealthy large-scale clients. These efforts are part of our drive to promote the new SMBC Private Wealth service brand. Meanwhile, our approach toward the mass affluent segment, which is seeing growth in demand for asset building services, entails transitioning to highly productive sales approaches and models through digital and remote services promising significant convenience to customers, in order to efficiently capture a share of this vast, unexplored market. By expanding our balance of stock-based assets and radically increasing efficiency, we will achieve sustainable growth in wealth management business.

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

In our payment service business, we are committed to achieving growth that surpasses that of the market by accelerating cashless payment strategies and improving the convenience of our services for both business operators and users alike. For business operators, we have rolled out our stera next-generation cashless payment platform and are working to grow our share among affiliated merchants. For users, we aim to deliver convenient and beneficial services through means such as the enhancement of application services and models through digital and remote services promising significant convenience to customers, in order to efficiently capture a share of this vast, unexplored market. By expanding our balance of stock-based assets and radically increasing efficiency, we will achieve sustainable growth in wealth management business.

**Online Merges with Offline Strategy**

Points of contact with customers are rapidly shifting toward the Internet. In light of this trend, the Retail Business Unit is transitioning away from its prior business processes focused on face-to-face interactions to adopt business models oriented toward online interactions.

Part of this undertaking is streamlining work processes through extensive application of digital and remote technologies, which includes bolstering our artificial intelligence targeting and digital tools. We are also augmenting digital and remote channels in businesses that provide services to customers and coordinating these channels with face-to-face consulting in order to improve customer convenience in both online and offline settings.

Furthermore, improvements to the convenience of digital products and services will be pursued by linking Group applications and otherwise utilizing Group infrastructure, expertise, and resources.

**Response to the COVID-19 Pandemic**

The various measures being implemented to fight the COVID-19 pandemic are having a massive impact on people’s everyday lives. Moreover, we realize that financing, payment, and other services provided by financial institutions support people’s lives and are a part of social infrastructure. We therefore see the ongoing provision of these services as our top priority in the midst of this crisis.

In addition to keeping the branches of SMBC and other companies operating, we are taking steps to support customers based on their individual needs. For example, SMBC Group companies offer financial products specifically for customers who have been impacted by the pandemic. We are also bolstering our online services to enable customers to perform various transactions without actually visiting one of our branches. Other efforts include supplying Internet banking and credit card applications and conducting donation campaigns in which donations are made to healthcare professionals based on Internet banking transaction amounts.
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

Faced with Japan’s negative interest rate policy and a continuously challenging operating environment, the Wholesale Business Unit mustered the collective strength of SMBC to deliver sophisticated solutions and carry out operations with an extensive focus on profitability. It was thereby able to maintain high levels of return on equity.

During the period of the previous Medium-Term Management Plan, we achieved gains on loans for the first time in 10 years due to our allocation of funds to financing corporate acquisitions and other high-value-added applications. In addition, we were No. 1 in terms of the number of M&A advisory deals for the third consecutive year, and steady growth was seen in the number of initial public offerings in which we were the lead underwriter. These successes indicate that we have effectively established group-wide systems for delivering solutions for improving the corporate value of our customers.

The new Medium-Term Management Plan calls on the Wholesale Business Unit to fully leverage the strength that is its group-based comprehensive solutions capability to furnish solutions to the social issues and difficult management issues of customers seen as social structures and customers’ businesses transform during and after the COVID-19 pandemic. Capitalizing on this strength, we will pursue an unprecedented degree of coordination between domestic and overseas bases and Group companies and boldly allocate management resources to growth fields.

The Wholesale Business Unit has also been promoting digitalization through collaboration with customers. Together with Toyota Motor Corporation, we launched TOYOTA Wallet. We engaged in co-creation with Komatsu Ltd. and other major companies. Moreover, we launched the Biz-Create online business matching service in addition to establishing the SMBC CLOUDSIGN cloud-based electronic contract service. These are just some of our unique initiatives in the digitalization field. Going forward, we will continue to implement initiatives for creating new businesses from the perspectives of customers.

Also in the future, we will further improve our strengths, including our keen ability to make proposals, speed, and pioneering spirit, to provide high-value-added solutions to customers and thereby contribute to the growth of customers and of the Japanese economy.

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<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>Increase (Decrease)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit</td>
<td>641.5</td>
<td>(6.7)</td>
</tr>
<tr>
<td>(JPY bn)</td>
<td></td>
<td></td>
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<tr>
<td>Expenses</td>
<td>284.4</td>
<td>(2.2)</td>
</tr>
<tr>
<td>(JPY bn)</td>
<td></td>
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</tr>
<tr>
<td>(Overhead ratio)</td>
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<td>Net business profit</td>
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<td>(0.9)</td>
</tr>
<tr>
<td>(JPY bn)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROE*1</td>
<td>11.6%</td>
<td>(0.7)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R(oku)</td>
<td>17.4</td>
<td>+0.5</td>
</tr>
</tbody>
</table>

*1 Figures are after adjustments for interest rate and exchange rate impacts.  
*2 Figures exclude medium- to long-term foreign currency funding costs.
Group-Based Comprehensive Solutions
To bolster responsiveness to change in growth fields, a number of organizations were set up in the Wholesale Business Unit. Specifically, these organizations were the Financial Solutions Division, which specializes in financial products; the Sustainable Business Promotion Department, which focuses on environmental, social, and governance (ESG) issues and the United Nations Sustainable Development Goals (SDGs); and the Corporate Digital Solution Department. By unifying our front-office service, financial product, and solutions organizations in addressing customers’ various issues and needs, the Wholesale Business Unit will provide group-based comprehensive solutions.

In addition, we are developing systems for delivering swift and high-quality proposals to large corporations active on the global stage. As part of this process, we are enhancing our group-based competitive edge in response to increasingly complex and sophisticated management issues pertaining to such matters as business portfolio revision and global M&A activities.

In Japan, corporate bankruptcies are on the rise, stimulating an increase in corporate restructuring needs. SMBC Group was a step ahead of the competition in developing a corporate restructuring business foundation to cater to these needs. On this front, we established SMBC Capital Partners Co., Ltd., a dedicated corporate restructuring company, in February 2020, and this company is planning equity investments to the tune of ¥60.0 billion during the period of the new Medium-Term Management Plan. The Wholesale Business Unit will provide group-based comprehensive solutions.

In response to the COVID-19 pandemic, the Wholesale Business Unit turned its attention to supporting customers in continuing their business activities and providing easy access to funding. To this end, we are conducting financing and other initiatives utilizing the support funds set up through a special operation of the Bank of Japan as well as the systems of credit guarantee companies and municipal governments. We are also flexibly revising financing procedures and assessment processes. Other efforts include enhancing our lineup of online services to offer payment and financing processing services through Internet banking schemes as well as business-matching services and cloud-based electronic contract services. Going forward, we will continue to fight the COVID-19 pandemic so that we can keep providing the services people rely on as a part of social infrastructure. At the same time, we aim to utilize digital technologies in our sales activities to an even greater degree.

Corporate Digital Solutions
The Corporate Digital Solution Department was established in FY2020 to support customers’ digitalization and new business creation efforts. For example, we aim to supply highly convenient digital services by increasingly linking the robotic process automation, electronic contract, and other digital services of Group companies.

Furthermore, we established Plari Town, Inc., a corporate digital platform operator, in May 2020. Utilizing this company’s platform, we will accelerate our corporate digital marketing efforts and deliver a diverse range of financial and non-financial services, including those of external partners, as we advance initiatives for creating new value.

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Transform your business with us
The Global Business Unit faced a difficult business environment over the course of the previous Medium-Term Management Plan due to factors such as US-China trade friction and the United Kingdom’s decision to leave the European Union. Amidst such adversity, we carried out various measures which produced steady results, permitting us to maintain upward trends in gross profit and net business profit. Specifically, we further enhanced collaborations between SMBC and SMBC Nikko Securities, advanced asset-turnover-based businesses, and expanded our product line-up in areas where we possess top-tier capabilities, such as aircraft leasing and project finance.

Addressing customer needs will remain at the heart of our operations under the new Medium-Term Management Plan as we leverage SMBC Group’s strengths to provide optimal solutions so that we can grow together with customers as a global financial group.

To this end, we will expand our overseas securities businesses and further enhance the competitiveness of products, such as sustainable finance, and combine them with the unique strengths SMBC Group has developed over the years to deliver solutions that are tailor made to address customers’ business issues and the issues facing society. This will allow us to shift toward a business model that is not overly dependent on expanding our balance sheet by deepening customers’ trust in SMBC Group, accelerating efforts to promote cross-selling and enhance our standing as customers’ trusted business partner, and improving our profitability and efficiency.

At the same time, we will focus on augmenting our earnings capacity through the expansion of operations in Asia and other growth markets. By deploying our Multi-Franchise Strategy, we aim to incorporate the growth of the Asian market while aggressively pursuing new growth opportunities, such as acquisitions geared toward obtaining new business platforms for the future.

Through such initiatives, we will boost the earnings capacity of the Group companies and investors, generate synergies, and heighten the Group’s overall strength. In addition, we will take measures to reinforce business platforms for supporting sustainable growth through means such as reinforcing corporate governance systems, diligently streamlining operational structures, and ensuring the stable procurement of foreign currencies.

<table>
<thead>
<tr>
<th>Contribution to Consolidated Net Business Profit</th>
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<tbody>
<tr>
<td><strong>FY2019</strong></td>
</tr>
<tr>
<td>Gross profit (JPY bn)</td>
</tr>
<tr>
<td>Expenses (JPY bn)</td>
</tr>
<tr>
<td>Overhead ratio</td>
</tr>
<tr>
<td>Net business profit (JPY bn)</td>
</tr>
<tr>
<td>ROE*2</td>
</tr>
<tr>
<td>RwA (JPY tn)</td>
</tr>
</tbody>
</table>

*1 Figures are after adjustments for interest rate and exchange rate impacts.
*2 Figures exclude medium- to long-term foreign currency funding costs.
Initiatives to Improve Profitability

The Global Business Unit is looking to enhance its corporate investment banking business, which merges its corporate investment banking business with its securities business. To this end, we will fully capitalize on Group strengths, such as our product/sector expertise and global network, in order to bolster our ability to provide integrated, group-wide solutions. Furthermore, we will develop multi-faceted business relationships by addressing customers’ business issues, as well as climate change and other social issues, through our expertise in areas such as sustainable finance, M&A advisory, and payment services.

