



Efforts for Social Value Creation in SMBC Group

May 29, 2024



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Hello everyone.

I am Takanashi, Group CSuO.

Thank you very much for joining us today for our sustainability briefing.

Today, I would like to explain SMBC Group's strategies and initiatives for creating social value.

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 forwardlooking 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.

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Governance

- Improvement of Governance - Diversity of the Board of Directors
- Enhancement of Sustainability Management System


IV

Opinion on the Shareholder Proposal

This is today's agenda.

I will outline our strategy and initiatives in the order of social value creation, environment, and governance.

Following that, I will also explain our perspective on the shareholder proposals received for the 22nd Ordinary General Meeting of Shareholders in June 2024.

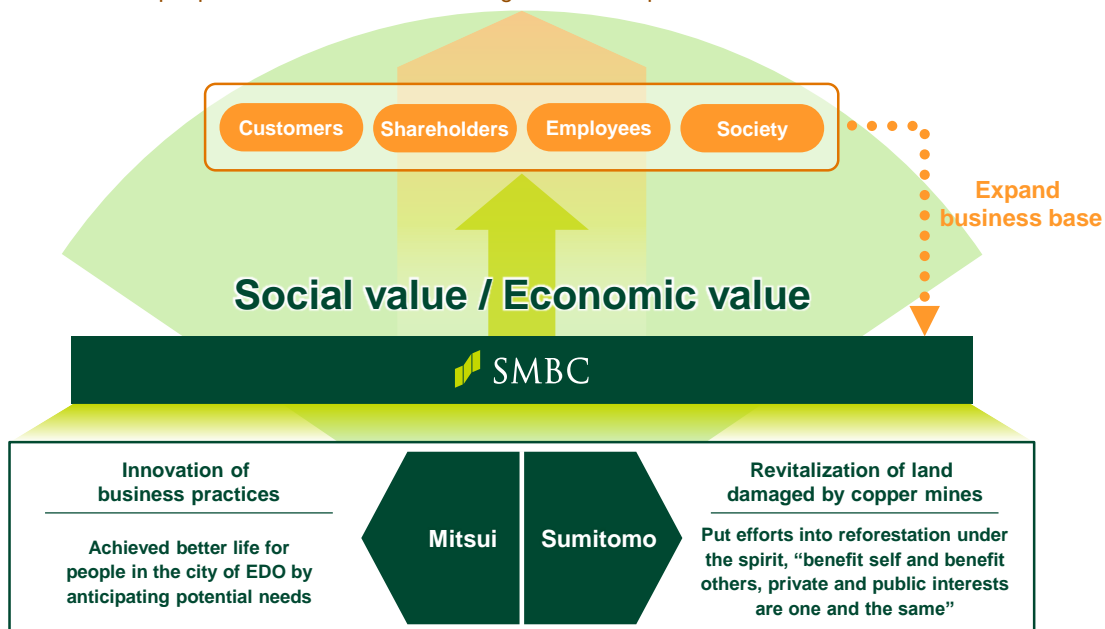


SMBC Group's Goal for Social Value Creation

First is about social value creation.

Era of “Fulfilled Growth”

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



As I said last year, we are in an era of "Fulfilled Growth."

This is what we are aiming for.

In order to achieve this, we have placed the creation of social value as one of the pillars of our management in the current Medium-Term Management Plan that we started last fiscal year.

Progress on Priority Issues (Materiality)

Plan for
Fulfilled Growth

Steadily advancing initiatives aimed at creating social value based on five key issues and ten goals

		KPI	FY3/24 Results
Environment	Support transition to achieve a decarbonized society	Sustainable finance JPY 50 tn (FY3/21-30)	JPY 24 tn (FY3/21-24)
	Contribute to the conservation and restoration of natural capital		
DE&I/ Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement score Maintain at least 70	72
	Respect for human rights throughout the supply chain		
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	# of microfinance borrowers +0.8 mn (vs. FY3/23)	+153 k
	Contribute to financial inclusion in developing countries		
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM / foreign currency balance JPY 18 tn (end of FY3/26)	JPY 17 tn
	Build user-friendly infrastructure to support a society with a declining population		
Japan's Regrowth	Support customers' business model transformation	Investment and loans for startups JPY 135 bn (FY3/24-26)	JPY 79.2 bn
	Create innovation and foster new industries		

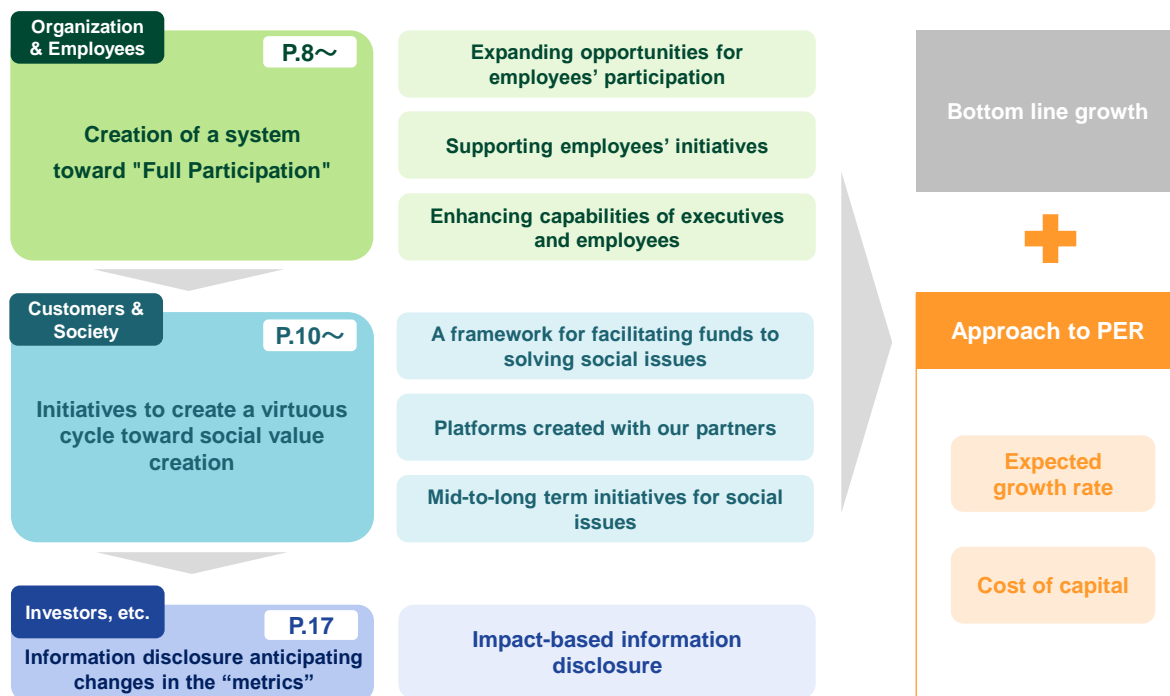
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More specifically, we have identified five priority issues that we particularly want to solve: the Environment, DE&I/Human Rights, Poverty & Inequality, Declining Birthrate & Aging Population, and Japan's Regrowth.

As indicated on the right side, we are steadily advancing our efforts.

Influence PER through social value creation and sustainably improve the corporate value



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"Social Value Creation". It might sound that we are expanding volunteering and donations. Of course we will do that, but I think that alone will have a limited social impact.

Rather, we will continue to create new businesses based on social issues and other issues, aiming to create significant social impacts and achieve sustainable earnings improvement at the same time.

Furthermore, even before short-term profits are realized, we believe that our efforts to create social value will contribute to the enhancement of corporate value by influencing PER by improving the expected growth rate and lowering the cost of capital, as shown on the right.

There are three pillars of our initiatives, as shown on the left.

The first is to create an internal system toward "Full Participation" of all employees.

SMBC Group has approximately 120,000 employees globally, and I believe that if each and every one of employees can take the initiative in solving social issues, we will be able to make significant impacts.

The second is our initiatives to create a virtuous cycle toward social value creation through collaboration with our customers, society, etc.

I think there is a limit to what we can do on our own. Leveraging the characteristics of one of the major banks in Japan, such as a wide range of customers and a wide range of points of contact with society, we will work to solve more social issues.

The third is our information disclosure.

If we do not actively promote our efforts externally, it will not lead to an increase in corporate value. Therefore, we will take on the challenge of measuring social impact and advancing disclosures.

We would be grateful if you could give us your opinions.

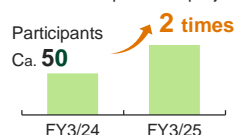
Now, I will explain the details of each from the next page.

Encouraging each employee's proactive initiatives towards creating social value

Enhancing Employee Engagement Opportunities

SMBC Group's Pro Bono Work Project

- A system to allocate certain portions of employees' working hours to pro bono projects



Up to **20%** of working hours can be allocated



Social Value Creation Meeting

- Group CEO-led meetings** for swift decision-making on implementing employees' ideas aimed at creating social value



Shaka-Kachi DAY

- Organizing and implementing a **one-day event** focusing on creating social value at various domestic and international sites



Supporting Employees' Initiatives

- Developed policies to encourage employees to take their voluntary initiatives

SMBC Social Issues Resolution Promotion & Support Loan



Business Analysis

Formulation of action plans

Supporting customers' efforts to solve social issues

Expense budget

JPY
10billion

- Activities to help customers solve social issues
- Company-wide projects toward social value creation
- CSR programs by employees, etc.

Investment fund

JPY
40billion

- Co-creating and developing businesses with our customers
- Development of new technologies and industries, etc.

Materials & Tools



Discussion materials with customers

Training



Sustainability-related training and study sessions

Commendation



Employee participatory award system

The first initiative to realize "Full Participation" is to expand opportunities for employees' participation.

On the left, regarding pro bono work, we have made it possible for employees to allocate up to 20% of their working hours to devote to activities at NPOs, etc. This year, we plan to double the number of participants compared to the last year.

The second step toward "Full Participation" is to support the activities of employees in various ways, as shown on the right.

In order to create social value, we have also set an expense budget of JPY 10 billion and an investment fund of JPY 40 billion.

We will continue to allocate resources in measures to create social value and firmly support the efforts of our employees.

Continuously enhancing expertise and fostering awareness to encourage social value creation initiatives

Enhancing Expertise of Executives

Sustainability Study Session for the Management

- Sustainability study session lectured by Professor Yukari Takamura from the University of Tokyo



In addition to climate change, learned the latest trends in topics that are of increasing interest globally, such as circular economy and human rights

Round Table

- Held discussions between internal and external directors and Mr. Paul Polman, our Global Advisor

< Points of discussion >

- Linking sustainability to business strategy
- Setting long-term, socially impactful goals
- Not striving for perfection while keeping to make constant progress



Enhancing Employees' Skills

"Sustainability University"

- Systematizing and expanding training related to sustainability

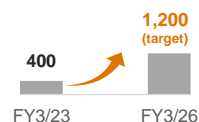
Basic study sessions
for all Group employees

Ca. 50,000 participants

Online Learning Service
"Aidemy GX"

Introduced to
Ca. 40,000 participants

Employees who passed
the Kinzai Sustainability Test



CSuO Channel / Social Value Creation Caravan

CSuO Channel
Group CSuO's study
session for employees

Total of **2,000** participants



**Social Value
Creation Caravan**
Roundtable discussion
with employees

Held at **196** locations
in Japan and overseas



The third aspect of "Full Participation" is to improve the capabilities of executives and employees and to foster awareness.

On the left, we show examples of our efforts to enhance the expertise of Board of Directors and Management Committee.

Last year, for example, we had a study session lectured by Professor Takamura from the University of Tokyo, who is also a member of our Sustainability Committee.

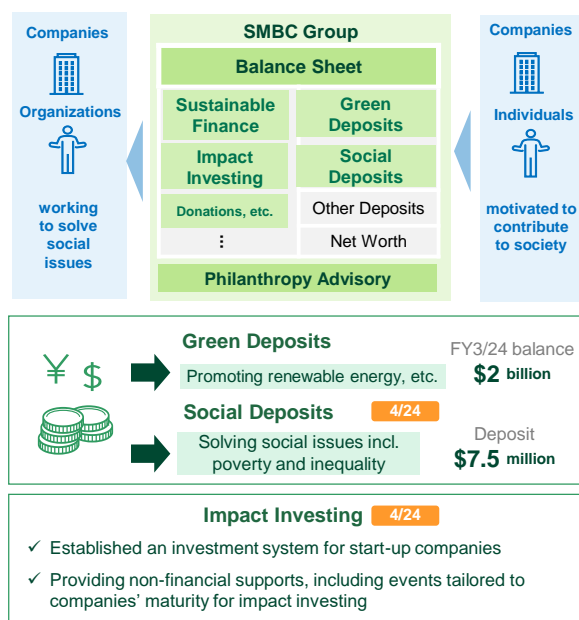
We also held a round table with our Global Advisor, Mr. Paul Polman, former CEO of Unilever and a leading authority in sustainable management, in which we had lively discussions.

