

## SUMITOMO MITSUI FINANCIAL GROUP

### Consolidated Financial Statements as of and for the year ended March 31, 2022

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 Sumitomo Mitsui Financial Group, Inc. (“the Company”) and its management with respect to the Company’s 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 the Company’s securities portfolio; incurrence of significant credit-related costs; the Company’s ability to successfully implement its business strategy through its subsidiaries, affiliates and alliance partners; and exposure to new risks as the Company expands the scope of its 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. The Company undertakes no obligation to update or revise any forward-looking statements. Please refer to the Company’s most recent disclosure documents such as its annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as its earnings press releases, for a more detailed description of the risks and uncertainties that may affect its financial conditions, its operating results, and investors’ decisions.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEETS**

<b>March 31</b>	<b>Millions of yen</b>		<b>Millions of U.S. dollars</b>	
	<b>2021</b>	<b>2022</b>	<b>2022</b>	
<b>Assets:</b>				
Cash and due from banks	*5 ¥ 72,568,875	*5 ¥ 74,792,123	\$ 610,997	
Call loans and bills bought	2,553,463	1,965,134	16,054	
Receivables under resale agreements	5,565,119	6,035,507	49,306	
Receivables under securities borrowing transactions	5,827,448	5,649,632	46,153	
Monetary claims bought	4,665,244	5,370,377	43,872	
Trading assets	*2, *5 6,609,195	*2, *5 7,351,878	60,059	
Money held in trust	309	310	3	
Securities	*1, *2, *3, *5, *13 36,549,043	*1, *2, *3, *5, *13 38,538,724	314,833	
Loans and bills discounted	*3, *4, *5, *6 85,132,738	*3, *4, *5, *6 90,834,056	742,048	
Foreign exchanges	*3, *4 2,173,189	*3, *4 2,812,104	22,973	
Lease receivables and investment assets	236,392	228,608	1,868	
Other assets	*3, *5 8,590,785	*3, *5 10,175,873	83,129	
Tangible fixed assets	*7, *8, *9 1,458,991	*7, *8, *9 1,457,254	11,905	
Assets for rent	465,147	456,108	3,726	
Buildings	370,531	357,930	2,924	
Land	457,920	449,380	3,671	
Lease assets	23,589	24,018	196	
Construction in progress	17,394	26,991	221	
Other tangible fixed assets	124,408	142,824	1,167	
Intangible fixed assets	738,759	898,817	7,343	
Software	475,360	460,468	3,762	
Goodwill	147,508	320,640	2,619	
Lease assets	769	584	5	
Other intangible fixed assets	115,120	117,123	957	
Net defined benefit asset	565,534	623,045	5,090	
Deferred tax assets	29,840	66,720	545	
Customers' liabilities for acceptances and guarantees	*3 9,978,396	*3 11,722,239	95,762	
Reserve for possible loan losses	(659,017)	(817,784)	(6,681)	
<b>Total assets</b>	<b>¥ 242,584,308</b>	<b>¥ 257,704,625</b>	<b>\$ 2,105,258</b>	

(Continued)

March 31	Millions of yen		Millions of
	2021	2022	U.S. dollars
<b>Liabilities and net assets:</b>			<b>2022</b>
<b>Liabilities:</b>			
Deposits	*5 ¥ 142,026,156	*5 ¥ 148,585,460	\$ 1,213,834
Negotiable certificates of deposit	12,570,617	13,069,796	106,771
Call money and bills sold	1,368,515	1,129,999	9,231
Payables under repurchase agreements	*5 15,921,103	*5 19,359,965	158,157
Payables under securities lending transactions	*5 2,421,353	*5 1,580,580	12,912
Commercial paper	1,686,404	1,866,366	15,247
Trading liabilities	5,357,649	6,377,968	52,103
Borrowed money	*5, *10 17,679,690	*5, *10 18,877,990	154,219
Foreign exchanges	1,113,037	1,216,893	9,941
Short-term bonds	585,000	442,000	3,611
Bonds	*11 9,043,031	*11 9,808,107	80,125
Due to trust account	*5, *12 2,321,223	*5, *12 2,443,873	19,965
Other liabilities	7,741,638	8,415,621	68,749
Reserve for employee bonuses	89,522	89,894	734
Reserve for executive bonuses	4,408	4,064	33
Net defined benefit liability	35,334	40,864	334
Reserve for executive retirement benefits	1,081	1,087	9
Reserve for point service program	24,655	25,000	204
Reserve for reimbursement of deposits	9,982	5,767	47
Reserve for losses on interest repayment	140,758	135,084	1,104
Reserves under the special laws	3,902	3,902	32
Deferred tax liabilities	532,193	275,570	2,251
Deferred tax liabilities for land revaluation	*7 29,603	*7 29,193	238
Acceptances and guarantees	*5 9,978,396	11,722,239	95,762
Total liabilities	<u>230,685,262</u>	<u>245,507,293</u>	<u>2,005,615</u>
<b>Net assets:</b>			
Capital stock	2,341,274	2,341,878	19,131
Capital surplus	693,205	693,664	5,667
Retained earnings	6,492,586	6,916,468	56,502
Treasury stock	(13,698)	(13,402)	(109)
Total stockholders' equity	<u>9,513,367</u>	<u>9,938,608</u>	<u>81,191</u>
Net unrealized gains (losses) on other securities	2,094,605	1,632,080	13,333
Net deferred gains (losses) on hedges	14,723	(80,061)	(654)
Land revaluation excess	*7 36,251	*7 36,320	297
Foreign currency translation adjustments	40,390	450,143	3,677
Accumulated remeasurements of defined benefit plans	127,080	121,123	989
Total accumulated other comprehensive income	<u>2,313,051</u>	<u>2,159,606</u>	<u>17,642</u>
Stock acquisition rights	1,791	1,475	12
Non-controlling interests	70,836	97,641	798
Total net assets	<u>11,899,046</u>	<u>12,197,331</u>	<u>99,643</u>
Total liabilities and net assets	<u>¥ 242,584,308</u>	<u>¥ 257,704,625</u>	<u>\$ 2,105,258</u>

## CONSOLIDATED STATEMENTS OF INCOME

<b>Year ended March 31</b>	<b>Millions of yen</b>		<b>Millions of</b>
	<b>2021</b>	<b>2022</b>	<b>U.S. dollars</b>
Ordinary income	¥ 3,902,307	¥ 4,111,127	\$ 33,585
Interest income	1,853,039	1,907,991	15,587
Interest on loans and discounts	1,367,726	1,367,464	11,171
Interest and dividends on securities	283,786	347,883	2,842
Interest on call loans and bills bought	11,896	15,563	127
Interest on receivables under resale agreements	10,056	6,166	50
Interest on receivables under securities borrowing transactions	4,407	1,068	9
Interest on deposits with banks	17,891	21,334	174
Interest on lease transactions	6,540	6,932	57
Interest on deferred payment	24,712	23,259	190
Other interest income	126,021	118,317	967
Trust fees	4,895	5,940	49
Fees and commissions	1,298,373	1,414,867	11,558
Trading income	199,647	101,293	827
Other operating income	365,761	369,898	3,022
Lease-related income	32,155	33,647	275
Other	333,606	336,250	2,747
Other income	180,589	311,136	2,542
Recoveries of written-off claims	12,850	13,552	111
Other	*1 167,739	*1 297,583	2,431
Ordinary expenses	3,191,288	3,070,505	25,084
Interest expenses	517,822	380,007	3,104
Interest on deposits	152,094	90,110	736
Interest on negotiable certificates of deposit	35,876	21,467	175
Interest on call money and bills sold	1,786	1,412	12
Interest on payables under repurchase agreements	7,097	5,872	48
Interest on payables under securities lending transactions	203	357	3
Interest on commercial paper	6,029	2,359	19
Interest on borrowed money	37,667	25,667	210
Interest on short-term bonds	63	10	0
Interest on bonds	204,509	212,920	1,739
Other interest expenses	72,492	19,829	162
Fees and commissions payments	204,352	215,332	1,759
Trading losses	—	130	1
Other operating expenses	193,354	259,015	2,116
Lease-related expenses	23,419	24,989	204
Other	169,935	234,026	1,912
General and administrative expenses	*2 1,747,144	*2 1,821,125	14,877
Other expenses	528,613	394,893	3,226
Provision for reserve for possible loan losses	233,875	180,004	1,471
Other	*3 294,737	*3 214,889	1,755
Ordinary profit	711,018	1,040,621	8,501

(Continued)

Year ended March 31	Millions of yen		Millions of
	2021	2022	U.S. dollars
Extraordinary gains	¥ 9,440	¥ 1,707	\$ 14
Gains on disposal of fixed assets	9,035	1,707	14
Reversal of reserve for eventual future operating losses from financial instruments transactions	—	0	0
Other extraordinary gains	404	—	—
Extraordinary losses	48,222	112,740	921
Losses on disposal of fixed assets	4,939	3,820	31
Losses on impairment of fixed assets	*4 42,525	*4 108,920	890
Provision for reserve for eventual future operating losses from financial instruments transactions	757	—	—
Income before income taxes	672,237	929,588	7,594
Income taxes-current	225,523	241,259	1,971
Income taxes-deferred	(69,177)	(26,724)	(218)
Income taxes	156,346	214,535	1,753
Profit	515,890	715,052	5,841
Profit attributable to non-controlling interests	3,077	8,421	69
Profit attributable to owners of parent	¥ 512,812	¥ 706,631	\$ 5,773

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<b>Year ended March 31</b>	<b>Millions of yen</b>		<b>Millions of</b>
	<b>2021</b>	<b>2022</b>	<b>U.S. dollars</b>
Profit	¥ 515,890	¥ 715,052	\$ 5,841
Other comprehensive income (losses)	*1 949,124	*1 (153,165)	(1,251)
Net unrealized gains (losses) on other securities	718,428	(460,361)	(3,761)
Net deferred gains (losses) on hedges	(82,494)	(112,631)	(920)
Foreign currency translation adjustments	80,177	381,076	3,113
Remeasurements of defined benefit plans	217,424	(6,865)	(56)
Share of other comprehensive income of affiliates	15,587	45,617	373
Total comprehensive income	1,465,014	561,887	4,590
Comprehensive income attributable to owners of parent	1,460,228	553,117	4,519
Comprehensive income attributable to non-controlling interests	4,785	8,770	72

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

<b>Year ended March 31, 2021</b>	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	¥ 2,339,964	¥ 692,003	¥ 6,336,311	¥ (13,983)	¥ 9,354,296
Cumulative effects of changes in accounting policies			(41,849)		(41,849)
Restated balance	2,339,964	692,003	6,294,462	(13,983)	9,312,447
Changes in the fiscal year					
Issuance of new stock	1,309	1,308			2,618
Cash dividends			(267,143)		(267,143)
Profit attributable to owners of parent			512,812		512,812
Purchase of treasury stock				(61)	(61)
Disposal of treasury stock		(65)		347	281
Changes in shareholders' interest due to transaction with non-controlling interests		(106)			(106)
Decrease due to decrease in affiliates accounted for by the equity method			(48,054)		(48,054)
Reversal of land revaluation excess			574		574
Transfer from retained earnings to capital surplus		65	(65)		—
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	1,309	1,202	198,123	285	200,920
Balance at the end of the fiscal year	¥ 2,341,274	¥ 693,205	¥ 6,492,586	¥ (13,698)	¥ 9,513,367

