



# Investor Meeting FY3/2023

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May 18, 2023



SUMITOMO MITSUI  
FINANCIAL GROUP

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Hello everyone, this is Ohta.

I would like to express my gratitude for your continuous support.

We announced the previous Medium-Term Management Plan in May 2020, during the first state of emergency in Japan, not through a live event but by uploading a pre-recorded video to our website.

It was such a shame that I could not announce in person my first Medium-Term Management Plan as Group CEO.

Today, I am very pleased to explain about our new Medium-Term Management Plan at this conference.

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 managements with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements.

Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and our operating results, and investors’ decisions.

Exchange rates (TTM)

	Mar.22	Mar.23
USD	122.41	133.54
EUR	136.81	145.75

Definitions

SMFG	Sumitomo Mitsui Financial Group, Inc.
SMBC	Sumitomo Mitsui Banking Corporation
SMBC Trust	SMBC Trust Bank
SMFL	Sumitomo Mitsui Finance and Leasing
SMBC Nikko	SMBC Nikko Securities
SMCC	Sumitomo Mitsui Card Company
SMBCCF	SMBC Consumer Finance
SMDAM	Sumitomo Mitsui DS Asset Management
SMBCAC	SMBC Aviation Capital
Major local subsidiaries	SMBC Bank International, SMBC Bank EU, SMBC (China)
Consolidated	SMFG consolidated
Non-consolidated	SMBC non-consolidated
Expenses (non-consolidated)	Excluding non-recurring losses
Net business profit	Before provision for general reserve for possible loan losses
Retail Business Unit (RT)	Domestic retail business
Wholesale Business Unit (WS)	Domestic wholesale business
Global Business Unit (GB)	International business
Global Markets Business Unit (GM)	Market / Treasury related businesses

# Agenda

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This is today's agenda.

I will start with the financial result of FY3/23, and move on to the new Medium-Term Management Plan and capital policy.



# Financial Results

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# Income statement

Both consolidated net business profit and profit attributable to owners of parent increased YoY and exceeded full year target.

	(JPY bn)	FY3/23	YoY	vs. target
1 Consolidated gross profit		3,170.2	+224.7	
2 G&A expenses		1,949.2	+128.1	
Overhead ratio		61.5%	(0.3)%	
3 Equity in gains (losses) of affiliates		55.5	+27.0	
4 Consolidated net business profit		1,276.4	+123.6	+11.4
5 Total credit cost		210.2	(64.2)	+0.2
6 Gains (losses) on stocks		155.9	(53.2)	
7 Other income (expenses)		(61.2)	(14.3)	
8 Ordinary profit		1,160.9	+120.3	+40.9
9 Extraordinary gains (losses)		(62.5)	+48.6	
10 Income taxes		282.1	+67.6	
11 Profit attributable to owners of parent		805.8	+99.2	+35.8
12 ROE <sup>*1</sup>		8.0%	+0.7%	

**Consolidated gross profit<sup>\*2</sup>:** increased YoY due to  
1) loan growth and related transactions in WS and GB, and  
2) strong performance of payment business.  
Impact of FX: +89

**G&A expenses:** increased YoY mainly due to consolidation of Fullerton India, as well as higher variable marketing cost of SMCC, which is successfully increasing new customers.  
Impact of FX: +51

**Equity in gains of affiliates:** increased YoY mainly due to gains on change in equity of Bank of East Asia.  
Impact of FX: +4  
Impairment of aircraft in SMBCAC: (34), 79% of NBV in total

**Total credit cost:** decreased YoY due to the absence of large reserves recorded in FY3/22, while recorded forward-looking provisions (48).

**Gains on stocks:** decreased due to lower gains on sales of strategic shareholdings (132, YoY (30)).

**Extraordinary losses:** decreased YoY despite recording impairment of branches in SMBC (30) due to the absence of larger impairment of branches and software in SMBC and SMBC Trust recorded last year.

\*1 Based on shareholder's equity \*2 Impact from SMBC Nikko incident: JPY (37) bn

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This is a brief summary of FY3/23 results.

Consolidated gross profit exceeded JPY 3 tn for the first time since establishment of SMBC Group, due to the balanced increase in profits across key businesses in each business unit in addition to positive impact of FX.

Consolidated net business profit increased significantly YoY by JPY +123.6 bn, exceeding the full-year target which was revised upward in November 2022.

Credit cost decreased YoY by JPY 64.2 bn due to the absence of reserves for large borrowers, despite recording forward-looking provisions to prepare for an uncertain environment.

As a result, profit attributable to owners of parent reached JPY 805.8 bn, exceeding JPY 800 bn for the first time after FY3/14, despite taking proactive measures for future risks, including impairment of retail branches of SMBC.

## (Ref.) Group companies

### SMBC

	(JPY bn)	FY3/23	YoY	vs. target
1 <b>Gross banking profit</b>		1,699.5	+120.3	
2 o/w Net interest income		1,164.2	+73.1	
3 o/w Gains (losses) on cancellation of investment trusts		39.3	(2.2)	
4 Domestic		634.7	(4.1)	
5 Overseas		529.5	+77.2	
6 o/w Net fees and commissions		456.1	+57.6	
7 Domestic		217.3	+19.1	
8 Overseas		238.7	+38.5	
9 o/w Net trading income+ Net other operating income		76.9	(10.5)	
10 o/w Gains (losses) on bonds		(86.7)	(44.4)	
11 <b>Expenses</b>		883.6	+26.4	
12 <b>Banking profit</b>		815.9	+93.9	(24.1)
13 <b>Total credit cost</b>		115.5	(45.7)	+35.5
14 <b>Gains (losses) on stocks</b>		141.7	(15.6)	
15 <b>Extraordinary gains (losses)</b>		23.7	(4.1)	
16 <b>Net income</b>		634.2	+87.9	+44.2

\*1 YoY includes the impact of group reorganization

\*2 Including profit from overseas equity-method affiliates of SMBC Nikko (consolidated subsidiaries of SMFG)

\*3 Managerial accounting basis

### Other major group companies

(left : results of FY3/23 / right : YoY)						
(JPY bn)	SMCC		SMBCCF <sup>*1</sup>		SMBC Nikko <sup>*2</sup>	
<b>Gross profit</b>	449.4	+43.4	278.4	+7.4	263.4	(125.4)
<b>Expenses</b>	375.5	+35.6	126.7	+5.7	325.3	+0.6
<b>Net business profit</b>	74.3	+8.4	133.6	(16.5)	(61.9)	(126.0)
<b>Net income</b>	21.8	+2.0	44.1	(22.6)	(45.7)	(93.8)

(Equity method affiliate)					
	SMBC Trust		SMDAM		50% SMFL <sup>*3</sup> 50%
<b>Gross profit</b>	58.2	+9.7	36.1	(3.1)	271.0 +37.6
<b>Expenses</b>	36.8	(7.3)	30.3	+0.1	122.4 +19.2
<b>Net business profit</b>	21.4	+17.0	5.8	(3.2)	158.4 +20.2
<b>Net income</b>	17.1	+33.0	3.3	(2.1)	51.8 +16.4

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# Target for FY3/24

## Consolidated

(JPY bn)	Results	Target	
	FY3/23	FY3/24	1H
Consolidated net business profit	1,276.4	① 1,340	670
Total credit cost	210.2	② 230	110
Ordinary profit	1,160.9	1,160	590
Profit attributable to owners of parent	805.8	820	420

①	Consolidated net business profit	YoY: JPY+63.6bn Due to the profit increase in RT, WS, and GB through proceeding initiatives of the Medium-Term Management Plan.
②	Total credit cost	YoY: JPY+19.8bn Due to increasing consumer finance.

## Non-Consolidated

(JPY bn)	Results	Target	
	FY3/23	FY3/24	1H
Banking profit	815.9	765	380
Total credit cost	115.5	85	40
Ordinary profit	865.8	745	385
Net income	634.2	520	270

## Assumptions

USD	JPY 120	EUR	JPY 130
Interest rate	Policy rate: (0.1)% JGB 10yr interest rate: 0.5%		

Bottom-line profit target for FY3/24 is JPY 820 bn.

This is the minimum number we need to achieve even if the down-side risk scenario arise in this uncertain environment.

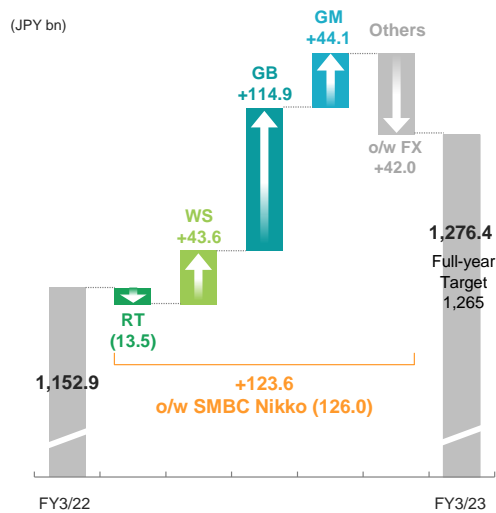
If the situation would not go worse than we expected, we would like to challenge higher goal.

We would steadily increase our profit step by step to achieve the target of JPY 900 bn in our new Medium-Term Management Plan which I am going to explain later, while keeping in mind the record high profit.

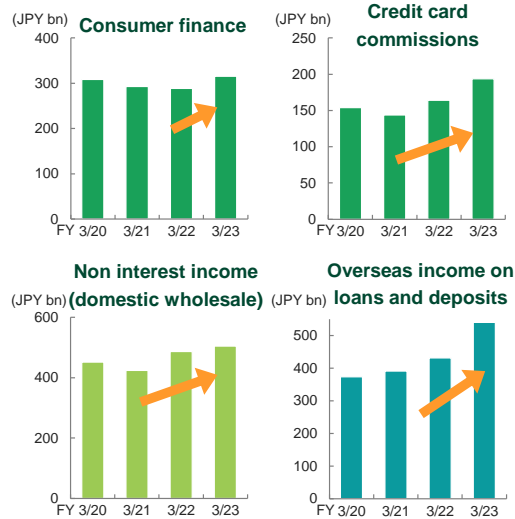
# Consolidated net business profit

Recorded JPY 1,276.4 bn, which exceeded full year target (YoY JPY +123.6 bn.)  
Profit decline in retail business was offset by strong growth of other businesses.

## Breakdown of YoY

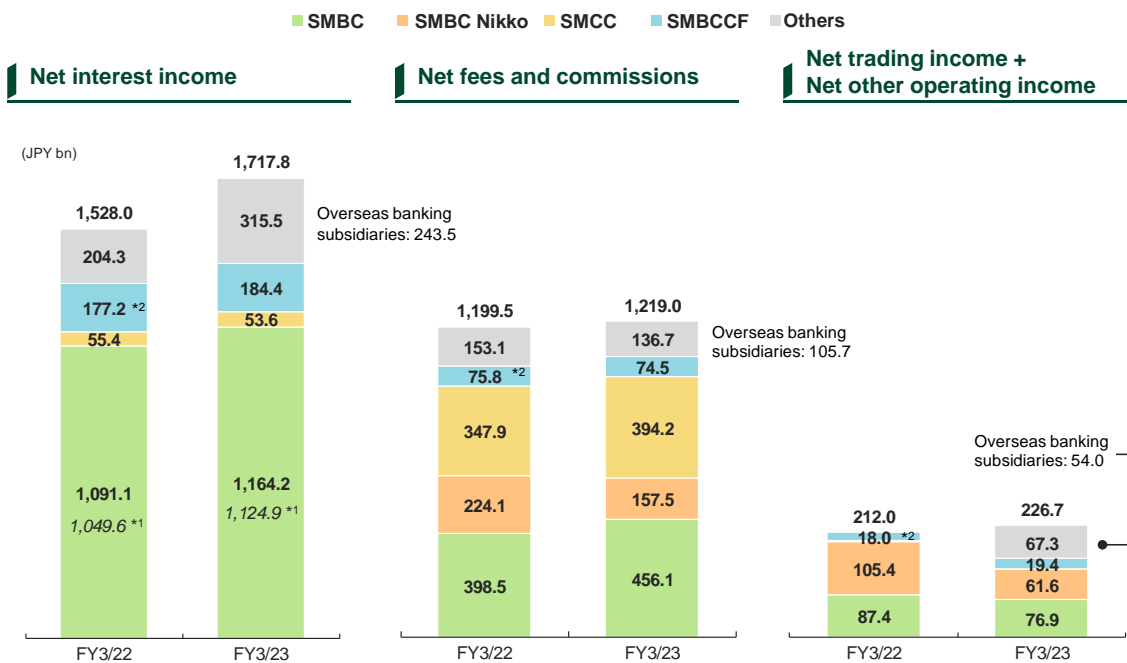


## Major businesses (Gross profit)





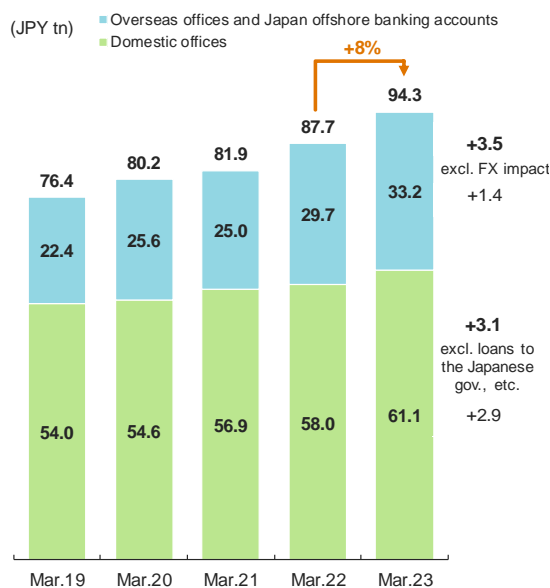
# Consolidated gross profit



\*1 Excl. gains on cancellation of investment trusts    \*2 Incl. impact of group reorganization

# Loans\*<sup>1</sup>

## Loan balance



\*1 Non-consolidated \*2 Managerial accounting basis

\*3 Sum of SMBC, major local subsidiaries and SMBC Trust, etc. Sum of loans, trade bills, and securities

\*4 After adjustments for exchange rates, etc.

## Domestic loan-to-deposit spread

	FY3/23	YoY	1H	2H
(%)				
Interest earned on loans and bills discounted	0.83	(0.01)	0.84	0.82
Interest paid on deposits, etc.	0.00	+0.00	0.00	0.00
Loan-to-deposit spread	0.83	(0.01)	0.84	0.82
(Ref.) Excludes loans to the Japanese government, etc.				
Interest earned on loans and bills discounted	0.84	(0.02)	0.85	0.83
Loan-to-deposit spread	0.84	(0.02)	0.85	0.83

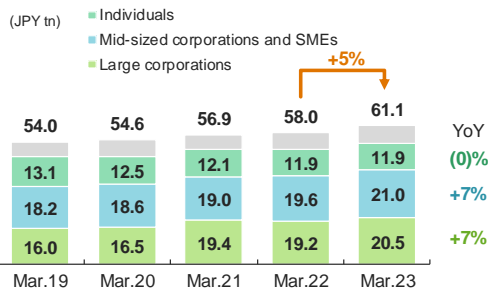
## Average loan balance and spread\*<sup>2</sup>

	Balance (JPY tn)		Spread (%)	
	FY3/23	YoY <sup>4</sup>	FY3/23	YoY
Domestic loans	57.5	+2.2	0.71	(0.01)
Excluding loans to the Japanese government, etc.	54.9	+2.0	0.73	(0.01)
o/w Large corporations	19.6	+1.1	0.53	(0.01)
o/w Mid-sized corporations & SMEs	20.0	+0.8	0.62	+0.01
o/w Individuals	11.8	(0.2)	1.36	(0.02)
GBU's interest earning assets <sup>*3</sup>	362.0 USD bn	+32.9 USD bn	1.26	+0.05

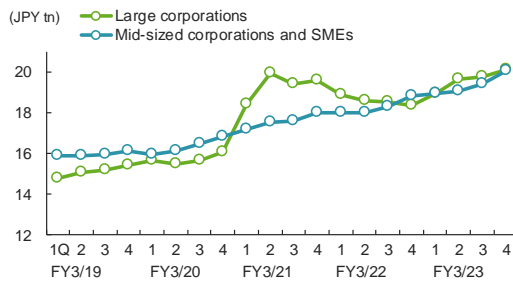
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# Domestic loans and deposits\*1

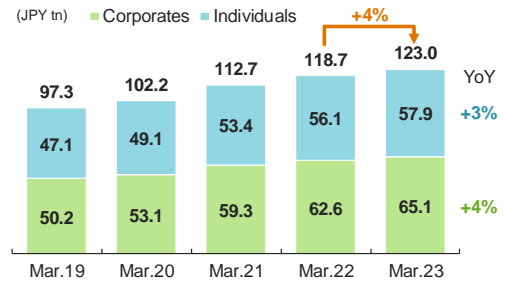
## Loan balance\*2



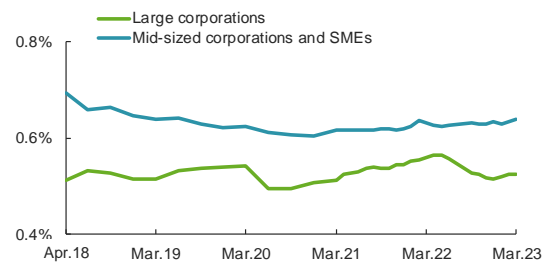
## Loan average balance for corporates\*2,3