In addition, in order to improve employees' skills, we systematized and expanded training related to sustainability, and held roundtable discussions with employees titled "Social Value Creation Caravan" at 196 locations in Japan and overseas in the second half of the last fiscal 2023.

I visited locations in Japan and overseas and was very impressed by the fact that young people in particular, were very interested in this topic, listened intently, and actively expressed their opinions.

Collaboration with partners to build frameworks that create a virtuous cycle of social value creation

Allocating Funds to Solving Social Issues



Platforms Created with Partners

Industry-Academia Collaboration

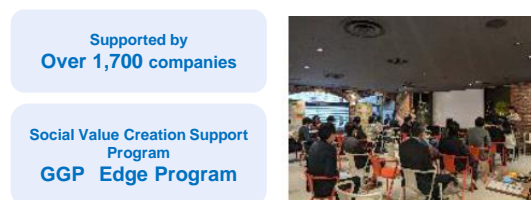
First half of FY3/25

- Together with academic institutions, planning to announce our efforts to create a movement for social value creation involving governments, companies, and individuals.



GREEN x GLOBE Partners

- Operating a business community to solve environmental and social issues



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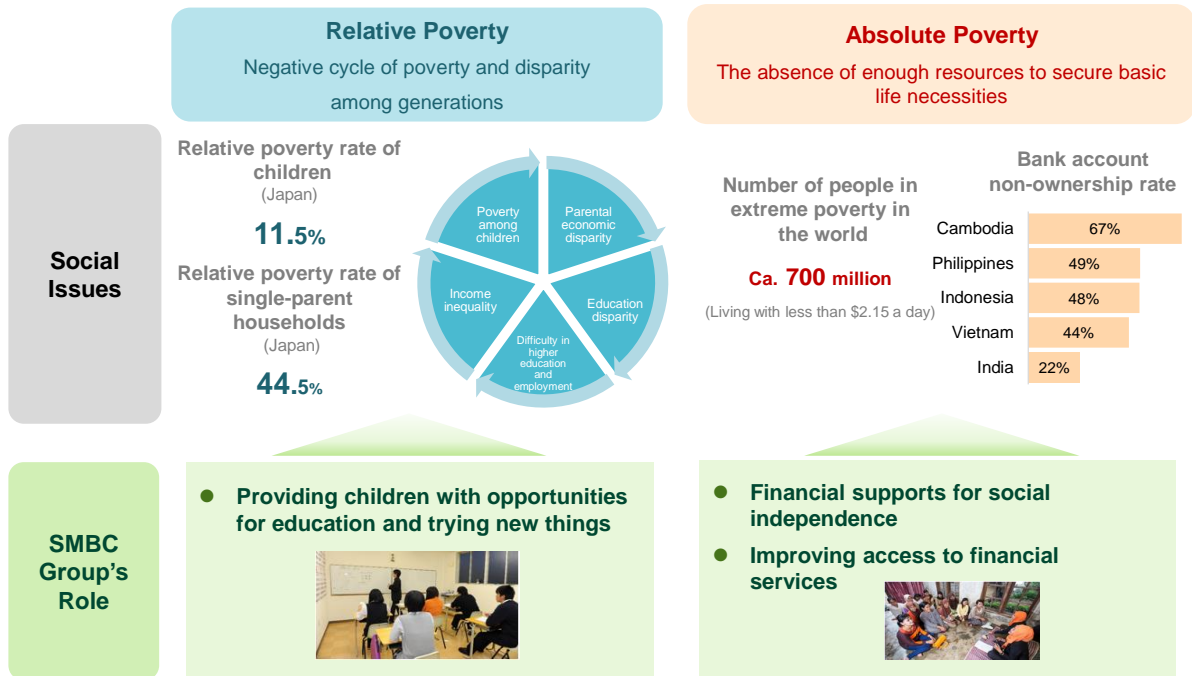
Next is the construction of a framework that creates a virtuous cycle of social value creation.

As shown on the left side, it is indeed a crucial responsibility of financial institutions like ours to create a system that financially connects customers who wish to contribute to solving social issues with those who are actively working on these challenges, thereby facilitating the flow of funds towards the resolution of social issues.

Recently, we have launched Social Deposits to solve social issues such as poverty and inequality, and Impact investments for startups.

In the area of impact, we aim not only to start investing, but also to provide non-financial support, such as sharing know-how, with the intention of revitalizing the ecosystem in this area.

To break a negative cycle of poverty, helping the underprivileged become socially independent through providing children with opportunities for education and trying new things



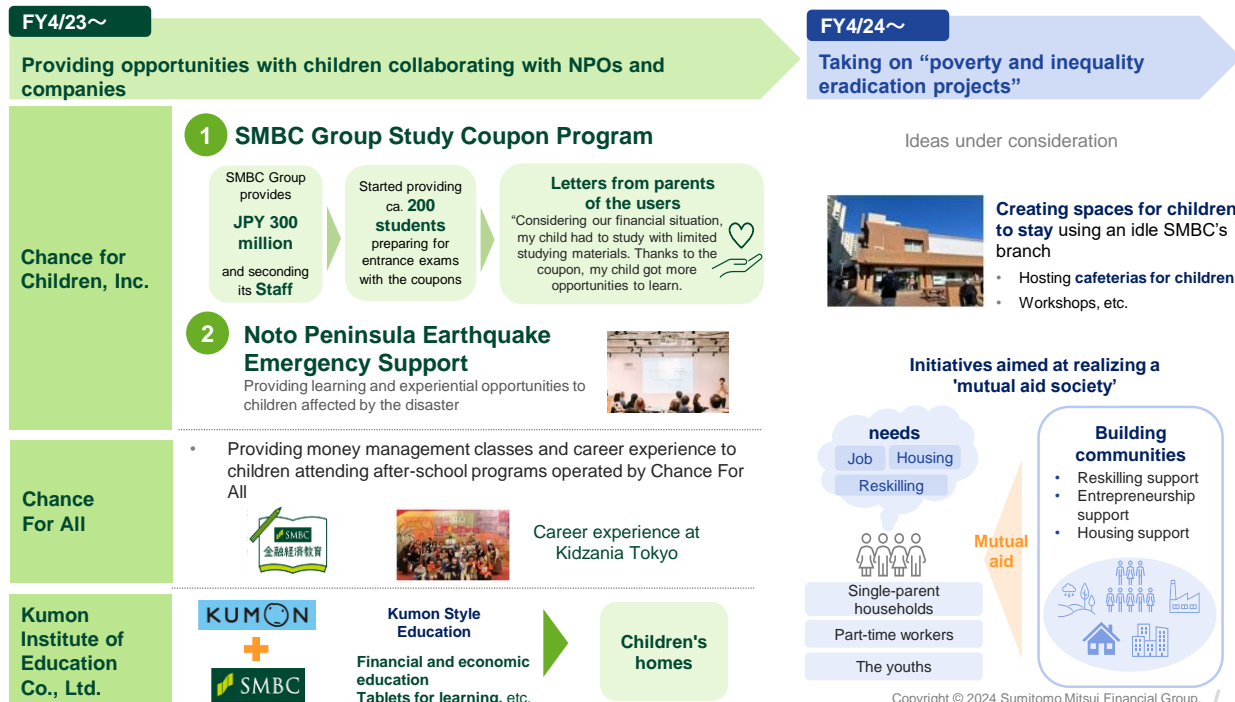
From this slide, I would like to introduce various initiatives that create social value for each materiality, even if some of them may not directly link to economic value in the short term.

First, please let me explain our efforts to address "poverty and inequality."

It may seem unusual for a financial institution to select this social issue as one of our materiality, but in addition to the issue of absolute poverty in developing countries, the negative cycle of intergenerational poverty has become a serious social issue in Japan.

To break this cycle, we are committed to providing children in Japan with opportunities for education and trying new things, while in developing countries, we are working to support the social independence of the underprivileged through financial supports and improved access to financial services.

In addition to collaboration with NPOs and companies, taking on proactive initiatives aimed at eradicating poverty and inequality



First, our initiatives in Japan.

One of our major achievements in FY3/24 was the launch of the SMBC Group Study Coupon Program in collaboration with Chance for Children, inc.

We have provided approximately 200 students with coupons that can be used for cram schools, etc.

We have received handwritten letters of gratitude from single parents who are working hard to raise their children, which have been heartwarming and reinforced the importance of addressing the social issues of poverty and inequality.

While we have primarily collaborated with NPOs and businesses, as shown on the right, we are also thinking about taking more proactive approaches to our initiatives.

Providing broad supports for financial inclusion, mainly in countries covered by the multi-franchise strategy and supporting the social independence of the underprivileged

Multi-Franchise Strategy Targeted Countries

Economic Value

Bottom-line profit contribution

(JPY 100 million; before amortization of goodwill)

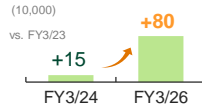


Social Value

Financial Inclusion

KPI

Number of microfinance borrowers



BTPN Syariah

- Providing basic financial services to women operating business in rural areas

People with no toilet or latrine at home

10.6% decrease
in 3 years

SMICC

- Addressing the needs of customers with limited access to finance in rural areas
- Group loans
- Real estate loans
- Unsecured loans for individuals and MSMEs

ACLEDA Bank (Cambodia)

2012- Business cooperation
2014- Capital contribution

- In Cambodia, which was exhausted by the severe civil war, ACLEDA Bank has supported the social independence of the underprivileged through microfinance, since its establishment in 1993.

Devastation caused by the civil war/ People who lost their hope



1993
Established as an NGO

Contributing to the development of Cambodia and the hopes of the people

2003
Commercial Banking

Economic growth/ Improving the quality of life



2020
Becoming the country's only listed bank

Collaboration with Gojo & Company, Inc.

- In November 2023, started collaboration on financial inclusion with Gojo & Company, Inc., which provides microfinance in countries, including India, Tajikistan and Cambodia

Gojo & Company, Inc.



Details of the collaborations so far

Social loans: JPY 9 billion

Investing in financial inclusion fund (India)

Seconding staff

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Next, I would like to talk about our overseas initiatives.

We pursue growth with Multi-Franchise Strategy in the four target countries: Indonesia, India, Vietnam, and the Philippines. The basic concept of this strategy is to grow together with local communities.

To this end, we will continue to support the social independence of the underprivileged through initiatives for financial inclusion, which is social issue in these countries in particular, and through the financial education programs as described on the following page.

Please skip to page 15.

Globally, SMBC Group sites actively engage in social contribution activities participated by employees.

Initiatives in Asia

SMICC



Food donation activities
for underprivileged children



14,000
people

Financial literacy programs
for women in rural areas



60,000
people

APAC

Donation of school supplies and solar
lights to children in the village of Cambodia



Americas “Global Foundation”

- Foundation established in 1994, based in the Americas
- Since its establishment, donated ca. JPY 1 billion to support scholarships and community contribution activities.

Supporting Frederick Douglass Academy in the Harlem District of New York City

- ✓ Supporting learning Japanese
- ✓ Support for study trips to Japan (invitation to SMBC Head Office)



Global Volunteer Day

- On the occasion of International Volunteer Day (5th December), held employee participatory activities at each site under the theme of "Eliminating Poverty and Inequality."

Asia

Indonesia

Financial and economic seminar



Thailand

Donation of school
equipments



Japan

Clothing collection that leads
to vaccine donations



Vietnam

Learning support for
children



Americas

Towel donation to
low-income families



Europe

Donation of winter coats



Declining Birthrate & Aging Population

Reduce people's various anxieties in conjunction with the progression of a declining birthrate and aging population

Customers' anxieties

Worries about money



Worries about health and daily life



Regional disparities



SMBC Group's Role

Wealth Building Support

Promoting NISA and investment products, as well as digital consultations tailored to customers' life stages

Integrated proposals combining banking, trust, and securities services



Life Shift Service (service for the 100-year life)

Set "enriching the experience of aging" as the business purpose



Digitalization of Financial Infrastructure

Through Olive, providing a wide range of financial services regardless of regions



Financial and Economic Education

Participants (cumulative)



Online game-based learning material "Quest of Finance" Released in 3/24



Users
Ca. 2,500

Lectures about finance and economics by bank branch managers (FY3/24)



Lectures
185
Participants
19,000

Lectures about financial literacy at universities (FY3/24)



Participants
Ca. 56,000

Kinza Institute for Financial Affairs, Inc. Financial Literacy Certification (FY3/24)



Passers
Ca. 18,000

Cooperated establishing the certification

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Next, I would like to talk about our efforts to address the declining birthrate and aging population.