<b>Year ended March 31, 2021</b>	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total
Balance at the beginning of the fiscal year	¥ 1,371,407	¥ 82,257	¥ 36,878	¥ (32,839)	¥ (92,030)	¥ 1,365,673
Cumulative effects of changes in accounting policies						
Restated balance	1,371,407	82,257	36,878	(32,839)	(92,030)	1,365,673
Changes in the fiscal year						
Issuance of new stock						
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Changes in shareholders' interest due to transaction with non-controlling interests						
Decrease due to decrease in affiliates accounted for by the equity method						
Reversal of land revaluation excess						
Transfer from retained earnings to capital surplus						
Net changes in items other than stockholders' equity in the fiscal year	723,198	(67,533)	(627)	73,229	219,110	947,377
Net changes in the fiscal year	723,198	(67,533)	(627)	73,229	219,110	947,377
Balance at the end of the fiscal year	¥ 2,094,605	¥ 14,723	¥ 36,251	¥ 40,390	¥ 127,080	¥ 2,313,051

<b>Year ended March 31, 2021</b>	<b>Millions of yen</b>		
	<b>Stock acquisition rights</b>	<b>Non- controlling interests</b>	<b>Total net assets</b>
Balance at the beginning of the fiscal year	¥ 2,064	¥ 62,869	¥ 10,784,903
Cumulative effects of changes in accounting policies			(41,849)
Restated balance	2,064	62,869	10,743,054
Changes in the fiscal year			
Issuance of new stock			2,618
Cash dividends			(267,143)
Profit attributable to owners of parent			512,812
Purchase of treasury stock			(61)
Disposal of treasury stock			281
Changes in shareholders' interest due to transaction with non-controlling interests			(106)
Decrease due to decrease in affiliates accounted for by the equity method			(48,054)
Reversal of land revaluation excess			574
Transfer from retained earnings to capital surplus			—
Net changes in items other than stockholders' equity in the fiscal year	(272)	7,967	955,071
Net changes in the fiscal year	(272)	7,967	1,155,992
Balance at the end of the fiscal year	¥ 1,791	¥ 70,836	¥ 11,899,046

(Continued)

Year ended March 31, 2022	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	¥ 2,341,274	¥ 693,205	¥ 6,492,586	¥ (13,698)	¥ 9,513,367
Cumulative effects of changes in accounting policies			(8,502)		(8,502)
Restated balance	2,341,274	693,205	6,484,083	(13,698)	9,504,865
Changes in the fiscal year					
Issuance of new stock	603	603			1,207
Cash dividends			(274,127)		(274,127)
Profit attributable to owners of parent			706,631		706,631
Purchase of treasury stock				(74)	(74)
Disposal of treasury stock		(50)		370	320
Changes in shareholders' interest due to transaction with non-controlling interests		(144)			(144)
Reversal of land revaluation excess			(68)		(68)
Transfer from retained earnings to capital surplus		50	(50)		—
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	603	459	432,384	296	433,743
Balance at the end of the fiscal year	¥ 2,341,878	¥ 693,664	¥ 6,916,468	¥ (13,402)	¥ 9,938,608

Year ended March 31, 2022	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total
Balance at the beginning of the fiscal year	¥ 2,094,605	¥ 14,723	¥ 36,251	¥ 40,390	¥ 127,080	¥ 2,313,051
Cumulative effects of changes in accounting policies						
Restated balance	2,094,605	14,723	36,251	40,390	127,080	2,313,051
Changes in the fiscal year						
Issuance of new stock						
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Changes in shareholders' interest due to transaction with non-controlling interests						
Reversal of land revaluation excess						
Transfer from retained earnings to capital surplus						
Net changes in items other than stockholders' equity in the fiscal year	(462,524)	(94,785)	68	409,753	(5,957)	(153,444)
Net changes in the fiscal year	(462,524)	(94,785)	68	409,753	(5,957)	(153,444)
Balance at the end of the fiscal year	¥ 1,632,080	¥ (80,061)	¥ 36,320	¥ 450,143	¥ 121,123	¥ 2,159,606

<b>Year ended March 31, 2022</b>	<b>Millions of yen</b>		
	<b>Stock acquisition rights</b>	<b>Non- controlling interests</b>	<b>Total net assets</b>
Balance at the beginning of the fiscal year	¥ 1,791	¥ 70,836	¥ 11,899,046
Cumulative effects of changes in accounting policies			(8,502)
Restated balance	1,791	70,836	11,890,544
Changes in the fiscal year			
Issuance of new stock			1,207
Cash dividends			(274,127)
Profit attributable to owners of parent			706,631
Purchase of treasury stock			(74)
Disposal of treasury stock			320
Changes in shareholders' interest due to transaction with non-controlling interests			(144)
Reversal of land revaluation excess			(68)
Transfer from retained earnings to capital surplus			—
Net changes in items other than stockholders' equity in the fiscal year	(316)	26,805	(126,955)
Net changes in the fiscal year	(316)	26,805	306,787
Balance at the end of the fiscal year	¥ 1,475	¥ 97,641	¥ 12,197,331

(Continued)

Year ended March 31, 2022	Millions of U.S. dollars				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	\$ 19,126	\$ 5,663	\$ 53,040	\$ (112)	\$ 77,717
Cumulative effects of changes in accounting policies			(69)		(69)
Restated balance	19,126	5,663	52,970	(112)	77,648
Changes in the fiscal year					
Issuance of new stock	5	5			10
Cash dividends			(2,239)		(2,239)
Profit attributable to owners of parent			5,773		5,773
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		(0)		3	3
Changes in shareholders' interest due to transaction with non-controlling interests		(1)			(1)
Reversal of land revaluation excess			(1)		(1)
Transfer from retained earnings to capital surplus		0	(0)		—
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	5	4	3,532	2	3,543
Balance at the end of the fiscal year	\$ 19,131	\$ 5,667	\$ 56,502	\$ (109)	\$ 81,191

Year ended March 31, 2022	Millions of U.S. dollars					Total
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	
Balance at the beginning of the fiscal year	\$ 17,111	\$ 120	\$ 296	\$ 330	\$ 1,038	\$ 18,896
Cumulative effects of changes in accounting policies						
Restated balance	17,111	120	296	330	1,038	18,896
Changes in the fiscal year						
Issuance of new stock						
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Changes in shareholders' interest due to transaction with non-controlling interests						
Reversal of land revaluation excess						
Transfer from retained earnings to capital surplus						
Net changes in items other than stockholders' equity in the fiscal year	(3,778)	(774)	1	3,347	(49)	(1,254)
Net changes in the fiscal year	(3,778)	(774)	1	3,347	(49)	(1,254)
Balance at the end of the fiscal year	\$ 13,333	\$ (654)	\$ 297	\$ 3,677	\$ 989	\$ 17,642

	<u>Millions of U.S. dollars</u>		
<u>Year ended March 31, 2022</u>	<u>Stock acquisition rights</u>	<u>Non- controlling interests</u>	<u>Total net assets</u>
Balance at the beginning of the fiscal year	\$ 15	\$ 579	\$ 97,206
Cumulative effects of changes in accounting policies			(69)
Restated balance	15	579	97,137
Changes in the fiscal year			
Issuance of new stock			10
Cash dividends			(2,239)
Profit attributable to owners of parent			5,773
Purchase of treasury stock			(1)
Disposal of treasury stock			3
Changes in shareholders' interest due to transaction with non-controlling interests			(1)
Reversal of land revaluation excess			(1)
Transfer from retained earnings to capital surplus			—
Net changes in items other than stockholders' equity in the fiscal year	(3)	219	(1,037)
Net changes in the fiscal year	(3)	219	2,506
Balance at the end of the fiscal year	<u>\$ 12</u>	<u>\$ 798</u>	<u>\$ 99,643</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<b>Year ended March 31</b>	<b>Millions of yen</b>		<b>Millions of U.S. dollars</b>
	<b>2021</b>	<b>2022</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 672,237	¥ 929,588	\$ 7,594
Depreciation	207,815	222,298	1,816
Losses on impairment of fixed assets	42,525	108,920	890
Amortization of goodwill	19,365	19,618	160
Net (gains) losses on step acquisitions	(404)	—	—
Equity in net (gains) losses of affiliates	(24,972)	(28,511)	(233)
Net change in reserve for possible loan losses	177,227	120,415	984
Net change in reserve for employee bonuses	15,158	(2,422)	(20)
Net change in reserve for executive bonuses	1,061	(344)	(3)
Net change in net defined benefit asset and liability	(335,174)	(51,782)	(423)
Net change in reserve for executive retirement benefits	(235)	6	0
Net change in reserve for point service program	(1,920)	344	3
Net change in reserve for reimbursement of deposits	5,294	(4,214)	(34)
Net change in reserve for losses on interest repayment	(2,132)	(5,673)	(46)
Interest income	(1,853,039)	(1,907,991)	(15,587)
Interest expenses	517,822	380,007	3,104
Net (gains) losses on securities	(174,302)	(167,239)	(1,366)
Net (gains) losses from money held in trust	(0)	(0)	(0)
Net exchange (gains) losses	(398,722)	(645,090)	(5,270)
Net (gains) losses from disposal of fixed assets	(4,096)	2,113	17
Net change in trading assets	578,416	(350,069)	(2,860)
Net change in trading liabilities	(223,323)	454,445	3,712
Net change in loans and bills discounted	(2,316,636)	(4,730,989)	(38,649)
Net change in deposits	14,626,281	5,587,551	45,646
Net change in negotiable certificates of deposit	2,388,038	463,396	3,786
Net change in borrowed money (excluding subordinated borrowings)	2,454,998	906,048	7,402
Net change in deposits with banks	(10,577)	(2,667,375)	(21,791)
Net change in call loans and bills bought and others	1,377,379	(128,064)	(1,046)
Net change in receivables under securities borrowing transactions	(822,344)	177,815	1,453
Net change in call money and bills sold and others	364,533	2,956,428	24,152
Net change in commercial paper	307,253	99,900	816
Net change in payables under securities lending transactions	35,745	(840,773)	(6,869)
Net change in foreign exchanges (assets)	(110,014)	(626,264)	(5,116)
Net change in foreign exchanges (liabilities)	(353,210)	99,792	815
Net change in lease receivables and investment assets	(3,878)	26,248	214
Net change in short-term bonds (liabilities)	206,000	(143,000)	(1,168)
Issuance and redemption of bonds (excluding subordinated bonds)	(97,531)	210,858	1,723
Net change in due to trust account	509,868	122,649	1,002
Interest received	1,909,880	1,917,652	15,666
Interest paid	(559,951)	(383,080)	(3,129)
Other, net	(189,032)	(303,148)	(2,477)
Subtotal	18,935,404	1,820,065	14,869
Income taxes paid	(139,452)	(274,642)	(2,244)
Net cash provided by (used in) operating activities	18,795,951	1,545,423	12,625

(Continued)