## Deposit balance



## Loan spread for corporates\*2,4

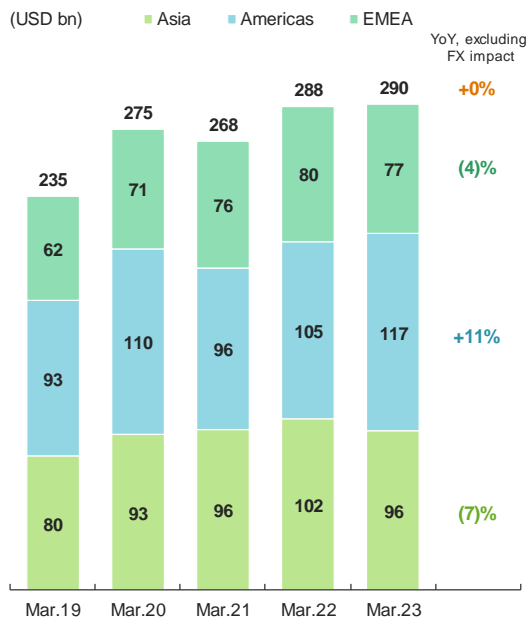


\*1 Non-consolidated \*2 Managerial accounting basis \*3 Quarterly average, excluding loans to the Japanese government.  
Figures for SMEs are the outstanding balance of Corporate banking division  
\*4 Loan spread of existing loans, excluding loans to the Japanese government

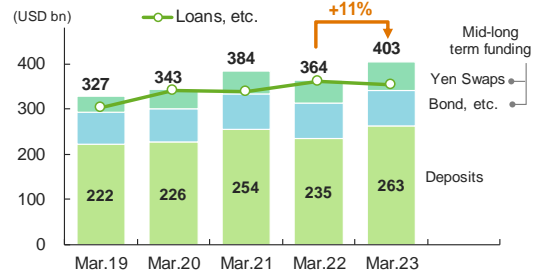
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# Overseas loans and deposits\*1

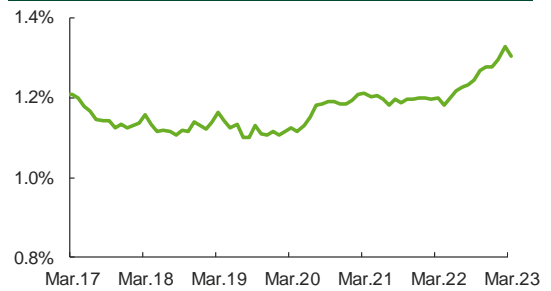
## Loan balance



## Foreign currency balance



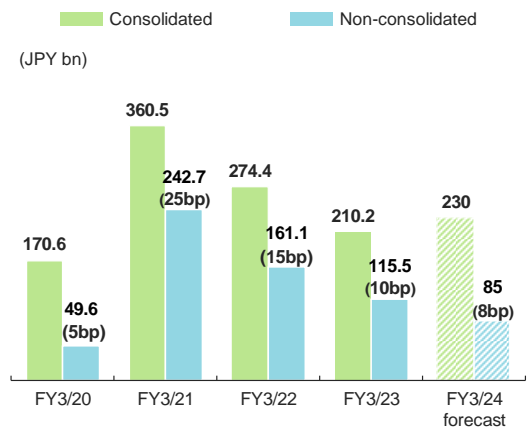
## Loan spread\*2



\*1 Managerial accounting basis. Sum of SMBC and Major local subsidiaries  
\*2 Monthly average loan spread of existing loans

# Asset quality

## Credit cost<sup>\*1</sup>



### Major group companies

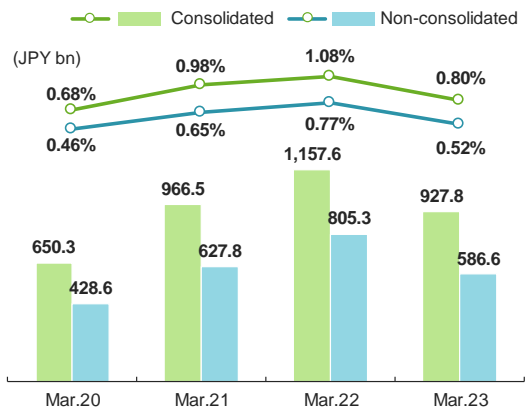
	(JPY bn)	FY3/23	YoY
SMBCCF		57	+8 <sup>*3</sup>
SMCC		34	+9
Overseas banking subsidiaries		11	(34)
Adjustments of FX		(12)	+1

<sup>\*1</sup> Total credit cost ratio = Total credit cost / Total claims

<sup>\*2</sup> NPL ratio = NPLs based on the Banking and the Reconstruction Act (excluding normal assets) / Total claims

<sup>\*3</sup> Incl. the impact of group reorganization

## Non-performing loan balance<sup>\*2</sup>



### Total claims

	(JPY tn)		
Consolidated	99	107	116
Non-consolidated	96	104	113

### Claims on borrowers requiring caution (excluding claims to substandard borrowers)

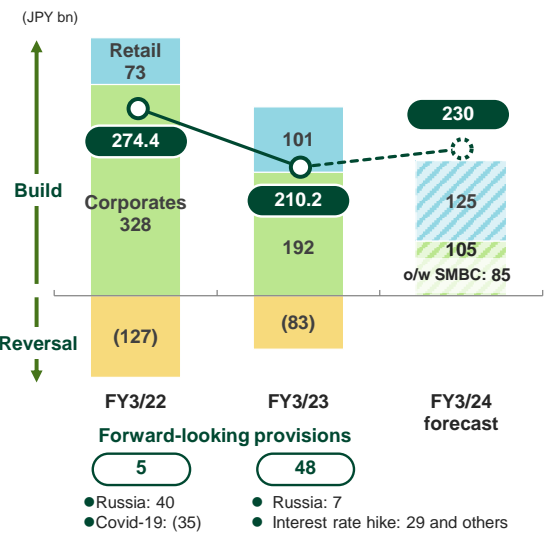
Non-consolidated	1.9	1.9	1.8
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# Credit cost/ financial impact from Russia

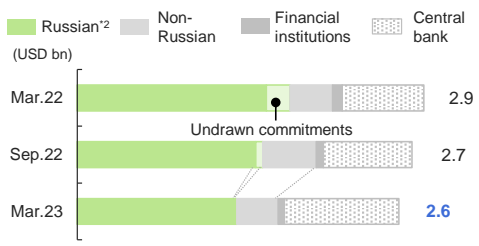
Credit cost decreased YoY even after recording forward-looking provisions.  
Booked additional impairment of aircraft leased to Russian airlines (JPY 59 bn, 27% of NBV.)

## Credit cost



## Impact from Russia

### Banking exposure to Russia<sup>\*1</sup>



### Aircraft leasing

- Additional impairment of aircraft: **JPY (59) bn** (27% of NBV, 79% in total)  
Impact on SMFG's bottom-line profit: JPY (34) bn
- Downside: Additional impairment (≤USD 190 mn<sup>\*3</sup>)
- All aircraft are insured, insurance claims are submitted

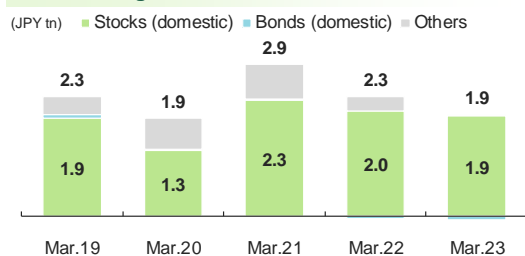
<sup>\*1</sup> Managerial accounting basis. Loans, commitment lines, guarantee investments, etc. of SMBC and local subsidiary calculated based on ultimate risk countries  
<sup>\*2</sup> Incl. project finance and ship finance <sup>\*3</sup> After considering tax and ownership ratio (66%)

## Breakdown of other securities (consolidated)

(JPY bn)	B/S amount		Unrealized gains (losses)	
	Mar.23	vs Mar.22	Mar.23	vs Mar.22
<b>Held-to-maturity</b>	165.6	+139.9	(0.4)	(0.2)
<b>Available for sales</b>	32,465.0	(5,650.0)	1,915.1	(362.1)
Stocks (domestic)	3,345.4	(58.0)	1,944.8	(88.9)
Bonds (domestic)	13,177.5	(6,382.8)	(64.2)	(14.1)
o/w JGBs	9,576.3	(6,197.9)	(36.4)	+10.7
Others	15,942.1	+790.9	34.6 <sup>*1</sup>	(259.0)
o/w Foreign bonds	13,081.5	+1,025.9	(697.3)	(248.5)

Risk volume is controlled by hedging and others

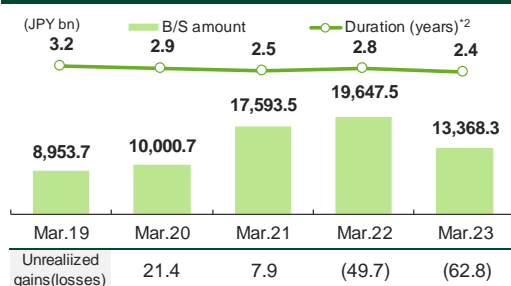
## Unrealized gains



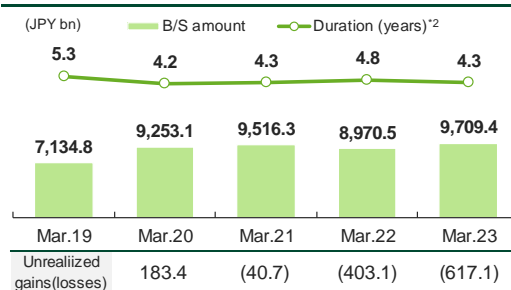
\*1 The difference between foreign bonds and others is unrealized gain on foreign stocks

\*2 Managerial accounting basis. Excluding bonds classified as held-to-maturity, bonds for which hedge-accounting is applied, and private placement bonds

## Yen-denominated bonds (Non-consolidated)



## Foreign bonds (Non-consolidated)



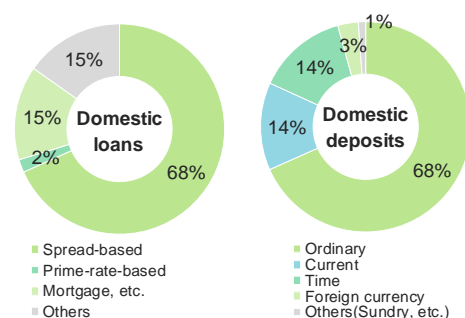
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# Balance sheet

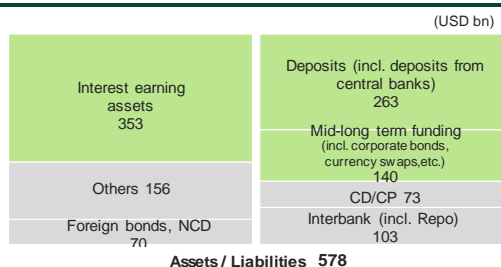
## Consolidated

	(JPY bn)	Mar.23	vs Mar.22
<b>Total assets</b>		<b>270.4</b>	<b>+12.7</b>
o/w Cash and due from banks		75.9	+1.1
o/w BOJ's current account balance <sup>*1</sup>		57.5	(1.1)
o/w Loans		98.4	+7.6
o/w Domestic loans <sup>*1</sup>		61.1	+3.1
o/w Large corporations <sup>*2</sup>		20.5	+1.3
o/w Mid-sized corporations & SMEs <sup>*2</sup>		21.0	+1.4
o/w Individuals <sup>*2</sup>		11.9	+0.1 <sup>*3</sup>
o/w Securities		33.2	(5.3)
o/w Other securities		32.5	(5.7)
o/w Stocks		3.3	(0.1)
o/w JGBs		9.6	(6.2)
o/w Foreign bonds		13.1	+1.0
<b>Total liabilities</b>		<b>257.6</b>	<b>+12.1</b>
o/w Deposits		158.8	+10.2
o/w Domestic deposits <sup>*1</sup>		123.0	+4.3
o/w Individuals		57.9	+1.8
o/w Corporates		65.1	+2.5
o/w NCD		13.0	(0.0)
<b>Total net assets</b>		<b>12.8</b>	<b>+0.6</b>
<b>Loan to deposit ratio</b>		<b>57.3%</b>	

## Composition of loans and deposits <sup>\*1,2</sup>



## Non-JPY B/S <sup>\*2,4</sup>

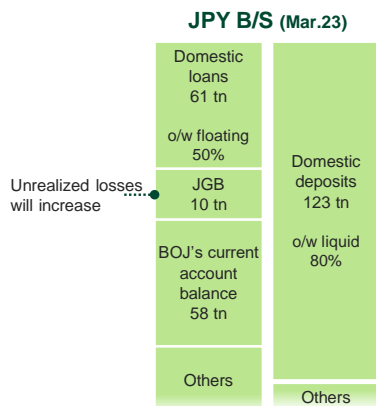


<sup>\*1</sup> Non-consolidated <sup>\*2</sup> Managerial accounting basis <sup>\*3</sup> After adding back the portion of housing loans securitized in FY3/23 of JPY 145.3bn <sup>\*4</sup> Sum of SMBC and major local subsidiaries



# Appendix.

## JPY



- Policy rate increase from (0.1)% to 0%  
: Net interest income JPY +30 bn
- Medium-to long-term rate increase  
: Expect further improvement incl. profit from market operation

## Foreign currency

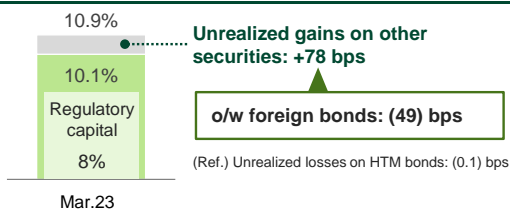
### Loan/deposit

- Most of the loans / deposits are based on market rate  
(A few deposits have low sensitivity to interest rate)

### Foreign bonds

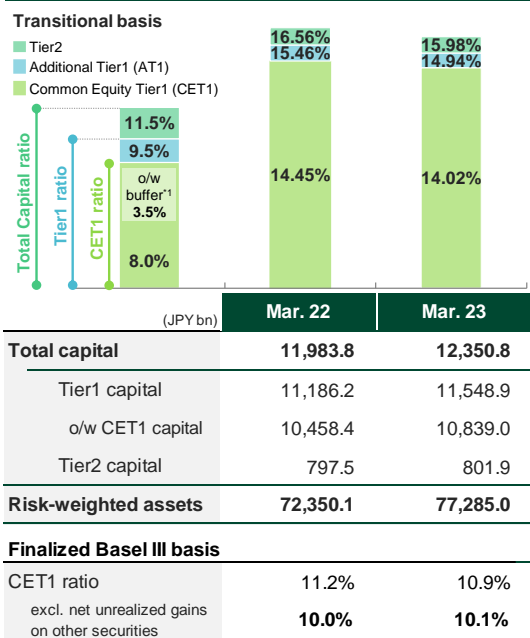
- Unrealized losses will increase when government bond yields rise
- Interest earnings on roll-overs improve while funding cost increases

### Impact of unrealized losses on CET1 ratio



# Capital / RWA

## Capital ratio



## Other requirement ratios

	(JPY bn)	Mar. 23	Requirement*1
External TLAC ratio			
RWA basis		25.28%	18.0%
Leverage exposure basis		9.72%	6.75%
Leverage ratio			
		5.03%	3.5%
LCR (Average 4Q FY3/23)			
		130.5%	100%

\*1 Capital conservation buffer: 2.5%, G-SIBs surcharge: 1.0%. Countercyclical buffer (CCyB) omitted

## Results by Business Unit (1)

### Retail

(JPY bn)	FY3/23	YoY <sup>*1</sup>
Gross profit	1,150.2	(14.0)
Income on loans and deposits <sup>*2</sup>	112.4	(3.7)
Wealth management business	227.5	(71.3)
Payment business	452.2	+47.3
Consumer finance business	315.2	+10.9
Expenses	933.3	+0.7
Base expenses	702.2	(38.1)
Net business profit	221.6	(13.5)
ROCE1 <sup>*3</sup>	11.0%	+0.8%
RWA (JPY tn)	13.3	+0.6

### Wholesale

(JPY bn)	FY3/23	YoY <sup>*1</sup>
Gross profit	773.7	+22.3
Income on loans and deposits	269.7	+28.3
FX and money transfer fees	136.6	+9.3
SMBC Loan syndication	46.4	+1.3
Structured finance	20.6	(2.3)
Real estate finance	15.5	+2.1
Securities business	42.2	(16.4)
Expenses	293.3	(9.3)
Base expenses	290.0	(4.3)
Net business profit	558.5	+43.6
ROCE1 <sup>*4</sup>	14.6%	+3.4%
RWA (JPY tn)	31.2	+0.8

\*1 After adjustments of the changes of interest rates and exchange rates \*2 Excluding consumer finance

\*3 Excluding impact from the provision for losses on interest repayments, etc.