We will also pursue initiatives aimed at improving profitability that do not require us to significantly expand our balance sheet. Efforts to this end will aim to increase efficiency in terms of both capital and assets, for example, by adopting a rigorous focus on profitability and strengthening our asset-turnover-based businesses’ customer investment needs.

Expansion in Asia, Other Growth Markets, and New Business Areas

Looking to expand its operations in growth markets, the Global Business Unit is directing efforts toward Asia and other new business areas.

In Indonesia, we are strengthening our business foundations and developing financial service franchises centered on PT Bank Tabungan Pensiunan Nasional Tbk (“BTPN”). We will enhance our foundations for medium- to long-term growth by developing relationships with mid-tier companies through intra-Group collaborations, in addition to augmenting our digital banking operations. The Global Business Unit is also expanding operations in countries such as India, the Philippines, and Vietnam, while also engaging in digital technology-related projects in Asia with the aim of capturing the region’s growth.

Another area of focus is the acquisition of business platforms in new growth markets, such as asset management.

Establishing Business Foundations That Meet the Needs of a Global Bank

Our global operations are becoming more complex due to the increasing speed at which the environment changes, for example market fluctuations, geopolitical risks, and the heightening expectations of regulatory authorities. To support such operations, the Global Business Unit is prioritizing the allocation of resources to the reinforcement of its corporate governance and risk management systems.

Furthermore, we will continue to diligently streamline our operations by revising business promotion frameworks and consolidating administrative functions so that we may secure resources that can be allocated to priority fields and generate surplus funds that can be invested in new businesses. For foreign currency funding, without which the sustainable growth of our overseas businesses cannot be realized, the focus will be on cost and stability as we diversify procurement sources and enhance the quality of deposits, which includes growing our share of the highly sticky deposits of non-financial firms.

Response to the COVID-19 Pandemic

The Global Business Unit has established a COVID-19 response fund that extends credit at favorable rates in order to support the cash flow needs of customers impacted by the COVID-19 pandemic and to support customers whose businesses contribute to efforts aimed at preventing the virus from further spreading. We are also contributing to the enhancement of the healthcare and education systems of emerging market economies. As one facet of these efforts, we have made donations to the Japan Committee for UNICEF and other public organizations to support the development of healthcare systems and vaccines.

We will devote our utmost efforts to support customers’ economic activities by maintaining the scope and quality of our global operations so that we are able to continue addressing their financial needs, regardless of the challenging overseas environment resulting from lockdowns and other factors.
The Global Markets Business Unit is committed to analyzing the various phenomena that occur throughout the world based on the “3Is” of insight, imagination, and intelligence in order to forecast the market trends that will emerge in the future. We adopt this approach based on the belief that it will create significant value in our efforts to manage SMBC Group’s investment portfolio and provide solutions to customers as market professionals.

We also position the enhancement of our foreign currency funding capabilities as a priority strategy. We are therefore expanding the range of investors and funding methods we utilize with the goal of providing reliable support for SMBC Group’s overseas operations.

When formulating the new Medium-Term Management Plan, the Global Markets Business Unit instituted a massive restructuring of its organization from a medium- to long-term perspective based on irreversible changes in the operating environment, such as the prolongation of the low interest rates seen around the world and the advancement of technologies. The goal of this restructuring was to further evolve our risk-taking processes, which represent the unit’s core business, while continuously heightening our ability to provide solutions to customers.

The current market environment is ripe with uncertainty, resulting in a rising sense of opaqueness. In the face of such volatility, we will reevaluate markets from an earnest perspective and, as market risk professionals, exercise our commitment to supplying customers with high levels of value.

Customer needs are becoming increasingly diverse, as indicated by the advancement of the digitalization trend and the growing interest in social issues. We therefore aim to effectively address these diversifying needs and contribute to the growth of customers and SMBC Group.

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
Masamichi Koike

<table>
<thead>
<tr>
<th>Contribution to Consolidated Net Business Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥398.8 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2019</th>
<th>Increase (Decrease)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit (JPY bn)</td>
<td>421.6</td>
</tr>
<tr>
<td>Expenses (JPY bn)</td>
<td>56.2</td>
</tr>
<tr>
<td>(Overhead ratio)</td>
<td>13.3%</td>
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<tr>
<td>Net business profit (JPY bn)</td>
<td>398.8</td>
</tr>
<tr>
<td>ROE**</td>
<td>45.9%</td>
</tr>
<tr>
<td>Rwd (JPY bn)</td>
<td>5.3</td>
</tr>
</tbody>
</table>

* Figures are after adjustments for interest rate and exchange rate impacts.
** Figures exclude IRRBB (Interest-Rate Risk in the Banking Book).
**Global Markets Business Unit**

**Priority Strategy 1**

**Flexible Portfolio Management in Response to Market Changes**
At the Global Markets Business Unit, we are constantly collecting and analyzing new information to fuel discussions and facilitate the formulation of various scenario projects. We thereby develop the capabilities to forecast the market trend in order to optimize our risk/return ratio. The dynamic and flexible operations of SMBC Group, founded on proactive observation of market fluctuations, are one of its strengths.

Looking ahead, it can be anticipated that globally low interest rates and technological progress will continue. In this environment, we will continue to manage assets in developed and other countries while exploring new revenue sources through means such as branching out into the bonds of emerging countries and other investment products and employing investment methods that take advantage of technologies.

**Priority Strategy 2**

**Enhancement of Solutions Provided through Marketable Financial Products**
The Global Markets Business Unit is expanding its product lineup and enhancing coordination between domestic and overseas product sales teams in order to respond to customers’ risk hedging and investment needs.

In addition to heightening product provision capabilities in response to the diversification and growing sophistication of customer needs, we will focus on offering tailor-made solutions based on risks associated with customer transactions and balance sheets. We will also develop systems for coordinating and providing these solutions on a global basis in the pursuit of further growth.

Meanwhile, the popularization of electronic transactions has created a pressing need for improving platform convenience and pricing capabilities. Accordingly, another focus will be cultivating Quants.

**Priority Strategy 3**

**Strengthening of Foreign Currency Funding Capabilities**
We seek to expand our investor base and diversify funding methods. Initiatives toward this purpose have included issuing Japan’s first covered bonds along with regular foreign currency bonds and utilizing cross-currency repo transactions. At the same time, we have been taking advantage of the favorable funding environment to raise funding in a manner that is suited to the market environment through means such as increasing medium- to long-term currency swaps.

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.

**Response to the COVID-19 Pandemic**
To support customers amid the COVID-19 pandemic, we are building systems to enable them to perform transactions with peace of mind without fear of missing out on the ideal timing. Specifically, we are proactively utilizing electronic transactions to make it possible for transactions to be performed anywhere. We are also staggering staff and shifts and spreading employees across multiple bases. Securing staff for services that can have a particularly large impact on customers, such as funding and market transactions, is being prioritized.
To Our Stakeholders

Business Strategies for Creating Value

Corporate Infrastructure Supporting Value Creation

SMBC Group Global Advisors

Sumitomo Mitsui Financial Group Directors

Sustainability Management

Customer-Oriented Initiatives

Internal Audit

Risk Management

Compliance

Human Resources Strategy

IT Strategies

Communication with Stakeholders

Financial Review
In initiatives for improving corporate governance, SMBC Group has implemented several key measures:

2002 - Establishment of Sumitomo Mitsui Financial Group

2006 - Formulation of “Basic Policy on Internal Control Systems” through internal control resolution made based on “Our Mission” and “Code of Conduct” in order to establish frameworks for ensuring appropriate operations

2010 - Listing of shares on the New York Stock Exchange in order to improve transparency of financial reporting, increase convenience for investors, and diversify fund procurement methods

2014 - Appointment of independent directors and independent auditors based on stipulations of the Tokyo Stock Exchange

2015 - Establishment of the “SMFG Corporate Governance Guideline” - Increase in the number of outside directors to five and the number of outside corporate auditors to three

2016 - Strengthening of Group governance by appointing the Chairman of SMBC Nikko Securities as a director of Sumitomo Mitsui Financial Group along with the President of SMBC - Commencement of evaluations of the effectiveness of the Board of Directors

2017 - Transition to a Company with Three Committees; increase in the number of outside directors to seven; establishment of voluntary Risk Committee, etc., structure described in the Companies Act.

2019 - Transitions to the Company with Audit and Supervisory Committee structure by core subsidiaries SMBC and SMBC Nikko Securities

2020 - Appointment of an outside director as the chairman of the Risk Committee

SMBC Mitsui Financial Group’s Corporate Governance System

In addition to fulfilling our responsibilities to stakeholders, which we consider to be “Our Mission,” SMBC Group has set forth a Vision for our medium- to long-term goals and Five Values as the core values to be shared by all executives and employees, and will seek to make the Vision and Five Values known as guiding principles for the group by all its directors and employees. Also, 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.

Through the implementation of effective corporate governance systems, we aim to prevent scandals and other forms of corporate misconduct while also achieving ongoing growth and medium- to long-term improvements in corporate value. We realize that there is no perfect form for corporate governance structures. Accordingly, we will continue working toward the strengthening and enhancement of corporate governance in order to realize higher levels of effectiveness.
Corporate Governance

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 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 26, 2020, 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.

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 elections, 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.

Audit Committee Composition

<table>
<thead>
<tr>
<th>Committee</th>
<th>Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Committee</td>
<td>Chairman 1, 3 outside directors (2 non-executive, 1 executive)</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>Chairman 1, 5 outside directors (4 non-executive, 1 executive)</td>
</tr>
<tr>
<td>Risk Committee</td>
<td>Chairman 1, 6 outside directors (5 non-executive, 1 executive)</td>
</tr>
</tbody>
</table>

Corporate Infrastructure Supporting Value Creation

Company strives to maintain the appropriate number of backgrounds and diverse expertise and experience. The officers.

and reflect these evaluations in its assessment of executive endeavors to appropriately evaluate company performance and the common interests of the shareholders. Any action to expedite the exercise of duties.

enhance the oversight function of the Board of Directors and 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.