Year ended March 31	Millions of yen		Millions of
	2021	2022	U.S. dollars
<b>Cash flows from investing activities:</b>			<b>2022</b>
Purchases of securities	¥ (41,807,504)	¥ (36,938,512)	\$ (301,761)
Proceeds from sale of securities	17,221,557	18,619,631	152,109
Proceeds from redemption of securities	17,208,608	16,426,401	134,192
Purchases of money held in trust	(0)	(1)	(0)
Proceeds from sale of money held in trust	44	0	0
Purchases of tangible fixed assets	(145,946)	(92,592)	(756)
Proceeds from sale of tangible fixed assets	26,434	1,180	10
Purchases of intangible fixed assets	(178,765)	(195,596)	(1,598)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(4,305)	<sup>*2</sup> (227,321)	(1,857)
Net cash provided by (used in) investing activities	<u>(7,679,878)</u>	<u>(2,406,810)</u>	<u>(19,662)</u>
<b>Cash flows from financing activities:</b>			
Repayment of subordinated borrowings	—	(15,000)	(123)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	194,103	184,048	1,504
Redemption of subordinated bonds and bonds with stock acquisition rights	(488,640)	(380,065)	(3,105)
Dividends paid	(267,119)	(274,058)	(2,239)
Proceeds from issuance of common stock to non-controlling stockholders	100	68	1
Dividends paid to non-controlling stockholders	(1,244)	(628)	(5)
Purchases of treasury stock	(61)	(74)	(1)
Proceeds from disposal of treasury stock	281	320	3
Purchase of stocks of subsidiaries not resulting in change in scope of consolidation	0	—	—
Proceeds from sale of stocks of subsidiaries not resulting in change in scope of consolidation	—	51	0
Net cash provided by (used in) financing activities	<u>(562,580)</u>	<u>(485,338)</u>	<u>(3,965)</u>
Effect of exchange rate changes on cash and cash equivalents	159,912	367,584	3,003
Net change in cash and cash equivalents	<u>10,713,405</u>	<u>(979,140)</u>	<u>(7,999)</u>
Cash and cash equivalents at the beginning of the fiscal year	56,097,807	66,811,212	545,799
Cash and cash equivalents at the end of the fiscal year	<sup>*1</sup> <u>¥ 66,811,212</u>	<sup>*1</sup> <u>¥ 65,832,072</u>	<u>\$ 537,800</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **(Basis of presentation)**

Sumitomo Mitsui Financial Group, Inc. (“the Company”) was established on December 2, 2002 as a holding company for the SMBC Group (“the Group”) through a statutory share transfer (*kabushiki iten*) of all of the outstanding equity securities of Sumitomo Mitsui Banking Corporation (“SMBC”) in exchange for the Company’s newly issued securities. The Company is a joint stock corporation with limited liability (*Kabushiki Kaisha*) incorporated under the Companies Act of Japan. Upon formation of the Company and completion of the statutory share transfer, SMBC became a direct wholly owned subsidiary of the Company.

The Company has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”).

The accounts of overseas subsidiaries and affiliated companies are, in principle, integrated with those of the Company’s accounting policies for purposes of consolidation unless they apply different accounting principles and standards as required under U.S. GAAP or IFRS, in which case a certain limited number of items are adjusted based on their materiality.

These consolidated financial statements are translated from the consolidated financial statements contained in the annual securities report filed under the Financial Instrument and Exchange Act of Japan (“FIEA based financial statements”) except for the addition of the non-consolidated financial statements and U.S. dollar figures.

Amounts less than ¥1 million have been rounded down. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022 which was ¥122.41 to US\$1. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

## **(Significant Accounting Policies for Preparing Consolidated Financial Statements)**

### 1. Scope of consolidation

#### (1) Consolidated subsidiaries

The number of consolidated subsidiaries at March 31, 2022 is 181.

Principal companies:

Sumitomo Mitsui Banking Corporation (“SMBC”)  
SMBC Trust Bank Ltd.  
SMBC Nikko Securities Inc.  
Sumitomo Mitsui Card Company, Limited  
SMBC Finance Service Co., Ltd.  
SMBC Consumer Finance Co., Ltd.  
The Japan Research Institute, Limited  
Sumitomo Mitsui DS Asset Management Company, Limited  
SMBC Bank International plc  
Sumitomo Mitsui Banking Corporation (China) Limited  
PT Bank BTPN Tbk  
SMBC Americas Holdings, Inc.  
SMBC Guarantee Co., Ltd.  
SMBC Bank EU AG

Changes in the consolidated subsidiaries in the fiscal year ended March 31, 2022 are as follows:

Fullerton India Credit Company Limited was newly included in the scope of consolidation as a result of acquisition of stock, and 7 other companies were newly included in the scope of consolidation as a result of new establishment and for other reasons.

4 companies were excluded from the scope of consolidation because of liquidation and for other reasons.

#### (2) Unconsolidated subsidiaries

Principal company: SBCS Co., Ltd.

5 of the unconsolidated subsidiaries are investment partnerships, and neither their assets nor profit/loss are substantially attributable to subsidiaries, and thus are excluded from the scope of consolidation pursuant to Article 5, Paragraph 1, Item 2 of the Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Other unconsolidated subsidiaries are excluded from the scope of consolidation because their total amounts in terms of total assets, ordinary income, net income and retained earnings are immaterial, as such, they do not hinder a rational judgment of the financial position and results of operations of the Company and its consolidated subsidiaries when excluded from the scope of consolidation.

### 2. Application of the equity method

#### (1) Unconsolidated subsidiaries accounted for by the equity method

The number of unconsolidated subsidiaries accounted for by the equity method at March 31, 2022 is 5.

Principal company: SBCS Co., Ltd.

#### (2) Equity method affiliates

The number of affiliates accounted for by the equity method at March 31, 2022 is 107.

Principal companies:

Sumitomo Mitsui Finance and Leasing Company, Limited  
Sumitomo Mitsui Auto Service Company, Limited

Changes in the equity method affiliates in the fiscal year ended March 31, 2022 are as follows:

VPBank Finance Company Limited became equity method affiliates due to acquisition of stock, and 14 other companies became equity method affiliates due to new establishment and for other reasons.

1 company was excluded from the scope of equity method affiliates due to sale of stocks.

VPBank Finance Company Limited changed its name to VPBank SMBC Finance Company Limited.

(3) Unconsolidated subsidiaries that are not accounted for by the equity method

5 unconsolidated subsidiaries that are not accounted for by the equity method are investment partnerships, and neither their assets nor profit/loss are substantially attributable to subsidiaries, and thus are excluded from the scope of equity method pursuant to Article 10, Paragraph 1, Item 2 of the Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(4) Affiliates that are not accounted for by the equity method

Principal company: Park Square Capital / SMBC Loan Programme S. à r. l.

Affiliates that are not accounted for by the equity method are also excluded from the scope of equity method because their total amounts in terms of net income and retained earnings are immaterial, and as such, they do not hinder a rational judgment of the financial position and results of operations of the Company and its consolidated subsidiaries when excluded from the scope of equity method.

3. The balance sheet dates of consolidated subsidiaries

(1) The balance sheet dates of the consolidated subsidiaries at March 31, 2022 are as follows:

October 31	2
December 31	90
March 31	89

(2) The subsidiaries with balance sheets dated October 31 are consolidated using the financial statements as of January 31 and certain subsidiaries with balance sheets dated December 31 are consolidated using the financial statements as of March 31. Other subsidiaries are consolidated using the financial statements as of their respective balance sheet dates.

Appropriate adjustments were made to material transactions during the periods between their respective balance sheet dates and the consolidated closing date.

4. Accounting policies

(1) Standards for recognition and measurement of trading assets/liabilities and trading income/losses

Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in “Trading assets” or “Trading liabilities” on the consolidated balance sheets on a trade date basis. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as “Trading income” and “Trading losses” on the consolidated statements of income.

Securities and monetary claims purchased for trading purposes are stated at the fiscal year-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated balance sheet date.

“Trading income” and “Trading losses” include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

In terms of the evaluation of specific market risks and credit risks for derivative transactions, those fair values are calculated by group basis of the financial assets and liabilities based on net asset or liability after offsetting.

## (2) Standards for recognition and measurement of securities

- 1) Debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are carried at amortized cost (based on straight-line method) using the moving-average method. Investments in affiliates that are not accounted for by the equity method are carried at cost using the moving-average method. Securities other than trading purpose securities, held-to-maturity securities and investments in affiliates are classified as “other securities” (available-for-sale securities). Other securities are carried at their period-end market prices (cost of securities sold is calculated using primarily the moving-average method). Stocks with no market prices are carried at cost using the moving-average method.

Net unrealized gains (losses) on other securities, net of income taxes, are included in “Net assets” except for the amount reflected on the gains or losses by applying fair value hedge accounting.

- 2) Securities included in money held in trust are carried in the same method as in (1) and (2), 1) above.

## (3) Standards for recognition and measurement of derivative transactions

Derivative transactions, excluding those classified as trading derivatives, are carried at fair value.

In terms of the evaluation of specific market risks and credit risks for derivative transactions, those fair values are calculated by group basis of the financial assets and liabilities based on net asset or liability after offsetting.

## (4) Depreciation

- 1) Tangible fixed assets (excluding assets for rent and lease assets)

Buildings owned by the Company and SMBC, which is a consolidated subsidiary of the Company, are depreciated using the straight-line method. Others are depreciated using the declining-balance method. The estimated useful lives of major items are as follows:

Buildings:	7 to 50 years
Others:	2 to 20 years

Other consolidated subsidiaries depreciate tangible fixed assets primarily using the straight-line method over the estimated useful lives of the respective assets.

- 2) Intangible fixed assets

Intangible fixed assets are depreciated using the straight-line method. Capitalized software for internal use owned by the Company and its consolidated domestic subsidiaries is depreciated over its estimated useful life (5-10 years).

- 3) Assets for rent

Assets for rent are depreciated using the straight-line method, assuming that lease terms or useful lives of such assets are, in principle, their depreciation period and the salvage values are estimated disposal values when the lease period expires.

- 4) Lease assets

Lease assets with respect to non-transfer ownership finance leases, which are recorded in “Tangible fixed assets,” are depreciated using the straight-line method, assuming that lease terms are their expected lifetime and salvage values are zero.

#### (5) Reserve for possible loan losses

The reserve for possible loan losses of major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and provisions.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings (“Bankrupt borrowers”) or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation (“Effectively bankrupt borrowers”), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees. For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy (“Potentially bankrupt borrowers”), a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

SMBC, which is a consolidated subsidiary of the Company, applies Discounted Cash Flows (“DCF”) method for claims of large borrowers exceeding a certain amount, of which borrowers categories are bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers and whole or part of loans are classified as “Past due loans (3 months or more)” or “Restructured loans” requiring close monitoring, and whose cash flows from collection of principals and interest can be rationally estimated. SMBC establishes a reserve for possible loan losses using the DCF method for such claims in the amount of the difference between the present value of principal and interest (calculated using the rationally estimated cash flows discounted at the initial contractual interest rate) and the book value.

For other claims, they are recorded by estimating the amount of expected loss in the next one year or three years. The estimated amount of expected loss is calculated by using average ratio of loan-loss ratio or probability of bankruptcies for certain periods in the past based on actual loan losses or bankruptcies in the past one year or three years, and by making necessary adjustments including future estimations.

In addition, in light of the latest economic situation and risk factors, for potential losses for specific portfolios that are based on the future prospects with high probability, but cannot be reflected in actual loan losses in the past and in any individual borrower’s classification, a reserve is provided in the amount deemed necessary based on an overall assessment.

For claims originated in specific overseas countries, an additional reserve is provided in the amount deemed necessary based on the assessment of political and economic conditions.

Branches and credit supervision departments assess all claims in accordance with the internal rules for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment.

The reserve for possible loan losses of the Company and other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratios, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off for the fiscal years ended March 31, 2021 and 2022 were ¥163,185 million and ¥163,664 million, respectively.