\*4 Excluding mid-long-term funding costs

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# Results by Business Unit (2)

## Global

(JPY bn)	FY3/23	YoY <sup>1</sup>
Gross profit	1,205.2	+144.4
Income on loans and deposits	539.9	+108.5
Loan related fees	192.0	(5.3)
Securities business	50.0	(19.9)
Expenses	637.9	+71.0
Base expenses	598.9	+57.2
Net business profit	612.2	+114.9
ROCE1 <sup>*2</sup>	10.4%	+2.2%
RWA (JPY tn)	46.3	+1.6

## Global Markets

(JPY bn)	FY3/23	YoY <sup>1</sup>
Gross profit	457.8	+49.2
SMBC's Treasury Unit	302.4	+23.0
Expenses	112.5	+7.0
Base expenses	110.0	+7.8
Net business profit	374.2	+44.1
ROCE1 <sup>*3</sup>	16.7%	+1.8%
RWA (JPY tn)	6.6	+0.1

\*1 After adjustments of the changes of interest rates and exchange rates  
 \*2 Excluding impact from mid-long term funding costs  
 \*3 Including impact from the interest-rate risk associated to the banking account

# Results by Business Unit (3)

	ROCET1 <sup>*1,2</sup>		Net Business Profit (JPY bn) <sup>*2</sup>		RWA (JPY tn) <sup>*2</sup>		
	FY3/23	FY3/23 Target <sup>*3</sup>	FY3/23	FY3/23 Target	Mar.23	vs. Mar.20	Mar.23 Target
Retail	11.0%	12%	221.6	305	13.3	+0.8	+0.4
Wholesale	14.6%	9%	558.5	405	31.2	+2.6	+1.6
Global	10.4%	9%	612.2	430	46.3	+4.4	+2.6
Global Markets	16.7%	17%	374.2	355	6.6	+0.7	+1.5

\*1 Excl. impact from the provision for losses on interest repayments for RT  
 Excl. the impact from the medium- to long-term foreign currency funding costs for WS and GB  
 Incl. impact from the interest-rate risk associated to the banking account for GM  
 \*2 Managerial accounting basis of FY3/23 \*3 Managerial accounting basis of FY3/21



# New Medium-Term Management Plan

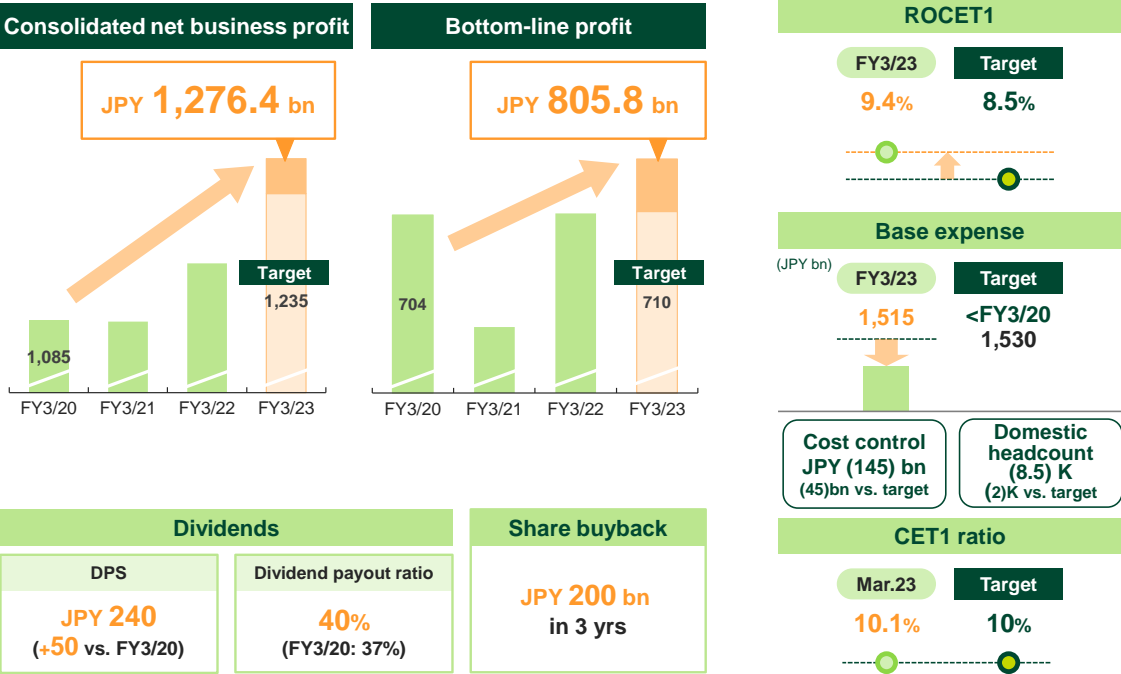
(FY3/24-26)

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Now, let me explain the new Midterm-Term Management Plan starting from this fiscal year.

# Review of Previous Plan (1)

- Achieved all financial targets and strengthened shareholder returns



# Review of Previous Plan (2)

- Areas we need to improve on also became clear

Topics	
<b>Transformation</b>  Transform existing businesses	<div><b>Wholesale business</b><ul style="list-style-type: none"><li>Profit increase mainly relied on asset allocation (both domestic and overseas)<div>RWA + JPY 7 tn</div></li><li>Need to prepare for possible interest rate hike</li></ul></div> <div><b>Retail business</b><ul style="list-style-type: none"><li>Expand client base leveraging "Olive" in anticipation of rising interest rates<div>AUM + JPY 3 tn</div></li></ul></div>
<b>Growth</b>  Seek new business opportunities	<div><b>Business portfolio</b><ul style="list-style-type: none"><li>COVID-19 impacted on our strengths (aircraft leasing/ consumer finance)</li><li>Unable to capture favorable market opportunities in the overseas securities business and was left behind our peers</li></ul></div> <div><b>Inorganic investment</b><ul style="list-style-type: none"><li>Investments in line with strategy</li><li>Realize J-curve growth through PMI and synergies<div>Capital allocation JPY 510 bn</div></li></ul></div>
<b>Quality</b>  Elevate quality in all aspects	<div><b>Compliance / risk management</b><ul style="list-style-type: none"><li>Compliance incidents occurred</li><li>Must enhance governance system in line with business expansion</li></ul></div> <div><b>Social Issues / human capital</b><ul style="list-style-type: none"><li>Increasing demand for resolving social issues incl. climate change and human capital investment</li></ul></div>

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While we achieved financial targets, challenges for us became clear in the last three years.

For example, our competitors greatly outpaced us in the overseas securities business, which we were in the process of strengthening, while the businesses that we used to have strengths experienced a significant downturn under pandemic.

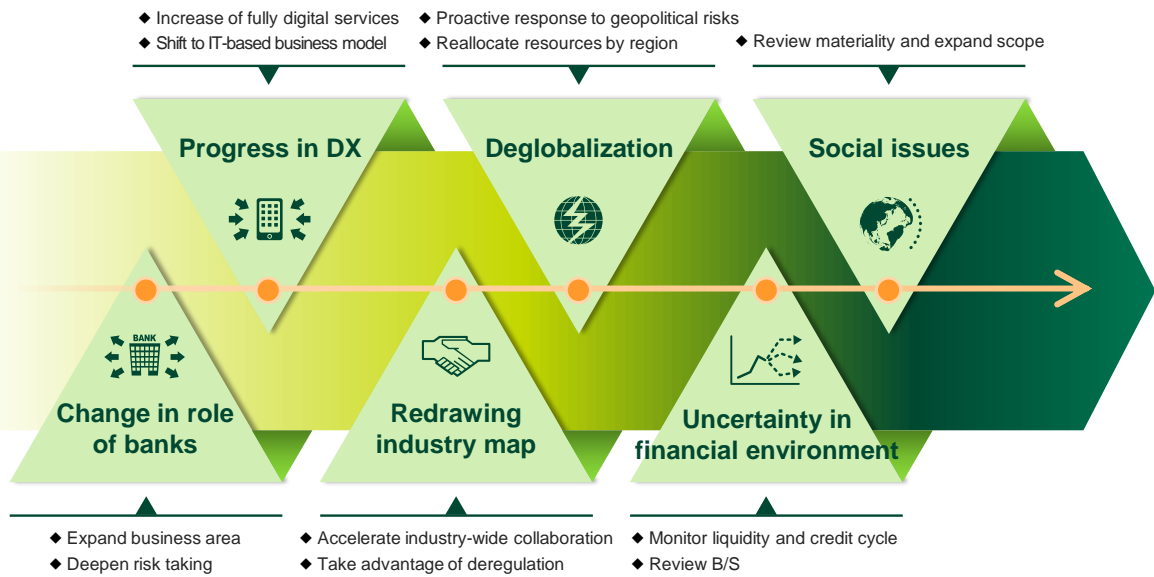
In terms of quality, incidents occurred while we were trying to establish a group-wide governance system.

I believe that it is necessary to further accelerate our efforts to address these challenges in the new Midterm-Term Management Plan.



# Business environment

The direction we should pursue remains unchanged,  
while we must revise strategies in response to paradigm shifts.



Current business environment has been changing significantly.

We are indeed facing a major turning point in history, but I don't think that we have to change the strategic direction we have pursued so far.

This is because we have been formulating our strategies to become stronger even under such paradigm shifts.

I am confident that we are moving in the right direction to realize our Group Mission and Vision, and we will continue to move forward with confidence and strength.

Of course, a review of each strategy is necessary to respond to these changes.

I believe that revising strategies speedily will differentiate us from competitors and provide an opportunity to further enhance our competitiveness in this era of changes.

# Plan for **Fulfilled Growth**

Now, let's move on to the new Medium-Term Management Plan.

We have named the new Plan as "Plan for Fulfilled Growth."

I used this term "Fulfilled Growth" in the CEO message of Annual Report last year.

When looking up "fulfill" in the dictionary, you may find synonyms such as "achieve" and "satisfy." I understand this word means "accomplish our mission," "meet expectations," and "bring happiness."

In other words, this new plan is imbued with my strong commitment to contribute to the era of "Fulfilled Growth" by accomplishing our corporate mission and meeting the expectations of all our stakeholders.

## Core Policies

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This is the core policies of the "Plan for Fulfilled Growth."

The direction we pursue remains unchanged, and therefore, our vision of becoming "a trusted global solution provider committed to the growth of our customers and advancement of society" stays the same.

We have set three core policies to achieve growth with quality over the next three years towards this vision.

The first is "Create Social Value."

As how to measure corporate value steadily changes, I believe that companies that cannot create social value will lose even the right to pursue financial growth. SMBC Group will firmly work on creating social value as a pillar of our management strategy to contribute to the world of "Fulfilled Growth."

The second is "Pursue Economic Value."

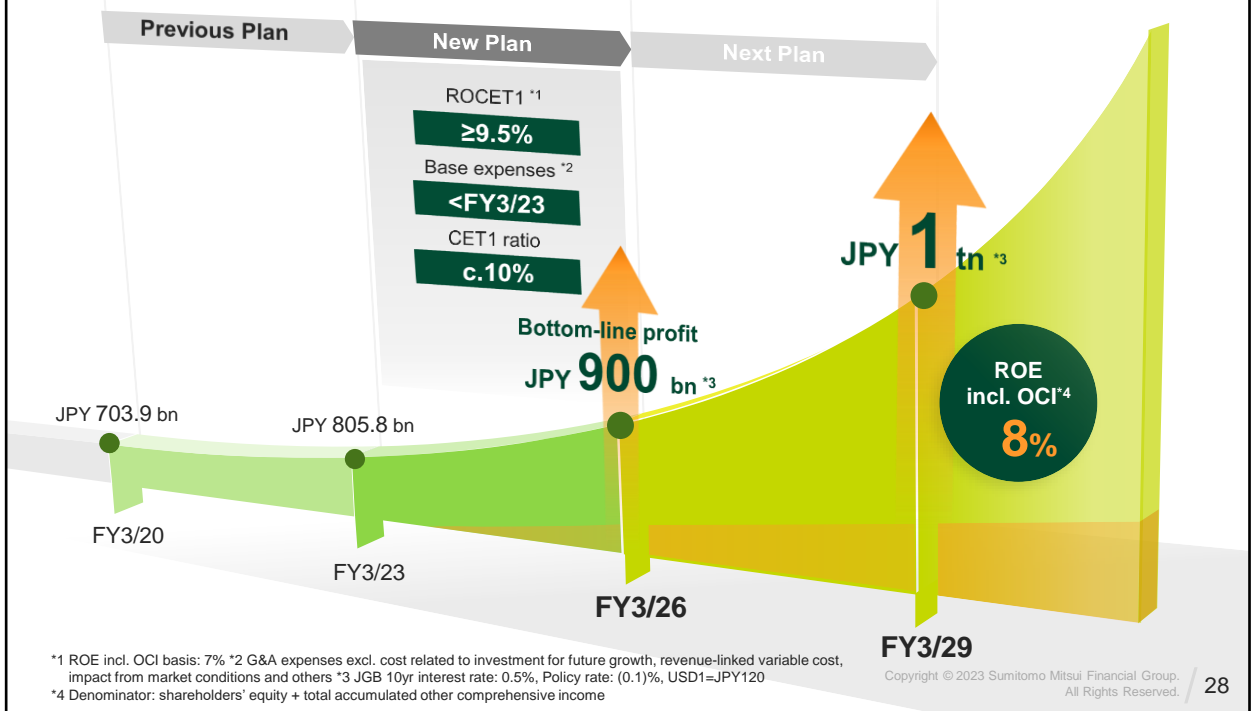
We will continue our efforts to constantly reform our business model which reflects the paradigm shift and establish a franchise in strategic overseas areas. I especially want to pave a solid path for the growth investments and initiatives we sowed during the previous plan so that we can steadily harvest their fruits.

The third is "Rebuild Corporate Infrastructure."

We will achieve resilient business operations, as well as continue our efforts to prevent the recurrence of administrative dispositions last year.

## Financial targets

Set the targets for the New Plan to achieve bottom-line profit of over JPY 1 tn by FY3/29.



This slide shows our financial targets.

In order to compete globally as a global financial institution, I want to make SMBC Group generate annual bottom-line profit of over JPY 1 tn during the next Medium-Term Management Plan period. Therefore, we will aim for JPY 900 bn as an interim goal for the next three years.

However, this target was set without considering changes in the business environment. I will challenge to achieve the target ahead of schedule if there are upsides, such as domestic interest hike.

Targets were also set for profitability, efficiency, and financial soundness.

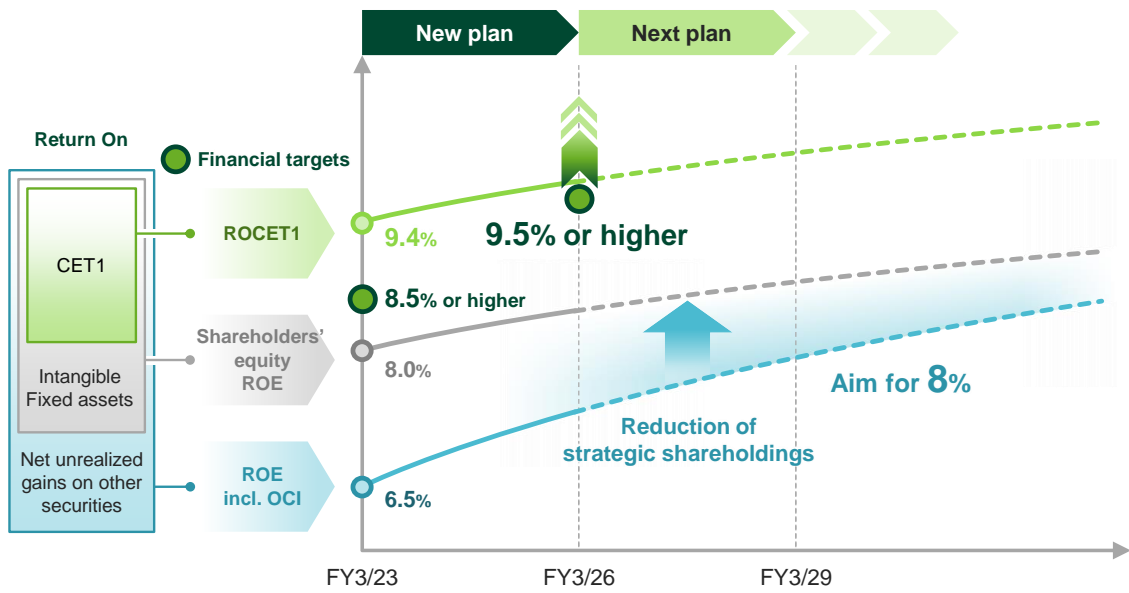
For profitability, our goal is to achieve ROCET1 of 9.5% or higher, but this is the minimum requirement and we would like to pursue the level close to 10%. Of course, I will pay close attention to ROE including OCI as well.

For efficiency, we will appropriately control total expenses through cost reduction measures for base expenses. We will also allocate resources to investments for future growth and strengthening our corporate infrastructure.

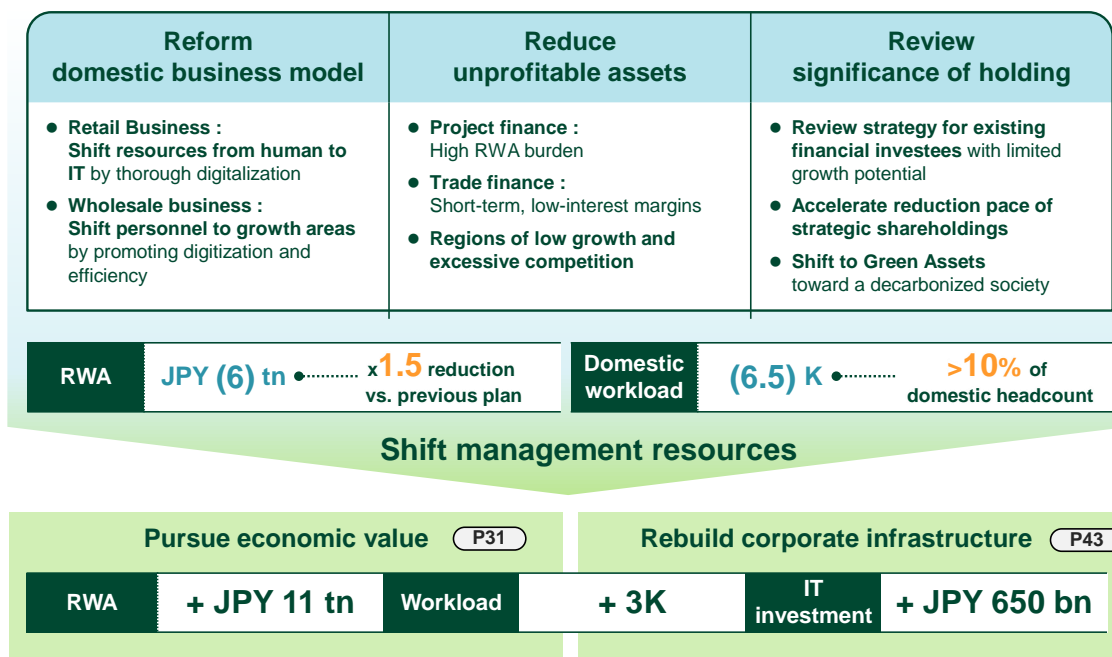
For financial soundness, we will continue to target CET1 ratio of 10%. Considering the current financial uncertainty, we will once again focus on sound capital management.