About SMBC Group

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Corporate Infrastructure Supporting Value Creation

Corporate Governance

Support Systems for Outside Directors

The Company recognizes that outside directors require an in-depth understanding of the Group’s business operations and business activities. Accordingly, we endeavor to continually supply outside directors with the information and insights on business activities that are necessary to supervise management while also providing the opportunities needed to fulfill their roles. Initiatives to support directors in FY2019 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.
- Informal exchanges of opinion with internal officers by area of responsibility.
- 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:

- 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.
- A major shareholder of the Company or SMBC as a major shareholder, within the last three years.
- A person who 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.
- A major shareholder of the Company or SMBC as a major shareholder, within the last three years.
- 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 6 of the “SMFG Corporate Governance Guideline” for more information. [https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf](https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf)

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. At recent meetings, outside directors engaged in brisk exchanges of opinions aimed at better exercising their functions.

Discussions between Outside Directors and Investors and Analysts

In formulating the Medium-Term Management Plan that began in FY2020, we arranged discussions between outside directors and investors and analysts to enable these directors to receive direct input from the market. At the meetings, in-depth discussions were carried out centered on such high-interest topics as capital measures and the reduction of strategic holdings. This input was used in developing the Medium-Term Management Plan as well as capital measures and strategic holdings reduction plans.

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 FY2019, the evaluation focused on the three areas described below, which are areas for which provisions exist in Japan’s Corporate Governance Code and the “SMFG Corporate Governance Guideline.” All seven outside directors were asked for their opinions regarding these areas at meetings of the Board of Directors held in April and May 2020, and interviews of internal directors were conducted thereafter. The primary subject of interviews with internal directors was their expectations of outside directors. Discussions based on the findings took place at Board of Directors’ meetings in June, after which analyses and evaluations were carried out to determine whether or not the Board of Directors was executing its duties in line with the “SMFG Corporate Governance Guideline.” Moreover, reviews by external specialists with expertise from developed nations are received at each stage of the evaluation process.

Overview of Results of Evaluation of the Board of Directors’ Effectiveness

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.” In FY2019, the Board of Directors took part in discussions that carefully incorporated the input of outside directors on important themes pertaining to the Medium-Term Management Plan at an early stage in its development.
- 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.
- It is important for the Board of Directors to fulfill its role based on the changes in the operating environment to occur during and after the COVID-19 pandemic and supported by mutual understanding among inside and outside directors.

Proceedings of the Board of Directors and Support Systems for Outside 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 aligned with the appropriate levels. Discussions were livelier than those in the previous fiscal year due to clear identification of priority proposals and swift conclusion of discussions by the chairman of the Board as well as other improvements to proceedings.
- The Company continued to provide systems for effectively supporting the Board of Directors in making management decisions through various such as study sessions for outside directors and forums for discussions between outside directors and internal directors, executive officers, and the accounting auditor. In FY2019, the newly introduced informal exchanges of opinion with internal officers helped foster mutual understanding between outside directors and internal officers and thereby contributed to livelier discussions at meetings of the Board of Directors.
- It is desirable for the Company to continue arranging informal exchanges of opinion between outside directors and internal officers to better utilize the insight of outside directors and contribute to more frank discussions.

Composition of the Board of Directors

- As of March 31, 2020, the Board of Directors consisted of 15 directors, seven of which were outside directors. Accordingly, outside directors represented over 40% of all directors.
Compensation Program

To facilitate the fulfillment of Our Mission and the realization of Our Vision, SMBC Group’s medium- to long-term vision, we developed compensation program for Directors, Corporate Executive Officers and Executive Officers (the “Executives”) and introduced Stock Compensation Plans as a part of Executives compensation programs, for the purpose of:

1. Providing appropriately functioning incentives for Executives, strengthening linkages 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.

Executives Compensation System

<table>
<thead>
<tr>
<th>Compensation Components</th>
<th>Payment Standards (Range of Variation)</th>
<th>Payment Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>Fixed compensation</td>
<td>Cash</td>
</tr>
<tr>
<td>Bonus (cash)</td>
<td>Compensation determined based on SMFG’s annual performance (0%–150%)</td>
<td>Cash: 70%</td>
</tr>
<tr>
<td>Bonus (Stock Compensation Plan II)</td>
<td>Standard levels x annual performance of SMFG and SMBC as well as on the performance of the executive</td>
<td>Restricted stock: 30%</td>
</tr>
<tr>
<td>Stock Compensation Plan I</td>
<td>Compensation determined based on SMFG’s medium-term performance, etc. (0%–150%)</td>
<td>Restricted stock</td>
</tr>
<tr>
<td>Stock Compensation Plan II</td>
<td>(Promotion reward plan)</td>
<td>Applicable to malus and claw-back provisions</td>
</tr>
</tbody>
</table>

* Variable compensation is capped at a maximum of 100% of total base salary

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 Global 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 has appointed Global Advisors to provide advice to it on global business and on political and economic issues in the Americas, EMEA and Asia. At SMBC Group Global Advisory Meetings, advisors inform the Management Committee of trends and developments in the financial sector and the political and economic environments of respective regions. Global Advisors also provide regular insight with respect to political and economic issues related to the formulation of strategies and key risks faced by SMBC Group.

At the SMBC Group Global Advisory Meeting in November 2019, five SMBC Group Global Advisors and members of the Management Committee participated in lively discussions regarding the outlook for the business environment and growth strategies that should be recognized when formulating the new Medium-Term Management Plan. In particular, with regard to the business trends in the financial services sector, various opinions were raised concerning sentiments pertaining to recent international financial regulations and what strategies should be implemented in the future.

In addition, discussions were held with outside directors regarding the development of a global governance system. Furthermore, brisk exchanges of opinion took place on topics SMBC Group should consider in its global business, such as how to respond to the U.S.–China trade friction, geopolitical risks, and rapid digitalization.

By proactively utilizing recommendations and advice from SMBC Group Global Advisors, SMBC Group aims to realize its Vision to be "a trusted global solution provider committed to the growth of our customers and advancement of society" through the enhancement of Group management.

Dr. Andreas Dombret
2010–2018 A member of the Executive Board, Deutsche Bundesbank
2005–2006 Vice Chairman Europe, Bank of America

Dr. Robert D. Hormats
2020–Present Managing Director, Tiedemann Advisors
2013–2019 Vice Chairman, Kissinger Associates

Cesar V. Purisima
2013–2015 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
2005–2017 Vice Chairman, Barclays
1996–1999 British Ambassador to Japan

Joseph Yam
2017–Present A member of the Executive Council, Hong Kong SAR
1993–2009 Chief Executive of the Hong Kong Monetary Authority

Andrew N.Liveris
2017–Present Managing Director, Tiedemann Advisors
2000–2017 Chairman and CEO, The Dow Chemical Company

2010–2016 Secretary of Finance of the Republic of the Philippines
2004–2005 Secretary of Trade and Industry of the Republic of the Philippines

Corporate Governance

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Corporate Governance

Sumitomo Mitsui Financial Group Directors

(As of June 26, 2020)

Chairman of the Board

Takeshi Kunibe
1976 Joined Sumitomo Bank
2001 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
2013 Managing Executive Officer of SMBC
2015 Director and Deputy President of SMBC
2017 Director of the Company
Resigned as Director of SMBC
2019 Chairman of the Board of the Company (to present)

Director Senior Managing Corporate Executive Officer (Group CEO)

Jun Ohta
1992 Joined Sumitomo Bank
2005 Managing Executive Officer of SMBC
2012 Managing Executive Officer of SMBC
2014 Managing Executive Officer of the Company
2017 Director and Senior Managing Executive Officer of SMBC
Resigned as Director of SMBC
2019 Director President of the Company (to present)

Director Senior Managing Corporate Executive Officer

Makoto Takashima
1982 Joined Sumitomo Bank
2008 Executive Officer of SMBC
2010 Managing Executive Officer of SMBC
2014 Director and Senior Managing Executive Officer of SMBC
2016 Managing Executive Officer of SMBC
2017 Director and Senior Managing Executive Officer of SMBC
2019 Director of the Company (to present)

Haruyuki Nagata
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
2017 Director and Senior Managing Executive Officer of SMBC
2018 Director and Senior Managing Executive Officer of SMBC
2019 Director of the Company (to present)

Director Senior Managing Corporate Executive Officer

Toru Nakashima
1986 Joined Sumitomo Bank
2005 Executive Officer of SMBC
2013 General Manager of Corporate Planning Department of the Company
2015 Managing Executive Officer of SMBC
2016 Managing Executive Officer of the Company
2017 Director and Senior Managing Executive Officer of SMBC
2019 Director of the Company (to present)

AtsuhiKO Inoue
1981 Joined Sumitomo Bank
2008 Executive Officer of SMBC
2011 General Manager of Corporate Affairs Department of the Company
2013 Executive Officer of SMBC
2015 Managing Executive Officer of SMBC
2016 Managing Executive Officer of the Company
2017 Director and Senior Managing Executive Officer of SMBC
2019 Director of the Company (to present)

Director Senior Managing Corporate Executive Officer

Toru Mikami
1978 Joined Sumitomo Bank
2004 Executive Officer of SMBC
2009 Managing Executive Officer of SMBC
2010 Director and Senior Managing Executive Officer of SMBC
2012 Director and Deputy President of SMBC
2014 Director and Deputy Chairman of SMBC
2015 Resigned as Director of SMBC
2015 Advisor of SMBC Nikko Securities Inc. (“SMBC Nikko”)
2015 Representative Director, Deputy Chairman of SMBC Nikko
2016 Representative Director, President & CEO of SMBC Nikko
2020 Representative Director, Chairman of SMBC Nikko (to present)