While financial institutions may find it challenging to solve the issue of an aging population and declining birthrate directly, we believe it is possible to contribute to alleviating the various 'anxieties' that people face as these demographic changes expand, such as concerns about money, health, and the disparities between urban and rural areas.

To address these anxieties, we are committed to providing a wide range of services for wealth management, Life Shift Services (service for the 100-year life) like the SMBC Elder Program, and building digital financial infrastructure such as Olive, all on a group-wide basis.

Regarding financial and economic education, traditionally centered around seminars, we feel that our activities are expanding with the release of game-based learning material as well as the establishment of a certification.

Actively engage in the mid to long-term projects for social issues, including those which do not directly create economic value in the short term

Incubation for Drug Discovery

- Agreement to establish a joint venture company aimed at creating innovative pharmaceuticals originating from Japan, together with Takeda Pharmaceutical Company and Astellas Pharma Inc.



Support for Startups

Innovation Hubs

Japan
hoops link tokyo

USA
Silicon Valley Lab

Singapore
Asia Innovation Centre



Startup Investment Funds

SMBC Asia Rising Fund \$ 200mn

Enhance value of our investees in Asia

Growth fund JPY 30bn

Support to incubate unicorns in Japan

Regional Revitalization



Support for drafting "Kumamoto Semiconductor Individual Promotion Vision"



Research taking the opportunity of the entry of a major Taiwanese semiconductor company into Kumamoto



Support for the international expansion of Nanbu ironwares



Matching Nanbu ironware manufacturers with a cross-border e-commerce company

Champion growth through sports sponsorship



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Next is Japan's regrowth.

At present, Japan has big opportunities toward regrowth. This is partly reflected in the financial results of FY3/24 announced recently, but we believe that this cannot be temporary. To this end, we will actively engage in medium- to long-term projects for social issues that contribute to the sustainable growth of Japan.

For example, we have agreed with Takeda Pharmaceutical Company and Astellas Pharma Inc., to establish a joint venture to create innovative pharmaceuticals originating from Japan. The new company will provide comprehensive support from initial drug discovery research to the establishment of drug discovery venture companies.

In addition, from the perspective that it is essential to support young people who will lead the next generation in order to achieve Japan's regrowth,

I would like to make sure that we also work to provide opportunities through sports and other means.

Anticipating changes in the “metrics” to evaluate companies; strengthening impact-based information disclosure

Visualization of Impact

What's impact for SMBC Group?

The impact on society and the environment through SMBC Group's initiatives aimed at realizing an era of 'fulfilled growth'

visualization



Examples of metrics

The percentage of customers below the poverty line

- Microfinance by BTPN Syariah, etc.

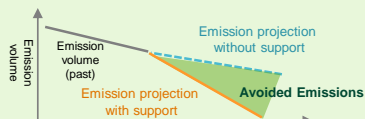
Poverty & Inequality

Impact assessment for the last three years
Reduction by 11.1%
FY 2023

Avoided Emissions (GHG)

- Project finance for renewable energy projects

Environment

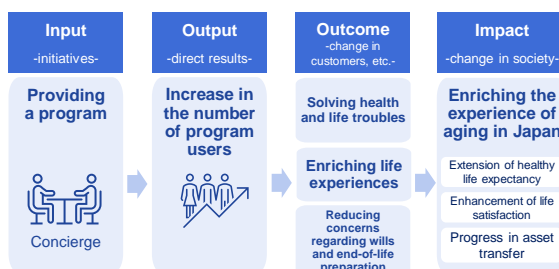


19mn. t-CO2
FY 2022

Steps towards Visualization

- | | | |
|---|--|--|
| 1 | In-depth analysis of Materiality | Analyzing the factors of the issues and our initiatives |
| 2 | Identifying topics for making impact visible | Specifying topics based on the impact brought by initiatives |
| 3 | Developing logic models | Logically explaining the relations between initiatives and our goals |
| 4 | Setting impact-based metrics | Establishing measurable metrics to show the impact |
| 5 | Measurement and disclosure | Measuring and disclosing data |

Reference Image: Logic Model for SMBC Elder Program



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This chapter concludes with an impact-based information disclosure.

As the creation of social value becomes more important, we believe that in addition to financial indicators, both positive and negative impacts on society and the environment will become increasingly important as a new "yardstick" for measuring corporate value.

By visualizing such impacts, we can expand related solutions and enhance the understanding of the significance of creating social value among employees. We also believe that investors and analysts will benefit from a quantitative and objective understanding of the status of initiatives.

As shown in the lower left corner, we have already set and disclosed some impact indicators for materiality such as the environment, poverty and inequality. Going forward, as shown on the right, we intend to further enhance both quality and quantity of our disclosures.

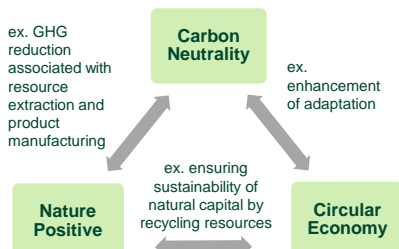


Environment

Now, I would like to explain our initiatives on environment.

Climate change, natural capital, and circular economy are interconnected. An integrated approach is required.

Interconnected Environmental Issues



Adaptation

UNEP "Adaptation Gap Report 2023"



Climate risks still exist even if the Paris Agreement is achieved

Funding needed for adaptation measures is
ca. **\$387 billion** a year.

Environmental issues are linked to other social issues, including human rights, poverty, and inequality.

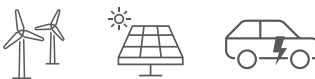
Impacts of Climate Change

Climate change has a greater impact on people in underprivileged countries where preparedness for natural disasters, water shortages, health hazards, etc. is inadequate than in developed countries.

Over the next 10 years,
ca. **130 million** people will additionally fall into extreme poverty.*1

Just Transition

Shrinking and decline of existing industries and loss of jobs due to changes in the industrial structure with decarbonization



"Just transition" that leaves no one behind is essential

Supported by governments, the medium to long-term business opportunities emerge.

Investment (expected)

Carbon Neutral	\$11 trillion *2 By 2030 ex. renewable energy, storage batteries, hydrogen
Nature Positive	\$10 trillion *3 By 2030 ex. nature restoration, agriculture, infrastructure
Circular Economy	\$25 trillion *4 By 2050 ex. waste management, water use

Policy Support

Japan GX Promotion Act	JPY150 trillion In next 10 years ex. hydrogen and renewable energy
USA Inflation Reduction Act	\$391 billion ex. clean energy and EVs
EU Green Deal Investment Plan	€1 trillion ex. renewable energy, decarbonization of buildings and transportation

*1 : World Bank *2,*3 : World Economic Forum *4 : Schroders

The first is our awareness on the environment.

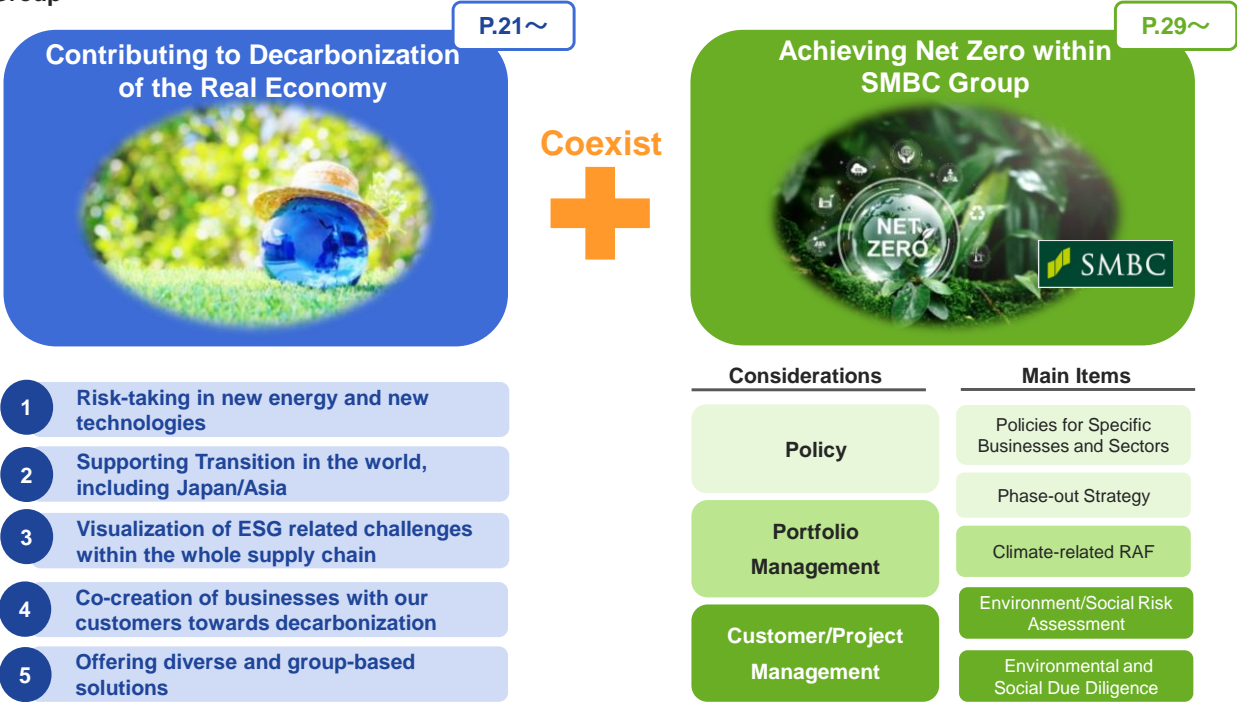
Climate change, natural capital, and the circular economy are not seen as an independent factor but are interrelated, requiring an integrated approach.

Furthermore, the intensification of environmental issues tends to have a more significant impact on vulnerable countries, leading to a domino effect on other social issues such as human rights, poverty and inequality. This underscores the importance of a Just Transition.

On the other hand, as shown on the right, for responding to environmental challenges, business opportunities emerge. Supported by governments, business opportunities centered around decarbonization are becoming more apparent.

With this environmental awareness in mind, I will outline our strategies and initiatives on the following pages.

Maximizing contributions to the decarbonization of the real economy while achieving net zero within SMBC Group



I believe that the greatest responsibility that financial institutions should fulfill in order to achieve net zero emissions is to contribute to the decarbonization of the real economy. I think that the key is to pursue both contributing to the decarbonization of the real economy and achieving both net zero within ourselves.

SMBC Group is committed to achieving net zero emissions by 2050. However, if we are only aiming to achieve this, the easiest way is to divest from high-emission sectors. Yet, this would not bring fundamental solutions to reduce global greenhouse gas emissions for the entire world.

The optimal path to decarbonization is not one-size-fits-all and varies by country and sector. We aim to thoroughly understand each situation, carefully determine ambitious yet feasible routes and speeds, and support our customers' transitions and technological innovations.

As a global solution provider, firmly support our customers' initiatives towards transition and technological innovation by leveraging our strengths

Customers' needs

High investment risks in R&D of new energy and technologies
Challenges in adopting currently costly decarbonization technologies

Still high dependence on fossil fuels in energy consumption in Japan and Asia

A lack of resources and know-how about understanding the GHG emissions from both the company and the entire supply chain

Finding partners to transform fuel procurement and business structures for decarbonization

One-stop and speedy response to various phases and challenges towards decarbonization

SMBC Group's strengths

1 Risk-taking in new energy and new technologies P.22

- Establishing a market leader position in the field of new energy and new technologies as a pioneer in project finance

2 Supporting Transition in the world, including Japan/Asia P.23

- In pursuit of decarbonization in Asia, which is essential for achieving the Paris Agreement goals, accelerating initiatives, disclosure, and dialogue to support transition finance

3 Visualization of ESG related challenges within the whole supply chain P.25

- Utilizing Sustana/Asuene ESG as a lever to visualize non-financial data in the supply chain and using it for the dialogue with customers and providing solutions

4 Co-creation of businesses with our customers towards decarbonization P.25

- Leveraging a global customer base and deep insights into the decarbonization field to connect companies and create businesses aimed at decarbonization