## (Ref.) ROCET1/ ROE

Financial target is unchanged from ROCET1 based on the Basel regulatory capital ( $\approx$  ROTCE) .  
At the same time, accelerate the reduction of strategic shareholdings to improve ROE incl. OCI.



## Dynamic reallocation of management resources



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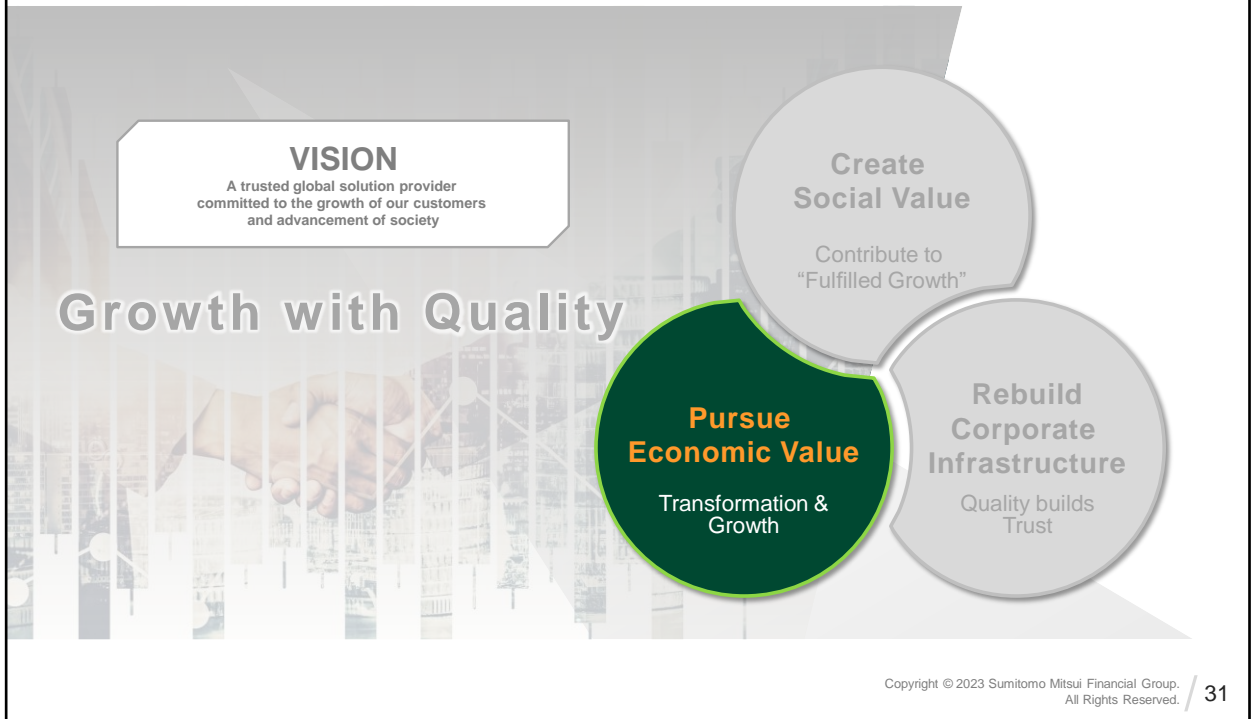
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It is essential to reallocate management resources more dynamically to challenge higher financial targets.

We will boldly reduce inefficient labor-intensive businesses, low-growth / low-profitability assets, or assets whose holding rationale has decreased due to environmental changes.

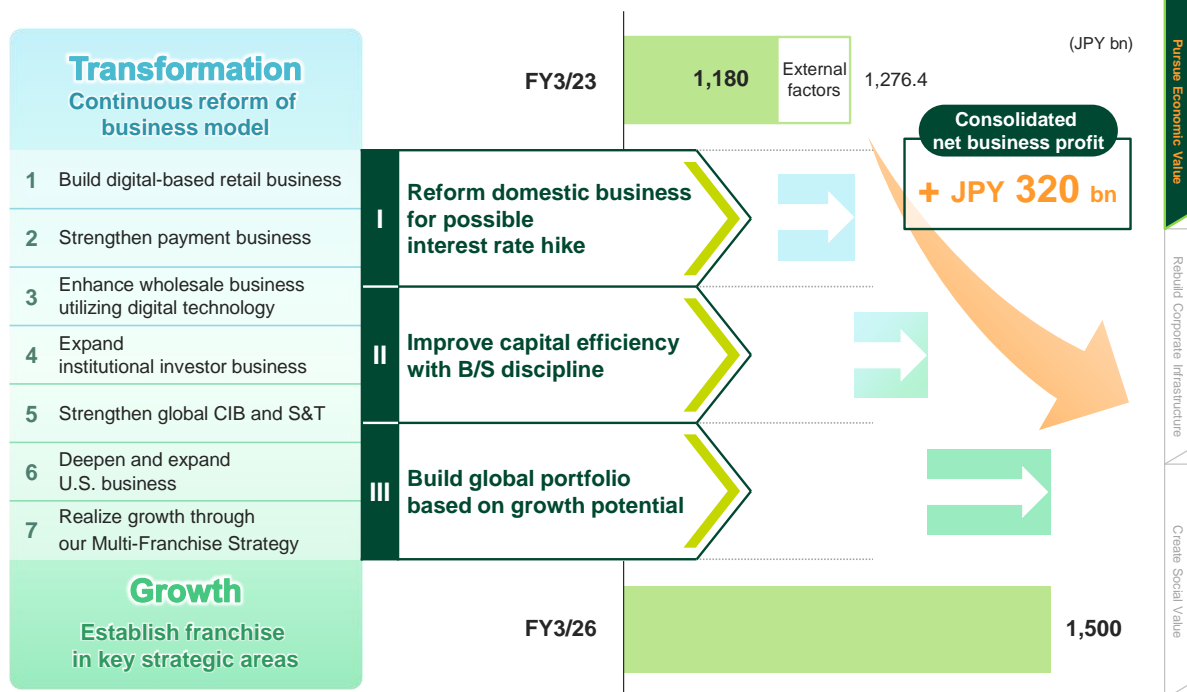
Simultaneously, we will aim to improve capital efficiency and achieve resilient business operations by reallocating management resources firmly for proceeding growth initiatives and strengthening the corporate infrastructure.

## Pursue Economic Value -Transformation & Growth-



Now, I will explain each core policy, starting with “Pursue Economic Value.”

## Key strategic areas

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We have selected key strategic areas from three perspectives to further evolve "Transformation & Growth" that we also highlighted in the previous plan.

The first point is the reconstruction of a more stable and efficient business model in domestic market, taking into consideration of possible interest rate hike.

We will reform retail business using digital services and enhance payment business as an entire group.

The second point is the improvement of capital efficiency with balance sheet discipline. We will strengthen fee businesses leveraging the functions of each group company and offer a diverse range of risk resolutions to improve capital efficiency.

The third point is replacing global portfolio considering growth potential.

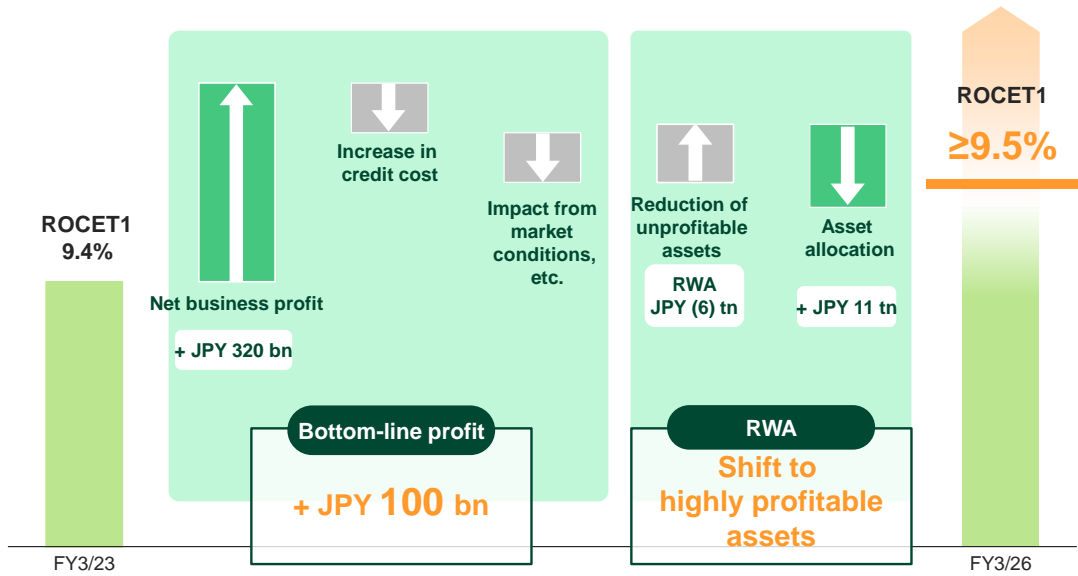
We will concentrate resources to the U.S, the world's largest and most stable market, and target countries of our Multi-Franchise Strategy to realize robust growth that will drive the growth of the entire SMBC Group.

Through these initiatives, we aim to increase net business profit based to achieve a level of JPY 1.5 tn in FY3/26.



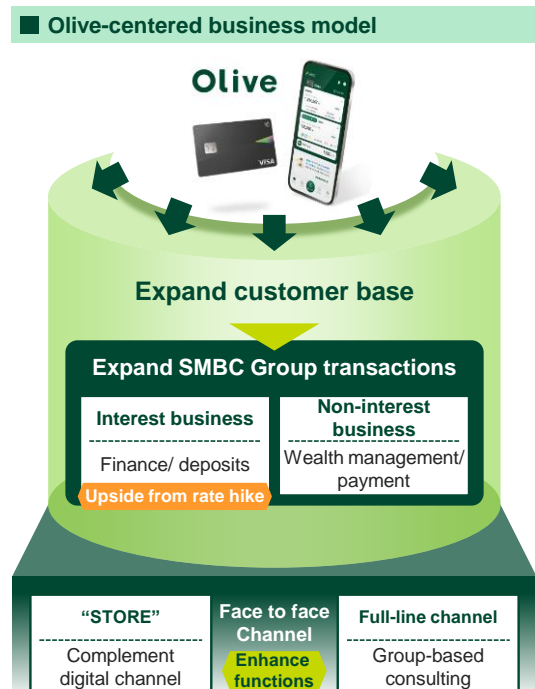
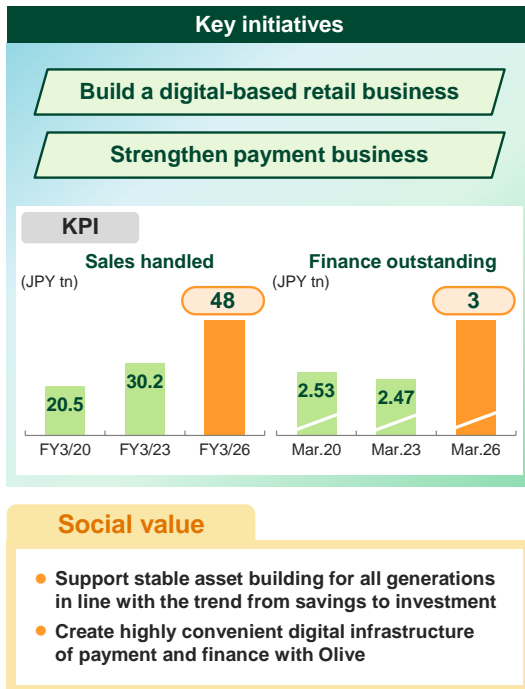
## Enhance Capital Efficiency

Improve ROCET1 from both numerator and denominator by increasing profitability and controlling RWA.



We will focus more on improving capital efficiency than ever before from both the numerator and denominator aspects with a strong focus on profitable growth and dynamic resource reallocations.

# I. Reform domestic business for possible interest rate hike



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I will introduce some examples of measures in our strategic areas.

First, we will reform the domestic retail business into a digital-based business model with "Olive".

After enabling all transactions for individual customers to be completed on Olive, we will deploy "STORE", a branch that is maximally lightweight and efficient as a complementary positioning to digital channels.

For affluent customers, consultants from SMBC, SMBC Nikko, and SMBC Trust are allocated at a group-integrated channel.

Olive has been steadily acquiring new customers since its launch in March. On the next page, I will explain the vision we aim for with Olive.

## I. Reform domestic business for possible interest rate hike

### Vision for Olive in five years

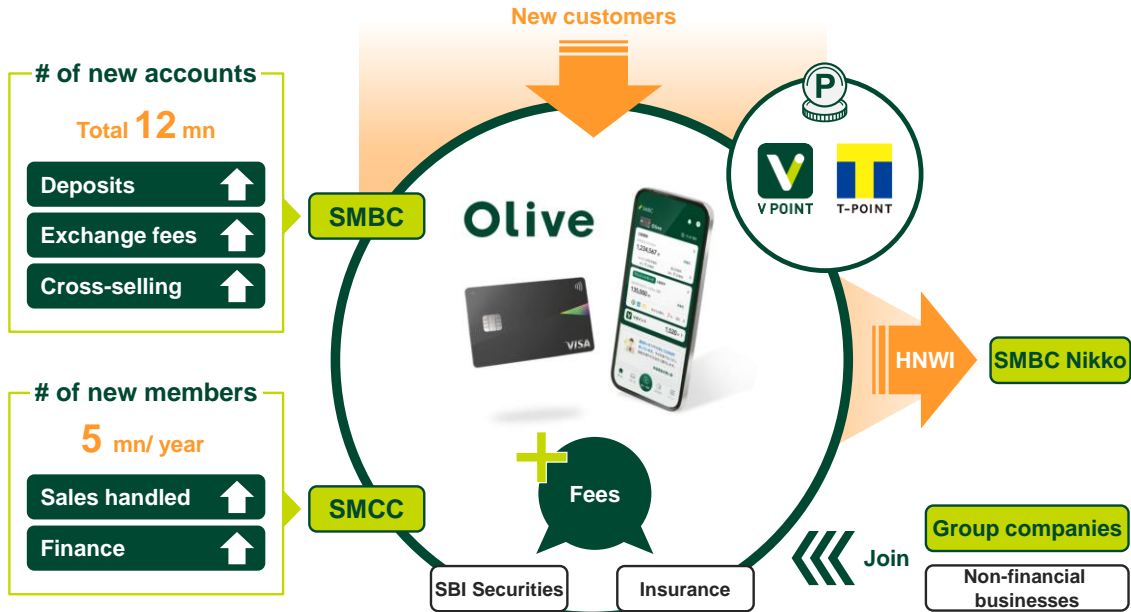
Plan for  
Fulfilled Growth

Pursue Economic Value

Rebuild Corporate Infrastructure

Create Social Value

Create a major ecosystem of services of group companies and partner companies by connecting these businesses with one of the largest point program in Japan.



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Our targets in five years are 12 million Olive accounts and 5 million annual new members for SMCC's credit cards.

This customer base should not only generate income from deposit, credit card, and finance, but also increase fees from partner companies through the expansion of cross-selling.

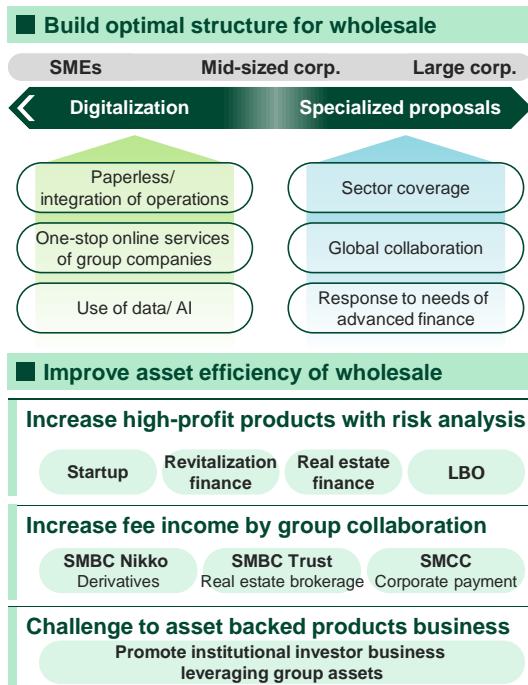
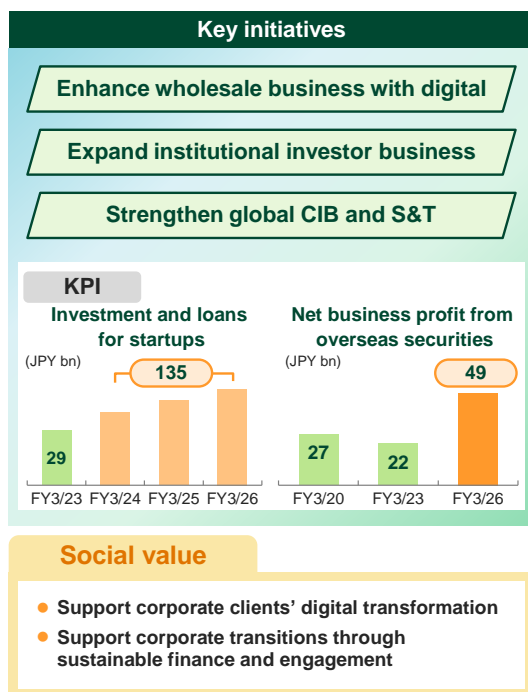
Particularly, I believe that deposit transactions and finance will become important tools when domestic interest rates rise.