Director

YoshikIKO Shimizu
1976 Joined Sumitomo Bank
2004 Executive Officer of SMBC
2005 Managing Executive Officer of SMBC
2009 Director and Senior Managing Executive Officer of SMBC
2012 Director and Deputy President of SMBC
2014 Director and Deputy Chairman of SMBC
2015 Resigned as Director of SMBC
2015 Advisor of SMBC Nikko Securities Inc. (“SMBC Nikko”)
2015 Representative Director, Deputy Chairman of SMBC Nikko
2016 Representative Director, President & CEO of SMBC Nikko
2020 Representative Director, Chairman of SMBC Nikko (to present)

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Sumitomo Mitsui Financial Group Directors
(As of June 26, 2020)

Masayuki Matsumoto
1967 Joined the Japanese National Railways
1987 Joined Central Japan Railway Company
2001 Registered Foreign Attorney

Arthur M. Mitchell
1970 Joined Ministry of Foreign Affairs of Japan
2001 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 Registered as an attorney at law, admitted in New York, the U.S.A. and Foreign Attorney at law, admitted in New York, the U.S.A. (to present)
2008 Registered as Foreign Attorney in Japan (to present)
2009 Director (to present)
2014 Retired as Director of Dow Corning Toray Co., Ltd (to present)
2015 Director of the Company (to present)
2017 Director of the Company (to present)

Shozo Yamazaki
1976 Registered as an attorney at law, admitted in New York, the U.S.A. (to present)
1979 Joined Tohoku University (to present)
1984 Registered as a certified public accountant (to present)
1991 Partner of Tohoku & Co. (currently Deloitte Tohmatsu & Co. (to present)
2008 Chairman and President of The Japanese Institute of Certified Public Accountants (to present)
2013 Director (to present)
2017 Director (to present)

Masaharu Kohno
1973 Joined Ministry of Foreign Affairs of Japan
1990 Registered as a certified public accountant (to present)
1991 Representative Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) (to present)
1992 Director (to present)
1995 Director of the Company (to present)
2000 Director (to present)
2015 Director of the Company (to present)

Yoshinobu Tsutsui
1977 Joined Ministry of Foreign Affairs of Japan
2000 Director of Nippon Life Insurance Company
2007 Director (to present)
2009 Registered as an attorney at law, admitted in New York, the U.S.A. (to present)
2011 Director (to present)
2017 Director of the Company (to present)

Katsuyoshi Shinbo
1958 Director (to present)
1967 Joined the Japanese National Railways
1984 Registered as an attorney at law (to present)
1985 Director and Managing Executive Officer of Nippon Life Insurance Company
2007 Director and Executive Officer of Nippon Life Insurance Company
2008 Director (to present)
2009 Chairman and CEO of Dow Corning Toray Co., Ltd (to present)
2010 Director (to present)
2011 Director (to present)
2013 Director of the Company (to present)
2014 Director of the Company (to present)
2015 Director (to present)
2017 Director of the Company (to present)
2018 Director (to present)
2019 Director (to present)

Eiko Sakurai
1967 Joined Ministry of Foreign Affairs of Japan
1999 Director (to present)
2002 Director (to present)
2005 Director (to present)
2006 Director (to present)
2009 Chairman and CEO of Dow Corning Toray Co., Ltd (to present)
2010 Director (to present)
2011 Director (to present)
2013 Director of the Company (to present)
2015 Director of the Company (to present)
2017 Director of the Company (to present)
2018 Director (to present)

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

Please see page 139 for information on SMBC’s Board of Directors, Directors, Members of the Audit and Supervisory Committee and Executive Officers.
Realizing a Sustainable Society
SMBC Group revised Our Mission to include the statement “We contribute to a sustainable society by addressing environmental and social issues.” This change was made to clearly indicate the Group’s stance toward making even larger contributions to the healthy development of society.

In conjunction with the revision of Our Mission, we established the SMBC Group Statement on Sustainability to indicate our basic stance toward contributing to the realization of a sustainable society along with “SMBC Group GREEN×GLOBE 2030,” a 10-year plan that extends to 2030. This statement and plan will guide us in pursuing sustainability.

Past
Dedication to Sustainability Seen in Predecessors of Mitsui and Sumitomo

Inheriting the dedication to sustainability that has been a part of the Mitsui and Sumitomo traditions for 400 years, SMBC Group will contribute to the realization of sustainability based on its three priority issues (materiality), “environment” as a corporate citizen that protects the green earth, as well as “community” and “next generation” as a member of society.

• Innovative business practices • Important developer of financial infrastructure

• Technological innovation in copper smelting • Afforestation activities for the beautification of mountains

Present
Recognition of Current Conditions and Our Role

Creating a society in which today’s generation can enjoy economic prosperity and well-being, and pass it on to future generations

2020–2030
Society We Aim to Achieve

SMBC Group GREEN×GLOBE 2030

Key Pillars of the Plan
1. Sustainability initiatives that are directed toward our customers/society.
2. Internal initiatives that contribute to sustainability management.
3. Enhance engagement with investors.

Example Targets

Green finance
Reduction of CO₂ emissions

Environment
Foundation of the society we aim to achieve
Social safety net to help the society we aim to achieve work smoothly

Community
Presence that makes society better and passes it on to future generations

Next Generation
Development of communities related to environmental and social issues
Provision of financial literacy education

Aggregate total to 1.5 million people

Definition of Sustainability
Creating a society in which today’s generation can enjoy economic prosperity and well-being, and pass it on to future generations

Sustainability
Management

Our Approach
Currently, we are facing various social issues on a global scale, and there is thus a need for a united effort between governments, companies, and people to work toward the realization of a sustainable society.

On this front, SMBC Group has established the Corporate Sustainability Committee, which is chaired by the Group CEO. Under the strong commitment of top management, SMBC Group is promoting sustainability management.
Environment

Environmental Initiatives
The global environment is an important asset that is shared by all of humanity, regardless of region or age, and a healthy environment is prerequisite to the realization of a sustainable society. SMBC Group is earnestly engaging with climate change and various other environmental issues. By helping resolve such issues through our business, we aim to ensure that we can pass on a healthy environment to future generations.

Sustainable Finance
SMBC Group is committed to the resolution of environmental and social issues through its business. One initiative for addressing financial issues is the provision of green finance specifically designed for environment-related initiatives. We have set the target of investing ¥10 trillion through green finance over the decade leading up to FY2029.

For example, we are helping promote 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, the new Sustainable Business Promotion Department established within the Wholesale Business Unit and the SDGs Finance Department inside of SMBC Nikko Securities’ Capital Markets Division are working to address environmental and social issues through finance together with customers.

ESG-Minded Financing Policies
SMBC Group has disclosed financing policies for businesses and sectors with a high risk of significantly impacting the environment or society. Major subsidiaries (SMBC, SMBC Trust Bank, Sumitomo Mitsui Finance and Leasing, and SMBC Nikko Securities) are introducing these policies according to their business.

Going forward, we will continue to engage with customers and various other stakeholders while constantly considering the need to revise our financing policies as necessitated by the operating environment.

ESG-Minded Financing Policies
SMBC Group has disclosed financing policies for businesses and sectors with a high risk of significantly impacting the environment or society. Major subsidiaries (SMBC, SMBC Trust Bank, Sumitomo Mitsui Finance and Leasing, and SMBC Nikko Securities) are introducing these policies according to their business.

Going forward, we will continue to engage with customers and various other stakeholders while constantly considering the need to revise our financing policies as necessitated by the operating environment.

Response to Climate Change (Announcement of Support for TCFD)
SMBC Group announced its support of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2017, and we are performing climate change scenario analyses and working together with customers to address the issues caused by 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. We are planning to release a TCFD report (scheduled for August 2020) while making efforts to enhance our disclosure of information.

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/sustainability/materiality/environment/climate/](https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/)

<table>
<thead>
<tr>
<th>Category</th>
<th>Initiatives</th>
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<tbody>
<tr>
<td>Governance</td>
<td>• Establishment of Group environmental policies</td>
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<tr>
<td></td>
<td>• Reflection of climate change response measures via the Corporate Sustainability Committee</td>
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<td></td>
<td>• Reports on climate change risks at the Risk Committee, a committee positioned within the Board of Directors, and the Management Committee</td>
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<tr>
<td>Physical Risks</td>
<td>• Analyses of anticipated water damage-associated credit-related expenses to be incurred in SMBC’s domestic operations under the Representative Concentration Pathways (RCP) 2.6 scenario (2°C scenario) and RCP 8.5 scenario (4°C scenario); aggregate costs of ¥930.5 billion–¥1,030.0 billion to be incurred leading up to FY2050</td>
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<tr>
<td>Strategy</td>
<td>• Analyses of credit-related costs to be incurred in energy, power, and other sectors by SMBC and overseas subsidiaries under the International Energy Agency’s Sustainable Development Scenarios; increase in annual costs of ¥10.0 billion–¥11.0 billion to be seen leading up to FY2050</td>
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<tr>
<td>Transition Risks</td>
<td>• Estimated carbon-related asset (power, energy, etc.) exposure ratio: 6.9% of all loans*</td>
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<tr>
<td>Opportunities</td>
<td>• Total financing of renewable energy projects of ¥630.0 billion achieved in FY2019</td>
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<td></td>
<td>• Issuance of bonds based on the guidelines of the International Capital Market Association and the Ministry of the Environment, Government of Japan</td>
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<tr>
<td>Risk Management</td>
<td>• Climate change risks positioned among Top Risks and stress test impact analyses conducted</td>
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<td></td>
<td>• Disclosure of financing policies for sectors with high climate change impacts (coal-fired power generation, oil and gas, coal mining, etc.)</td>
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<td>• Assessment of social and environmental risks based on the Equator Principles</td>
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<tr>
<td>Metrics and Targets</td>
<td>• Total of ¥10 trillion in green financing to be conducted from FY2020 to FY2029</td>
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<td></td>
<td>• CO2 emissions volumes of SMBC to be reduced by 30% from FY2018 by FY2029</td>
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<tr>
<td></td>
<td>• Outstanding coal-fired thermal power generation loans to be reduced to zero by FY2040 (applicable to project finance)*</td>
</tr>
</tbody>
</table>

*Excludes loans for renewable energy projects to provide a more accurate picture of climate-related risk exposure

1. Excludes loans for renewable energy projects to provide a more accurate picture of climate-related risk exposure
Social

Community

As people live and the economy advances, communities form connections between proponents in these areas and thereby encourage mutual support and enable each other to act in peace of mind. SMBC Group continues to contribute to communities and society and to fulfill our social responsibility as an entity that acts as a member of these communities.

