

# Response to Administrative Actions and Efforts to Prevent Recurrence

In response to the market manipulation cases in which former executive officers and employees of SMBC Nikko Securities violated Article 159, Paragraph 3 (concerning illegal stabilization transactions) of the Financial Instruments and Exchange Act, as well as cases of exchange of non-public information between executive officers and employees of SMBC Nikko Securities and Sumitomo Mitsui Banking Corporation (violations of regulations on the firewall between banking and securities operations), the Company, SMBC Nikko Securities, and Sumitomo Mitsui Banking Corporation formulated and announced improvement measures in November 2022 based on deliberations by the Board of Directors to ensure that such incidents do not recur.

Since then, we have worked to strengthen our business management structure and internal control structure and to foster a sound corporate culture through the steady implementation of the improvement measures.

Formulation and construction of individual improvement measures have generally progressed according to plan, and steps through the verification of effectiveness of individual improvement measures by internal auditors and outside attorneys have been completed.

At the same time, as continuous efforts are required for further communication and entrenchment of the improvement measures, we will continue taking action as a unified Group to enforce the improvement measures.

## Progress of Improvement Plan

November 2022: Formulate an improvement plan



	① Strengthening of business management system	② Strengthening the Internal Control System	③ Fostering of sound corporate culture
Market manipulation cases	<b>SMBC Nikko Securities</b> <ul style="list-style-type: none"> <li>Strengthening of supervision of management execution</li> <li>Implementation of compliance training for senior executives</li> <li>Resource allocation with priority on defense</li> <li>Regular reviews of personnel and IT investment status</li> <li>Strengthening of expertise in First and Second Line</li> <li>Active hiring of outside human resources</li> <li>Product and Services Council</li> <li>Discuss risks, issues, and responses to these among the First and Second Line of defense</li> </ul>	<ul style="list-style-type: none"> <li>Improve the effectiveness of the Three Lines of Defense system</li> <li>Implementation of target operating model utilizing external knowledge</li> <li>Strengthening of functions of Compliance Division</li> <li>Fraudulent Trade Prevention Committee</li> <li>Deliberation by First and Second Lines on unfavorable incidents in trade control, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Communication and enforcement of new corporate philosophy system</li> <li>Ongoing meetings on "Our Mission" to communicate the new corporate philosophy</li> <li>Town Hall meetings</li> <li>Two-way discussions on improvement measures, company directions, etc.</li> <li>"Day to Learn from Past Misconduct"</li> <li>Establishment of a day for all executives and employees to look back on past misconduct to keep them fresh in memory</li> </ul>
	<b>Sumitomo Mitsui Financial Group</b> <ul style="list-style-type: none"> <li>Strengthen involvement in SMBC Nikko Securities' executive personnel and resource allocation plan, and verify its sufficiency</li> </ul>		
Violation of regulations on the firewall between banking and securities operations	<b>④ Strengthening of business management system</b> <ul style="list-style-type: none"> <li>Implementation of compliance training for senior executives</li> <li>Strengthening of SMFG's Compliance Department system</li> </ul>	<b>⑤ Strengthening of customer information management system</b> <ul style="list-style-type: none"> <li>Enforcement of information management rules</li> <li>Strengthening of post-incident monitoring</li> </ul>	<b>⑥ Fostering of compliance awareness</b> <ul style="list-style-type: none"> <li>Study sessions at sales branches</li> <li>Expansion of training opportunities</li> </ul>

Verification of effectiveness by internal auditors and outside attorneys