Furthermore, we will build the No.1 point program in Japan by integrating V-Points and T-Points to nurture Olive into a major ecosystem.

In five years, I would like to expand the number of participating companies, provide more extensive product lineups, and toss up affluent customers who prefer face-to-face consultations to SMBC Nikko.

This is a business model that only SMBC Group, who has the strongest credit card company in Japan can implement and I am confident that we can build an overwhelming platform.

## II. Improve capital efficiency with B/S discipline



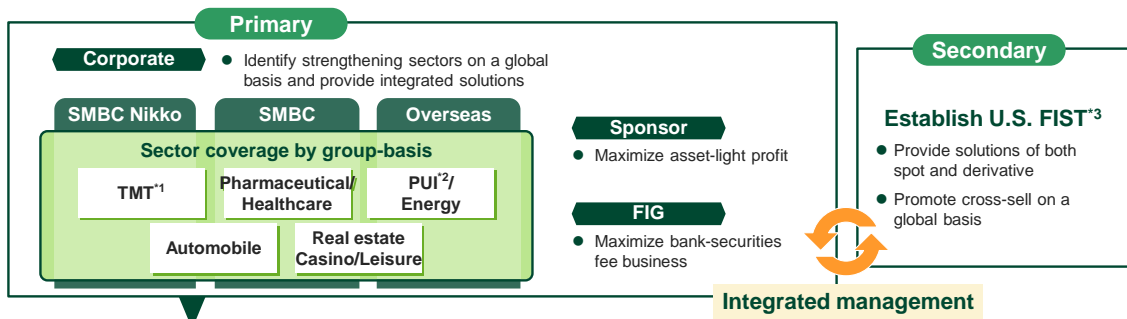
This slide shows the improvement of capital efficiency with balance sheet discipline.

For domestic market, we will build a business model that efficiently covers a wider range of clients by radically digitalizing our SME business, while shifting our management resource to large corporate businesses that require high levels of expertise.

In addition, we will selectively allocate RWA in profitable products and expand fee-based businesses that leverage the strengths of each group company.

## II. Improve capital efficiency with B/S discipline Strengthen global CIB and S&T

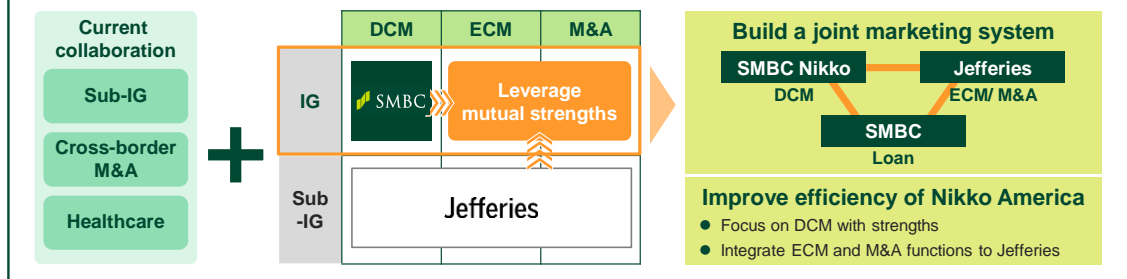
Plan for  
Fulfilled Growth



### Enhance collaboration with Jefferies in the U.S.

Increase economic stake up to 15% (announced in Apr. 23)

ROE FY3/27: Approx. 10%



\*1 Technology, Media, Telecommunications \*2 Power, Utility, Infrastructure  
\*3 Fixed Income Sales & Trading

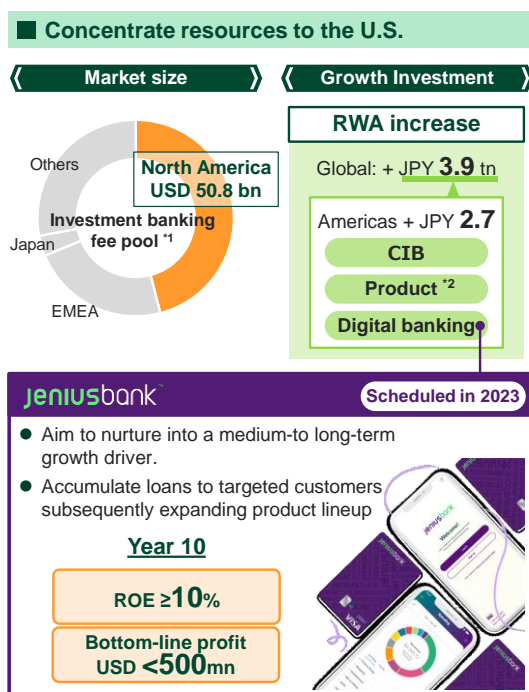
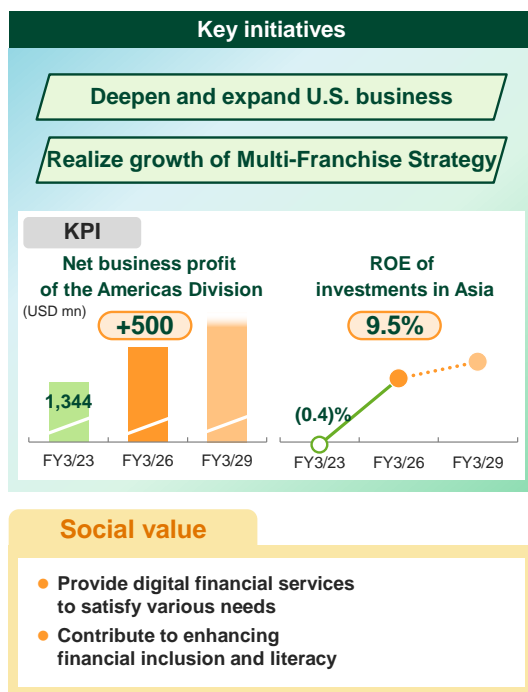
Another key initiative is strengthening our Global CIB and S&T business.

In this area, we were not able to take advantage of the favorable market conditions as much as our competitors did and the gap with them became larger.

Further capital and business alliance with Jefferies, announced last month, is a key to minimize this gap; we have expanded collaborative areas to capital markets and M&A services for investment-grade companies.

We will aim for positioning second to the bulge brackets in the medium- to long-term by providing top-class financial services in the industry through combination of SMBC Group's global customer base, balance sheet, and debt capital markets capabilities with Jefferies' industry knowledge and investment banking expertise.

### III. Build global portfolio based on growth potential



\*1 Refinitiv CY2022

\*2 Subscription finance, LBO, lender finance, real estate finance, etc.

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Lastly, we will focus on building a global portfolio based on growth potential.

Overseas business will continue to be our strong growth driver.

We will concentrate our management resources to build a highly profitable global portfolio in the following two areas.

One is the U.S, the world's largest and most stable market.

In addition to strengthening our global CIB and S&T businesses, we will also enter new growing businesses such as digital banking.

However, I have instructed not to hastily pursue scale, as viewing this new business with a ten-year perspective.





We will first focus on building up high-quality assets by narrowing down our target customers and gradually expand our product lineup as our business foundation grows, nurturing into a medium- to long-term growth driver.

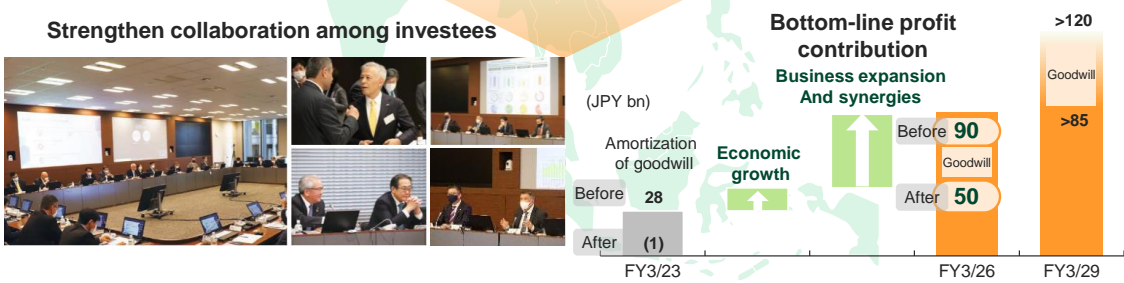
III. Build global portfolio based on growth potential

Multi-Franchise Strategy in Asia

Plan for  
Fulfilled Growth

Focus on PMI of investees under the previous Medium-Term Management Plan.  
Achieve profitability by supporting business expansion and generating synergies.

 <b>Bank BTPN</b> Ownership ratio <b>92%</b> <b>OTO/SOF</b> <b>35%</b>	 <b>Fullerton India</b> <b>75%</b>	 <b>VPBank</b> <b>15%</b> scheduled 2H CY23 <b>FE Credit</b> <b>49%</b>	 <b>RCBC</b> <b>20%</b> scheduled 1Q FY3/24
<b>Loans recovering</b> <ul style="list-style-type: none"><li>Wholesale and shariah performed well and focus on retail and SMEs businesses</li><li>Auto loan balance recovered from COVID-19</li></ul>	<b>Steadily recovering from COVID-19</b> <ul style="list-style-type: none"><li>New loans increased by 50% YoY</li><li>Credit costs decreased by strengthening collection system</li></ul>	<b>Mass market expected to recover in 2H CY23</b> <ul style="list-style-type: none"><li>Strengthened retail and SMEs in banking</li><li>Accumulated healthy assets in the mass segment</li></ul>	<b>Capture economic recovery</b> <ul style="list-style-type: none"><li>Profit increased by 70% YoY due to business expansion and less credit costs</li><li>Ranked up to #5 private bank by total assets</li></ul>



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The other is each target country of our Multi-Franchise Strategy, which has high growth potential.

We first introduced our Multi-Franchise Strategy in the Medium-Term Management Plan announced in FY3/15.

Since then, for nearly a decade, we have steadily worked towards creating a second and third SMBC in four target countries in Asia where high economic growth is expected.

Particularly in the previous plan, we were able to establish a foundation in all target countries by investing in India, Vietnam, and the Philippines, following Indonesia, where we consolidated BTPN.

Currently, we are not only working on creating synergies with our investee companies but also strengthening collaboration among the investee companies themselves, such as holding discussions on management strategies with their management teams gathered in one place.

When I visited these countries to see their businesses, I felt the aspiration and growth potential similar to, or even beyond, the high-growth period in Japan.

I am confident that we can achieve J-curve growth with these reliable partners.

Next three years must be a stage where we realize the results of past investment.

We will devote our full efforts to support the growth of each company and create synergies, in order to achieve the bottom-line profit contribution shown on this page.



## Expected return from past investment

## Target

## 1 Businesses / assets with high asset and capital efficiency

Aircraft leasing the U.S.

## New areas

Digital

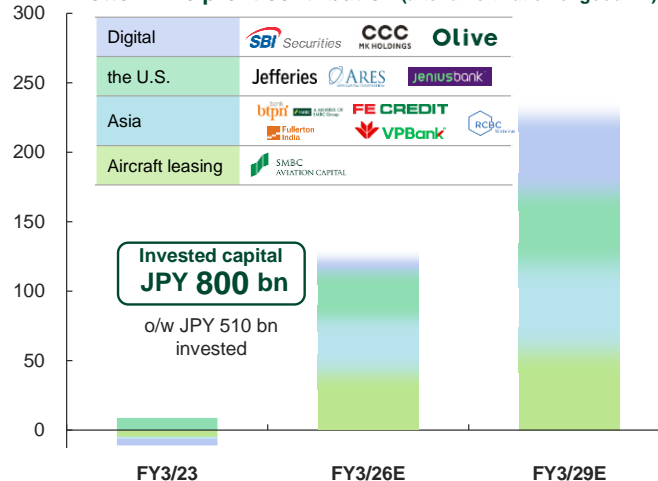
Sustainability

Securities

Asia

## 2 Platform for the future

Bottom-line profit contribution (after amortization of goodwill)



## Discipline

## Investment criteria

Fits with our strategy

ROCE1:  $\geq 9.5\%$ 

Risk is manageable

## Review existing portfolio

Examples in previous plan

Eximbank

Moelis &amp; Company

We allocated our excess capital for growth investments during the previous plan.

Our targets for growth investment are "businesses or assets with high asset and capital efficiency mainly in developed countries" and "businesses that will become future platforms mainly in the target countries of our Multi-Franchise Strategy."

As the seeds we have sown are steadily sprouting, I believe them to bear fruit as medium- to long-term growth drivers.

Of course, as long as spending capital, I would like to return the fruits of this growth to our shareholders as well.

During the new plan, we may consider new investment opportunities that contribute to accelerate our growth.

Of course, new investment should take disciplined approach and be in line with our investment criteria.

We will also work on reviewing our existing portfolio based on profitability and the rationale for holding.



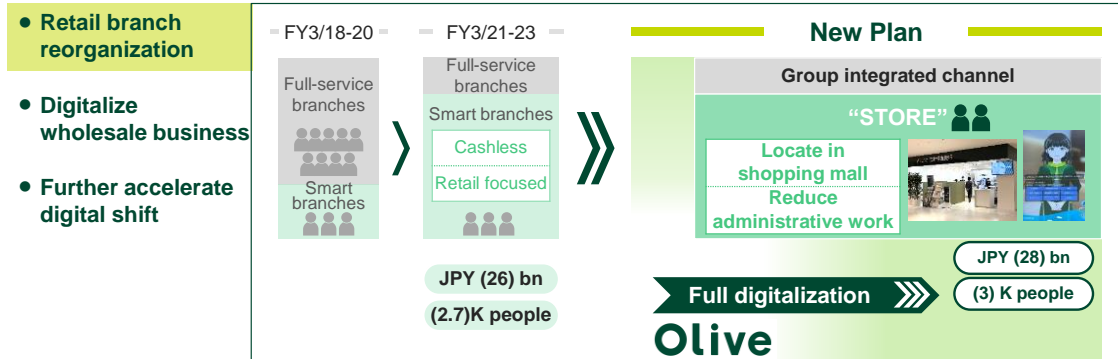
## Cost control

Reduce base expense<sup>\*1</sup> by JPY 130 bn and workload by 7K in three years.

Reallocate resources to strengthen key strategic areas and corporate infrastructure.

### Reform of domestic businesses

Base expenses **JPY (60) bn** Workload **(3.7)K people**



### Group functions

JPY (45) bn (2.8) K people

- Integrate functions of SMCC and SMBCFS
- Share and streamline systems

### Overseas operations

JPY (25) bn (0.5) K people

- Reallocate resources of unprofitable businesses and improve operation efficiency
- Review network and overlapping functions

<sup>\*1</sup> G&A expenses excl. cost related to investment for future growth, revenue-linked variable cost, impact from market conditions and others

We will aim for the same level of cost control as the previous plan, with a reduction of JPY 130 bn in base expenses and 7,000 people in workloads.

Management resources generated through the three major initiatives will be reallocated to key strategic areas and the strengthening of corporate infrastructure:

- 1) domestic business model reform, 2) consolidation of group functions, and
- 3) the efficiency improvement of overseas operations.

In the retail branch reorganization, we will further streamline branches beyond the previous plan by transforming to "STORES".

STORES are offices located in commercial facilities without booking function, enabling operations with fewer staff members.

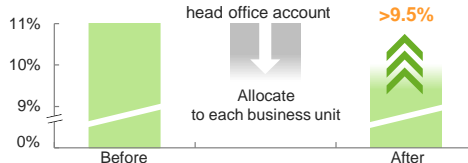
Our retail business will be transformed into a more efficient model while maintaining convenience by promoting a hybrid channel strategy that combines digital and physical stores.

## (Ref.) Financial targets by business unit \*1

Improve calculation method of ROCET1 by business unit to correlate with consolidated ROCET1, by allocating to each business unit with utmost RWA and profits/losses which was managed by head office.

	ROCET1		Net business profit (JPY bn)		RWA (JPY tn)		
	FY3/26 target	vs FY3/23	FY3/26 target	vs FY3/23	FY3/26 target	vs FY3/23	
Retail	8%	+3%	245	+65	13.7	+0.2	Improve efficiency by expanding customer base and steadily reducing expenses
Wholesale	10%	(2)%	570	+50	35.1	+1.5	Increase profit by allocating resources to growth areas, while ROCET1 will decline as credit costs returns to normalized level
Global	8%	+1%	585	+140	43.9	+3.9	Increase profit by focusing on key strategic areas and realizing growth of investees
Global markets	15%	(1)%	340	(5)	14.6	+1.4	Maintain high profit level by capturing turning points in uncertain market

Weighted average of ROCET1  
by each Business Unit  
(FY3/26)



\*1 Managerial accounting basis of FY3/24. After adjustments of the interest rates and exchange effects for FY3/23  
\*2 Incl. impact from the interest-rate risk associated to the banking account for Global Markets

Rebuild Corporate Infrastructure -Quality builds Trust-



The next core policy is “Rebuild Corporate Infrastructure.”

## Build resilient operations

**I****Improve the quality of  
governance and compliance****II****Sophisticate human capital management****III****Reinforce IT infrastructures****IV****Improve risk analysis  
and risk control capabilities**

Governance and compliance are the prerequisites for the soundness of corporate management.