GREEN×GLOBE Partners

The various environmental and social issues we face on a global scale are so massive that it is impossible for them to be resolved by one individual person or company. However, if people, companies, government agencies, and academic institutions can team up, united under a shared sense of conviction, we can take effective steps toward the resolution of these issues.

Based on this ambition, SMBC Group established GREEN×GLOBE Partners, a community for encouraging a wider range of people and companies to actively work together to resolve environmental and social issues.

SMBC Group aims to help contribute to resolve social and environmental issues together with customers through initiatives such as broadcasting a variety of meaningful information arising out of its collective insight.

Contributions to Communities and Societies Impacted by the COVID-19 Pandemic

SMBC Group has declared it intent to donate ¥1.5 billion to various organizations to help realize its desire for every customer, community, and society impacted by the COVID-19 pandemic to be able to go back to living healthily and with peace of mind as quickly as possible. In addition, we instated a matching gift scheme in which donations from Group officers and employees for supporting NPOs combating the pandemic are matched by the Company.

Recipients of these donations will include medical institutions and related organizations fighting to combat the spread of the virus and working to create an effective treatment and organizations helping develop medical systems in emerging nations. In addition, we are conducting donations to support culture and the arts given the difficulty of maintaining operations as groups in this field are forced to refrain from holding events. These donations to culture and the arts are founded on our belief that mental health is important in these uncertain times.

By supporting communities and society as a whole, we aim to help shape an empowered world in which everyone can live with peace of mind.

Next Generation

Ensuring the sustainability of our society and economy amid the changing social environment will require the cultivation of human resources who can support society with the necessary knowledge and technologies. SMBC Group is promoting sustainability by fostering the next generation of human resources and industries that will shape the society of the future together with us.

Financial Literacy Education

Capitalizing on its insight and expertise as a comprehensive financial group, SMBC Group is providing financial literacy education. We aim to supply such education to 1.5 million people by FY2029.

SMBC Consumer Finance has been holding PROMISE Financial and Economic Educational Seminars at its 17 Customer Service Plazas nationwide since FY2011. The aggregate number of participants in these seminars surpassed 1 million in FY2019. SMBC Consumer Finance is also expanding the educational programs it provides in response to the diversifying needs of participants. For example, it is coordinating with other Group companies to offer education on cashless payments and wealth management.

By providing financial literacy education to a wide range of age groups, from children to adults, SMBC Group will help build a society in which people can live with peace of mind by acquiring accurate knowledge pertaining to finances.

New Business Support Programs

To support next-generation businesses, SMBC Group is advancing the “Mirai” program. Through this program, we solicit business plans from people aspiring to commercialize some new idea or technology. A wide range of opportunities are provided to individuals whose plans passed the judging process, including business development support from advisors, networking assistance, and financial aid.

Through offering such support to start-ups and people looking to launch enterprises, we aim to form ties between companies and investors and thereby stimulate their growth and innovation and contribute to the development of next-generation industries.

By supporting communities and society as a whole, we aim to help shape an empowered world in which everyone can live with peace of mind.
CX Improvement System

We have established the CX Improvement Subcommittee as well as the CX Improvement Committee, through which we are advancing initiatives, reinforcing management systems, and promoting Group coordination related to customer-oriented business conduct.

Outside experts are invited to serve as advisors at meetings of the CX Improvement Subcommittee, where information is exchanged on how to fully entrench a customer-oriented mindset. Meanwhile, the CX Improvement Committee, which shares members with the Group Management Committee, deliberates on concrete measures based on reports from the CX Improvement Subcommittee.

Incorporation of Customer Feedback into Management

Customer-Oriented Initiatives

Our Approach

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

Customer-Oriented Business Initiative

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

- Basic Policy for Customer-Oriented Business Conduct (Excerpt)
  - SMBC Group’s Customer-Oriented Business Conduct
    - As one part of “Our Mission,” it is stated that “We grow and prosper together with our customers, by providing services of greater value to them.” Based on the spirit of this mission, we have defined our Five Values, a list of five key words that includes “Customer First” always think based on a customer-oriented perspective and provide value based on the individual needs of customers, shared by all the executives and employees of SMBC Group.

- Initiatives for Promoting Customer-Oriented Business Conduct
  - SMBC Group will implement the following initiatives to entrench the principles of customer-oriented business conduct into its activities.
    - 1. Provision of Products and Services Suited to the Customer
    - 2. Easy-to-Understand Explanation of Important Information
    - 3. Clarification of Fees
    - 4. Management of Conflicts of Interest
    - 5. Frameworks for Properly Motivating Employees

SMBC Group aims to facilitate the shift from savings to asset holding seen in Japan through such initiatives.

Furthermore, we will periodically disclose information on initiatives by SMBC Group based on this policy with the aim of facilitating understanding regarding these initiatives among customers. In addition, the status of initiatives and their results will be verified so that initiatives can be revised as necessary to improve upon operating practices. Information regarding these verifications and revisions will be disclosed.

- 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 continuously 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.
    - 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.

* 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 129 - 130.
Customer-Oriented Initiatives

Performance with Regard to Disclosed Indicators

In FY2019, the total balance of investment assets for SMBC, SMBC Nikko Securities, and SMBC Trust Bank continued to grow due in part to the continuation of customer-oriented initiatives focused on medium-to-long-term diversified investments.

Number of customers using wealth management products (Indicator 2)

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

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. Fixed rate sale 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. Total amount of mutual account numbers, balances, and ratio of new users
10. By product sales amounts of lump-sum insurance products
11. Rate of sales of investment trust products of Group companies
12. Sales amounts of investment trusts (including fund wraps)
13. Breakdown of monthly allocaton type and others
14. Risks and returns of investment trusts with top-ranking balance amounts
15. Number of customers commencing new transactions (right axis)
16. Acquisitions status of FP qualifications

Number of investment trust and automatic foreign currency deposit accounts (Indicator 3)

To respond to the needs of customers seeking to begin acquiring assets, we have been aggressively proposing investment trust products that allow for small-sum investments as well as time-dispersed investments in automatic foreign currency deposits. As a result, steady growth has been achieved in the number of investment trust and automatic foreign currency deposit accounts.

Internal Audit

Our Approach

As 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.

Internal Audit Framework

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-SII’s practices.

* The Institute of Internal Auditors (IIA) was founded in 1941 in the United States as an organization dedicated to raise the level of specialization and the status of professionals 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)).
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

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<tr>
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<tbody>
<tr>
<td>Top Risks</td>
<td>Risk Register (KRE)</td>
<td>Risk Appetite Framework</td>
<td>Stress Testing</td>
</tr>
<tr>
<td></td>
<td>KRE (Key Risk Events)</td>
<td>Two pivots of our business management</td>
<td>Business Strategy</td>
</tr>
</tbody>
</table>

Risk Appetite Composition

<table>
<thead>
<tr>
<th>Categories</th>
<th>Business</th>
<th>Primarily</th>
<th>Capacity</th>
<th>Credit</th>
</tr>
</thead>
</table>

- **Risk Appetite Statement**
  - A qualitative explanation of our approach to risk taking and risk management for various risk categories.
  - Establishes a risk policy for each risk category.

- **Risk Appetite Measures**
  - Quantitative Risk Appetite Measures that function as indicators for risks that we are considering taking and for tolerating.

   *1 Conduct Risk: Conduct risk is the risk that our conduct negatively affects customers, market integrity, effective competition, public interest, and SMBC Group’s stakeholders, through acts that violate laws and regulations or social norms.

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

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, individual risk appetites have been established for each category of risk.

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**
  - 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.
  - Please see page 113 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.
During a fiscal year, we will undertake stress testing on a flexible basis to assess the potential impact on our business and to take the appropriate response in case a serious risk event occurs. For example, stress tests have been conducted with regard to the intensifying trade conflict between the US and China, and the COVID-19 pandemic to verify the soundness of SMBC Group’s capital and confirm the appropriate actions to be taken.

In addition, we conduct detailed stress testing for individual risks such as credit risk, market risk, and liquidity risk, so as to decide and review risk-taking strategies. We are also in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As part of our efforts in this regard, we have included climate-related risk in our Top Risks, and scenario analyses on physical and transition risks have been conducted to estimate the potential credit-related expenses.

*3 Climate-related risk: Natural disasters resulting from extreme weather (physical risks) and carbon-related stranded assets due to the transition to a low-carbon society (transition risks) and so forth.

Please see page 88 for information on our approach to climate change.

**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.

**Response to the COVID-19 Pandemic**

SMBC Group has considered pandemics as one of Top Risks. In response to the COVID-19 pandemic, we quickly recognized the increase in liquidity risk with the framework which we were regularly utilizing to detect a sign of change.

Accordingly, we held Extraordinary ALM committee and closely shared the related information among the relevant divisions. After various verifications, we enacted a policy of meeting the customers funding needs as much as we can.

Furthermore, stress testing was used to quantitatively assess the adequacy of capital and liquidity levels based on the potential for the prolongation of the pandemic. It was thereby reaffirmed that the Group is able to guarantee financial soundness even under high-stress circumstances.

Meanwhile, the trend toward teleworking and other changes in workstyles prompted by the pandemic bring with them concern for cyber attack risks. We are combating these risks by strengthening security precautions and implementing measures that thoroughly enforce key information management considerations.

Various measures are carried out after such verifications and countermeasures are discussed by Executive Committee and Risk 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.

**SMBC Group’s Risk Management System**
Compliance Management
SMBC Group seeks to maintain a compliance system that provides appropriate instructions, guidance, and monitoring for compliance to ensure sound and proper business operations on a group-wide and global basis. Measures have been put in place to prevent misconduct and quickly detect inappropriate activities that have occurred to implement corrective measures.

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

In addition, SMBC Group formulated the Group Compliance Program to provide a concrete action plan for practicing compliance from the perspective of group-based management. 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. From the perspective of global-based management, compliance departments for major overseas offices have been reorganized within the Compliance Unit, which facilitated to develop an integrated group-based compliance management framework for overseas offices.