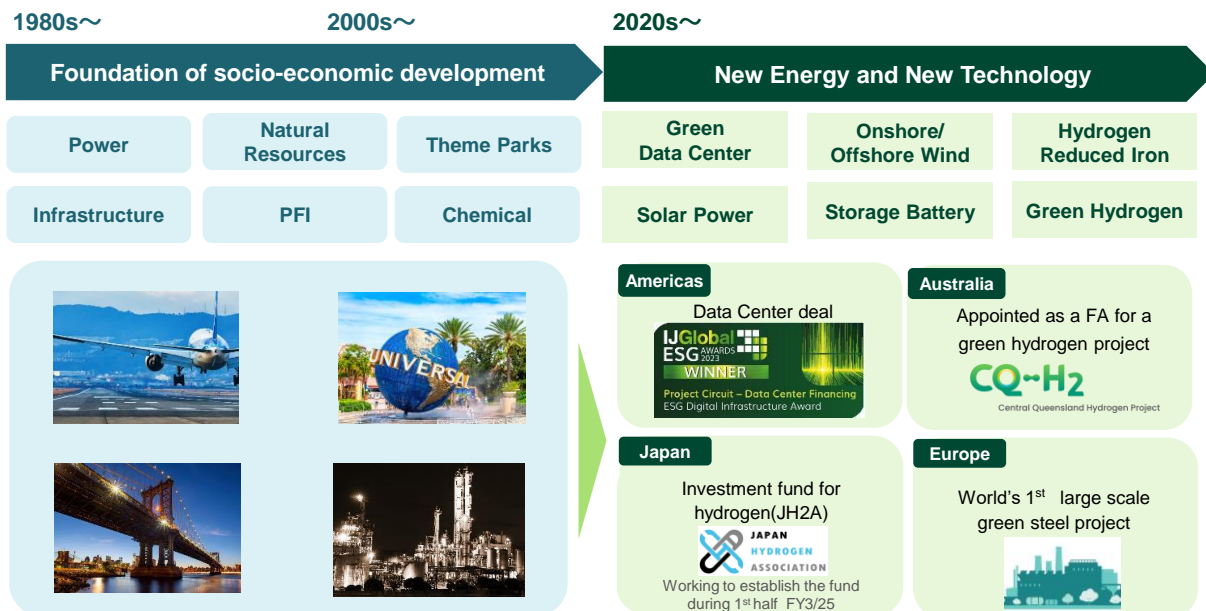
5 Offering diverse and group-based solutions P.26

- Supporting our customers' efforts towards decarbonization with a diverse range of solutions from the entire SMBC Group

In order to decarbonize the real economy, we will take into account the concerns and needs of our customers and leverage the strengths of the SMBC Group to provide solid support.

Today, I would like to explain five strengths that I would like to highlight in particular, starting with the following pages.

Establishing a market leader position in the field of new energy and new technologies as a pioneer in project finance



The first is risk-taking in new energy and technologies.

In the short term, scaling and reducing the cost of existing technologies are extremely important for achieving net zero, but at the same time, financing new energy and technologies is essential.

I think that this area is one where SMBC can leverage its expertise as a pioneer in project finance, a field where we have demonstrated strength over many years. We are already leading the market; we have achieved many deals or secured mandates for numerous projects, including participation in the world's first large-scale green hydrogen project.

We will continue to take on the challenge of resolutely entering the fields of new energy and technology, aiming to maximize both economic and social value.

Accelerating initiatives, disclosure, and dialogue to support transition finance based on the challenges that have become apparent through actual deals

Transition Finance Playbook

Summary

Shows SMBC Group's definition and criteria of Transition Finance and its decision-making process



Goals

- Develop an objective and rational criteria
- Ensure accountability towards stakeholders
- Utilize the Playbook within customer engagement

Results

- Engaged : **100 meetings**
- Approved: **21 deals**

Challenges

1

Increase in short and mid-term portfolio GHG emissions

Transition Finance (TF)

Portfolio GHG

Pre-investment

Post-investment

...

2050

Divestment

Pre-investment

Post-divestment

2

Addressing companies currently having difficulties with alignment with the 1.5°C scenario

- Net zero targets of their governments are not aligned with the 1.5°C scenario
- Industrial structural transformation is necessary, etc.

3

Cost Burden

Companies

Pass on transition costs !

Govt.

Balancing economy efficiency, stable supply, and decarbonization...

Citizens

No price increase !

Goals for FY3/25

FY24 first half

Playbook Progress Report

- Summary of FY2023's initiatives
- Challenges from operational perspective
- Recommendations towards customers, financial institutions, and governments to promote transition finance, etc.

Continue engagement to resolve issues

Customers

SMBC Engage

Govt.

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Next is transition finance.

In the transition to a decarbonized society, not every company can switch from 'brown' to 'green' overnight. I believe that the idea is getting widespread that due to technical and economic factors, we need to firstly go through an intermediate stage, known as 'transition,' and financial support for this phase.

On the other hand, as the definition of 'transition' is not globally standardized, SMBC Group has published our Transition Finance Playbook, establishing our definition of transition ahead of many other financial institutions. Based on this playbook, we have engaged with our customers and supported their projects.

In one year, we conducted about 100 meetings and approved 21 projects, while as shown on the right, various issues such as the increase in GHG emissions in portfolio due to the provision of financing have become apparent.

This fiscal year, based on the recognition of these issues, we will publish a progress report that summarizes the suggestions and recommendations obtained from actual projects, and we would like to use it for further dialogue with our customers and reflect it in global rulemaking.

In pursuit of decarbonization in Asia, which is essential for achieving the Paris Agreement goals, strengthening financing and industry-academia-government collaboration, considering the circumstances of the region.

Examples of transition finance

Early retirement of coal-fired power plant in Australia







- Transition finance to a major Australian electricity and gas supply company in establishing new energy storage facilities, which will contribute to the early retirement/decommissioning of coal fired power plants



Completion of retirement up to **10 years** earlier than initially planned

Reduction in GHG emissions equivalent to **16MT/year**

Financing plenty of projects for energy transition

India	Taiwan	India
2,000MW Solar 	1,000MW Offshore Wind 	380MW Solar 
Australia	India	India
Wind-Solar 	300MW Wind-Solar 	Solar gigafactory 

Industry-academia-government collaboration



Next is the decarbonization of Asia.

In the previous page, I mentioned that one of the challenges for transition is "how to deal with companies that are currently difficult to align with the so-called 1.5°C scenario that is required globally."

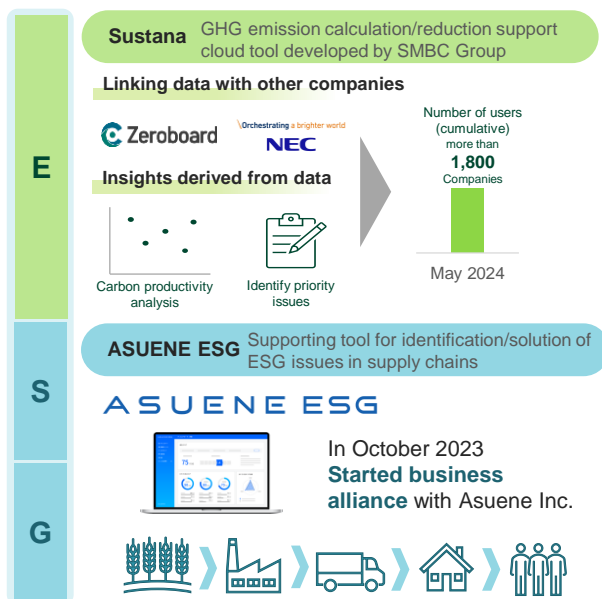
Many of these companies are in Asian countries with a high dependency on fossil fuels.

While it is certainly important to support already green companies and those that can align with the 1.5°C scenario, I believe that the most crucial task for achieving the Paris Agreement and what we as financial institutions are tested for our resolve and pride about is whether we will not leave behind companies that struggle to align with the 1.5°C target despite their best efforts, and firmly support them on their path to net zero.

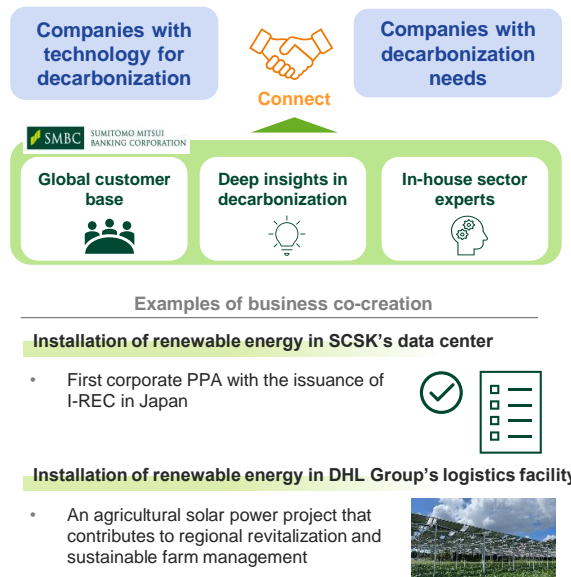
In addition to providing support for the early retirement and decommissioning of a coal-fired power plant as shown on the left, and providing financing to plenty of projects to promote energy transition, we are also working on various industry-academia-private partnerships, as shown on the right. We will continue to make a solid contribution to the decarbonization of Asia.

Thoroughly supporting our customers' pain points in decarbonization from non-financial aspects through data visualization and creation of new businesses, etc.

Data visualization



Co-creation of business



Next is visualization and co-creation of business.











In the top left, our GHG emissions calculation support tool, 'Sustana,' is already being used by over 1,800 customers. Our goal with Sustana is not just to sell the online tool itself; the key point is that we can see the data entered and use it to support our customers' decarbonization efforts, which we will focus on even more.

Additionally, in the bottom left, since October 2023, we have partnered with Asuene Inc., to provide a tool that identifies and supports the resolution of ESG issues across the entire supply chain, an area of growing interest.

On the right, leveraging our global customer base and deep insights into the decarbonization sector, we are actively engaged in business co-creation that connects companies with decarbonization technologies and those with decarbonization needs. This leads us to follow opportunities related to finance. We will continue to provide grounded solutions to our customers' concerns.

SMBC Group offers a range of solutions to support our customers' efforts towards decarbonization, leveraging the collective capabilities of the entire group.

Major solutions for decarbonization

Banking  SUMITOMO MITSUI BANKING CORPORATION	<ul style="list-style-type: none"> Project finance Sustainable finance, etc. 
Trust banking  SMBC TRUST BANK	<ul style="list-style-type: none"> Green ABL Trust Sustainability related real estate 
Leasing 	<ul style="list-style-type: none"> Solar power PPA EV adoption support, etc. 
Securities  SMBC NIKKO	<ul style="list-style-type: none"> Green bond Transition bond, etc. 
Card payments  SUMITOMO MITSUI CARD	<ul style="list-style-type: none"> CO2 emissions calculation based on card payment data 
Consulting  Japan Research Institute	<ul style="list-style-type: none"> Target/strategy setting, disclosure support Decarbonization consulting 
Asset management  Sumitomo Mitsui DS Asset Management	<ul style="list-style-type: none"> ESG investments Impact investments 

Examples of solutions


Grid-scale battery storage project  SMFL MIRAI Partners


- Japan's first project finance structuring and equity participation ~Renewable Energy Deal of the Year in IJ Global Awards 2023 APAC

Renewable energy project Solar power generation capacity (MW)

- Expanding primarily in solar power generation

FY3/20 **6 times** **1,200** FY3/26

Carbon credits  SUMITOMO MITSUI BANKING CORPORATION

- Intermediate J-Credit creation support, buying and selling services with BYWILL 

Collaborating with stakeholders

With companies  SMBC AVIATION CAPITAL

- Joint study with Boeing and Mitsubishi Heavy Industries to scale up SAF in Japan 

With academia  Japan Research Institute

- Established consortium with Kyoto University and others, with the aim of the implementation of the carbon cycle

Next, I would like to talk about SMBC Group's diverse solutions.

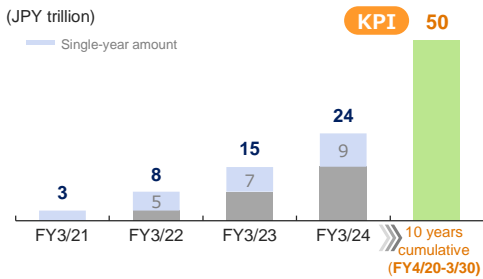
In order to support our customers' various efforts toward decarbonization in a comprehensive manner, we provide a variety of solutions as a group, as shown on the left.

In addition, we are expanding our unique and interesting initiatives, such as the grid-scale battery storage project, renewable energy project, and carbon credits, which are not limited to the traditional initiatives by financial institutions.

Please skip to page 28.