#### (6) Reserve for employee bonuses

The reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the fiscal year.

#### (7) Reserve for executive bonuses

The reserve for executive bonuses is provided for payment of bonuses to executives, in the amount of estimated bonuses, which are attributable to the fiscal year.

(8) Reserve for executive retirement benefits

The reserve for executive retirement benefits is provided for payment of retirement benefits to executives, in the amount of deemed accrued at the period-end based on our internal regulations.

(9) Reserve for point service program

The reserve for point service program is provided for the potential future redemption of points awarded to customers under the “SMBC Point Pack,” credit card points programs, and other customer points award programs. The amount is calculated by converting the outstanding points into a monetary amount, and rationally estimating and recognizing the amount that will be redeemed in the future.

(10) Reserve for reimbursement of deposits

The reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursements.

(11) Reserve for losses on interest repayment

The reserve for losses on interest repayment is provided for the possible losses on future claims of repayment of interest based on historical interest repayment results.

(12) Reserves under the special laws

The reserves under the special laws are reserves for contingent liabilities and provided for compensation for losses from securities related transactions or derivative transactions, pursuant to Article 46-5 of the Financial Instruments and Exchange Act.

(13) Employee retirement benefits

In calculating the projected benefit obligation, mainly the benefit formula basis is used to attribute the expected benefit attributable to the respective period.

Unrecognized prior service cost is amortized on a straight-line basis, primarily over 9 years within the employees’ average remaining service period at incurrence.

Unrecognized net actuarial gain (loss) is amortized on a straight-line basis, primarily over 9 years within the employees’ average remaining service period, commencing from the next fiscal year of incurrence.

(14) Revenue recognition

1) Revenue recognition

Revenue from contracts with customers is recognized by identifying the satisfaction of performance obligation of each of the transactions based on the actual transaction of the contractual coverage.

## 2) Revenue recognition of major transactions

Regarding revenue from contracts with customers, the contractual coverage and timing of identifying the satisfaction of performance obligation of each item of fees and commissions are determined as follows.

Revenue for deposits and loans, mainly including the commission fees, etc. for account transfer and commissions for office management during the loan period of syndicated loans, is recognized when the transaction started with the customer or over the period of the transaction of the related services.

Revenue for remittances and transfers, mainly including the fees for domestic and oversea remittances, is recognized when the related services are provided.

Revenue for securities-related business, mainly including trading commissions such as sales commissions of stocks and bonds, is recognized when the transaction started with the customer.

Revenue for agency business, mainly including the accepted commissions between banks due to online alliances commission fees, etc. for proxy office management, is recognized when the transaction started with the customer or over the period of the transaction of the related service.

Revenue for safe deposits, mainly including storage fees for safekeeping deposit and usage fees of safes and protective boxes, is recognized over the period of the transaction of the related service.

Revenue for credit card business, mainly including merchant fees, is recognized when the credit sales data arrives.

Revenue for investment trusts, mainly including the commissions for processing sales and records management of investment trusts, etc., is recognized when the transaction started with the customer or over the period of the transaction of the related service.

## (15) Translation of foreign currency assets and liabilities

Assets and liabilities of the Company and SMBC, which is a consolidated subsidiary of the Company, denominated in foreign currencies and accounts of SMBC overseas branches are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.

Other consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet dates.

## (16) Lease transactions

### 1) Recognition of income on finance leases

Interest income is allocated to each period.

### 2) Recognition of income on operating leases

Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the contractual amount of lease fees per month.

## (17) Hedge accounting

### 1) Hedging against interest rate changes

As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, SMBC, which is a consolidated subsidiary of the Company, applies deferred hedge accounting.

SMBC applies deferred hedge accounting stipulated in “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022) to portfolio hedges on groups of large-volume, small-value monetary claims and debts.

As for the portfolio hedges to offset market fluctuation, SMBC assesses the effectiveness of such hedges by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. As for the portfolio hedges to fix cash flows, SMBC assesses the effectiveness of such hedges by verifying the correlation between the hedged items and the hedging instruments.

As for the individual hedges, SMBC also assesses the effectiveness of such individual hedges.

### 2) Hedging against currency fluctuations

SMBC, which is a consolidated subsidiary of the Company, applies deferred hedge accounting stipulated in “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020) to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Committee Practical Guideline No. 25, SMBC assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.

In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currencies, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currencies.

### 3) Hedging against share price fluctuations

SMBC, which is a consolidated subsidiary, applies fair value hedge accounting to individual hedges offsetting the price fluctuation of the shares that are classified under other securities, and accordingly evaluates the effectiveness of such individual hedges.

### 4) Transactions between consolidated subsidiaries

As for derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts (or among internal sections), SMBC manages the interest rate swaps and currency swaps that are designated as hedging instruments in accordance with the non-arbitrary and strict criteria for external transactions stipulated in JICPA Industry Committee Practical Guidelines No. 24 and No. 25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them.

Certain other consolidated subsidiaries apply the deferred hedge accounting, fair value hedge accounting or the special treatment for interest rate swaps.

## (18) Amortization of goodwill

Goodwill is amortized using the straight-line method over a period in which its benefit is expected to be realized, not to exceed 20 years. Immaterial goodwill is charged or credited to income directly when incurred.

(19) Scope of “Cash and cash equivalents” on consolidated statements of cash flows

For the purpose of presenting the consolidated statements of cash flows, “Cash and cash equivalents” are cash on hand, non-interest earning deposits with banks and deposits with the Bank of Japan.

(20) Adoption of the consolidated corporate-tax system

The Company and certain consolidated domestic subsidiaries apply the consolidated corporate-tax system.

## (Significant Accounting Estimates)

### 1. Reserve for possible loan losses

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 and 2022

<u>Year ended March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Reserve for possible loan losses	¥ 659,017	¥ 817,784

(2) Information on details of the significant accounting estimates for the identified item

Based on the assessment of all claims including loans and bills discounted conducted in accordance with the self-assessment procedures, and borrower category determined depending on their credit risk status, the following amounts are recorded as a reserve for possible loan losses.

- The estimated amount of expected loss calculated for each borrower category based on the average value of historical loan-loss ratio or probability of default over a certain past period is recorded as a reserve for loan losses

- As for claims classified as substandard or lower level classifications whose cash flows from collection of principals and interest can rationally be estimated, the Discounted Cash Flows (“DCF”) method is applied for ones with large borrowers of those claims and the amount calculated by the DCF method is recorded as a reserve for loan losses

- As for expected loss based on the future prospects with high probability, but cannot be reflected in historical loan-losses and in any individual borrower category, the amount deemed necessary based on an overall assessment is recorded as a reserve for loan losses

Reserve for possible loan losses recorded by the method above involves the following uncertainties in the process of estimation, hence requiring high-level managerial judgment.

- Consideration for qualitative factors including forward-looking information in determining borrower category

- Reasonable estimation of future individual cash flows in the DCF method

- Determination of a method for estimating expected loss based on future prospect in consideration of the latest economic environment and risk factors, and of the targeted portfolio

These may be affected by changes in economic environment, which have a potentially significant impact on the amount of reserve for possible loan losses for the next fiscal year.

(Note) For the estimation of the reserve for possible loan losses specifically related to the current international situation involving Ukraine and COVID-19, refer to (Additional Information).

## 2. Impairment loss for fixed assets

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 and 2022

Year ended March 31	Millions of yen	
	2021	2022
Tangible fixed assets	¥ 1,458,991	¥ 1,457,254
Intangible fixed assets	738,759	898,817
Losses on impairment of fixed assets	42,525	108,920

(2) Information on details of the significant accounting estimates for the identified item

(Grouping of assets)

As for land and buildings, etc., at SMBC, a consolidated subsidiary of the Company, a branch is the smallest unit of asset group, and intangible fixed assets and assets of Head Office, etc. which do not produce independent cash flows are treated as corporate assets. Corporate assets that are reasonably deemed to be used solely by each business unit are identified as each business unit's corporate assets, and conducted impairment assessments on a business unit basis together with other related fixed assets. As for other corporate assets, impairment is recognized on a company level.

(Identifying indication of impairment, and testing and calculating recognition of impairment loss)

Fixed assets that have an indication of impairment are tested for recognition of impairment loss, and if recognition is required, their book values are reduced to the recoverable amount and the reduced amount is recorded as impairment loss. Recoverable amount is either net realizable value, which is deducting expected disposal cost from fair value of the fixed asset, or value in use which is the present value of cash flows expected to derive from the continuous use and disposal of the fixed asset after use.

Future cash flows and the growth rate used for testing the recognition of impairment loss as well as for calculating value in use are determined based on the factors including the estimation or judgment by management and the market growth rate, etc. Discount rate used for calculating value in use is determined based on the market interest rate and other market conditions, and these may be affected by changes in economic and financial environment. Therefore, if modification is required, it may have a potentially significant impact on the amount of impairment loss for fixed assets for the next fiscal year.

As for the fiscal year ended March 31, 2022, impairment loss of ¥37,795 million (tangible fixed assets ¥5,118 million, intangible fixed assets ¥32,677 million) related to the business assets attributable to the Retail Business Unit at SMBC is recorded. The future cash flows used to test recognition of impairment loss and calculate value in use is estimated based on the business plan of the business unit, which takes into account the balance of housing loans, as one of the major assumptions, and includes profit of the business unit adjusted on management accounting such as the collaboration profit with Group Companies, etc. The recoverable amount of calculating impairment loss is measured by using net realizable value. For the impairment loss for the fiscal year ended March 31, 2022, refer to (Notes to Consolidated statement of income).

### 3. Fair value of financial instruments

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

This is stated in (Notes to financial instruments).

(2) Information on details of the significant accounting estimates for the identified item

This is stated in (Notes to financial instruments).

### 4. Reserve for losses on interest repayment

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 and 2022

Year ended March 31	Millions of yen	
	2021	2022
Reserve for losses on interest repayment	¥ 140,758	¥ 135,084

(2) Information on details of the significant accounting estimates for the identified item

Reserve for losses on interest repayment is recorded based on estimated amount of claim of repayment in preparing for future claims of interest repayment from the customers whose loans are offered at interest rates in excess of the ceiling prescribed under the Interest Rate Restriction Act.

Estimated amount of claim for such repayment is calculated based on certain assumptions using the historical data regarding the number and amount of claims from customers. The trend in future claims of repayment from customers has a potentially significant impact on the amount of reserve for losses on interest repayment for the next fiscal year.

### 5. Retirement benefits expenses and retirement benefit obligations

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 and 2022

Year ended March 31	Millions of yen	
	2021	2022
Net defined benefit asset	¥ 565,534	¥ 623,045
Net defined benefit liability	35,334	40,864
Retirement benefit expenses included in general and administrative expenses	18,237	(12,317)

(2) Information on details of the significant accounting estimates for the identified item

Retirement benefit expenses and retirement benefit obligations for the defined benefit plans for employees are recorded based on various assumptions including discount rate, employee turnover and future salary increase rate.

Discount rate is determined based on Japanese government bond yields, while the indicators such as employee turnover and future salary increase rate are determined based on historical data as well as the latest information on future outlook. Determining these key factors and metrics requires high-level managerial judgment, and if modifications are required, it may have significant impact on the amounts of retirement benefit expenses and retirement benefit obligations for the next fiscal year.