Compliance Systems at SMBC Group


define the Principles of Action on Compliance and Risk to serve as guidelines for executives and employees in practicing compliance and risk management. Continuous reviews are carried out to improve compliance with these guidelines and to ensure their effectiveness.

Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT)
SMBC Group recognizes the importance of preventing money laundering and terrorist financing (ML/TF), and therefore, undertake every effort to prevent ourselves and employees, from engaging in, and/or assistance to, the commission of ML/TF.

SMBC Group strictly complies with AML/CFT regulations by establishing a 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 and systems are implemented in accordance with the requirements of the relevant international organizations (e.g., the United Nations and the Financial Action Task Force Recommendations) and the laws/regulations of relevant countries including Japan.

Compliance Program to provide a concrete action plan for various work processes from the perspective of compliance.

Responsiveness to Risk Management
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Compliance Systems at SMBC Group

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 extend such practices into our operations as we aim to become a truly outstanding global group.

Initiatives for Supporting Healthy Risk Taking and Appropriate Risk Management
In order for companies to coexist with society and develop sustainable growth, it is crucial to take an appropriate amount of risks and to maintain appropriate risk management, including compliance. In particular, financial institutions should emphasize compliance and risk management, considering its public mission and the heaviness of the social responsibility.

Based on this recognition, management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities. SMBC Group is therefore devoted to improving its systems in these areas in order to become a truly outstanding global group.

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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 subsequently 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.

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.

Anti-Bribery and Corruption
The SMFG Group Policies for Anti-Bribery Compliance and Ethics have been established to prevent business entertainment and the provision or receipt of anything of value that violate laws, regulations or social practices and customs. Group companies have developed frameworks to prevent bribery and corruption based on these policies.

Response to Anti-Social Forces
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Basic Policy for Anti-Social Forces
3. Appropriately responded as an organization to any anti-social forces by cooperating with outside professionals.

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Human Resources Strategy

Our Approach
One overarching social trend is the change in relationship between companies and employees and there are more alterations and diversifications in employees’ attitudes toward work. SMBC Group has approximately 100,000 employees around the world. We aim to improve both employee motivation and productivity in order to effectively implement the Group’s management strategies. We envisage to be a bank with the best talent pool by fostering spontaneous learning opportunities, such as voluntary reeducation opportunities, to enable and encourage our employees to work more energetically and maximize their performance.

SMBC Group promotes business transformation and the streamlining of its business processes through business model reforms, branch reorganizations, and group-wide integration of operations. At the same time, we will be more proactive in realizing human resources on a group-wide basis to strategic fields and areas as designated in the seven key strategies of the new Medium-Term Management Plan.

By realizing efficient operations and proactive human resource management across Group companies, we aim to reduce the quantity of work to enable natural attrition of domestic workforce by 6,500 people over the new Medium-Term Management Plan period, an increase from the reduction of 4,900 people achieved in the previous Medium-Term Management Plan.

SMBC Group is establishing frameworks to accelerate inter-Group company secondments, enhance coordination in recruiting activities, and establish human resource systems to facilitate Group collaborations. In addition, we intend to cater to business necessities across entities through the use of human resource systems. Such necessities include realization of better coordination between SMBC, SMBC Nikko Securities, and SMBC Trust Bank to promote “SMBC Private Wealth” business targeted for high-net-worth customers, and the integration of head office functions of Sumitomo Mitsui Card Company and SMBC Consumer Finance, both responsible for our payment service business.

Realization of True Diversity and Inclusion

We aim to alleviate the “seven disparities” to enhance optimal allotment of human resources across Group companies and divisions.

1. Entity Disparity

Group-Wide Human Resources Strategy Based on Business Necessities
SMBC Group is establishing frameworks to accelerate inter-Group company secondments, enhance coordination in recruiting activities, and establish human resource systems to facilitate Group collaborations.

In addition, we intend to cater to business necessities across entities through the use of human resource systems. Such necessities include realization of better coordination between SMBC, SMBC Nikko Securities, and SMBC Trust Bank to promote “SMBC Private Wealth” business targeted for high-net-worth customers, and the integration of head office functions of Sumitomo Mitsui Card Company and SMBC Consumer Finance, both responsible for our payment service business.

2. Skill Set Disparity

Reduction Opportunities to Support New Challenges
SMBC Group encourages employees to take part in spontaneous learning opportunities, such as voluntary applications and career planning programs, through proactive disclosure of information related to human resource measures.

Furthermore, we are expanding training prior to assuming new positions and enhancing follow-up frameworks to support employees pursuing new challenges across Group companies or divisions, regardless of their current position or employee category.

3. Age Disparity

Create an Environment which Allows Employees to Tackle Challenges and Succeed, Regardless of Age or Seniority
We envisage to promote individuals to senior positions, such as executive positions at Group companies, regardless of age or length of career, as evidenced in SMBC CLOUDSIGN Inc.’s case where the president assumed the position in his 30s. At the same time, we encourage and support senior employees to contribute continuously, by offering recurrent training and establishing a dual career support system that provides flexible work options for employees older than 60.

4. Recruitment Disparity

Focus on Mid-Career Hiring
As our business domains change, we are enhancing mid-career hiring to acquire talent with diverse skills and backgrounds. In this regard, we have substantially expanded the business areas and positions for mid-career individuals in order to recruit diverse talent including candidates for management positions. Furthermore, we are enhancing support provided to mid-career hires by both the Human Resources Department and the assigned departments, to ensure early settlement and active contributions.

5. Gender Disparity

Enhancement of Diversity at Decision-Making Levels
SMBC Group is devoting efforts to fostering female management candidates by increasing hiring of women and offering them strategic career development support shortly after they join the organization. To ensure appointments and promotions are determined based on individuals’ skills and competencies, unconscious bias training has been made compulsory for management and members of the Human Resources Department.

Furthermore, in support of the LGBTI community and other sexual minorities, we are offering employee education and supporting the development of networks of sexual minority allies’ through aid and donations for external events.

Revision of HR Management Framework

Amid rising demand for motivation, environments conducive to growth, and social meaningfulness for the Company, we revised our HR Management Framework in January 2020 with the new slogan, “Be a Challenger”. The new framework is intended to enable and encourage our employees to work more energetically and maximize their performance.

HR Management Framework

Fair Integration of employee categories
Challenge Integration of job bands
Chance Integration of a hiring-career

Integration of Employee Categories
Employee categories have been integrated to allow employees to assume higher responsibilities based on their ambitions and skills.

Integration of Job Bands
Job bands have been integrated to enable fairer evaluations and compensation based on levels of contributions, and to realize early promotions by decoupling them from seniority.

Extension of Retirement Age
The retirement age has been extended to 65. Furthermore, the evaluation framework has been revised and the voluntary application system has been expanded to allow employees to tackle diverse challenges on a life-long basis.

Targets for FY2025

Ratio of female managers
Number of female executive officers

20%
20

13.26% in FY2019
13.26% in FY2019

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The Company has also expanded its employee welfare and benefit to include same-sex partners and set up helpdesks to support members of sexual minorities.

* A ally is someone who understands and supports members of the LGBT community and other sexual minorities, despite not belonging to such a group themselves, and who makes this stance clear.

6. Location of Hire Disparity
Establishment of Talent Development and Management Frameworks to Support Growing Overseas Businesses
SMBC Group advances its operations in more than 40 countries and regions worldwide, and these overseas businesses are driving the growth of the Group. To support these businesses, Group companies have formulated a “Statement on Health Management” and are accelerating their implementation.

To ensure our employees’ physical and mental health, we are maintaining good work environments by offering stress checks, preventive measures for mental health, support for employees returning from long absence, and consultation desks. To enhance health awareness, we also offer reimbursement for expenses associated with quitting smoking and encourage the taking of regular health examinations.

In addition, Group companies have formulated a “Statement on Health Management” and are accelerating their initiatives under the leadership of the Chief Health Officer.

Diversity and Inclusion Initiatives
Workforce Environment Development Aimed at Encouraging Efforts of a Diverse Workforce
SMBC Group is promoting “Diversity and Inclusion” as a growth strategy itself. The Group has formulated its “Diversity and Inclusion Statement” as a core philosophy to promote initiatives to actively contribute to a diverse workforce, enabling individuals to fully exercise their capabilities and skills. Under the new Medium-Term Management Plans, we aim to alleviate the aforementioned seven disparities and to truly realize the spirit of diversity and inclusion.

To accelerate diversity and inclusion initiatives through a concerted group-wide effort, SMBC Group has established the SMFG Diversity and Inclusion Department, holding regular discussions at meetings of the Board of Directors and the Management Committee. Furthermore, we are regularly hosting the SMFG Diversity and Inclusion Committee, chaired by the Group CEO.

Human Resources Strategy
The Company has also expanded its employee welfare and benefit to include same-sex partners and set up helpdesks to support members of sexual minorities.

1. Talent Development Strategy
SMBC Group has established the SMFG Learning and Development Institute to spearhead its group-wide talent development activities, in addition to developmental initiatives each Group company is advancing based on respective business environments. The Learning and Development Institute implements development programs for cultivating group-wide perspectives and fostering a sense of solidarity. Meanwhile, we are actively implementing joint programs with graduate schools and cross-Group job rotations to develop management candidates. Furthermore, we have established the “Digital University” and are expanding its range of courses to foster planning and development capabilities for transforming businesses with digital technologies.

SMBC, the core subsidiary of SMFG, is advancing the following initiatives.

• Human Resources Vision
SMBC has formulated its Human Resources Vision to serve as a long-term strategy for human resource development amid a volatile competitive climate. It is also shifting from Human Resources Department-driven development models to more business-oriented, self-controlled development models that support the growth of individuals based on self-disciplined tasks. SMBC supports the challenges of its employees, regardless of position or seniority.

• Enhancement of Experiential Learning
SMBC is taking steps to enhance on-the-job training. Such steps include frameworks through which new employees receive guidance from more experienced employees (“anchor” system) along with one-on-one feedback. For management, we offer SMBC Management Review, a multi-source feedback, to enable development through enhanced self-recognition.