Steady progress towards the sustainable finance target of 50 trillion yen

Amount of sustainable finance (cumulative)



League Tables



^{*1,3} : Dealogic (FY23, amount of finance), ^{*2} : Environment Finance (FY23, number of cases)

Finance Case Studies

Indonesia	India
Blue bond contributing to the conservation of marine ecosystems The Samurai bond 	Green loan for wind and solar power generation
UK	Chile
Social loan for affordable housings 	Social loan for businesses committed to financial inclusion

Support for the formulation of sustainable finance frameworks

- To support **Mazda's** net zero efforts, as a structuring agent, SMBC Group supported the formulation of the finance framework
- The framework was adopted as the **Climate Innovation Finance Promotion Project** by the **Ministry of Economy, Trade and Industry (METI)**, the first project by the automobile companies in Japan



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In addition to responding to climate change, focusing on realizing nature positive as well as a circular economy to protect the global environment

Conservation and Restoration of Natural Capital

Support for Nature-Positive Management

- Publication of a solutions catalog for achieving nature-positive outcomes



Simplified diagnostics also provided



Natural Capital Management Promotion & Analysis Loan

- Financing products to assist customers in advancing natural capital management



TNFD Aligned Disclosure

- The first TNFD report by a Japanese bank
- Registered as a "TNFD Adopter"



Sustainable Food and Agriculture System

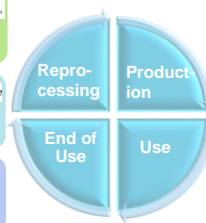
- Utilization of smart agriculture technology for rice and onion cultivation



Mirai Kyoso Farm Akita Co., Ltd.

Circular Economy

- Providing solutions across the entire value chain by leveraging the group's strengths



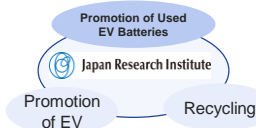
Waste Management Business

- Joint venture establishment with AMITA HOLDINGS CO.,LTD, a leading resource recycling company



Promotion of Circular Use of EV Batteries

- Awareness-raising for EV user companies through the Smart Use Council



Next, I would like to talk about natural capital and the circular economy.

As explained earlier, in order to protect the global environment, it is important to conserve and restore natural capital and realize a circular economy at the same time, in addition to addressing climate change.

On the left, with regard to natural capital, in addition to publishing the first TNFD report among Japanese banks in 2023, we are also promoting business development independently or through FANPS (Finance Alliance for Nature Positive Solutions), which is operated together with MS&AD, the Development Bank of Japan, and Norinchukin Bank.

On the right, the circular economy is an area where the market will expand significantly in the future. While bringing together the Group's strengths in finance, leasing, and consulting, we will strive to enhance our efforts throughout the whole value chain.

Appropriate management of policies, portfolio, and individual customer/project towards realization of Net Zero as SMBC Group

Considerations	Main Items	Main Updates
Policy	Policies for Specific Businesses and Sectors Phase-out Strategy	<ul style="list-style-type: none"> Revised Policies for Specific Businesses and Sectors P.30 <ul style="list-style-type: none"> Coal-fired power generation Thermal coal Biomass power generation
Portfolio Management	Climate-related RAF	<ul style="list-style-type: none"> Set mid-term GHG reduction targets for automobile, steel, and real estate sectors P.31 <ul style="list-style-type: none"> Mid-term reduction targets have been set for six sectors that account for 70% of our portfolio's GHG emissions (FE)
Customer/ Project Management	Environmental / Social Risk Assessment Environmental and Social Due Diligence	<ul style="list-style-type: none"> Introduced Environmental and Social Due Diligence P.33 <ul style="list-style-type: none"> Assess customers' environmental/social initiatives and risk mitigation measures Assessment of customer's transition plans

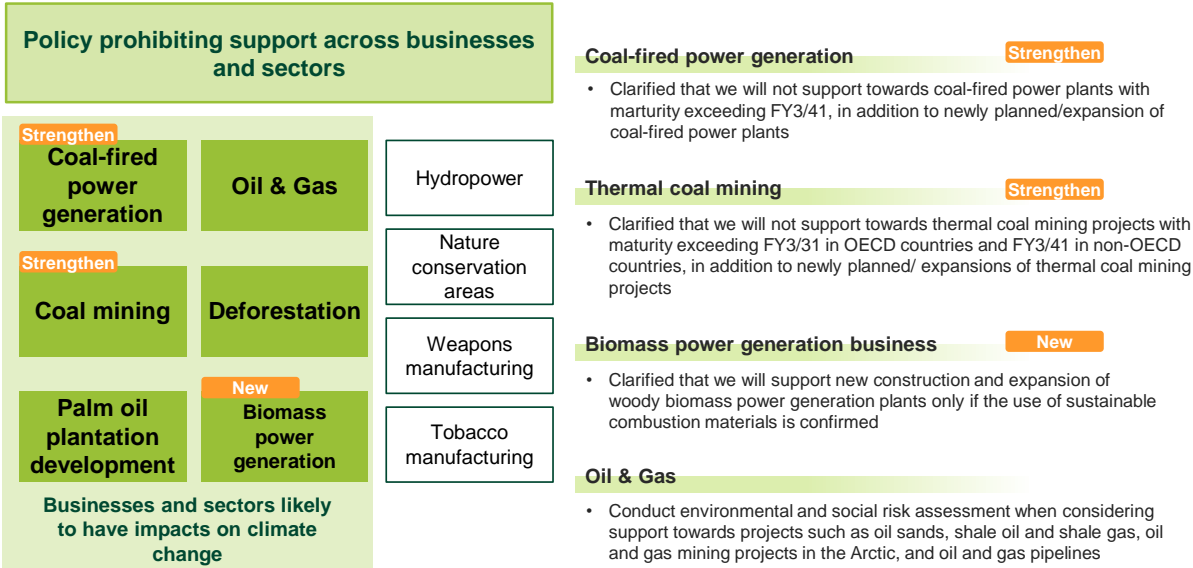
I have explained our contributions to the decarbonization of the real economy, and from this page onwards, I will describe the initiatives of the SMBC Group towards achieving net zero.

This page serves as a summary, but we are advancing policy, portfolio management, and individual company and project management in our pursuit of net zero.

The key updates from this past year are outlined on the right.

The details of each will be explained on the following pages.

Considering the environment and society, revised/established policies for specific businesses and sectors

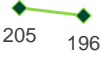




First, we have revised our policies for specific businesses and sectors.

SMBC Group has established policies for specific sectors and businesses that are considered to have a significant impact on the environment and society.

As shown on the right, we have strengthened and established new policies for businesses and sectors such as coal-fired power generation, thermal coal mining, and biomass, which have significant impacts on the environment and society, and are of high interest to stakeholders.

Set new mid-term reduction targets in the automobile, steel, and real estate sectors

	Results	Targets	Characteristics and Approaches to GHG Reduction
Automobile 3/24	(g-CO ₂ e/vkm)  205 196 FY3/22 FY3/23 *1 IEA NZE Scenario	● 161 (Ref. SBTi SDA Tool B2DS) ● 120 (Ref. 1.5°C Scenario ^{*1}) FY3/31	Characteristics <ul style="list-style-type: none"> Emissions are primarily caused by vehicle operation or fuel production (electricity, hydrogen, etc.). ⇒ important to expand the adoption of various next-generation vehicles, considering regional characteristics Approaches <ul style="list-style-type: none"> Support for decarbonization tailored to factors such as the types of next-generation vehicles and regions (TF Playbook) Support for next-generation vehicle infrastructure (charging stations, hydrogen stations, etc.)
Steel 3/24	(t-CO ₂ e/t-steel)  2.0 2.0 FY3/22 FY3/23 *2 Mission Possible Partnership Carbon Cost Scenario	● 1.8 (Aligned with clients' goals aiming at carbon neutrality by 2050) ● 1.2 (Ref. 1.5°C Scenario ^{*2}) FY3/31	Characteristics <ul style="list-style-type: none"> Emissions are primarily caused by crude steel production; to support its growing demand, production through blast furnaces, etc., is necessary in addition to recycling with electric furnaces. ⇒ important to commit to energy transition, considering the industrial structures and energy situations of each region. Approaches <ul style="list-style-type: none"> Support for decarbonization tailored to the production process (TF Playbook) Support for new production technologies, such as direct reduction, including the hydrogen direct reduction method
Real Estate 5/24	(kg-CO ₂ e/m ²)  81 80 FY3/22 FY3/23 *3 CRREM Global Pathways 1.5°C	● 42.9 (Ref. CRREM) ● 33.1 (Ref. 1.5°C Scenario ^{*3}) FY3/31	Characteristics <ul style="list-style-type: none"> Emissions are primarily caused by property use (especially electricity). ⇒ important to improve property performance and decarbonize electricity Approaches <ul style="list-style-type: none"> Support for clients' decarbonization in the real estate sector and the electricity sector Support for environmentally friendly properties, such as green buildings

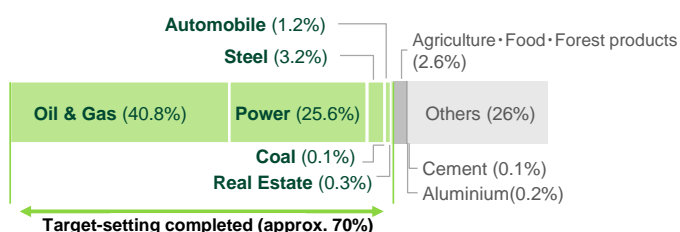
Regarding our efforts to reduce GHG emissions in our investments and loan portfolios, known as Scope 3, we have set new mid-term reduction targets for the automobile, steel, and real estate sectors, in addition to oil and gas, and coal sectors.

In pursuit of decarbonization, we aim not merely to reduce portfolio GHG emissions but, as shown on the right, to adopt an appropriate and comprehensive approach that recognizes the characteristics of each sector.

Completed mid-term target setting in a total of six sectors covering the major Scope 3 sectors

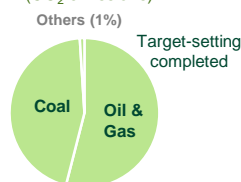
Sector	Balance(JPY trillion) ^{*1}	Transition Risks	FE (MT-CO ₂ e) ^{*1}	Maturity of calculation standards ^{*2}	Goal setting	
Power	6.1	Very High	246	○	✓	May 2022
Oil & Gas	4.3	Very High	392	○	✓	Aug. 2022
Coal	0.1	Very High	1	○	✓	Aug. 2022
Automobile	2.0	High	12	○	✓	Mar. 2024
Steel	1.6	High	31	○	✓	Mar. 2024
Real Estate	12.3	Low	3	○	✓	May. 2024
Agriculture	0.4	Low	5	△	-	-
Aluminium	0.1	Middle	2	○	-	-
Cement	0.1	High	1	○	-	-

SMBC Group's Portfolio Emissions by Sector^{*1}

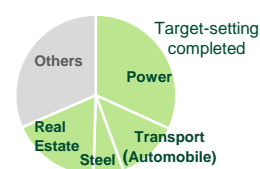


Breakdown of global CO₂/GHG emissions

By energy supply^{*3}
(CO₂ emissions)



By sectoral demand^{*4}
(GHG emissions)



^{*1} : TCFD Report 2023; Balance refers to the loan balance. FE (Financed Emission) is the sum of Scope 1,2 and 3 ^{*2} : Developed by SMBC Group based on the guidelines by international initiatives such as SBTi and TPI ^{*3} : IEA World Energy Outlook 2022 ^{*4} : WRI World Greenhouse Gas Emissions 2019

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Adding the three sectors I previously explained, we have set interim targets for a total of six sectors that cover major parts of our Scope 3 emissions, thereby fulfilling our initial commitment based on the Net Zero Banking Alliance (NZBA) guidelines, in which we participate.

Furthermore, for the agriculture, aluminum, and cement sectors, we have decided to defer setting targets at this time due to the small credit balance and the immaturity of calculation standards.

Firstly, we will firmly establish a reduction trajectory for these high-emission sectors that constitute the majority of Scope 3 by 2030, and then aim to achieve net zero across our entire investment and loan portfolio by 2050.

Introduced environmental and social due diligence to enhance our existing credit assessment which will strengthen the risk management and customer engagements

Environmental and Social Due Diligence (corporate finance) Apr. 24

- Overview**
- Assess customers' environmental/social initiatives and risk mitigation measures
 - Utilize to enhance credit assessment and customer engagements
 - ✓ If we are unable to confirm that our customers are taking specific steps toward transition after a certain period of engagement, we will carefully consider whether to continue business relationships with them.

Examples of items	Environment	Climate change <including assessment of transition plans (as detailed below)>, resource management, biodiversity, etc.
	Social	Human rights, occupational safety and health etc.

- Points to confirm**
- Sector-specific risks
 - Risk mitigation measures for each environmental/social issues
 - Governance structure for environmental/social issues

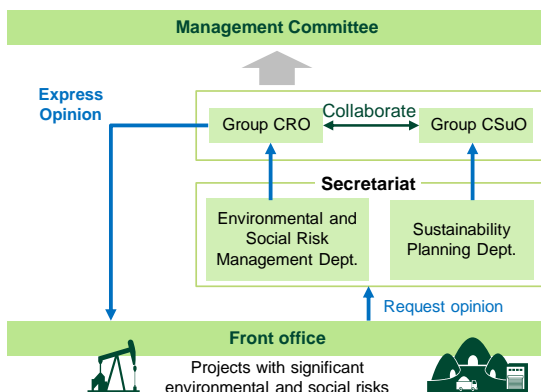
Assessment of transition plans

Examples of items	Points to confirm
Reduction target	Short/mid-term GHG reduction target, 1.5°C alignment
Governance	Involvement of Board of Directors
Specific initiatives undertaken	Investment plan, participation in initiatives, etc.