## 6. Deferred tax assets

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 and 2022

Year ended March 31	Millions of yen	
	2021	2022
Deferred tax assets	¥ 29,840	¥ 66,720
Deferred tax liabilities	532,193	275,570

(2) Information on details of the significant accounting estimates for the identified item

The amount of tax associated with temporary differences is recorded as deferred tax assets or deferred tax liabilities excluding the amount of tax that is not expected to be collected or paid in the future accounting periods. Deferred tax assets and deferred tax liabilities of the same taxable entity are offset and presented on a net basis.

While the recoverability of deferred tax assets is determined by reasonably estimating the scheduling of temporary differences and taxable income, in the event of changes to the scheduling of temporary differences, taxable income which is lower than initial estimation, or tax reform such as reduction of corporate income tax rate, there is a potentially significant impact on the amount of deferred tax assets for the next fiscal year.

### (Changes in Accounting Policies)

Application of Accounting Standard for Revenue Recognition etc.

The Company applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) etc. from the beginning of the fiscal year ended March 31, 2022, and has recognized revenue in an amount expected to be earned in exchange for goods or services at the time when controls of the promised goods or services are transferred to customers.

As for the application of Accounting standards for Revenue Recognition etc., in accordance with transitional treatment stipulated in the proviso of Paragraph 84 of “Accounting Standard for Revenue Recognition”, the cumulative effects by the retroactive application of the new accounting policy previous to the beginning of the fiscal year ended March 31, 2022 are adjusted to “Retained earnings” of the beginning of the fiscal year ended March 31, 2022.

As a result, “Retained earnings” decreased by ¥8,502 million at the beginning of the fiscal year ended March 31, 2022.

In accordance with the transitional measures set forth in Paragraph 89-3 of “Accounting Standards for Revenue Recognition,” information on breakdowns of revenues from contracts with customers for the fiscal year ended March 31, 2021 is not disclosed in (Revenue Recognition).

## **(Unapplied Accounting Standards and Others)**

1. "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Revised Implementation Guidance No.31, June 17, 2021)

### **(1) Outline**

The implementation guidance defines the treatment of the measurement and notes of the fair value of investment trusts, and the treatment of notes concerning the fair value of investment in partnerships, etc., whose share of net unrealized gains is stated on the balance sheet on net basis.

### **(2) Date of Application**

The Company will apply the Implementation Guidance from the beginning of the fiscal year commencing on April 1, 2022.

### **(3) Effects of Application of the Accounting Standard etc.**

The effects of the application of the Implementation Guidance are currently being assessed.

2. "Practical Solution on the Treatment of Accounting and Disclosure when applying Group tax sharing system" (ASBJ Practical Issue Task Force No. 42, August 12, 2021)

### **(1) Outline**

The Practical Issue Task Force defines the treatment of accounting and disclosure of corporate tax, local tax and tax effect accounting when applying Group tax sharing system.

### **(2) Date of Application**

The Company will apply the Practical Issue Task Force from the beginning of the fiscal year commencing on April 1, 2022.

### **(3) Effects of Application of the Accounting Standard etc.**

The effects of the application of the Practical Issue Task Force are currently being assessed.

### **(Additional information)**

1. The estimates of reserve for possible loan losses related to the impact of the current international situation involving Ukraine.

Considering the uncertain business environment caused by the current international situation involving Ukraine, estimation of the reserve for possible loan losses associated with the Russia-related credits is reflected in the consolidated financial statements by the following method. The Russia-related credits are mainly related to corporate customers in Russia.

For losses expected to be incurred in connection with individual borrowers based on the impact of economic sanctions imposed by governments of each country and the countermeasures taken by the Russian government, etc., a reserve for possible loan losses is provided by reviewing, as necessary, borrower categories based on the most recent available information. In addition, a reserve for possible loan losses is recorded as a reserve for claims originated in specific overseas countries at an amount deemed necessary in consideration of the political and economic situation in Russia.

Furthermore, in light of the probability of delays in principal or interest payments and the easing of payment terms, etc. due to the prolonged impact of such economic sanctions and countermeasures, a reserve for possible loan losses is recorded at an amount deemed necessary based on an overall assessment.

As a result, a reserve for possible loan losses at a total of ¥75,398 million is recorded for the Russia-related credits.

2. The estimates of reserve for possible loan losses related to the impact of the spread of the novel coronavirus disease (COVID-19).

Considering the continuing uncertainty of the spread of COVID-19, estimation of the reserve for possible loan losses associated with COVID-19 is reflected in the consolidated financial statements by the following method.

For potential losses expected to be incurred related to individual borrowers due to deterioration in business performance and funding, a reserve for possible loan losses is provided by reviewing, as necessary, borrower category based on the most recent available information.

In addition, for potential losses which cannot be reflected in any of individual borrower category, a reserve for possible loan losses is recorded at an amount deemed necessary based on an overall assessment. The assessment is conducted by specifying the portfolio significantly affected by COVID-19 and estimating the impact of changes in the economic trend and market condition due to the voluntary restraint on the economic activities caused by COVID-19, after consideration of the effect of the government's financial support on bankruptcy trends.

3. Transition from the consolidated corporate-tax system to the group tax sharing system

Companies are required to shift from the consolidated corporate-tax system to the group tax sharing system from the fiscal year beginning on or after April 1, 2022, in accordance with the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8, 2020) enacted on March 31, 2020. However, the Company and certain consolidated domestic subsidiaries, currently adopting the consolidated corporate-tax system, applied the accounting treatment based on the provisions of the Income Tax Act before the revision for the fiscal year ended March 31, 2022, in accordance with the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issue Task Force No. 39, March 31, 2020).

#### 4. Repurchase and cancellation of own shares

On November 12, 2021, the Board of Directors of the Company resolved to repurchase its own shares under Article 8 of its Articles of Incorporation pursuant to Paragraph 1 of Article 459 of the Companies Act and cancel the repurchased shares pursuant to Article 178 of the Companies Act.

(1) Reason for the Repurchase of Own Shares

The Company will proceed with a flexible repurchase of its own shares in order to enhance shareholder return and improve capital efficiency.

(2) Outline of the Repurchase

(a) Type of shares to be repurchased: Common stock

(b) Aggregate number of shares to be repurchased:

Up to 33,000,000 shares (Equivalent to 2.4% of the number of shares issued (excluding treasury stock))

(c) Aggregate amount of shares to be repurchased: Up to 100 billion yen

(d) Repurchase period: From November 15, 2021 to November 11, 2022

(e) Repurchase method:

Market purchases based on a discretionary dealing contract regarding repurchase of its own shares

(3) Outline of the Cancellation

(a) Type of shares to be cancelled: Common stock

(b) Number of shares to be cancelled: All of shares repurchased as stated in 2) above.

(c) Scheduled cancellation date: December 20, 2022

The Company had not conducted the repurchase and cancellation pursuant to the resolution of the Board of Directors as of the fiscal year ended March 31, 2022.

#### 5. Suspected illegal stabilization transactions

On March 24 and April 13, 2022, the Tokyo District Public Prosecutors Office filed charges with the Tokyo District Court to prosecute SMBC Nikko Securities Inc. (hereinafter, "SMBC Nikko Securities"), a consolidated subsidiary of the Company, and its former executive officers and employees, on suspicion of illegal stabilization transactions. There is a possibility that SMBC Nikko Securities will incur a monetary obligation in the form of a fine, etc. as stipulated in the Financial Instruments and Exchange Act, but it is difficult to reasonably estimate the amount at this time, and it is not clear whether this will affect SMBC Nikko Securities' business performance and financial position.

(Notes to consolidated balance sheets)

**\*1 Stocks and investments in unconsolidated subsidiaries and affiliates**

Stocks and investments in unconsolidated subsidiaries and affiliates at March 31, 2021 and 2022 were as follows:

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Stocks	¥ 960,834	¥ 1,186,236
Investments	847	735

Stocks of jointly controlled entities were as follows:

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Stocks of jointly controlled entities	¥ 394,160	¥ 426,492

**\*2 Unsecured loaned securities for which borrowers have the right to sell or pledge**

The amount of unsecured loaned securities for which borrowers have the right to sell or pledge at March 31, 2021 and 2022 were as follows:

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Japanese government bonds and local government bonds in "Securities"	¥ 50,045	¥ 133,331
Trading securities in "Trading assets"	2,190	238

As for the unsecured borrowed securities, securities under resale agreements and securities borrowed with cash collateral with rights to sell or pledge without restrictions, those securities pledged, those securities lent and those securities held without being disposed at March 31, 2021 and 2022 were as follows:

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Securities pledged	¥ 8,061,819	¥ 8,648,160
Securities lent	394,493	392,554
Securities held without being disposed	4,090,071	3,612,737

\*3 Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions are as follows. The claims are items that are recorded under the following items on the consolidated balance sheet: bonds included in “Securities” (limited to bonds for which the redemption of principal and the payment of interest in whole or in part are guaranteed, and that are issued through private placements (under Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchanges, accrued interest and suspense payments included in “Other assets,” and customers’ liabilities for acceptances and guarantees. If security lending listed in the notes is conducted, such securities (limited to those based on loan for a use agreement or lease agreement) are also included in the claims.

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Bankrupt and quasi-bankrupt loans	¥ 128,112	¥ 99,256
Doubtful loans	392,161	643,881
Substandard loans	446,246	414,422
Past due loans (3 months or more)	16,165	13,553
Restructured loans	430,080	400,868
Subtotal	966,520	1,157,560
Normal loans	98,159,165	106,019,459
Total	99,125,686	107,177,019

Bankrupt and quasi-bankrupt loans are claims to borrowers who have fallen into bankruptcy due to reasons such as commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or petition for commencement of rehabilitation proceedings, and other similar claims.

Doubtful loans are claims to borrowers who have not yet become bankrupt but whose financial condition and business performance have deteriorated and it is highly probable that the loan principal cannot be collected and interest cannot be received in accordance with the contract, excluding bankrupt and quasi-bankrupt loans.

Past due loans (3 months or more) are loans for which the payment of principal or interest has been delayed for three months or more from the day after the agreed-upon payment date, excluding bankrupt and quasi-bankrupt loans and doubtful loans.

Restructured loans are loans on which terms and conditions have been amended in favor of the borrower with the objective of assisting the borrower’s financial recovery, such as by reducing or exempting interest, postponing interest payment and principal repayment, and forgiving debts, excluding bankrupt and quasi-bankrupt loans, doubtful loans, and past due loans (3 months or more).

Normal loans are loans that do not fall under the classification of bankrupt and quasi-bankrupt loans, doubtful loans, past due loans (3 months or more), and restructured loans, and where the borrower has no financial or business performance problems.

The amounts of loans presented above are the amounts before deduction of reserve for possible loan losses.

(Presentation change)

Category of “Risk-monitored loans” of the Banking Act is indicated in accordance with the loan category based on the Act on Emergency Measures for the Revitalization of Financial Function, due to the enforcement of “Cabinet Office Order to Partially Amend the Ordinance for Enforcement of the Banking Act”(Cabinet Office Order No.3, January 24, 2020) as of March 31, 2022.