• Self-Disciplined Career Support
Voluntary application systems for training, jobs, and posts are provided as frameworks for supporting self-driven career development and to enhance specialized skills. In addition, the annual SMBC Job Forum provides a platform to gain understanding of the business of each department, thereby enhancing the effectiveness of voluntary application systems. Voluntary application systems are also available for disabilities to domestic and overseas graduate schools and other external educational institutions. Furthermore, SMBC has introduced a system that allows employees to take leave to attend graduate schools (career planning leave system) and a system that offers financial support for paying tuition fees for employees attending graduate schools or seeking to acquire qualifications while continuing to work normally (career planning support system).

2. Corporate Culture
SMBC Group seeks to foster a sense of emotional safety in its corporate culture that allows employees to be frank and genuine in communication. For this reason, we have a dress code, enabling employees to wear what they please to work, and encourage employees to refer to each other with titles. In addition, we are determining the possibility of introducing an internal social media service as a digital tool for transmitting information about individuals, management, and organizations to better link people and organizations.

Meanwhile, engagement surveys are instituted to track levels of employee engagement and facilitate self-driven improvements by organizations. Employee awareness surveys are also conducted to develop an understanding of the levels of desire for coordination and solidarity among Group employees. These surveys have found that the average level of satisfaction among employees is at the high level of around 70%.

3. Concentration on Appealing Work
Dramatic and continuous improvements to the efficiency of routine tasks are being pursued to heighten productivity and to create an environment that gives rise to appealing work and allows employees to concentrate on performing high-value-added work. In addition to promoting robotic process automation, instituting paperless work practices and drastically revising meeting procedures, we are soliciting and implementing work-streamlining ideas from the perspectives of employees.

Furthermore, competitions in which employees can volunteer to participate and present their ideas are being held at various companies as divisions investigate possible new business models.
IT Investment Strategies
Under the new Medium-Term Management Plan, the budget for IT investments was increased to ¥500.0 billion, a rise from the ¥440.0 billion budget under the previous Medium-Term Management Plan, with the aim of fueling future growth. By effectively controlling investments in existing IT areas via efficient management, we will secure a significantly larger budget for strategic investments in areas such as digitalization. Specifically, we have secured a CEO budget of ¥100.0 billion to be used for flexible investments in areas in which the Group CEO expects growth in the future. With this budget, SMBC Group will promote digitalization, reinforce management foundations, and implement business strategies.

Increased IT Investments for Future Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Life-Form Management Plan</th>
<th>New Medium-Term Management Plan</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>440</td>
<td>500</td>
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</table>

Digitalization
The Digital Solution Division has been established to promote business model reforms and the creation of new value for customers through digitalization. In addition, the Digital Strategy Department and the Corporate Digital Solution Department have been set up within the Digital Solution Division. The Digital Strategy Department is responsible for the allocation of digital technology-related budget resources, the drafting and implementation of digitalization strategies, and the development of new businesses. Meanwhile, the Corporate Digital Solution Department is tasked with the co-creation of businesses with major companies and the planning and implementation of digital solutions.

Reformation and Reconstruction of Core Infrastructure Supporting Future Businesses
SMBC Group is developing core infrastructure with an eye toward the next decade based on the three perspectives of flexibility, sustainability, and efficiency with the aim of adapting to the medium- to long-term changes in the business environment and in customer needs.

1 Flexibility
Development of frameworks for connectivity with external and internal systems to allow for the adaptation and augmentation of flexible services.
2 Sustainability
Taking of actions for avoiding development of systems with weak computational structures and excessive consumption.
3 Efficiency
Cooperation of measures for rationalizing system structures and standardizing systems within the Group

Development of Human Resources for Supporting Sustainable Growth in a Digital Society
Accelerating digitalization at SMBC Group and contributing to customers and society require all employees, not just those in divisions dedicated to IT, to possess a digital-oriented mindset and basic IT knowledge. At SMBC Group, 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. The Digital University provides training for all employees on digital IT literacy and on IT adoption measures applicable to actual work. We are also devoted to fostering human resources with specialized skills. For this purpose, 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 Security Planning Department has been appointed as the Chief Information Security Officer (CISO). Positioned under the Group CIO and the Group Chief Risk Officer (CRO), the CISO has professional expertise regarding measures in this area, and steps have been taken to clarify the roles and responsibilities of the 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 cases 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 Security 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), Financial Services Agency Japan (Financials ISAC), 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.

SMBC Group’s Cyber Security Governance System

<table>
<thead>
<tr>
<th>Government, the enforcement agencies</th>
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<tbody>
<tr>
<td>National center of Incident readiness and Strategy for Cybersecurity</td>
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<tr>
<td>Metropolitan Police Department</td>
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<tr>
<td>*1</td>
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<tr>
<td>ISAC industry bodies</td>
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<tr>
<td>FI-ISAC</td>
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<tr>
<td>Financials ISAC</td>
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<tr>
<td>CDF/SM Council</td>
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<tr>
<td>*2</td>
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<tr>
<td>Security vendors, partners etc.</td>
</tr>
<tr>
<td>CSIRT (Computer Security Incident Response Team)</td>
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<tr>
<td>SMBC Group SOC (security operation center)</td>
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<tr>
<td>Group companies and offices in Japan / overseas</td>
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<td>Board of Directors / Management Committee</td>
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<tr>
<td>CISO (Chief Information Security Officer)</td>
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<tr>
<td>System Security Planning Dept.</td>
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<td>Financials ISAC Japan (Japanese equivalent of the FI-ISAC)</td>
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<td>*1 An organization responsible for coordinating financial industry-cyber security measures in the United States</td>
</tr>
</tbody>
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- **CISO (Chief Information Security Officer)**
- **System Security Planning Dept.**
- **SMBC Group SOC (security operation center)**
- **Group companies and offices in Japan / overseas**

**Board of Directors / Management Committee**

1. **CISO (Chief Information Security Officer)**
2. **System Security Planning Dept.**
3. **SMBC Group SOC (security operation center)**
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**SMBC Group CSIRT**

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<td>Risk Planning Dept.</td>
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**Corporate staff**

1. **IT Planning Dept.**
2. **Corporate Planning Dept.**
3. **Public Relations Dept.**
4. **General Affairs Dept.**
5. **Risk Planning Dept.**
Engagement with Shareholders and the Market

SMBC Group recognizes that appropriate disclosure of corporate and management information must form the foundation of our efforts to realize one of the statements posted in “Our Mission”: “We aim to maximize our shareholders’ value through the continuous growth of our business.” For this reason, we are taking steps to facilitate accurate understanding of our management strategies and financial position through investor meetings after announcements of financial results, conferences, one-on-one meetings, large meetings for individual investors, and other activities. These efforts have been highly evaluated, resulting in the Company winning the 2019 Award for Excellence in Corporate Disclosure (ranked No. 1 in the banking industry) from the Securities Analysts Association of Japan as well as the 2019 Best IR Award from the Japan Investor Relations Association.

Even faced with the COVID-19 pandemic, we endeavored to prevent declines in the quality of disclosure. As one effort for this purpose, the May 2020 investors briefing was conducted in the form of a video presentation by the Group CEO broadcast via the Internet and the question and answer session was carried out via teleconference.

Engagement with the Environment and Society

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 post-disaster restoration activities and clean-up activities in various regions. In addition, employees coordinate with NPOs through pro bono activities to help contribute to the resolution of social issues.

Activities in FY2019

- General meeting of shareholders: 3 meetings
- IR meetings for institutional investors and analysts: 11 meetings
- Other investor meetings with institutional investors and analysts: 20 meetings
- Conferences held by securities companies: 9 conferences
- Large meetings for individual investors: 5 meetings

*Including 37 viewers of simultaneous Internet broadcast

Engagement with Employees

Management implements various initiatives to engage with employees and foster mutual understanding. For example, when formulating the new Medium-Term Management Plan, a number of discussions were held regarding the new business areas to be targeted by SMBC Group. Junior employees from Group companies participated in these discussions, and the ideas and opinions that arose from these discussions were compiled to be used as advice for management. In the end, this input was incorporated into the policies and measures of the new Medium-Term Management Plan.

In addition, SMBC Group holds town hall meetings as venues for direct communication between management and frontline employees. In FY2020, these town hall meetings were conducted via video messages from members of management explaining their thoughts regarding management policies and strategies to employees. This precaution was taken out of consideration for the COVID-19 pandemic.

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. Business ideas that have won previous contests have since been transformed into new products and services.
## Financial Review

### Principal Financial Data

#### Consolidated Performance Summary

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated gross profit</td>
<td>2,004.0</td>
<td>2,900.7</td>
<td>2,981.1</td>
<td>2,846.2</td>
<td>2,766.6</td>
</tr>
<tr>
<td>Net interest income</td>
<td>1,422.9</td>
<td>1,306.6</td>
<td>1,390.2</td>
<td>1,311.4</td>
<td>1,276.8</td>
</tr>
<tr>
<td>Net fees and commissions + Trust fees</td>
<td>1,007.5</td>
<td>1,011.7</td>
<td>1,070.5</td>
<td>1,064.6</td>
<td>1,084.1</td>
</tr>
<tr>
<td>Net trading income + Net other operating income</td>
<td>473.5</td>
<td>548.0</td>
<td>549.3</td>
<td>495.2</td>
<td>463.9</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>1,724.8</td>
<td>1,817.4</td>
<td>1,813.9</td>
<td>1,775.1</td>
<td>1,735.6</td>
</tr>
<tr>
<td>Overhead ratio</td>
<td>99.4%</td>
<td>82.1%</td>
<td>69.0%</td>
<td>80.3%</td>
<td>82.8%</td>
</tr>
<tr>
<td>Equity in gains (losses) of affiliates</td>
<td>196.2</td>
<td>14.6</td>
<td>39.0</td>
<td>61.1</td>
<td>56.1</td>
</tr>
<tr>
<td>Consolidated net business profit</td>
<td>1,142.2</td>
<td>1,136.9</td>
<td>1,128.8</td>
<td>1,109.3</td>
<td>1,080.5</td>
</tr>
<tr>
<td>Total credit cost (gains)</td>
<td>102.8</td>
<td>164.4</td>
<td>94.2</td>
<td>110.3</td>
<td>172.0</td>
</tr>
<tr>
<td>SMBC non-consolidated</td>
<td>13.2</td>
<td>61.1</td>
<td>(26.7)</td>
<td>22.2</td>
<td>49.6</td>
</tr>
<tr>
<td>Gains (losses) on stocks</td>
<td>74.9</td>
<td>102.7</td>
<td>119.9</td>
<td>115.3</td>
<td>80.5</td>
</tr>
<tr>
<td>Other income (expenses)</td>
<td>121.5</td>
<td>131.6</td>
<td>138.4</td>
<td>133.1</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>495.4</td>
<td>1,059.9</td>
<td>1,194.1</td>
<td>1,135.3</td>
<td>932.1</td>
</tr>
<tr>
<td>Extraordinary gains (losses)</td>
<td>(51.5)</td>
<td>(26.6)</td>
<td>(55.3)</td>
<td>(31.7)</td>
<td>(43.4)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>126.0</td>
<td>171.0</td>
<td>279.5</td>
<td>334.4</td>
<td>167.7</td>
</tr>
<tr>
<td>Profit attributable to non-controlling interests</td>
<td>108.4</td>
<td>101.0</td>
<td>94.0</td>
<td>65.5</td>
<td>17.1</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>496.7</td>
<td>795.5</td>
<td>749.4</td>
<td>726.7</td>
<td>703.9</td>
</tr>
</tbody>
</table>