Ref. Environmental/Social Risk Assessment (project related finance)

- Conduct environmental / social risk assessment for financing large-scale projects and reflect the result in the credit approval process
- Escalation process (as details below) is required when financing projects with particularly high risk

Escalation process



Next is strengthening our risk analysis and management processes.

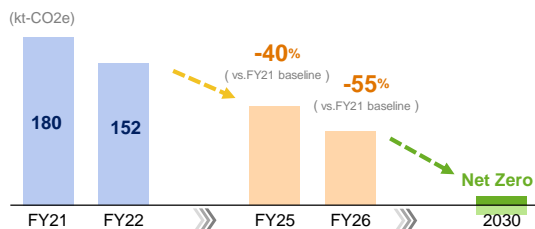
From this fiscal year, we have introduced an "environmental and social due diligence" in our corporate debtor evaluation, establishing a process to assess customers' environmental and social initiatives and risk mitigation measures.

As shown in the bottom left, this includes evaluating our customers' transition plans.

Moving forward, we will utilize the results of this review to strengthen risk management through advancing credit judgment and enhancing engagement with our customers.

Steadily promoting initiatives to achieve net zero by 2030 as a Group

Results and Targets*1



Main Initiatives

Switching to renewable energy for our own properties in Japan

SMBC Kawasaki Mega Solar Place

Offsite Corporate PPA

Future Focus Areas

Switching to renewable energy for data centers and leased properties

Switching company cars to EVs

Acquisition of the third-party assurance

Neutralization of Residual Emissions

Clarifying the definition of net zero

Utilization of carbon credits

New Initiatives in FY3/24

SMBC Forest

- Acquired approximately **220ha** of forest in Isehara City, Kanagawa Prefecture
- Creation of credits** with the forest absorbing CO2 (equivalent to approximately 700t-CO2e)
- Promoting tree growth through appropriate thinning and afforestation, etc. and an increase in CO2 absorption



SMBC Uji Green Power Plant

- Acquisition of naming rights
- Using renewable electricity** from the power plant at SMBC branches



Data Governance

Establishing Internal Control System

Data Management

The Third-Party Assurance

Ensuring the Reliability of GHG Emissions Data

*1: Scope/ Boundary: Domestic and international consolidated subsidiaries in FY3/22.

Next, I will focus the reduction of our own GHG emissions, known as Scope 1 and 2.

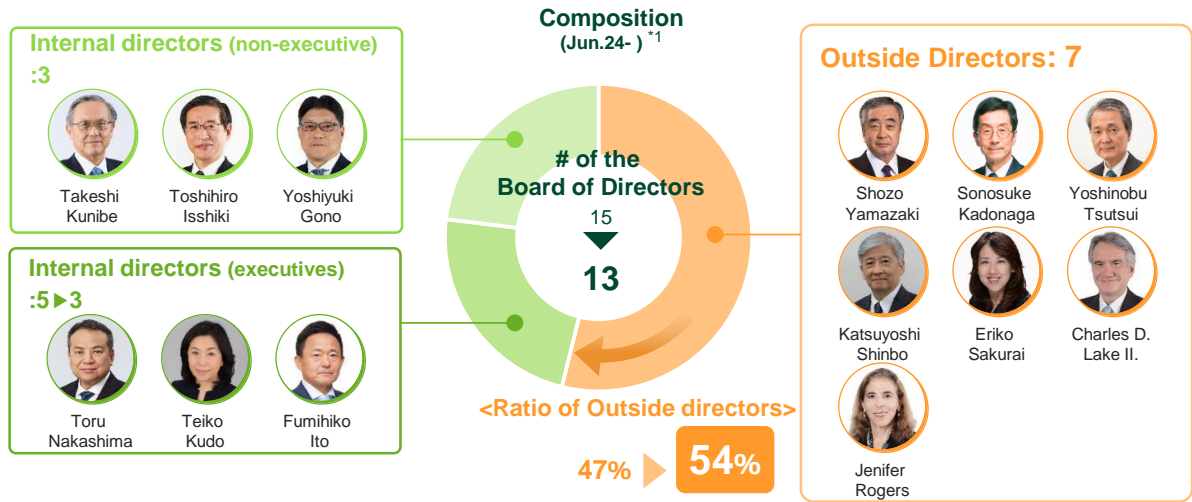
Although the Scope 1 and 2 emissions of financial institutions are smaller than those of Scope 3, we are making steady progress toward achieving net zero emissions by 2030 while working on new measures such as the acquisition of forests in Isehara City, as shown on the right side.



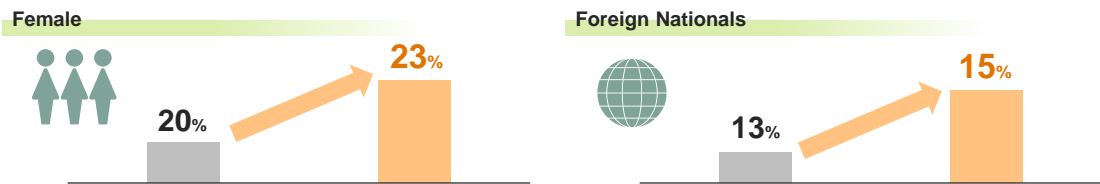
Governance

Next, I would like to explain our governance system.

Diversity of the Board of Directors



Improve diversity in the Board of Directors



*1 : Subject to resolution at the Ordinary General Meeting of Shareholders on Jun. 24

In our pursuit of enhanced governance, we are focusing on diversifying our board of directors. Following the resolution of the shareholders' meeting in June, we expect the ratio of external directors to exceed 50%, with an anticipated increase in both the proportion of female and foreign nationals.

Continuous sophistication in terms of both execution and supervision

Sustainability Management System



Incorporating supervisory discussions

Major discussions	Examples of measures implemented
<ul style="list-style-type: none">MaterialityTransition plan, climate related risksNon-financial information disclosure regulationsSocial value creationMacro environment, etc	<ul style="list-style-type: none">Review of MaterialityAdvanced transition planAdvanced management of climate related risksRelease of TNFD/Human rights reportChange of organization, etc

Expertise of Sustainability Committee Members

Outside Director Eriko Sakurai	<ul style="list-style-type: none">Advanced sustainability initiatives at Dow Inc.
Outside Director Jennifer Rogers	<ul style="list-style-type: none">Served as the Chairman of the American Chamber of Commerce in Japan in 2021Focused on enhancing U.S.-Japan economic ties and global business environment with an emphasis on sustainability
External Expert Yukari Takamura	<ul style="list-style-type: none">Professor at the Institute for Future Initiatives, the University of TokyoSpecializing in international law and environmental law
Expert Eiichiro Adachi	<ul style="list-style-type: none">Head of the Institute for Societal Values in Future Generations at the Japan Research Institute, LimitedSpecializing in industrial research and corporate assessments from CSR perspective

Executive Compensation System

- To strengthen managements' dedication, integrated both quantitative and qualitative sustainability indicators

Stock Compensation Plan	Quantitative indicators	Sustainable finance, Portfolio GHG emissions, Engagement score, DE&I
	Qualitative indicators	Efforts to address Materiality
Bonus	Quantitative indicators	KPI achievement : Sustainable finance, Scope 1,2 GHG emissions, etc.
	Qualitative indicators	ESG rating of major agencies

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With regard to our sustainability management system, we have been constantly enhancing both execution and supervision, and the results of high-level discussions have been reflected in various measures, as shown in the lower left corner.

In addition, the establishment of Sustainability Committee, which is composed of highly specialized members as an internal committee of Board of Directors, and the linking of sustainability-related indicators to executive compensation in both quantitative and qualitative terms are progressive initiatives compared to other financial institutions.

I believe that this is an indication of the strong commitment of our management team to the creation of social value.



















































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Appointed directors using a skills matrix that summarizes the knowledge and experience expected by the Nomination Committee

Knowledge and experience we expect in particular

Internal Directors
(non-executive)Internal Directors
(executive)

Outside Directors

	Management	Finance	Global	Legal /risk management	Accounting	IT/DX	Sustainability
Takeshi Kunibe							
Toru Nakashima							
Teiko Kudo							
Fumihiko Ito							
Toshihiro Isshiki							
Yoshiyuki Gono							
Shozo Yamazaki							
Sonosuke Kadonaga							
Yoshinobu Tsutsui							
Katsuyoshi Shinbo							
Eiko Sakurai							
Charles D. Lake II							
Jenifer Rogers							

*1 : Subject to resolution at the Ordinary General Meeting of Shareholders in June 2024

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Opinion on the Shareholder Proposal

Next, I would like to explain our views on the shareholder proposals.

SMFG's Board of Directors has resolved to oppose the Shareholder Proposal for the following reasons;

1 The issues requested in the Proposal have already been addressed within the current Articles of Incorporation.

Proposal 1	• SMBC Group (the "Company") has established and discloses the criteria and the procedures for selecting candidates for directors; the Nominating Committee formulates and discloses a skills matrix.	P.38
	• The Company's Board of Directors annually analyzes and evaluates the effectiveness of the Board of Directors, and discloses its methods and results.	P.9,37
	• The Company has established a Sustainability Committee as an internal committee of the Board of Directors; it hosts study sessions to promote the enhancement of expertise across the entire Board of Directors, etc.	P.23
Proposal 2	• The Company has established and discloses a Transition Finance Playbook as a framework for assessing customers' transition plans.	P.31,32
	• We are appropriately addressing the Company's climate-related risks by taking measures such as controlling GHG emissions across its overall loan and investment portfolio to align with the 1.5 degree goal.	P.33
	• We introduced "environmental and social due diligence" as a new assessment framework; we have in place a system for risk assessment based on assessments of our customers' transition plans, etc.	

2 Since the Articles of Incorporation shall stipulate the basic framework of a company by resolution at a general meeting of shareholders, the clauses requested in the Proposal are not appropriate.

- ✓ The matters to be considered in making decisions in basic management policies are so diverse that it is difficult and not appropriate to stipulate all such matters in the Articles of Incorporation in advance.
- ✓ Clauses concerning individual and specific business execution in the Articles of Incorporation would make it difficult for the Company to respond and adjust flexibly in the event such as the major changes in social conditions, and may, in turn, impair our corporate value.

<Overview of the Shareholder Proposal>

Adding clauses to the Company's Articles of Incorporation to disclose the following matters:

Proposal 1	Policies and processes for selecting directors and evaluating the effectiveness of the Board of Directors that ensure the management of the risks and opportunities associated with climate change
Proposal 2	How the Company will assess fossil fuel sector clients' climate change transition plans for credible alignment with the 1.5 degree goal of the Paris Agreement and the consequences of these clients

For details, please refer to our disclosure dated 5/15/2024. (https://www.smfg.co.jp/news_e/pdf/e20240515_03.pdf)

For the 22nd Ordinary General Meeting of Shareholders next month, we have received shareholder proposals calling for changes to the Company's Articles of Incorporation.

The proposal, as shown at the bottom of the page, includes two main points shall be stipulated in the Articles of Incorporation:

- 1) the disclosure of policies and processes regarding the nomination of directors and the effectiveness evaluation of the Board of Directors.
- 2) the disclosure of the assessment method of our customers' transition plans and how we will respond them.

We oppose this proposal because of the following reasons.

- As I explained today, the issues requested in the Proposal have already been addressed within the current Articles of Incorporation.
- Considering that the Articles of Incorporation sets out the basic framework of the company, we believe that it is not appropriate to stipulate specific matters.

Please skip to page 42.



Concluding remarks

SMBC Group's sustainability

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



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Finally, I would like to introduce the SMBC Group Statement on Sustainability.

We define sustainability as “creating a society in which today’s generation can enjoy economic prosperity and well-being, and pass it on to future generations.”

The photos on this slide were taken the other day at an event called "SMBC Group Tankentai" where children can learn about the work of finance.

The adults living in the current generation should pass on a fulfilled society to the very children with full of smiles shown on the photos here.

By creating social value, SMBC Group aim to realize 'Fulfilled Growth' and brighten the future for the children who will lead the next generation.

Though my contributions may be modest, I will do my utmost as the Group CSuO to support this endeavor.

That concludes my presentation. Thank you for your attention.