#### \*4 Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Committee Practical Guidelines No. 24. SMBC and its banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions, etc. The total face value at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Bills discounted	¥ 1,142,755	¥ 1,120,625

#### \*5 Assets pledged as collateral

Assets pledged as collateral at March 31, 2021 and 2022 were as follows:

<u>March 31, 2021</u>	<u>Millions of yen</u>	<u>March 31, 2022</u>	<u>Millions of yen</u>
Assets pledged as collateral:		Assets pledged as collateral:	
Cash and due from banks	¥ 15,483	Cash and due from banks	¥ 22,976
Trading assets	713,410	Trading assets	788,912
Securities	14,933,325	Securities	17,807,664
Loans and bills discounted	10,152,979	Loans and bills discounted	11,205,047
Liabilities corresponding to assets pledged as collateral:		Liabilities corresponding to assets pledged as collateral:	
Deposits	13,972	Deposits	2,300
Payables under repurchase agreements	7,516,287	Payables under repurchase agreements	10,332,743
Payables under securities lending transactions	1,060,066	Payables under securities lending transactions	576,050
Borrowed money	14,950,162	Borrowed money	16,452,177
Due to trust account	588,785	Due to trust account	629,091
Acceptances and guarantees	105,700		

In addition to the assets presented above, the following assets were pledged as collateral for cash settlements, and substitution for margins of futures transactions and certain other purposes at March 31, 2021 and 2022:

<u>March 31, 2021</u>	<u>Millions of yen</u>	<u>March 31, 2022</u>	<u>Millions of yen</u>
Cash and due from banks	¥ 21	Cash and due from banks	¥ 178,882
Trading assets	1,245,065	Trading assets	1,540,078
Securities	5,786,331	Securities	5,120,441
Loans and bills discounted	9,664	Loans and bills discounted	18,823

Other assets include collateral money deposited for financial instruments, surety deposits, margin of futures markets and other margins. The amounts for such assets were as follows:

<u>March 31, 2021</u>	<u>Millions of yen</u>	<u>March 31, 2022</u>	<u>Millions of yen</u>
Collateral money deposited for financial instruments	¥ 2,111,770	Collateral money deposited for financial instruments	¥ 2,696,495
Surety deposits	86,727	Surety deposits	82,525
Margins of futures markets	118,372	Margins of futures markets	144,815
Other margins	98,958	Other margins	111,115

## \*6 Commitment line contracts on overdrafts and loans

Commitment line contracts on overdrafts and loans are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amounts of unused commitments at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
The amounts of unused commitments	¥ 71,255,100	¥ 72,708,112
The amounts of unused commitments whose original contract terms are within 1 year or unconditionally cancelable at any time	49,932,323	47,990,310

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily affect actual future cash flow. Many of these commitments include clauses under which an application from customers can be rejected or contract amounts can be reduced in the event that economic conditions change, necessity for securing claims, or other events occur. In addition, at the time of contract, collateral such as premises and securities are requested to be pledged. Also after concluding the contracts, customer's financial positions are monitored regularly based on internal procedures, and necessary measures such as revising contracts and securing claims are taken when such needs arise.

## \*7 Land revaluation excess

SMBC, a consolidated subsidiary of the Company, revaluated its own land for business activities in accordance with "Act on Revaluation of Land" (the "Act") (Act No. 34, effective March 31, 1998) and "Act for Partial Revision of Act on Revaluation of Land" (Act No. 19, effective March 31, 2001). The income taxes corresponding to the net unrealized gains are reported in "Liabilities" as "Deferred tax liabilities for land revaluation," and the Company's share of the net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Net assets."

Date of the revaluation

March 31, 1998 and March 31, 2002

Method of revaluation (stipulated in Article 3, paragraph 3 of the Act)

Fair values were determined by applying appropriate adjustments for land shape and timing of appraisal to the values stipulated in Article 2, item 3, 4 or 5 of "Order for Enforcement of Act on Revaluation of Land" (Cabinet Order No. 119 effective March 31, 1998).

## \*8 Accumulated depreciation on tangible fixed assets

Accumulated depreciation on tangible fixed assets at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Accumulated depreciation	¥ 834,990	¥ 894,962

## \*9 Deferred gain on tangible fixed assets deductible for tax purposes

Deferred gain on tangible fixed assets deductible for tax purposes at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Deferred gain on tangible fixed assets deductible for tax purposes	¥ 55,626	¥ 55,269
[The consolidated fiscal year concerned]	[—]	[—]

#### \*10 Subordinated borrowings

The balance of subordinated borrowings included in “Borrowed money” at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Subordinated borrowings	¥ 249,000	¥ 234,000

#### \*11 Subordinated bonds

The balance of subordinated bonds included in “Bonds” at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Subordinated bonds	¥ 1,922,165	¥ 1,769,175

#### \*12 Borrowings from trust account in relation to covered bonds issued by trust account

The balance of borrowings from trust account in relation to covered bonds issued by trust account included in “Due to trust account” at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
The amount of borrowings from trust account in relation to covered bonds issued by trust account	¥ 588,785	¥ 629,091

#### \*13 Guaranteed amount to privately-placed bonds

The amount guaranteed by banking subsidiaries to privately-placed bonds (stipulated by Article 2, paragraph 3 of Financial Instruments and Exchange Act) in “Securities” at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Guaranteed amount to privately-placed bonds	¥ 1,431,071	¥ 1,342,460

## (Notes to consolidated statements of income)

### \*1 Other income

“Other” in “Other income” for the fiscal years ended March 31, 2021 and 2022 included the following:

<u>Year ended March 31, 2021</u>	<u>Millions of yen</u>	<u>Year ended March 31, 2022</u>	<u>Millions of yen</u>
Gains on sales of stocks	¥ 124,730	Gains on sales of stocks	¥ 248,845

### \*2 General and administrative expenses

“General and administrative expenses” for the fiscal years ended March 31, 2021 and 2022 included the following:

<u>Year ended March 31, 2021</u>	<u>Millions of yen</u>	<u>Year ended March 31, 2022</u>	<u>Millions of yen</u>
Salaries and related expenses	¥ 646,959	Salaries and related expenses	¥ 680,177
Depreciation	182,240	Depreciation	194,484
Research and development costs	60	Research and development costs	35

### \*3 Other expenses

“Other expenses” for the fiscal years ended March 31, 2021 and 2022 included the following:

<u>Year ended March 31, 2021</u>	<u>Millions of yen</u>	<u>Year ended March 31, 2022</u>	<u>Millions of yen</u>
Write-off of loans	¥ 117,415	Write-off of loans	¥ 79,578
Expenses related to equity derivatives	45,968	Losses on sale of delinquent loans	27,551
Write-off of stocks and others	24,073	Write-off of stocks and others	22,944
Losses on sale of delinquent loans	20,762		

### \*4 Losses on impairment of fixed assets

The differences between the recoverable amounts and the book value of the following assets are recognized as “Losses on impairment of fixed assets,” and included in “Extraordinary losses” for the fiscal years ended March 31, 2021 and 2022.

<u>Year ended March 31, 2021</u>			<u>Millions of yen</u>
<u>Area</u>	<u>Purpose of use</u>	<u>Type</u>	<u>Impairment loss</u>
Tokyo metropolitan area	Branches (6 items)	Land and buildings, etc.	¥ 873
	Idle assets (164 items)		7,786
Kinki area	Branches (1 item)	Land and buildings, etc.	16
	Idle assets (56 items)		2,415
Other	Branches (6 items)	Land and buildings, etc.	128
	Idle assets (20 items)		390
—	—	Goodwill	30,914
<u>Year ended March 31, 2022</u>			<u>Millions of yen</u>
<u>Area</u>	<u>Purpose of use</u>	<u>Type</u>	<u>Impairment loss</u>
Tokyo metropolitan area	Branches (44 items)	Land and buildings, etc.	¥ 4,415
	Idle assets (89 items)		4,830
Kinki area	Branches (14 items)	Land and buildings, etc.	1,417
	Idle assets (61 items)		2,086
Other area in Japan	Branches (10 items)	Land and buildings, etc.	548
	Idle assets (42 items)		1,212
Asia/Oceania	Idle assets (2 items)	Buildings	1,611
Americas/ Europe/Middle East	Freight car lease assets, etc. (5,026 items)	Assets for rent	36,980
—	—	Software	55,815

As for land and buildings, etc., each branch, which continuously manages and determines its income and expenses, is the smallest unit of asset group for recognition and measurement of impairment loss of fixed assets. Intangible fixed assets and assets such as corporate headquarters facilities, training facilities, data and system centers, and health and recreational facilities which do not produce independent cash flows are treated as corporate assets.

In the fiscal year ended March 31, 2022, at the Retail Banking Unit at SMBC, a consolidated subsidiary of the Company, indications of impairment were identified due to continuous losses from operating activities caused by COVID-19. Therefore, in order to refine the treatment of some corporate assets, SMBC utilized management accounting to identify corporate assets that are reasonably deemed to be used solely by each business unit as that business unit's corporate assets, and conducted impairment assessments on a business unit basis together with other related fixed assets. As a result, the carrying amounts of business assets (branches, software) that includes corporate assets attributable to the business unit are reduced to their recoverable amounts, and the decreased amounts are included in "Extraordinary losses" as "Losses on impairment of fixed assets." The recoverable amount of the relevant business unit is calculated based on its net realizable value. When measuring the net realizable value, the net realizable value for land and buildings is calculated by subtracting the expected disposal cost from the real estate appraisal value estimated by an outside real estate appraiser.

At SMBC Trust Bank Ltd., a consolidated subsidiary of the Company, in order to refine the treatment of corporate assets, SMBC Trust Bank Ltd. utilized management accounting to identify corporate assets that are reasonably deemed to be used solely by each business unit as that business unit's corporate assets, and conducted impairment assessments on a business unit basis together with other related fixed assets. As a result, the carrying amounts of business assets (branches, software) that includes corporate assets attributable to the personal loans unit are reduced to their recoverable amounts, and the decreased amounts are included in "Extraordinary losses" as "Losses on impairment of fixed assets." The recoverable amount of the Unit is measured by value in use, which is calculated by discounting future cash flows by 7%.

As for idle assets, each individual property is treated as an asset group for recognition and measurement of impairment. The carrying amounts of idle assets are reduced to their recoverable amounts, and the decreased amounts are included in "Extraordinary losses" as "Losses on impairment of fixed assets," if there are indicators that the invested amounts may not be recoverable. The recoverable amount is calculated using net realizable value, which is basically determined by subtracting the expected disposal cost from the real estate appraisal value.

As for lease assets, asset group for recognition and measurement of impairment is based on types of freight car. For the fiscal year ended March 31, 2022, it was found that the invested amounts for some freight car assets may not be recoverable, and as a result, the carrying amounts for those freight cars are reduced to their recoverable amounts, and the decreased amounts are included in "Extraordinary losses" as "Losses on impairment of fixed assets." The recoverable amount is measured by value in use, which is calculated by discounting future cash flows by 5%.