We will also promote human capital management to maximize our human resources, strengthen our IT infrastructure through proactive investments, and aim for resilient business operations by proactively responding to risks in uncertain environments.

# I. Improve the quality of governance and compliance

Work on preventing recurrence of irregularities and enhance governance along with business expansion.

## Build healthy corporate culture

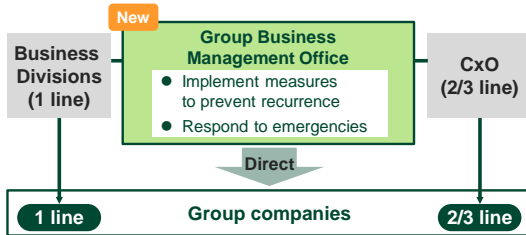
- Implement measures to prevent recurrence
- Reiterate "Integrity" and "Customer First"

### Five Values

Shared by all officers  
and employees

- Integrity
- Customer First
- Proactive & Innovative
- Speed & Quality
- Team "SMBC Group"

## Group-based emergency system



## Governance with business expansion

### I Reform domestic business for possible interest rate hike

- Strengthen Three Lines of Defense to adapt to new business areas based on Olive
- Establish digital-specific risk monitoring system

### II Improve capital efficiency with B/S discipline

- Strengthen product governance
- Control market risks

### III Build global portfolio based on growth potential

- Upgrade AML and risk-management in the U.S.
- Implement PMI and strengthen governance
- Respond to issues in each country and region

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Improving quality of governance and compliance is our urgent priority to restore the trust of stakeholders, which was damaged due to administrative dispositions last year.

In addition to steadily implementing measures to prevent recurrence, we will foster a healthy corporate culture where each employee judges by themselves and takes concrete actions (e.g. reporting when they find something wrong or concerning.)

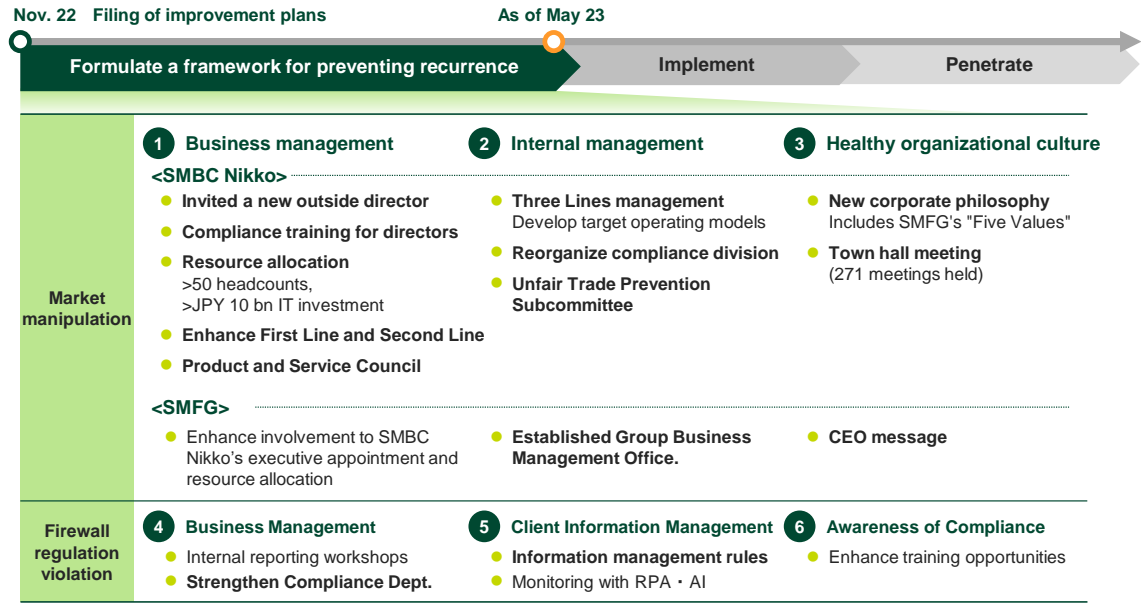
I believe it is also important to strengthen the governance and compliance system in tandem with growth measures, as the business expands and transforms at a rapid pace.

Human resources and IT should be invested sufficiently to support these efforts.

I. Improve the quality of governance and compliance

# Progress in framework to prevent recurrence

Developed measures to prevent recurrence.  
Will proceed implementation and penetration of these measures under top management's leadership.



Pursue Economic Value

Rebuild Corporate Infrastructure

Create Social Value

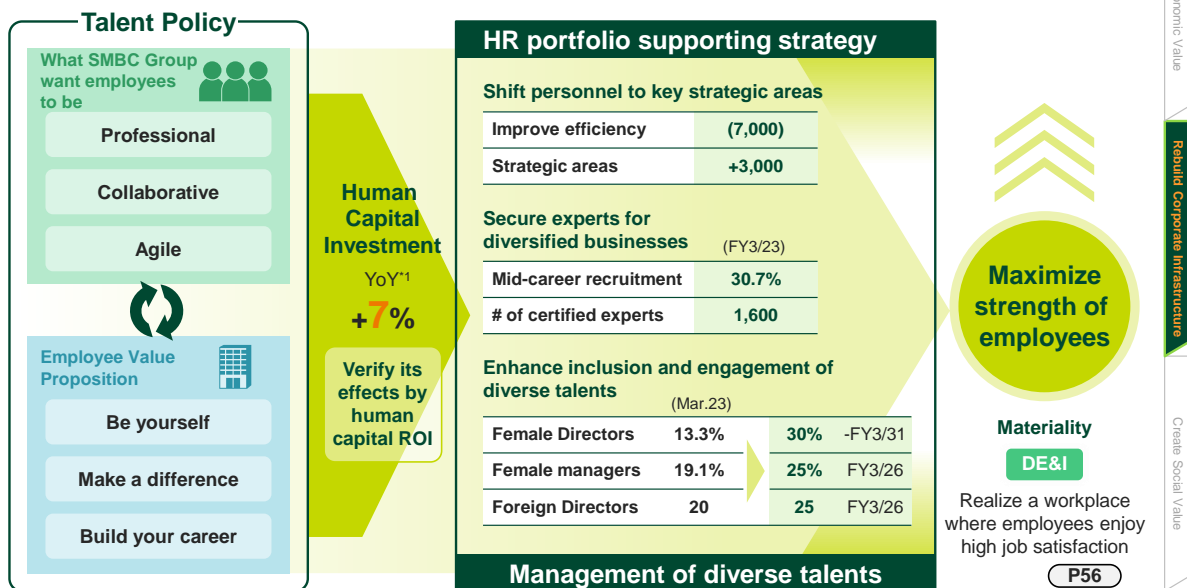
Half a year has passed since we published the improvement plan in response to incidents last year. We have almost completed the development and construction of the framework for recurrence prevention.

Going forward, we need to implement and verify the effectiveness of each measure and ensure their permeation.

However, "building a healthy organizational culture" cannot be achieved overnight. I will repeatedly appeal to the group's employees with an unwavering resolve never to repeat the same failure.

## II. Sophisticate human capital management

Established 'SMBC Group Talent Policy' to promote human capital management, realizing the workplace and teams where diverse professional talents aim high and feel rewarding.



\*1 Non-consolidated

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Business environment changes significantly, but our employees have always been the source of SMBC Group's competitiveness.

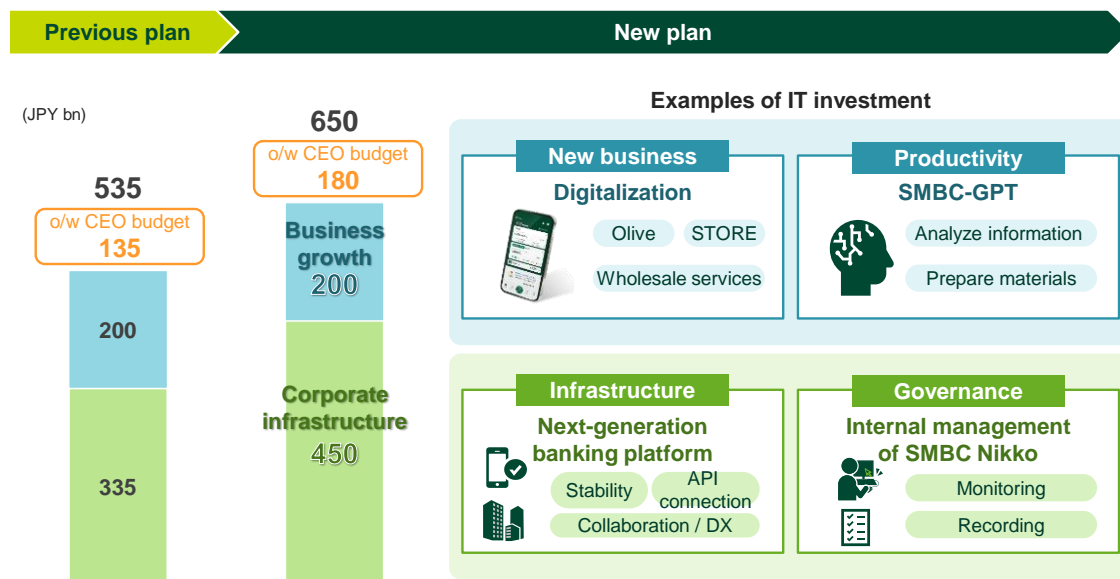
We have established "SMBC Group Talent Policy" as a guiding principle to realize the workplace and teams where diverse professional talents aim high and feel rewarding.

7% increase of human capital investment at SMBC should be allocated to 1) build human resources portfolio to proceed our business strategies and 2) maximize team performance through the inclusion of diverse talents.

I believe that human capital management for SMBC Group can be realized by maximizing our talents and creating both economic and social value through these initiatives.

### III. Reinforce IT infrastructures

Increase investment for corporate infrastructure to build stable/ flexible system and strengthen governance.  
Maintain same amount for investment to create new businesses and improve productivity.



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Sufficient investment in IT infrastructure is important to support “Growth with Quality.”

Particularly, to build a highly reliable foundational system and governance structure, we will increase investment in the corporate infrastructure of over JPY 100 bn from the previous plan.

In addition to development of next-generation core banking system and the strengthening of governance controls at SMBC Nikko, our resilience against security and system failures should be enhanced.

Of course, growth investments that contribute to producing new businesses and improving productivity are also indispensable. Therefore, we have secured the same level of budget as the previous plan.



## IV. Improve risk analysis and risk control capabilities

Strengthen resilience and achieve professional risk-taking while carefully identifying uncertain environment.

### Strengthen Resilience

#### Sign detection



- Sophisticate analysis to grasp change in market and industry-specific risks
- Upgrade stress testing and credit portfolio management with change of industrial structure

#### Resistance



- Develop proactive action plans to downside risks
- Stably manage foreign currency B/S
- Sophisticate risk management in overseas markets

#### Crisis response



- Implement action plans of risk case scenarios
- Conduct cyber security oversight
- Identify key third-party

### Professional risk taking

#### Deepen equity investment

- Revitalize and value-up the investees
- Support domestic unicorn companies

#### Reorganize business portfolio

- Sophisticate renewable energy business
- Accelerate efforts for venture debt

#### Anticipate rising interest rates

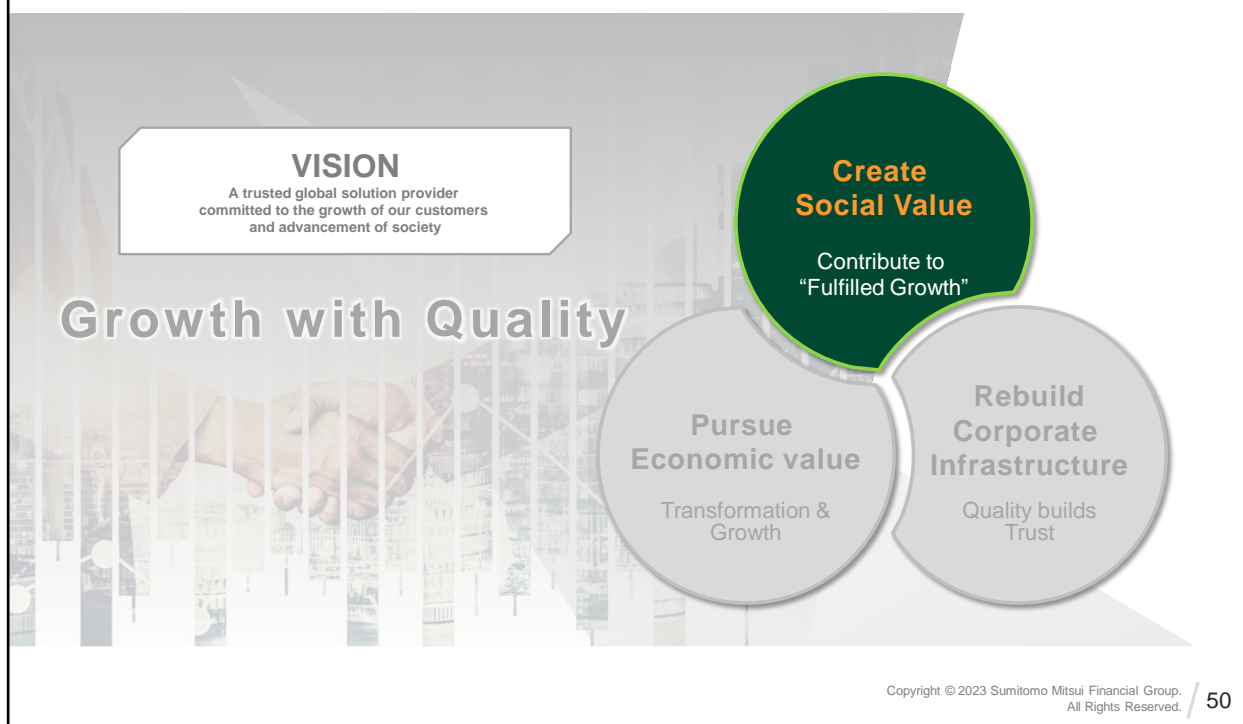
- Create business model to maximize the upside impact of rising domestic interest rates

#### Develop credit and risk management systems to take appropriate risks

In a challenging environment with uncertain outlooks, we will not only enhance our resilience but also develop credit and risk management systems that can accurately assess risks and enable professional risk-taking.

Regarding equity investments shown in the upper right, we will challenge ourselves to 1) revitalize investee companies with investment business and 2) incubate domestic unicorn companies via growth funds.

## Create Social Value -Contribute to “Fulfilled Growth”-



We have spent a year discussing this topic since the investor meeting last year, where I mentioned that we would like to pursue social value in our new Medium-Term Management Plan.

Initially, there were opinions that it would be sufficient to work on this within business scope, but I think differently.

No company can attain sustainable growth for itself without fostering society progress.

Therefore, I believe we should challenge ourselves to create social value even in areas that may not directly contribute to our economic value in the short-term.

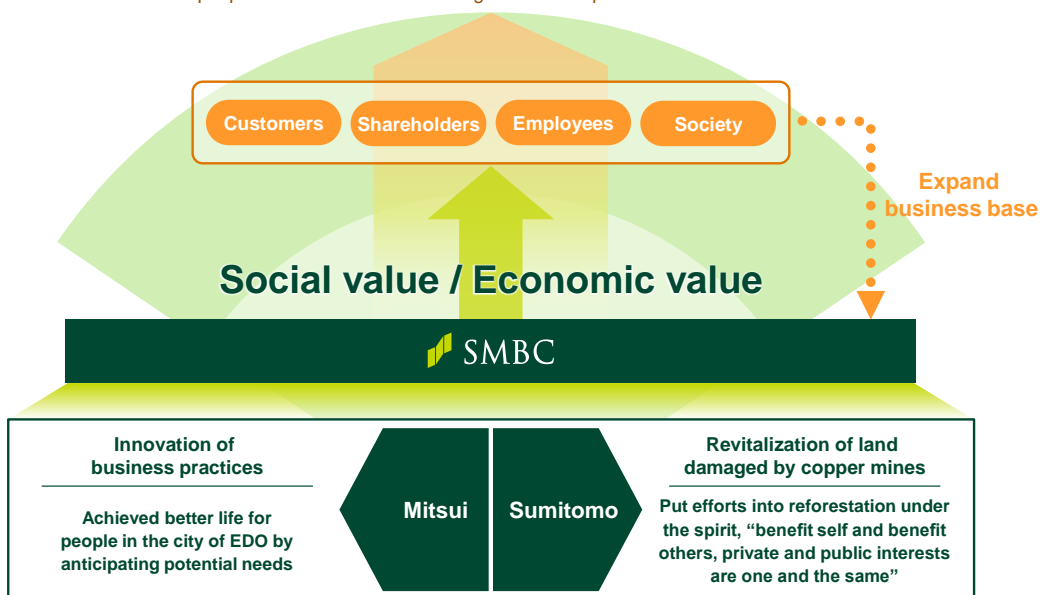
I believe it is a rare approach among domestic financial institutions to place “Creating Social Value” as a pillar of management strategy, rather than just a purpose.

I aspire to actively lead the movement toward creating social value in the world and disclose our group-wide actions.

# Build an era of “Fulfilled Growth”

## Era of “Fulfilled Growth”

An era where people feel fulfilled as economic growth accompanies the resolution of social issues



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I believe that creating social value as a corporate citizen and returning it to stakeholders, including society, will ultimately contribute to the expansion of our business foundation in the long-term.

As our business foundation expands, a positive cycle emerges, leading to further creation of social and economic value.

We will contribute to an era of “Fulfilled Growth,” where people can feel fulfilled, by leading economic growth and solving social issues with the business spirit of Mitsui and Sumitomo that has been inherited for a long time.

## SMBC Group's new materialities

Set new materialities and 10 goals to resolve them.