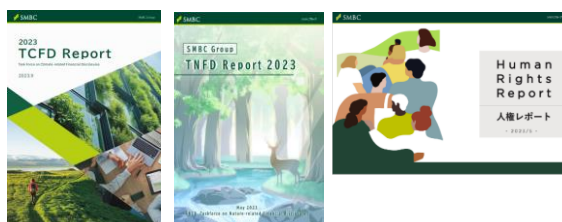
Appendix

Proactively enhancing disclosure of non-financial information in anticipation of the legalization about it

Progress on Disclosure of Non-Financial Information

- 2017** Announced support for the TCFD recommendations
- 2019** Announced the results of scenario analysis regarding physical risks
1st among G-SIBs
- 2020**
 - Announced the results of scenario analysis regarding transition risks
 - Disclosed TCFD report
- 2023**
 - Disclosed TNFD report
1st among Japanese banks
 - Disclosed Human Rights Report

Planning further advancement of various information disclosures in 2024



Recognition and Accreditation

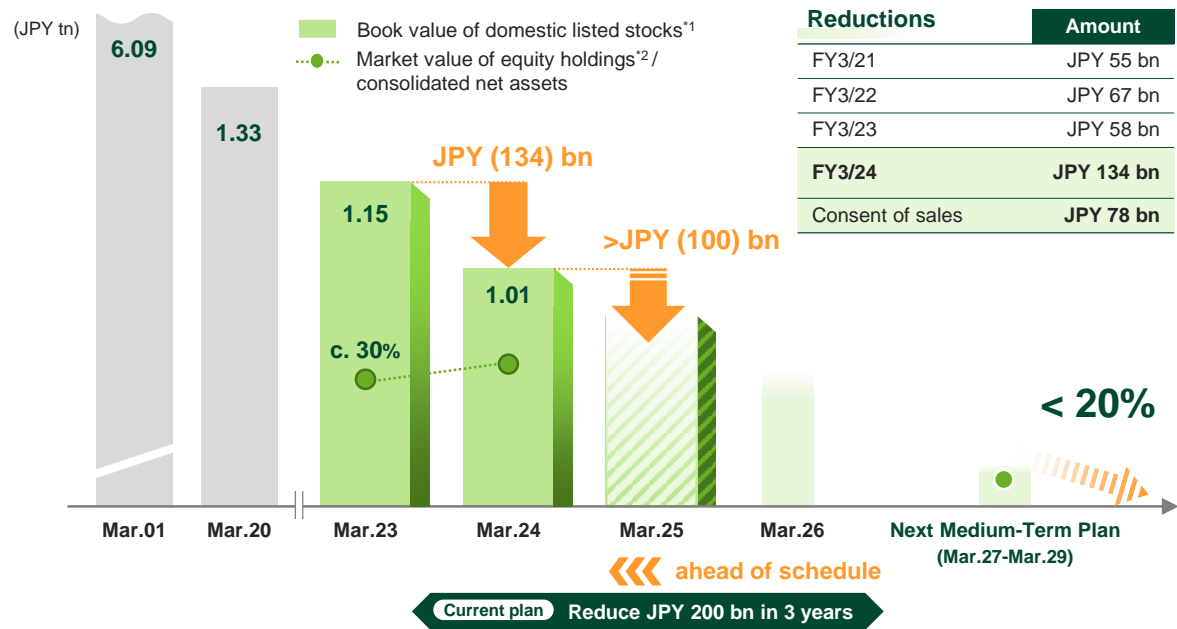
Inclusion in ESG indexes



Awards and Recognition



Reduced JPY 134 bn of equity holdings in the first year of three years reduction plan of JPY 200 bn. Aim to achieve current plan ahead by reducing >JPY 100 bn in FY3/25 and consider a new reduction plan.



*1 : Excl. investments after Mar.20 for the business alliance purpose *2 : Incl. balance of deemed held shares

Overview of Net Zero Transition Plan

Components	Items	Major Contents
Foundations	Corporate policy on climate change and the approach for initiatives	<ul style="list-style-type: none"> Revised the SMBC Group Statement on Sustainability and the Group Environmental Policy Achieve net zero GHG emissions for Scope 1 and 2 by 2030 Achieve net zero GHG emissions for Scope 3 (portfolio GHG) emissions by 2050
Governance	Strengthening governance on climate change	<ul style="list-style-type: none"> Supervise by Board of Directors and internal committees, including Sustainability Committee Established Group CSuO to oversee and promote initiatives across all aspects of sustainability, including response to climate change Advance executive compensation system, management of internal control process Strengthen capabilities of directors and employees
Implementation Strategy	Products and services related to climate change	<ul style="list-style-type: none"> Expansion of decarbonization products and services : GHG emissions visualization services, carbon credit business, etc. Co-creation of business towards decarbonization : support for installation of renewable energy Expanding sustainable financing through further risk-taking approaches: new energy and new technologies
	Climate-related risk assessment and management	<ul style="list-style-type: none"> Strengthened Policies for Specific Businesses and Sectors Introduced environmental and social due diligence
	Portfolio GHG emissions (Scope 3)	<ul style="list-style-type: none"> Expansion of portfolio GHG calculation and target setting Development of targets and indicators to support decarbonization of real economy
	Operations emissions (Scope 1,2)	<ul style="list-style-type: none"> Switching to renewable electricity and company cars to EVs
Engagement Strategy	Engagement with customers	<ul style="list-style-type: none"> Established Transition Finance Playbook Introduced company-specific assessment framework on transition plan
	Engagement with industry	<ul style="list-style-type: none"> Participate in initiatives such as GFANZ, NZBA, NZAMI, PCAF, IIF, Japan Hydrogen Association (JH2A) , etc.
	Engagement with the Government	<ul style="list-style-type: none"> Participate in committees held by the Government of Japan
Metrics and Targets	Sustainable finance KPI	<ul style="list-style-type: none"> Cumulative JPY 50 trillion by FY3/30
	Portfolio GHG emission reduction targets by sector (Scope 3)	<ul style="list-style-type: none"> Setting targets on power, coal, oil & gas, steel, automobile, and real estate sectors Setting KPIs related to transitions
	Operations emissions reduction targets (Scope 1,2)	<ul style="list-style-type: none"> 40% and 55% decrease in FY25 and FY26 respectively from FY21

Current Medium-Term Management Plan								
		2021	2022	2023	New 2024	2025	2030	2040 2050
Scope1,2 (Operational GHG)		2030 Net Zero Commitment	Switch to renewable energy SMBC head office		Self-owned buildings	Data centers	Mid-term Target 40% reduction from FY21	Net Zero
Scope3 (Portfolio GHG)		2050 Net Zero Commitment	Set mid-term target Power, Coal, Oil & Gas	Set mid-term target Steel, Automobile	Set mid-term target Real estate	Achieve mid-term targets 6 sectors		Net Zero
Coal	Loan balance for coal-fired power generation		Established phase-out strategy		Tightening policies for specific businesses and sectors		Project finance 50% reduction from FY20	Zero Balance for Project finance and Corporate finance tied to facilities
	Loan balance for thermal coal mining sector			Established phase-out strategy	Tightening policies for specific businesses and sectors		Zero Balance OECD countries	Zero Balance non-OECD countries
Sustainable Finance							JPY 50 tn Cumulatively	
Transition Finance (TF)				TF Playbook Power, Energy	TF Playbook Steel, Automobile			
Assessment of customers' transition plans		ESG Risk Summary Tool		Company-Specific Transition Strategy Assessment Framework Pilot	Introduction of Environmental and Social Due Diligence			

Set mid-term targets in six sectors and steadily promoting initiatives towards GHG emissions reduction

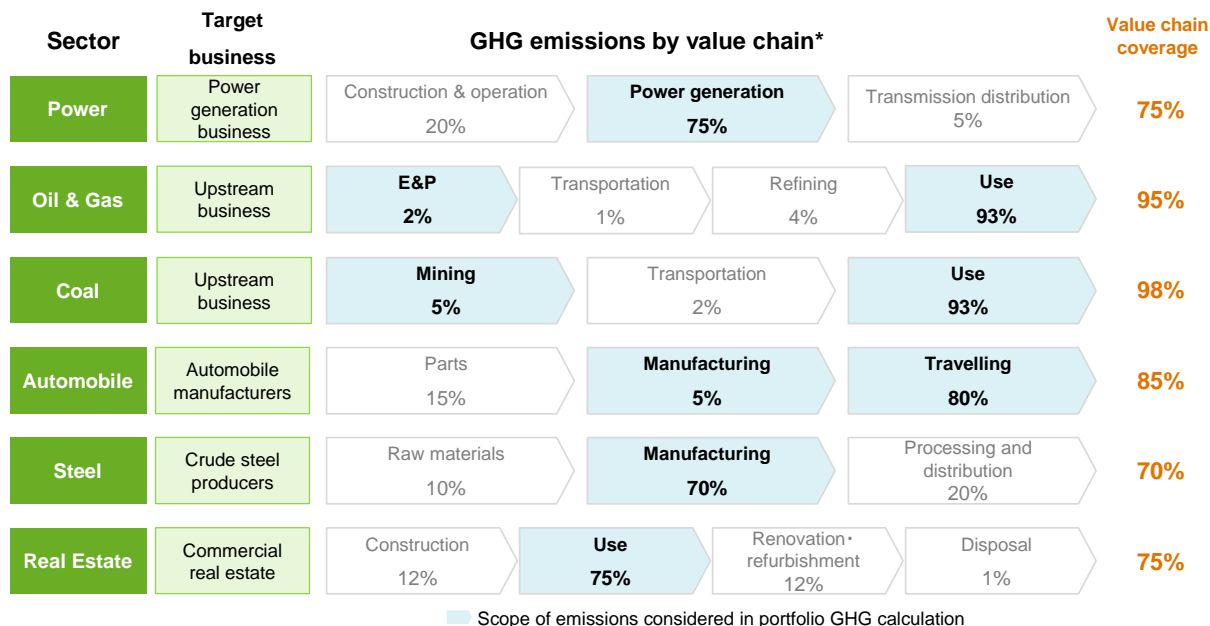
Sector	Scope of Emissions	Metric	Mid-term target for FY3/31	FY3/23 Results		FY3/22 Results	Baseline (Base year)
					vs. baseline		
Power	Scope1	Carbon intensity (g-CO2e/kWh)	138~195	292	-12%	320	332 (FY3/21)
Oil & Gas	Scope1,2, and 3	Absolute emissions (Mt-CO2e)	-12~29% (vs.FY3/21 baseline)	23.9	-41%	33.3	40.8 (FY3/21)
Coal	Scope1,2, and 3	Absolute emissions (Mt-CO2e)	-37~60% (vs.FY3/21 baseline)	4.4	-68%	7.4	13.6 (FY3/21)
Automobile	Scope1,2, and 3	Carbon intensity (g-CO2e/vkm)	120~161	196	-4%	205	205 (FY3/22)
Steel	Scope1,2	Carbon intensity (t-CO2e/t-Steel)	1.2~1.8	2.0	-	2.0	2.0 (FY3/22)
Real Estate	Scope1,2*	Carbon intensity (kg-CO2e/m ²)	33.1~ 42.9	79.8	-1.5%	81.0	81.0 (FY3/22)

* Domestic commercial real estates (non-recourse loans and REITs), including Scope 3 Category 13 for REITs

Overview of Portfolio GHG Emissions Target Setting

Plan for
Fulfilled Growth

Set emission reduction targets in six sectors aiming at covering key items in the value chains

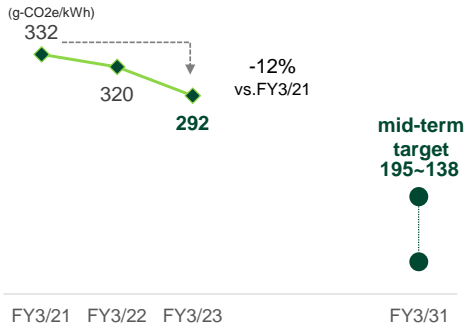


* Compiled by SMFG with reference to IEA: World Energy Outlook 2022, METI: Industry Roadmap for Transition Finance, MLIT: White Paper on Land, Infrastructure, Transport, and Tourism in Japan

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In the power sector, achieved 12% reduction over the last two years.
In addition to a zero balance target, will continue to expand supports for transition finance and renewable energy generation.

Results and Targets



Trend Status

- With the promotion of sustainable finance, the balance of project finance for renewable energy in our portfolio has expanded.
- The balance of project finance for high-emission power generation projects, including coal-fired power generation, has decreased.