(Notes to consolidated statements of comprehensive income)

\*1 Reclassification adjustment and tax effect of other comprehensive income

Year ended March 31	Millions of yen	
	2021	2022
Net unrealized gains (losses) on other securities:		
Amount arising during the fiscal year	¥ 1,230,652	¥ (458,030)
Reclassification adjustments	(217,948)	(196,175)
Before adjustments to tax effect	1,012,704	(654,205)
Tax effect	(294,275)	193,843
Net unrealized gains (losses) on other securities	718,428	(460,361)
Net deferred gains (losses) on hedges:		
Amount arising during the fiscal year	(159,221)	(154,290)
Reclassification adjustments	40,448	(9,914)
Adjustments of acquisition cost of assets	—	80
Before adjustments to tax effect	(118,772)	(164,125)
Tax effect	36,277	51,494
Net deferred gains (losses) on hedges	(82,494)	(112,631)
Foreign currency translation adjustments:		
Amount arising during the fiscal year	82,669	381,076
Reclassification adjustments	(2,492)	—
Before adjustments to tax effect	80,177	381,076
Tax effect	—	—
Foreign currency translation adjustments	80,177	381,076
Remeasurements of defined benefit plans:		
Amount arising during the fiscal year	307,353	16,815
Reclassification adjustments	5,758	(27,362)
Before adjustments to tax effect	313,111	(10,546)
Tax effect	(95,686)	3,680
Remeasurements of defined benefit plans	217,424	(6,865)
Share of other comprehensive income of equity method affiliates:		
Amount arising during the fiscal year	16,387	41,207
Reclassification adjustments	(799)	4,410
Before adjustments to tax effect	15,587	45,617
Tax effect	—	—
Share of other comprehensive income of equity method affiliates	15,587	45,617
Total other comprehensive income	¥ 949,124	¥ (153,165)

(Notes to consolidated statements of changes in net assets)

**Fiscal year ended March 31, 2021**

**1. Type and number of shares issued and treasury stock**

Year ended March 31, 2021	Number of shares			At the end of the fiscal year	Notes
	At the beginning of the fiscal year	Increase	Decrease		
Shares issued					
Common stock	1,373,171,556	868,505	—	1,374,040,061	1
Total	1,373,171,556	868,505	—	1,374,040,061	
Treasury stock					
Common stock	3,645,043	57,918	90,659	3,612,302	2,3
Total	3,645,043	57,918	90,659	3,612,302	

- Notes: 1. The increase of 868,505 shares in the total number of shares issued was due to issuance of new stocks as stock-based compensation.
2. The increase of 57,918 shares in the number of treasury common stock was due to purchases of fractional shares and acquisition of restricted stocks without compensation under the Stock Compensation Plans.
3. The decrease of 90,659 shares in the number of treasury common stock was due to sales of fractional shares as well as exercise of stock options.

**2. Information on stock acquisition rights**

Year ended March 31, 2021	Details of stock acquisition rights	Type of shares	Number of shares			Millions of yen		Notes
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	At the end of the fiscal year	
The Company	Stock acquisition rights as stock options	—	—	—	—	—	¥ 1,791	
Total							¥ 1,791	

**3. Information on dividends**

(1) Dividends paid in the fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount				
		Cash dividends	Cash dividends per share	Record date	Effective date	
Ordinary General Meeting of Shareholders held on June 26, 2020	Common stock	¥ 136,952	¥ 100	March 31, 2020	June 29, 2020	
Meeting of the Board of Directors held on November 13, 2020	Common stock	130,190	95	September 30, 2020	December 3, 2020	

(2) Dividends to be paid in the next fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount				
		Cash dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	¥ 130,190	Retained earnings	¥ 95	March 31, 2021	June 30, 2021

## Fiscal year ended March 31, 2022

### 1. Type and number of shares issued and treasury stock

Year ended March 31, 2022	Number of shares				Notes
	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	
Shares issued					
Common stock	1,374,040,061	322,041	—	1,374,362,102	1
Total	1,374,040,061	322,041	—	1,374,362,102	
Treasury stock					
Common stock	3,612,302	27,782	97,763	3,542,321	2,3
Total	3,612,302	27,782	97,763	3,542,321	

Notes: 1. The increase of 322,041 shares in the total number of shares issued was due to issuance of new stocks as stock-based compensation.  
 2. The increase of 27,782 shares in the number of treasury common stock was due to purchases of fractional shares and acquisition of restricted stocks without compensation under the Stock Compensation Plans.  
 3. The decrease of 97,763 shares in the number of treasury common stock was due to sales of fractional shares as well as exercise of stock options.

### 2. Information on stock acquisition rights

Year ended March 31, 2022	Details of stock acquisition rights	Type of shares	Number of shares			Millions of yen		Notes
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	At the end of the fiscal year	
The Company	Stock acquisition rights as stock options	—	—	—	—	¥	1,475	
Total						¥	1,475	

### 3. Information on dividends

#### (1) Dividends paid in the fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount				
		Cash dividends	Cash dividends per share	Record date	Effective date	
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	¥ 130,190	¥ 95	March 31, 2021	June 30, 2021	
Meeting of the Board of Directors held on November 12, 2021	Common stock	143,936	105	September 30, 2021	December 3, 2021	

#### (2) Dividends to be paid in the next fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount				
		Cash dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2022 (Scheduled to be resolved)	Common stock	¥ 143,936	Retained earnings	¥ 105	March 31, 2022	June 30, 2022

(Notes to consolidated statements of cash flows)

**\*1 The reconciliation of balance of “Cash and cash equivalents” at the end of the fiscal year and the amounts of items stated in the consolidated balance sheet**

<u>Year ended March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Cash and due from banks	¥ 72,568,875	¥ 74,792,123
Interest earning deposits with banks (excluding the deposit with the Bank of Japan)	(5,757,662)	(8,960,050)
Cash and cash equivalents	<u>¥ 66,811,212</u>	<u>¥ 65,832,072</u>

**\*2 The major components of assets and liabilities for entities newly consolidated by stock acquisition**

The major components of assets and liabilities at the commencement of consolidation due to consolidating Fullerton India Credit Company Limited (“FICC”) and 1 other company by the Company’s stock acquisition and the relation between the acquisition cost of shares and expenditure to acquire were as follows:

<u>Year ended March 31, 2022</u>	<u>Millions of yen</u>
Assets	¥ 402,519
Loans and bills discounted	306,412
Liabilities	(334,271)
Borrowed money	(173,032)
Non-controlling interests	(17,130)
Goodwill	179,196
Acquisition cost of 2 companies	230,314
Cash and cash equivalents included in acquired assets of 2 companies	(2,993)
Expenditure for acquisition of 2 companies	<u>¥ 227,321</u>

**(Notes to lease transactions)**

**1. Finance leases**

(1) Lessee side

1) Lease assets

(a) Tangible fixed assets

Tangible fixed assets mainly consisted of branches and equipment.

(b) Intangible fixed assets

Intangible fixed assets are software.

2) Depreciation method of lease assets

Depreciation method of lease assets is reported in “(Significant accounting policies for preparing consolidated financial statements) 4. Accounting policies (4) Depreciation.”

(2) Lessor side

1) Breakdown of lease investment assets

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Lease receivables	¥ 288,189	¥ 287,443
Residual value	46,328	39,057
Unearned interest income	(98,125)	(97,892)
Total	¥ 236,392	¥ 228,608

2) The scheduled collections of lease payments receivable related to lease investment assets are as follows:

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Within 1 year	¥ 29,790	¥ 34,531
More than 1 year to 2 years	28,124	22,448
More than 2 years to 3 years	19,846	19,539
More than 3 years to 4 years	15,304	17,347
More than 4 years to 5 years	16,973	12,851
More than 5 years	178,149	180,724
Total	¥ 288,189	¥ 287,443

## 2. Operating leases

### (1) Lessee side

Future minimum lease payments on operating leases which were not cancelable were as follows:

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Due within 1 year	¥ 39,033	¥ 37,084
Due after 1 year	223,555	212,928
Total	¥ 262,589	¥ 250,013

### (2) Lessor side

Future minimum lease payments on operating leases which were not cancelable were as follows:

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Due within 1 year	¥ 26,601	¥ 27,906
Due after 1 year	58,759	60,247
Total	¥ 85,361	¥ 88,153

## (Notes to financial instruments)

### 1. Status of financial instruments

#### (1) Policies on financial instruments

The Group conducts banking and other financial services such as leasing, securities, consumer finance, system development and information processing. Its banking business includes deposit taking, lending, securities trading and investment, remittance and transfer, foreign exchange, bond subscription agent, trust business, and over-the-counter sales of securities investment trusts and insurance products.

These services entail holding of financial assets such as loans and bills discounted, bonds, and stocks. Meanwhile, the Group raises funds through deposit taking, borrowing, bond offering, etc. Furthermore, it undertakes derivative transactions to meet customers' hedging needs to control market risk associated with deposit taking and lending ("ALM purposes"), and to make profit on short-term fluctuations in interest rates, foreign exchange rates, etc. ("trading purposes"). At SMBC, the Company's major consolidated subsidiary, derivative transactions for ALM purposes are undertaken by the Treasury Dept., the Global Investment Dept., and Portfolio Investment Dept. of the Treasury Unit, while derivative transactions for trading purposes are undertaken by the Trading Dept. of the Treasury Unit (derivative transactions for both ALM and trading purposes are undertaken by the Treasury Dept., Asia Pacific Division in Asia Pacific region, and the Treasury Dept., East Asia Division in East Asia region).

#### (2) Details of financial instruments and associated risks

##### 1) Financial assets

The main financial assets held by the Group include loans to foreign and domestic companies and domestic individuals, and securities such as bonds (government and corporate bonds) and stocks (foreign and domestic stocks), etc. Bonds such as government bonds are held for both trading and ALM purposes, and certain bonds are held as held-to-maturity securities. Stocks are held mainly for strategic purposes. These assets expose the Group to credit risk, market risk and liquidity risk. Credit risk is the risk of loss arising from nonperformance of obligations by the borrower or issuer due to factors such as deterioration in the borrower's/issuer's financial conditions. Market risk is the risk stemming from fluctuations in interest rates, exchange rates, or share prices. Liquidity risk is the risk arising from difficulty executing transactions in desired quantities at appropriate prices due to low market liquidity. These risks are properly monitored and managed based on "(3) Risk management framework for financial instruments" below.

##### 2) Financial liabilities

Financial liabilities of the Group include borrowed money and bonds, etc. in addition to deposits. Deposits mainly comprise deposits of domestic and foreign companies and domestic individuals. Borrowed money and bonds include subordinated borrowings and subordinated bonds with special clause specifying that the repayment order of borrowing or bond subordinates to other borrowings or bonds. Also, financial liabilities, like financial assets, expose the Group to not only market risk but also funding liquidity risk: the risk of the Group not being able to raise funds due to market turmoil, deterioration in the Group's creditworthiness or other factors. These risks are properly monitored and managed based on "(3) Risk management framework for financial instruments" below.

##### 3) Derivative transactions

Derivatives handled by the Group include foreign exchange futures; futures, forwards, swaps and options related to interest rates, currencies, equities, bonds and commodities; and credit and weather derivatives.

Major risks associated with derivatives include market risk, liquidity risk, and credit risk arising from nonperformance of contractual obligations due to deterioration in the counterparty's financial conditions. These risks are properly monitored and managed based on "(3) Risk management framework for financial instruments" below.

Hedge accounting is applied to derivative transactions executed for ALM purposes, as necessary. Hedging instruments, hedged items, hedging policy and hedging method to assess the effectiveness of the hedge are described in "(Notes to significant accounting policies for preparing consolidated financial statements), 4. Accounting policies, (17) Hedge accounting."

### (3) Risk management framework for financial instruments

The fundamental matters on risk management for the entire Group are set forth in “Policies on Comprehensive Risk Management.” The Company’s Management Committee establishes the basic risk management policy for the entire Group, based on the regulations, which is then approved by the Board of Directors. Each Group company has a risk management system based on the characteristics of its particular businesses and in accordance with the basic policy. Furthermore, the Group CRO is established to assess risk management across the Group unitarily and implement appropriate risk management. The Company is sharing information on group-wide risk management and strengthening related systems through the Group CRO Committee, which consists of the Group CRO and risk management representatives from strategically important Group companies.