More specific action plans will be established and promoted simultaneously.

Environment	Support transition to achieve a decarbonized society	Sustainable finance	Establish more specific action plans
	Contribute to the conservation and restoration of natural capital	<b>Revised upward</b> JPY 50 tn (FY3/21-30)	
DE&I/ Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement score	
	Respect for human rights throughout the supply chain	Maintain at least 70	
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	# of microfinance borrowers	
	Contribute to financial inclusion in developing countries	+0.8 mn	
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM / foreign currency balance	
	Build user-friendly infrastructure to support a society with a declining population	JPY 18 tn	
Japan's Regrowth	Support customers' business model transformation	Investment and loans for startups	
	Create innovation and foster new industries	JPY 135 bn	

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As a starting point, we have reviewed our materialities and selected five new items shown on the left-hand side of the slide. In addition, we have also set 10 goals to address these issues.

We plan to establish more specific action plans for each and create a system in which employees can participate voluntarily going forward.

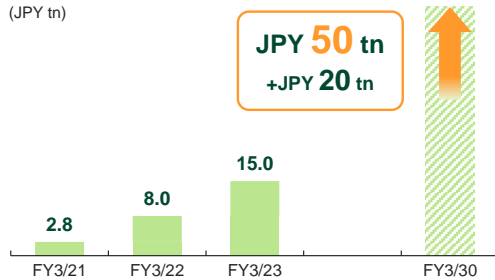
Ideally, I hope that employees who share a desire to improve society will take action on their own to solve social issues and that these efforts will spread throughout the company.

## Support transition to achieve a decarbonized society

## Sustainable Finance

## KPI Sustainable finance

(JPY tn)



- Strict definition of “sustainable finance”

## Type of finance

- Loans and underwriting (excl. leasing, investment and AUM)

## Relevant to

- Green Bond Principles “Green Project Categories”
- Social Bond Principles “Social Project Categories”
- Compliant with “Transition Finance Handbook” of the International Capital Markets Association (ICMA)

## Sustainability investment

## Past investments

Carbon credit	Carbonplace
Forest Fund	The Reforestation Fund
Climate Tech Fund	Remarkable Ventures Climate Fund

## Considering social investment

## To support sound risk-taking

- Climate-related risk appetite framework\*

Manage financed emissions of each sector and divisions to be consistent with the 1.5°C scenario

- Transition finance playbook\*

Clarify definition and eligibility (scheduled May.23)

\*1st as Japanese bank



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We will accelerate our efforts to contribute to realizing a decarbonized society through supporting our clients' transitions and investing in the sustainability area.

## Target towards decarbonized society

Set targets for reducing Scopes 1&2 emissions and phasing out finance to thermal coal mining.  
Will disclose medium-term reduction targets for steel and automotive sectors in FY3/24.

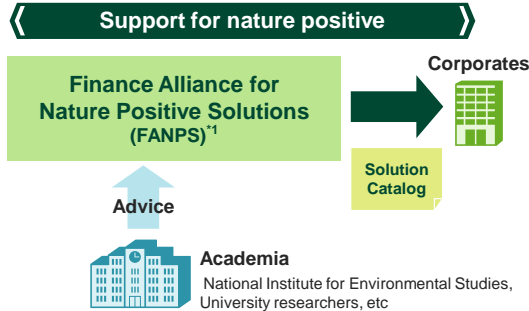
		2020	2021	2022	»	2025	»	2030	»	2040	»	2050
GHG emissions												
Scopes1&2 <sup>*1</sup> (kt-CO2e)		140	177	167		vs. 2021 (40)%		Net zero				
Scope3: Financed emissions	Power (g-CO2e/kWh)	332	320					138-195				
	Oil & Gas (Mt-CO2e)	40.8	32.7					vs. 2020 (12)-(29)%				
	Coal (Mt-CO2e)	13.6	7.4					vs. 2020 (37)-(60)%				
	Steel (upper: Mt-CO2e lower: tCO2e/t-Steel)		8.2 2.0					FY3/24				
	Transportation (auto) (g-CO2e/vkm)		217					FY3/24				
Medium-term target for NZBA 9 sectors (by Oct.24)								Net zero				
Coal-related finance (JPY bn)												
Coal-fired power generation	Project finance	270	230					vs. 2020 (50)%		Zero		
	Corporate finance <sup>*2</sup>		80									
Thermal coal mining	OECD countries		20					Zero				
	Non-OECD countries		56							Zero		

\*1 Expanded boundary of calculation to both domestic and overseas offices of SMFG and its subsidiaries from 2021.  
\*2 Asset-specific financing

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# Initiatives for natural capital and human rights

## Conserve and restore natural capital



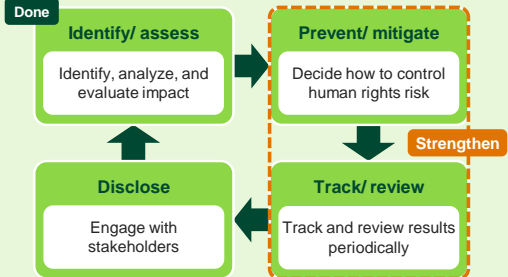
## Human rights throughout the supply chain

Human rights risk  
in the supply chain

Social demands

Following "The UN Guiding Principles  
on Business and Human Rights"

Oct.22- Sophisticate: Human rights due diligence



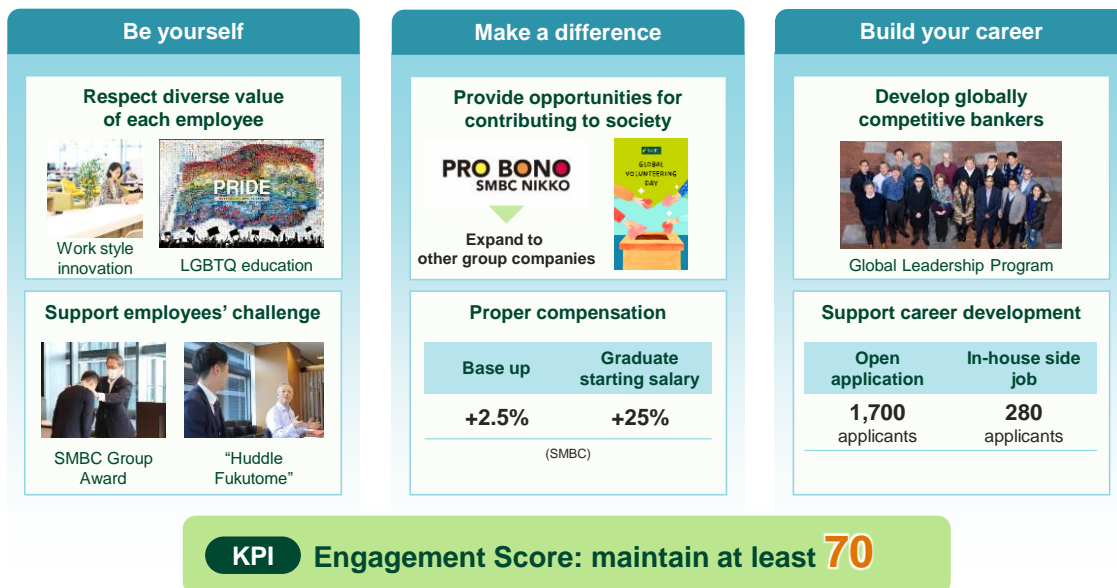
Apr.23 Revise: Statement on Human Rights

Scheduled  
May.23 Publish: Human Rights Report

<sup>\*1</sup> Collaboration with MS&AD Holdings, Development Bank of Japan, and Norinchukin Bank

# Workplace where employees enjoy high job satisfaction

Expand opportunities and support corresponding to diverse values of employees



Regarding “DE&I (Diversity, Equity, and Inclusion),” as explained earlier, we aim to provide a stage where each employee with various backgrounds and values can contribute to our customers and society while realizing their true potential in their own unique way.

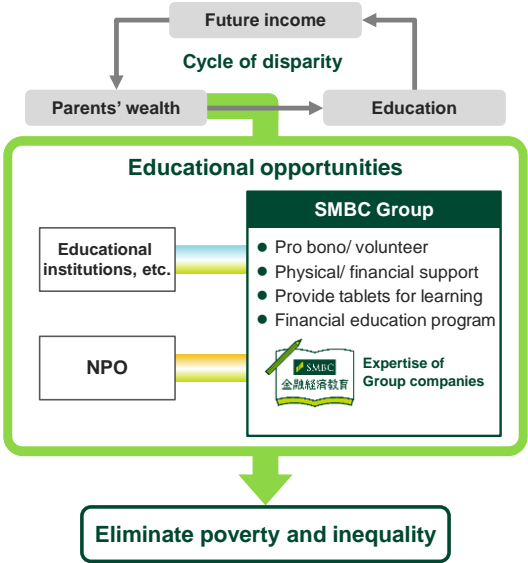
To achieve this, we are working on initiatives such as the ones shown on the slide. We are also utilizing engagement surveys to further improve our efforts.



# Eliminate poverty and inequality

## Break the cycle of poverty and inequality

- Provide educational opportunities to children having financial difficulties

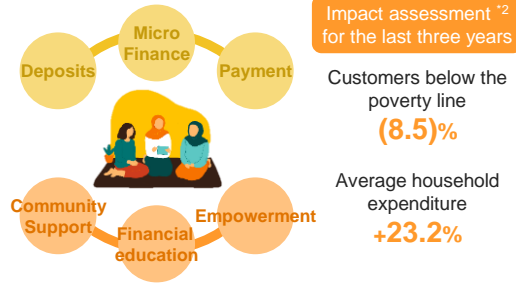


## Financial Inclusion in emerging countries

- Support financial independence of "absolute poverty" households in multi-franchise targeting countries

**KPI** # of microfinance borrowers<sup>\*1</sup> +800 K

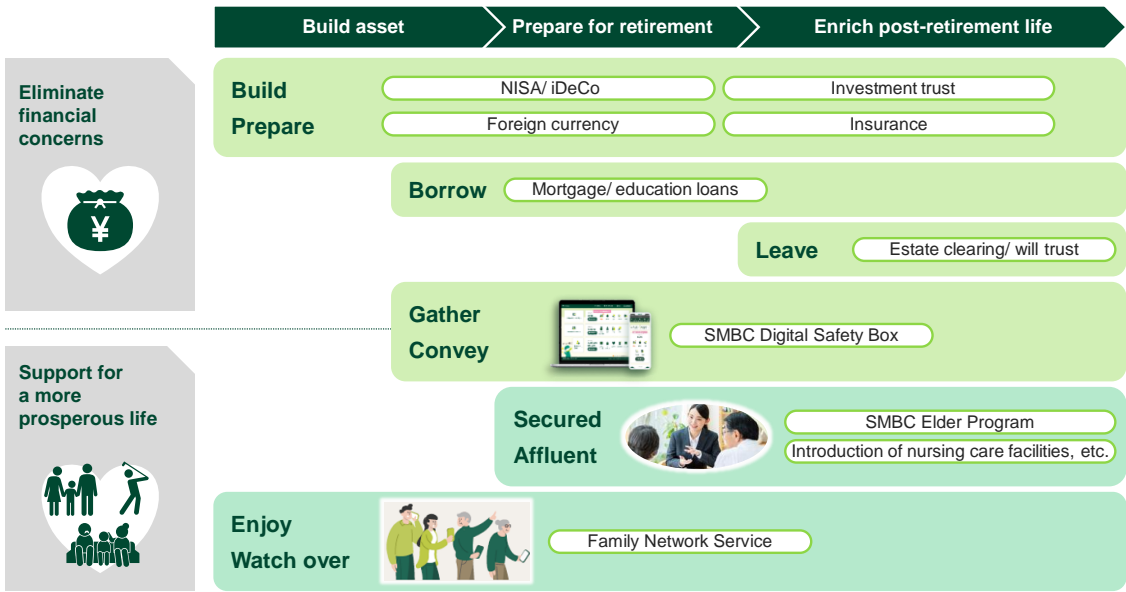
### 《 BTPN Syariah 》



<sup>\*1</sup> Bank BTPN Syariah, Fullerton India  
<sup>\*2</sup> Source: Demographic Institute of the University of Indonesia

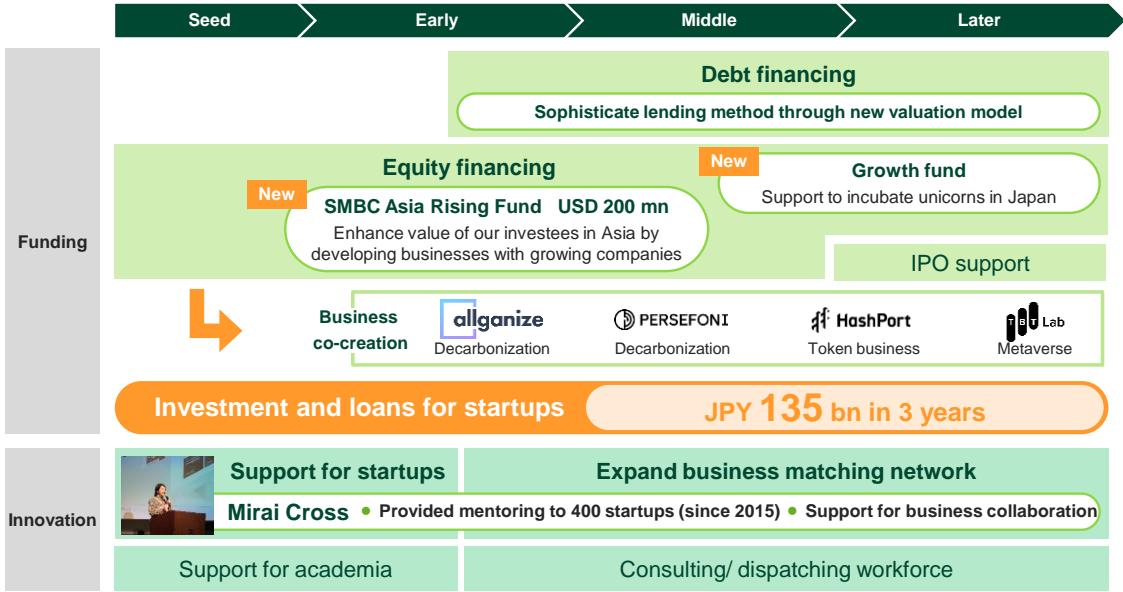
# Relieve anxiety about the 100-year life era

Provide a service lineup that enables customers and their families to live a fulfilled life.



# Create innovation and foster new industries

Support innovation of clients in every growth stage to contribute to developing new industries



We will also actively work on creating innovation and nurturing new industries.

We have set a goal of executing JPY 135 bn in investments and loans for startups over next three-years to provide group-wide finance solutions tailored to each client's growth stage.

We will also contribute to building startup ecosystems through entrepreneurial support and business matching, etc.

# Enhance governance system to create social value

## Improve Board diversity



## New directors



**Charles D. Lake II**  
Aflac Life Insurance Japan  
Chairman and Representative Director



**Jenifer Rogers**  
Asurion Japan Holdings  
General Counsel Asia

## New Global Advisor



**Paul Polman**  
United Nations Global Compact  
Vice Chair  
(Former CEO of Unilever)

## Executive compensation

Base salary	Fixed
Bonus •Cash •Stock Compensation Plan II	<p>Linked annual performance (0-150%)</p> <div> <div>Base amount</div> <div>×</div> <div> Annual ESG Individuals' performance </div> </div> <p>Quantitative Achievement of KPIs*1 ±10%</p> <p>Qualitative ESG ratings of major agencies</p>
Stock Compensation Plan I	<p>Linked medium-term performance (0-150%)</p> <div> <div>Base amount</div> <div>×</div> <div> Financial Stock Non-financial </div> </div> <p>Quantitative Environment  <ul style="list-style-type: none"> <li>Sustainable finance</li> <li>Financed emissions</li> </ul> Employees  <ul style="list-style-type: none"> <li>Engagement score</li> <li>DE&amp;I</li> </ul> 15%</p> <p>Qualitative Materiality initiatives</p>
Stock Compensation Plan III	Promotion reward plan

\*1 Sustainable finance, Scopes 1&2 GHG emissions, etc.

It is essential to further enhance the governance structure that supports the creation of social value.

We plan to propose the appointment of Mr. Charles D. Lake II and Ms. Jenifer Rogers as new external directors at the Annual General Shareholders' Meeting in June, to improve diversity of the Board.

In addition, Mr. Paul Polman was newly appointed to our Global Advisory Board, the former CEO of Unilever and a leading expert on sustainability management, who was involved in the formulation of the SDGs at the United Nations.

I would like to deepen our discussions on sustainability with him.