#### Consolidated Balance Sheet Summary

<table>
<thead>
<tr>
<th>March 31</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>186,658.8</td>
<td>187,319.6</td>
<td>199,069.3</td>
<td>203,803.9</td>
<td>219,863.5</td>
</tr>
<tr>
<td>Loans and bills discounted</td>
<td>75,066.1</td>
<td>80,237.3</td>
<td>72,965.9</td>
<td>72,797.2</td>
<td>82,517.6</td>
</tr>
<tr>
<td>Securities</td>
<td>25,264.8</td>
<td>24,638.1</td>
<td>25,172.7</td>
<td>24,388.0</td>
<td>27,128.8</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>176,138.0</td>
<td>187,073.8</td>
<td>190,625.9</td>
<td>197,017.5</td>
<td>200,078.6</td>
</tr>
<tr>
<td>Deposits</td>
<td>110,658.8</td>
<td>117,892.0</td>
<td>116,477.5</td>
<td>122,353.0</td>
<td>127,042.2</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>12,450.0</td>
<td>11,890.0</td>
<td>11,203.3</td>
<td>11,165.5</td>
<td>10,180.4</td>
</tr>
<tr>
<td>Total net assets</td>
<td>10,479.0</td>
<td>11,244.8</td>
<td>10,464.9</td>
<td>10,490.5</td>
<td>10,764.9</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>7,454.3</td>
<td>8,119.1</td>
<td>8,637.6</td>
<td>9,054.4</td>
<td>9,354.3</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>4,334.5</td>
<td>5,036.8</td>
<td>5,562.6</td>
<td>5,902.2</td>
<td>6,336.3</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>1,459.5</td>
<td>1,612.5</td>
<td>1,733.4</td>
<td>1,733.9</td>
<td>1,365.7</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,533.0</td>
<td>1,409.3</td>
<td>1,211.8</td>
<td>976.5</td>
<td>62.9</td>
</tr>
</tbody>
</table>

### Financial Indicators

<table>
<thead>
<tr>
<th>March 31</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core capital ratio (BIS guidelines)</td>
<td>17.0%</td>
<td>16.9%</td>
<td>19.6%</td>
<td>20.7%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Tier 1 capital ratio (BIS guidelines)</td>
<td>18.6%</td>
<td>14.9%</td>
<td>16.6%</td>
<td>18.3%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Common equity Tier 1 capital ratio (BIS guidelines)</td>
<td>11.8%</td>
<td>12.7%</td>
<td>14.5%</td>
<td>16.3%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Dividend per share (Yen)</td>
<td>1.50</td>
<td>1.50</td>
<td>1.50</td>
<td>1.70</td>
<td>1.60</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>32.7%</td>
<td>29.3%</td>
<td>30.7%</td>
<td>34.6%</td>
<td>37.0%</td>
</tr>
<tr>
<td>ROA (net income / total assets)</td>
<td>2.9%</td>
<td>2.9%</td>
<td>2.9%</td>
<td>2.9%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

### Market Data

<table>
<thead>
<tr>
<th>(As of the end of each fiscal year)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nikkei Stock Average (Year)</td>
<td>20,650</td>
<td>18,906</td>
<td>21,454</td>
<td>21,206</td>
<td>18,517</td>
</tr>
<tr>
<td>Foreign exchange rate (USD/JPY)</td>
<td>112.62</td>
<td>112.97</td>
<td>106.25</td>
<td>111.00</td>
<td>108.81</td>
</tr>
</tbody>
</table>

### Consolidated Performance Summary

#### Consolidated Net Business Profit

Consolidated net profit decreased by ¥77.6 billion year-on-year to ¥2,768.6 billion. This decrease was primarily results of the impacts of group reorganizations and the COVID-19 pandemic, which outweighed the increase in gains on sales of bonds with the decline of overseas interest rates.

General and administrative expenses increased by ¥26.6 billion year-on-year to ¥1,735.6 billion, following the continued overseas expenditure.

As a result, consolidated net business profit decreased by ¥107.2 billion year-on-year to ¥1,085.0 billion. Excluding the impacts of reorganizations and the COVID-19 pandemic, it reached the same level as FY2019.

#### Profit Attributable to Owners of Parent

Total credit cost increased by ¥60.4 billion year-on-year to ¥170.6 billion, due to the absence of gains on reversal of reserves for large obligors recorded in FY21020 and the record of various possible loan losses arising from the COVID-19 pandemic.

As a result, ordinary profit decreased by ¥203.2 billion year-on-year to ¥932.1 billion. In addition, profit attributable to owners of parent decreased by 22.8 billion year-on-year to ¥703.9 billion, because impairment losses on goodwill of SMBC Trust Bank Ltd.’s business, PRESTIA, were recognized, whereas the absence of tax costs at Sumitomo Mitsui Card Motor Co., Limited, which joined in the consolidated corporate-tax system recorded last year, but exceeded the disclosed target of ¥700.0 billion.

### Financial Impacts of Group Reorganization

#### Consolidated gross profit

The consolidated impact of the deconsolidation of Asia United Banking Corporations, THE KANZAI BANK, LTD. and securities Mitsubishi Finance and leasing Company, limited, which are current equity method affiliates, the consolidation of FY21 Bank Telektronik Perseroan National, the conversion of Securities World Inc. into a consolidated subsidiary, the acquisition of a wholly owned subsidiary recorded last year

#### Non controlling interests

Profit attributable to owners of parent decreased by ¥10.0 billion year-on-year to ¥104.0 billion.
### Financial Review

#### Consolidated Balance Sheet Summary

<table>
<thead>
<tr>
<th>Loans and Bills Discounted (SMBC non-consolidated)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yearly</td>
<td>Month-on-month</td>
<td>YoY</td>
</tr>
<tr>
<td>Loans and bills discounted increased by ¥3,785.6 billion year-on-year to ¥80,187.4 billion due to an increase in overseas loans.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Balance of Loan (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and bills discounted</td>
<td>¥80,187.4</td>
<td>¥76,492.8</td>
</tr>
<tr>
<td>Gross loans</td>
<td>¥74,160.3</td>
<td>¥70,440.5</td>
</tr>
<tr>
<td>Interest earned on loans</td>
<td>¥2,567.8</td>
<td>¥2,268.0</td>
</tr>
<tr>
<td>Interest paid on domestic deposits</td>
<td>¥1,602.3</td>
<td>¥1,535.3</td>
</tr>
<tr>
<td>Interest paid on overseas deposits</td>
<td>¥1,326.6</td>
<td>¥1,287.6</td>
</tr>
</tbody>
</table>

#### Domestically and Overseas Loans (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestically</td>
<td>¥57,186.9</td>
<td>¥53,512.5</td>
</tr>
<tr>
<td>Overseas</td>
<td>¥22,990.5</td>
<td>¥22,980.3</td>
</tr>
</tbody>
</table>

#### Balance of Loan (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
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<td>¥1,326.6</td>
<td>¥1,287.6</td>
</tr>
</tbody>
</table>

#### Domestic Loan-to-Deposit Spread (%) (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic loan-to-deposit spread decreased by 0.03% year-on-year to 0.91% primarily as a result of a decrease in net unrealized gains on other securities.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Risk-Weighted Assets

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-weighted assets increased by ¥2,656.3 billion year-on-year, due to an increase in overseas loans.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Capital

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Common equity Tier 1 capital decreased by ¥73.3 billion year-on-year due to a decrease in net unrealized gains on other securities.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Shareholder Returns

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Dividend per Share of Common Stock</td>
<td>¥29.8</td>
<td>¥27.4</td>
</tr>
</tbody>
</table>

#### Leverage Ratio

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage ratio</td>
<td>4.31%</td>
<td>4.48%</td>
</tr>
</tbody>
</table>

#### External TLAC Ratio

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-weighted asset basis</td>
<td>23.06%</td>
<td>24.95%</td>
</tr>
<tr>
<td>Leverage exposure basis</td>
<td>7.64%</td>
<td>6.19%</td>
</tr>
</tbody>
</table>
SMBC Group is holding events across Japan with the aim of generating interest in the Olympic and Paralympic Games Tokyo 2020. For example, an event for SMBC Group employees and their family members was arranged in Olympic Stadium, which will be a principal venue for Tokyo 2020 Games. SMBC, on a standalone basis, is helping with performances in the Olympic Concert 2020 Premium Sound Series of concerts arranged by the Japanese Olympic Committee. A portion of the revenues from these concerts is being donated to the organizations fostering future athletes in the areas where concerts are held.

SMBC Group remains united in its ongoing commitment to ensuring the success of the Olympic and Paralympic Games Tokyo 2020.