Sector-Specific Approaches

Support for Decarbonization Utilizing the TF Playbook P.23

- Defining transition in the power sector with the TF Playbook
- Advancing engagement and actively promoting transition projects
- Supporting the early retirement and decommissioning of coal-fired power plants

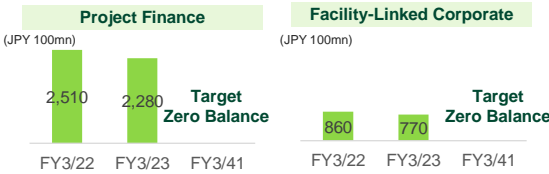
Expansion of Support for Renewable Energy Generation P.27

- Leveraging our achievements and expertise as a frontrunner in green loans, including renewable energy, expanding support globally
- Green loan amount of finance: World No. 1

Policies for Specific Businesses and Sectors

<Excluded from support>

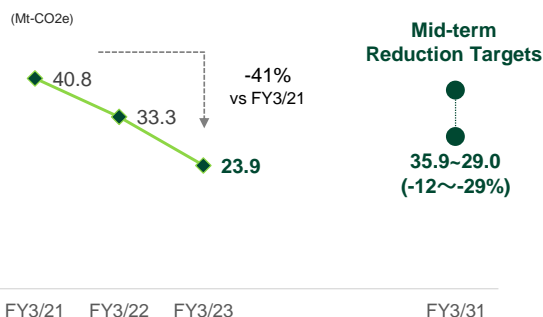
- New and the expansion of projects related to coal-fired power generation
- Coal-fired power plants with maturity exceeding FY3/41
- Companies whose main business is coal-fired power generation and which have any existing transactions, including but not limited to lending, with SMBC Group.



Emissions already reduced to the mid-term reduction target level.

Will continue to support transitions and the development of alternative fuels and aim for steady reduction.

Results and Targets



Trend Status

- In FY3/23, the impact of COVID-19 gradually eased, economic activity resumed and oil and gas production of creditee companies and projects increased.
- On the other hand, loans for high-emission projects decreased by carefully judging the selection of projects.
- In addition, with the increase in customer's market capitalization, the amount attributable to SMFG decreased.

Sector-Specific Approaches

Policies for Specific Businesses and Sectors

<Careful response through environmental/social risk assessments>

- Large-scale new and expanded oil and gas upstream projects
- Carefully respond to the following cases, regardless of novelty or scale.
 - ✓ Oil sand
 - ✓ Shale Oil and Shale Gas
 - ✓ Oil & Gas mining in the Arctic
 - ✓ Oil & Gas Pipelines

Supporting Decarbonization with TF Playbook

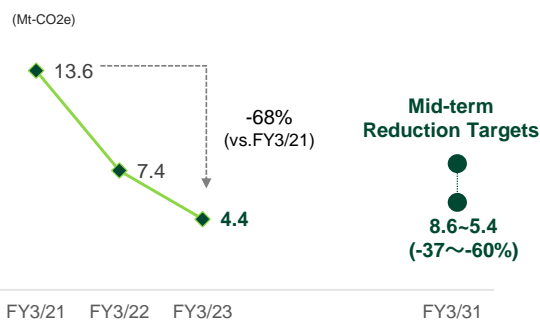
- Define transitions in the oil & gas sector with TF Playbook, enhance engagement and actively promote transition deals

<Main points of transition judgement>

- ✓ GHG reduction targets aligned with the Paris Agreement
- ✓ Concrete transition strategies to achieve goals
- ✓ (Only for finance in the format of Use of Proceeds) Eligibility for loaned assets

Emissions already reduced to the mid-term reduction target level in the thermal coal sector.
Will aim for steady reductions to achieve the zero balance target.

Results and Targets



Trend Status

- In FY3/23, the impact of COVID-19 gradually eased and coal production of creditee companies and projects increased.
- On the other hand, loans decreased due to repayment progress upon maturity and restraint aligned with the Policies for Specific Businesses and Sectors.

Sector-Specific Approaches

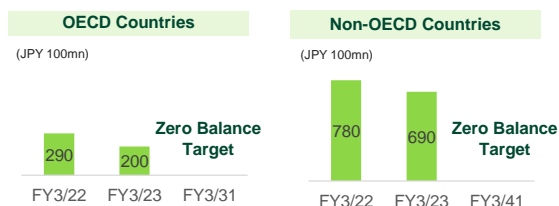
Policies for Specific Businesses and Sectors

<Excluded from support>

- Projects that fall under any of the following:
 - ✓ New and expansion of thermal coal mining operations
 - ✓ New and expansion of infrastructure projects linked to thermal coal mining
 - ✓ Coal mining by mountaintop removal mining method
- Thermal coal mining companies that fall under the following:
 - ✓ Have no existing transactions with the Group
 - ✓ Transactions in OECD countries beyond FY3/31
 - ✓ Transactions in non-OECD countries beyond FY3/41

Zero Balance Target

- Reduction target for loans, including uncommitted withdrawals for companies and projects whose main business is thermal coal mining

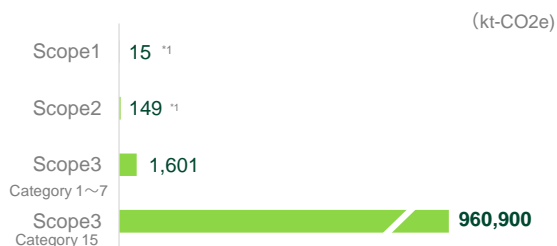


Overview of GHG emissions for SMBC Group in FY3/23

Plan for
Fulfilled Growth

The key to achieving net zero lies in reducing Category 15 (Investments and Loans) of Scope 3, which constitutes a large portion of GHG emissions.

GHG Emissions (FY3/23)



GHG Reduction Targets

Scope1,2	Short-term	FY3/27 -55% (vs.FY3/22)
	Mid-term	Net zero by 2030
Scope3 (Category15)	Mid-term	Targets by sector for FY3/31
	Long-term	Net zero by 2050

Scope3 Category15 Emissions by Sector ² (Mt-CO2e)

Sector	Scope1+2	Scope3	Total
Power	182.3	63.3	245.7
Oil & Gas	343.1	49.1	392.3
Coal	0.3	0.4	0.7
Air cargo	0.3	0.1	0.4
Passenger aviation	4.3	2.2	6.5
Shipping	5.8	5.9	11.7
Railroad	0.9	0.8	1.8
Truck service	2.4	1.8	4.2
Automobiles and components	0.9	10.7	11.6
Metals and mining	5.6	5.4	10.9
Aluminium	0.6	0.9	1.5
Chemical products	165.5	18.8	184.3
Construction materials	0.3	4.3	4.6
Cement	0.0	0.5	0.5
Capital goods	2.3	23.3	25.6
Real estate	0.5	2.5	3.1
Steel	10.4	20.8	31.2
Beverages	0.2	1.0	1.2
Agriculture	2.9	1.6	4.6
Packaged food and meat	11.8	4.2	16.0
Paper and forestry products	0.7	2.1	2.8
Total	741.3	219.6	960.9

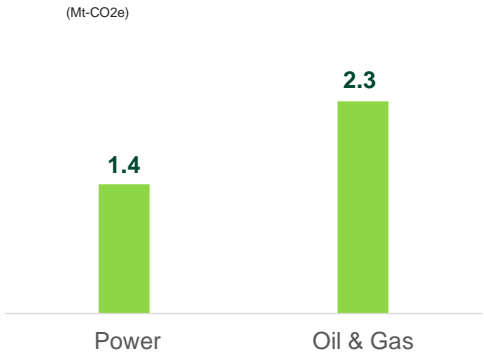
*1 : Scope/Boundary: Domestic and international consolidated subsidiaries in FY3/23 *2 : TCFD Report 2023

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SMBC Nikko Securities and Sumitomo Mitsui DS Asset Management (SMDAM) calculate GHG emissions in line with the businesses.

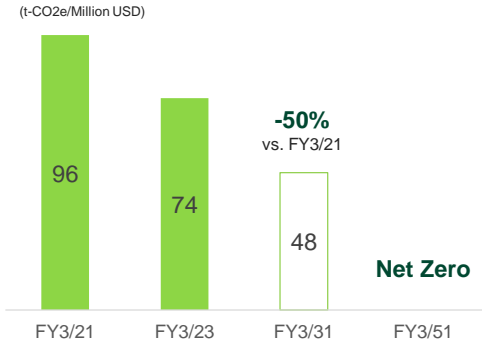
**SMBC Nikko Securities:
Underwriting Financed Emissions (FY3/23)**

- Calculates GHG emissions in the power and oil & gas sectors for underwriting, which is the core businesses of securities business
- Based on the final version of the PCAF guidelines, the calculation method has been advanced.



**SMDAM:
Reduction Targets and Results**

- Discloses reduction targets based on the commitment to the Net Zero Asset Managers Initiative
- Aim to reduce portfolio GHG emissions (carbon footprint) per \$1 million of market value of investment



SMBC Talent Policy

Realize the workplace and teams
where diverse professional talents aim high and feel rewarding

● Manage HR portfolio

Allocate resource appropriately

(people)

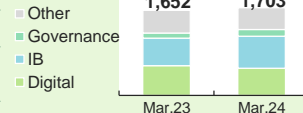
Improve efficiency	(3,100)
Strategic areas	+8,500

Secure a diverse talent

Mid-career recruitment	41%
Managers from mid-career recruitment	19%

Certified experts

(people)

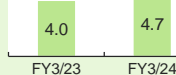


● Promote employees' growth

Human resource development

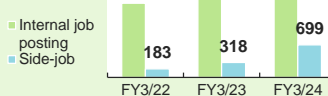
Total annual expenses
for training

(JPY bn)



Challenge for new business

(people)



Career development

Start stock options program
for executives
of in-house startups

● Maximize team performance

Inclusion of diverse talents

	Mar.24	Target
Female directors	21%	30%
Female managers	20%	25%
Foreign directors	24 ^{*1}	25

Train future management

of candidates
(people)● % of candidates
for target post (x)Stock-based
compensation planEmployees and
management commit to
improve corporate value

*1 : As of Apr.24

Endeavor to respect human rights not only in SMBC Group but also throughout the supply chain as a “hub” that connects with various regions and industries

Human Rights, DE&I-related Solutions

Human Capital
Management
Promotion &
Analysis Loan



Sustainability Linked
Loan
(Human rights & DE&I
related theme)



Human Rights Report

published
May 23



First SMBC Group
report describing the
Group's policy and
efforts to address
human rights

Human Rights Due Diligence

launched
Oct. 22

- Expanding the scope of the due diligence

Identify, analyze, and assess
the impact on human rights

Integrate the findings in the
control measures

Disclose to stakeholders

Track the effectiveness of
the control measures



Grievance Mechanism

Planned
FY3/25

Employees

Internal reporting system

Customers

Feedback and complaints desk

Other
stakeholders:
- Suppliers
- Local communities
, etc.

Engagement and remedy
framework for human rights

Accepting petitions
for grievance

Inquiring the
petitions

Determining and
executing
response policies

Support for Colombia's Coffee Industry

Poverty & Inequality

- Supporting the Colombian Coffee Growers Federation with a sustainability loan

Purchase guarantee for small-scale farmers

Agricultural technique supports

Technical research

- ✓ Empowerment of small-scale farmers
- ✓ Sustainable growth of key industries
- ✓ Colombia's socio-economic development



Aquarium Development

Japan's Regrowth

- Development and operation of aquariums using trust schemes

"átoa" aquarium in Kobe Port Museum



Shikoku Aquarium



SMBC SMBC TRUST BANK

Initiatives Aimed at Changing Individuals' Behaviors

Environment

Let's "Genkotsu" (decarbonization) Project

- A co-creation-typed trial project for both companies and consumers that promotes 'touching,' 'learning,' and 'engaging' in decarbonization from the perspectives of shopping, education, and finance

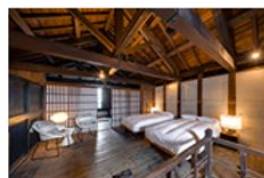
80%
The percentage of participants whose willingness to purchase environmentally friendly products increased through the demonstration experiment



Old Folk House Revitalization

Japan's Regrowth

- Renovated old folk houses in Dazaifu, Fukuoka, Japan and operate as hotels



SMFL

		Date of issue	URL	QR Code
1	Annual Report	July 2023	https://www.smfg.co.jp/english/investor/library/annual/fy2022e_f01_pdf/fy2022e_f01_00.pdf	
2	TCFD Report	August 2023	https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/pdf/tcfreport_e_2023.pdf	
3	TNFD Report	April 2023	https://www.smfg.co.jp/english/sustainability/materiality/environment/naturalcapital/pdf/tnfdreport_e_2023.pdf	
4	ESG Data Book	February 2024	https://www.smfg.co.jp/english/sustainability/report/databook/	
5	Transition Finance Playbook	May 2024	https://www.smfg.co.jp/english/sustainability/materiality/environment/business/pdf/transitionfinanceplaybook_en.pdf	
6	Human Rights Report	May 2023	https://www.smfg.co.jp/english/sustainability/group_sustainability/forrights/HumanRightsReport_e.pdf	