## (Ref.) Actions taken toward sustainability

### Management structure

#### Integration with Management Strategy

- Revised Group Mission
- Released Statement on Sustainability

#### Strengthen supervision and execution

- Established Sustainability Committee
- Appointed Group CSuO
- Established Sustainability Division
- Introduced ESG evaluation in executive compensation



### Climate change

#### Reduction of GHG emissions

- Committed to 2050 net zero
- Set medium-term reduction targets for three sectors
- Joined NZBA and NZAMI
- Established Net Zero Transition Plan
- Promotion of customer engagement

#### Solution for decarbonization

- Set sustainable finance target
- Released Sustana



### Other sustainability themes

#### Diversity

- Increased ratio of female directors
- Joined 30% Club Japan
- Set FY3/26 targets

#### Conservation of natural capital

- Participated in TNFD Forum

#### Respect for human rights

- Introduced human rights due diligence





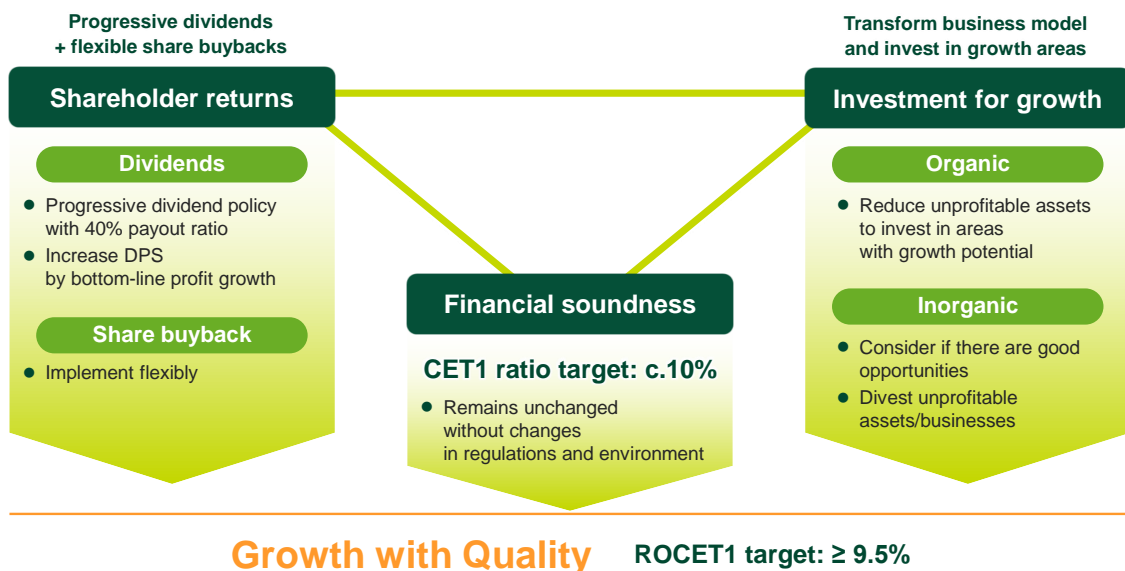
## Capital Policy

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Next, I would like to explain our capital policy.

## Basic capital policy

Basic capital policy is unchanged: Achieving healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth.



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Our capital policy remains unchanged in our new Medium-Term Management Plan, focusing on achieving healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth.

Regarding financial soundness, as mentioned earlier, we believe that CET1 ratio target of 10% is appropriate at this point.

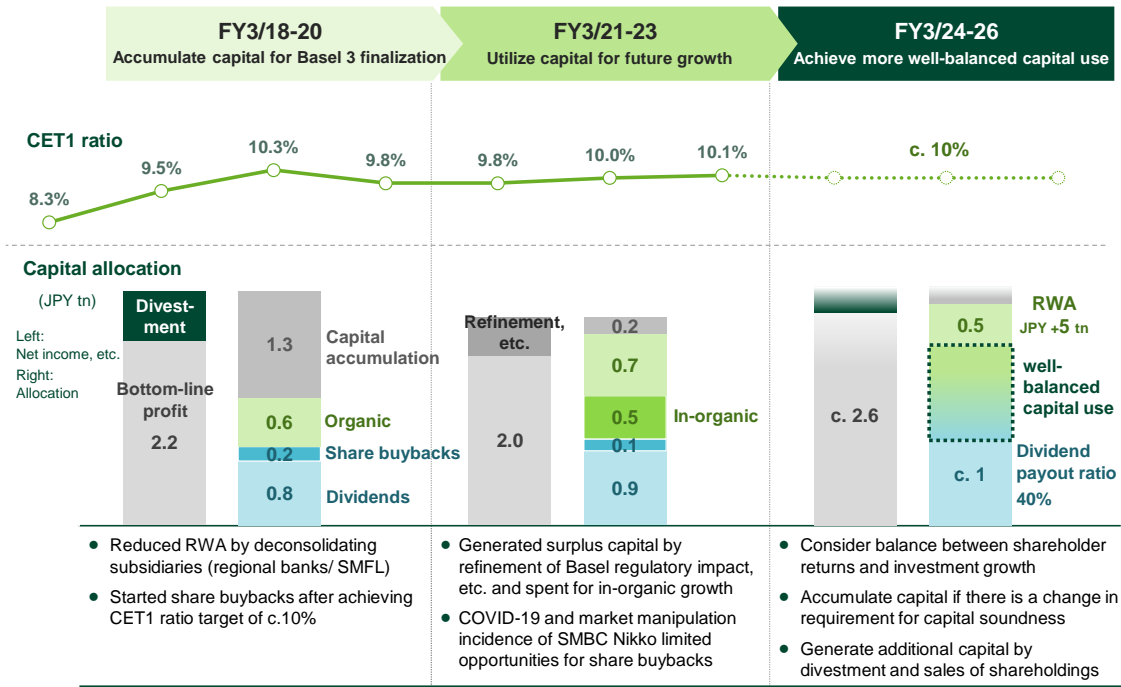
We will use excess capital to balance shareholder returns and growth investments based on this circumstance.

Our principle approach to shareholder returns remains to be dividends. We will maintain a progressive dividend policy and dividend payout ratio of 40%, aiming to increase dividends per share through bottom-line profit growth. Additionally, we will flexibly consider share buybacks.

I am aware that some investors feel that our capital allocation during the previous plan had a heavier focus on growth investments compared to share buybacks, mainly due to factors such as the pandemic and our compliance incidents.

I would like to put high emphasis on balancing both aspects over the next three years.

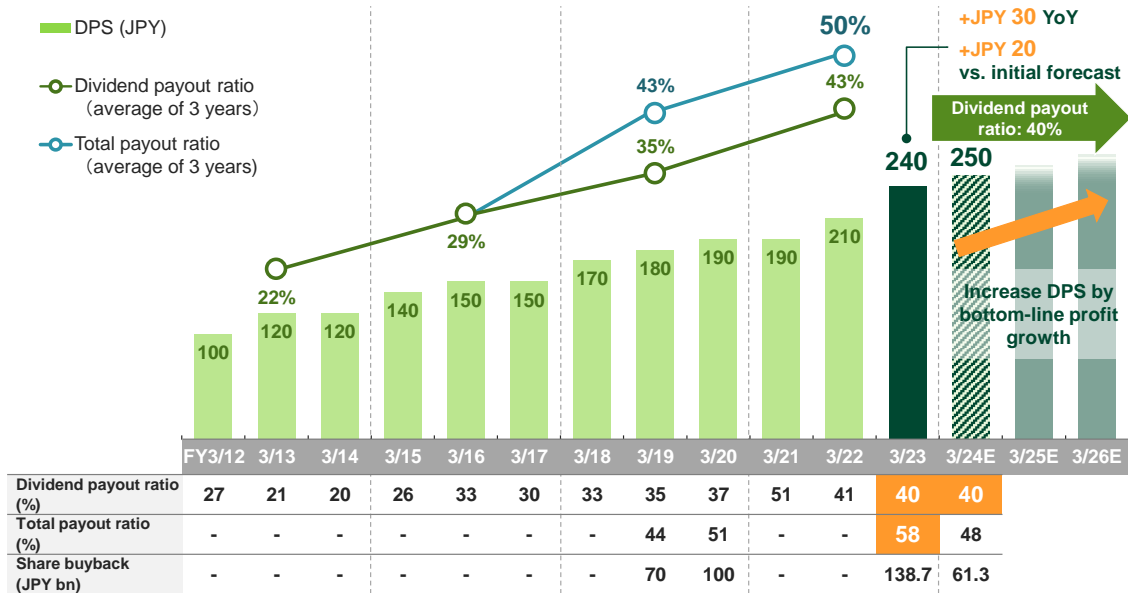
(Ref.) History of capital allocation





## Shareholder returns

Dividend payout ratio maintains 40% (FY3/23: JPY 240, FY3/24 forecast: JPY 250.) No final decision on share buybacks until the announcement of the 1H FY3/24 results given the current uncertainty.



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Dividend per share of JPY 240 was set to achieve dividend payout ratio of 40%, as the bottom-line profit for FY3/23 exceeded our target.

This represents JPY 30 increase YoY and JPY 20 increase from our initial forecast.

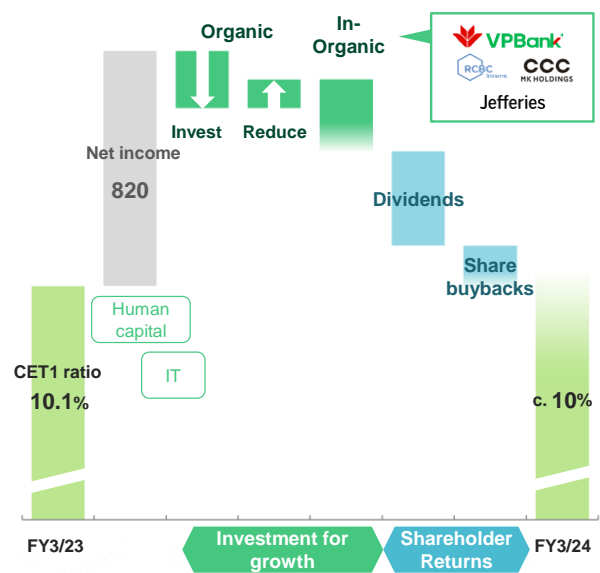
For FY3/24, our dividend forecast is set at JPY 250, another JPY 10 increase YoY, to maintain dividend payout ratio of 40%.

We will hold off on making a decision to announce share buybacks until the announcement of 1H FY3/24 financial results due to the continued uncertainty surrounding the financial sector.

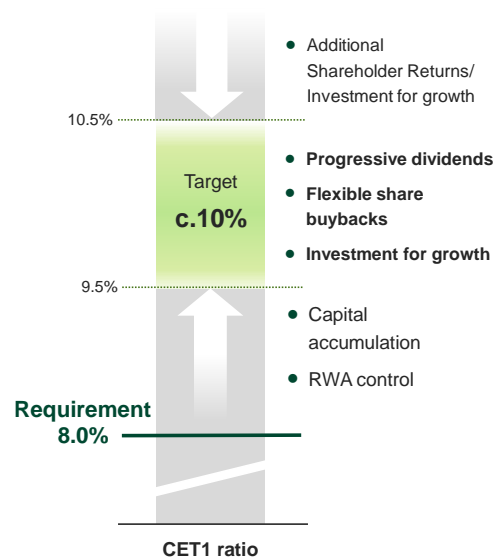
If we could confirm stabilized financial markets and good progress of our company's financial performance, share buybacks could possibly be announced.

(Ref.) Capital allocation

Allocation of FY3/24

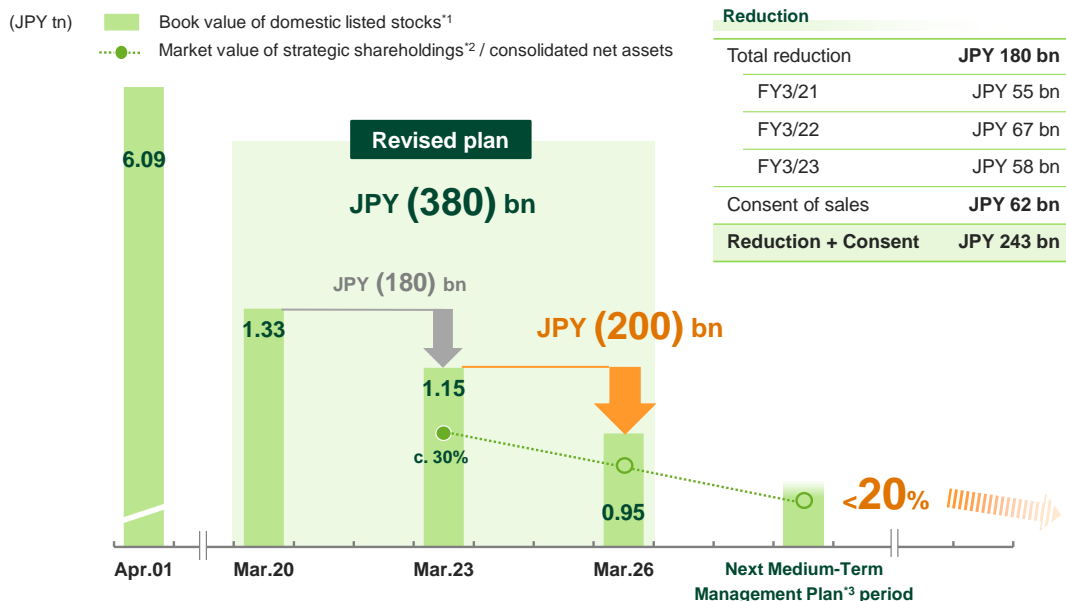


CET1 ratio target



## Reduction of shareholdings

Set a new reduction target of  $\geq$ JPY 200 bn by Mar.26. Aim to earn a good prospect of achieving  $<20\%$  market value to consolidated net assets during the period of next Medium-Term Management Plan.



\*1 Excl. investments after Mar.20 for the business alliance purpose \*2 Incl. balance of deemed held shares  
 \*3 FY3/27-29

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We have made progress of the reduction of strategic shareholdings as planned, reducing the book value by JPY 180 bn by the end of the third year of our original plan to reduce JPY 300 bn over five years starting from March 2020.

Although there are still two years left, we revised the plan at this timing to align the goal with our new Medium-Term Management Plan: to reduce the book value by JPY 200 bn over the next three years, for a total reduction of JPY 380 bn over six years combined with the initial plan.

I fully understand that investors' expectations for the reduction of strategic shareholdings continue to be increasing.

This revised plan represents a minimum target. We will strive to achieve it ahead of schedule and pursue upsides as much as possible.

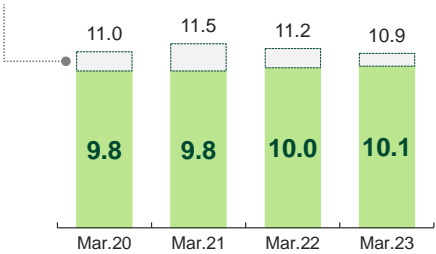
We will also aim to reduce the market value to less than 20% of consolidated net assets during the next Medium-Term Management Plan period, which is FY3/27-29.

(Ref.) CET1 Ratio

Post-Basel III (financial target)

(%)

Net unrealized gains on other securities

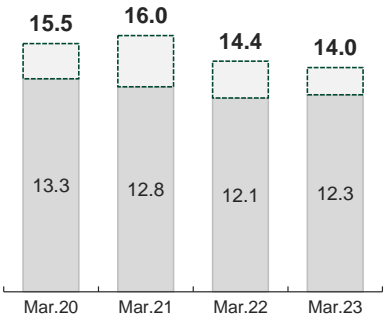


(JPY tn)

RWA	83.5	86.4	88.2	94.4
CET1 Capital	8.2	8.5	8.8	9.6

Basel III (transitional basis)

(%)



(JPY tn)

61.6	66.0	72.4	77.3
9.6	10.6	10.5	10.8

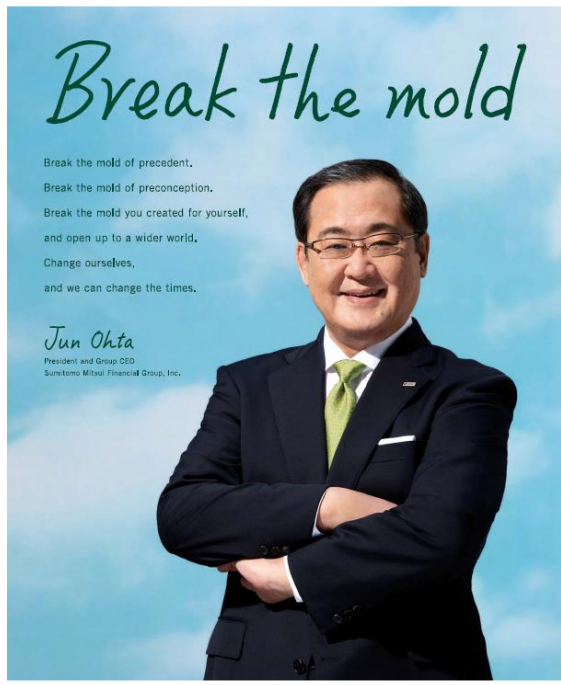


## Closing remarks

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Lastly, I would like to share my thoughts I have put into the new Medium-Term Management Plan.

## The future after breaking the mold



### 《 Jenius Bank 》



### 《 SMBB -beyond banker- 》



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I have continuously communicated the message "Break the mold" to our employees since becoming Group CEO. As entering my fifth year as Group CEO, I am delighted to see various initiatives that have broken molds in many different areas.

For example, Jenius Bank, which I explained earlier, started when I received a pitch, or rather a direct negotiation, from a local expatriate during my business trip to New York. Now, with a team of 250 people, it is gearing up to open its doors this fiscal year.

Another example is a voluntary group called "SMBB -Beyond Banker-," where young employees regularly discuss how to improve SMBC Group. I have received a direct email from the representative asking for a discussion on the ideal state of the SMBC Group. One of the ideas realized through such discussions is the internal social media "Midoriba." Now, various challenges to break the molds have emerged from this platform.

I believe that the future that awaits us after "breaking the mold" is the era of "Fulfilled Growth." Each employee can grow SMBC Group stronger and larger by breaking the mold with free ideas and challenges.

In turn, this will significantly expand the field in which the company can contribute to society, and then, employees will be able to realize what they want to accomplish and contribute to society through their work. This virtuous cycle is nothing less than the era of "Fulfilled Growth," where people feel fulfilled as economic growth accompanies the resolution of social issues.

My dream and mission as a leader is to make SMBC Group such an organization. I am determined to fulfill this mission by steadily implementing this "Plan for Fulfilled Growth."

I would like to thank investors and analysts for your continued support.