#### 1) Management of credit risk

The Company has established fundamental principles on credit risk management to thoroughly manage the credit risk of the entire Group. Each group company conducts integrated management of credit risk according to its operational characteristics, and the credit risk inherent in the entire portfolio as well as the risk in individual credits are managed quantitatively and continuously.

##### (a) Credit risk management system

The Group CRO formulates credit risk management policies each year based on the basic risk management policy for the entire Group. Meanwhile, the Credit & Investment Planning Dept. is responsible for the comprehensive management of credit risk. This department drafts and administers credit risk regulations, including the Group’s credit policies, and performs credit portfolio management including non-performing loans. The Company has also established the Credit Risk Committee to serve as a body for deliberating on matters related to group-wide credit portfolios.

At SMBC, the Company’s major consolidated subsidiary, the Credit & Investment Planning Dept. of the Risk Management Unit is responsible for the comprehensive management of credit risk. This department establishes, revises or abolishes credit policies, the internal rating system, credit authority regulations, credit application regulations, and manages non-performing loans and other aspects of credit portfolio management. The department also controls SMBC’s total credit risk by quantifying credit risk (*i.e.* calculating risk capital and risk-weighted assets) in cooperation with the Corporate Risk Management Dept. Moreover, the Credit Portfolio Management Dept. within the Credit & Investment Planning Dept. works to stabilize SMBC’s overall credit portfolio through selling credit derivatives and loan claims.

The credit departments of each business unit together with branches conduct credit risk management for loans handled by their units and manage their units’ portfolios. Credit approval authority is generally determined based on the credit amounts and internal grades, and the credit departments focus on analysis and management of customers and transactions with relatively high credit risk. The Credit Administration Dept. is mainly responsible for formulating and implementing measures to reduce the exposure of non-performing loans. Through industrial and sector-specific surveys and studies of individual companies, the Corporate Research Dept. works to form an accurate idea of the circumstances of borrower companies and identify those with potentially troubled credit positions at early stage.

Moreover, the Credit Risk Committee, a cross-departmental consultative body, rounds out SMBC’s oversight systems for undertaking flexible and efficient control of credit risk and ensuring the overall soundness of SMBC’s loan operations.

In addition to these, the Internal Audit Unit, operating independently of the business units, audits asset quality, grading accuracy, self-assessment, and appropriateness of the credit risk management system, and reports the audit results to the Management Committee and the Audit Committee.

(b) Method of credit risk management

The Company properly manages the credit risk inherent in individual loans and the entire portfolio by assessing and quantifying the credit risk of each borrower/loan using the internal rating system. In addition to management of individual loans through credit screening and monitoring, it manages the credit portfolio as described below in order to secure and improve the credit portfolio's soundness and medium-term profitability.

- Appropriate risk-taking within capital

To keep credit risk exposure to a permissible level relative to capital, the Company sets the upper limit of the permissible risk of overall risk capital, which represents the soundness of the risk appetite index, based on each business unit's risk appetite and portfolio plan, and monitors the credit risk capital as part of permissible risk.

- Controlling concentration of risk

Because concentration of credit risk in an industry or corporate group has the potential to impair the Company's capital significantly, the Company implements measures to prevent excessive concentration of loan in a single industry and to control large exposure to individual borrowers by setting maximum loan amounts and conducting loan reviews thoroughly. To manage country risk, the Company also has credit limit guidelines based on each country's creditworthiness.

- Greater understanding of actual corporate conditions and balancing returns and risks

The Company runs credit operations on the basic principle of thoroughly understanding actual corporate conditions and gaining profit commensurate with the level of credit risk entailed, and makes every effort to improve profit at after-cost (credit cost, capital cost and overhead cost) level.

- Reduction and prevention of non-performing loans

For non-performing loans and potential non-performing loans, the Company carries out loan reviews to clarify credit policies and action plans, enabling it to swiftly implement measures to prevent deterioration of borrowers' business situations, support business recoveries, collect on loans, and enhance loan security.

In regard to financial instruments such as investments in certain funds, securitized products and credit derivatives that indirectly retain risks related to assets such as corporate bonds and loan claims (underlying assets), such instruments entail market and liquidity risks in addition to credit risk, since such instruments are traded on the market. Credit risk management for these instruments involving detailed analysis and evaluation of characteristics of underlying assets is performed while market risk is comprehensively managed within the framework for managing market and liquidity risks. Moreover, guidelines have been established based on the characteristics of each type of risk to appropriately manage risks of incurring losses.

In regard to credit risk of derivative transactions, the potential exposure based on the market price is regularly calculated and properly managed. When the counterparty is a financial institution with which the Company frequently conducts derivative transactions, measures such as a close-out netting provision, which provide offsetting credit exposures between two parties in a single net payment from one party to the other in case of bankruptcy or other default event, are implemented to reduce credit risk.

2) Management of market and liquidity risks

The Company manages market and liquidity risks across the entire Group by setting allowable risk limits; ensuring the transparency of the risk management process; and clearly separating front-office, middle-office, and back-office operations for a highly efficient system of mutual checks and balances.

(a) Market and liquidity risk management systems

In accordance with the basic risk management policy for the entire Group decided upon by the Management Committee, the Company determines important matters relating to the management of market and liquidity risks, such as basic policies and risk limits, in order to manage these risks. The ALM Committee meets four times a year, in principle, to report on the state of market and liquidity risk management and to discuss ALM operation policies. The Corporate Risk Management Dept., which is independent from the business units that directly handle market transactions, manages market and liquidity risks in an integrated manner. This department not only monitors the current risk situations but also reports regularly to the Management Committee and the Audit Committee. Furthermore, the ALM Committee at SMBC, the core bank of the Company, meets on a monthly basis to examine reports on the state of observance of limits on market and liquidity risks and to discuss ALM operation policies.

In addition, the Internal Audit Dept., which is independent of other departments, periodically performs comprehensive internal audits to verify that the risk management framework is properly functioning and reports the audit results to the Management Committee and the Audit Committee.

(b) Market and liquidity risk management methodology

- Market risk management

The Company manages market risk by setting maximum loss and VaR (value at risk: maximum potential loss that may be incurred to a specific financial instrument for a given probability) within the market risk capital limit, which is set taking into account stockholders' equity and other factors in accordance with the market transaction policies.

The Company uses the historical simulation method (a method for estimating the maximum loss by running simulations of changes in profit and loss on market fluctuations scenarios based on historical data) to measure VaR. Regarding banking activities (activities for generating profit through management of interest rates, terms, and other aspects such as loans and bonds in assets, deposits in liabilities) and trading activities (activities for generating profit by taking advantage of short-term fluctuations in market values and differences in value among markets), the Company calculates the maximum loss that may occur as a result of market fluctuations in 1 day with a probability of 1% based on 4 years of historical observation. With regard to the holding of shares (such as listed shares) for the purpose of strategic investment, the Company calculates the maximum loss that may occur as a result of market fluctuations in 1 year with a probability of 1% based on 10 years of historical observation.

Regarding risks associated with foreign exchange rates, interest rates, equity risk, option prices and other market risk factors, the Company manages such risks by setting a maximum limit on the indicator suited for each market risk factor such as BPV (basis point value: denotes the change in value of a financial instrument resulting from a 0.01 percentage-point change in the yield).

- Quantitative information on market risks

As of March 31, 2022, total VaR of SMBC and its major consolidated subsidiaries was ¥62.6 billion for the banking activities, ¥25.9 billion for the trading activities and ¥1,226.4 billion for the holding of shares (such as listed shares) for the purpose of strategic investment.

However, it should be noted that these figures are statistical figures that change according to changes in assumptions and calculation methods, and may not cover the risk of future market conditions fluctuating drastically compared to market fluctuations of the past.

- Liquidity risk management

The Company manages liquidity risk based on the framework of “setting management levels of risk appetite indicators” and “developing contingency plans.” Risk appetite indicators are quantitative benchmarks that select the types and indicate the levels of risk that the Company is willing to take on or tolerate. As an example, the Company sets a lower limit on the number of days over which cash flows could be maintained under the stress conditions such as deposit outflow, so as to secure funding sources that do not fall below the benchmark to avoid excessive reliance on short term funding. In addition, the Company develops contingency plans consisting of instructions, reporting lines and action plans in case of emergency.

Moreover, to manage the liquidity risk of marketable instruments, derivative transactions, etc., the Company has trading limits for each business office classified by currency, instrument, transaction period, etc. As for financial futures, etc., risks are managed by restricting positions to within a certain percentage of open interest in the entire market.

(4) Supplementary explanations about matters concerning fair value of financial instruments

Fair values of financial instruments have been calculated using certain assumptions, and may differ if calculated based on different assumptions.

## 2. Matters concerning fair value of financial instruments and breakdown by input level

The amounts on the consolidated balance sheet, the fair value of financial instruments as well as the difference between them, and fair value by input level are as follows.

The amounts shown in the following tables do not include stocks with no market price, etc., and investments in partnerships (refer to Note 3).

The fair values of financial instruments are classified into the following three levels depending on the observability and significance of the input used in the fair value measurement.

Level 1: Fair value determined based on the (unadjusted) quoted price in an active market for the same asset or liability

Level 2: Fair value determined based on directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair value determined based on significant unobservable inputs

If multiple inputs with a significant impact are used for the fair value measurement of a financial instrument, the financial instrument is classified to the lowest priority level of fair value measurement in which each input belongs.

### (1) Financial assets and liabilities at fair value on the consolidated balance sheets

March 31, 2021	Millions of yen Consolidated balance sheet amount			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 276,989	¥ 454,827	¥ 731,817
Trading assets				
Securities classified as trading purposes *1	2,473,813	591,976	270	3,066,060
Money held in trust	—	309	—	309
Securities				
Other securities *1	25,055,919	8,840,677	52,193	33,948,790
Stocks	3,548,848	1,398	—	3,550,247
Japanese government bonds	14,293,610	—	—	14,293,610
Japanese local government bonds	686,861	45,760	—	732,622
Short-term bonds	—	—	—	—
Bonds	520	2,582,578	45,906	2,629,005
Foreign stocks	613,230	4,029	—	617,260
Foreign bonds	5,908,560	6,195,244	6,287	12,110,092
Other	4,286	11,665	—	15,952
Total assets	¥ 27,529,732	¥ 9,709,953	¥ 507,291	¥ 37,746,977
Trading liabilities				
Trading securities sold for short sales *1	¥ 1,997,985	¥ 77,072	¥ —	¥ 2,075,058
Total liabilities	¥ 1,997,985	¥ 77,072	¥ —	¥ 2,075,058
Derivative transactions *2, 3				
Interest rate derivatives	¥ 24,638	¥ 416,233	¥ 1,013	¥ 441,886
Currency derivatives	(560)	91,268	4,807	95,514
Equity derivatives	(29,846)	106	21,696	(8,043)
Bond derivatives	484	19	—	503
Commodity derivatives	532	1,486	—	2,019
Credit derivative transactions	—	(6,512)	796	(5,716)
Total derivative transactions	¥ (4,751)	¥ 502,601	¥ 28,314	¥ 526,164

\*1 The amount of investment trusts for which transitional measures are applied in accordance with Paragraph 26 of the “Guidance for Application of Fair Value Measurement” are not included in the table above. The amount of such investment trusts on the consolidated balance sheet includes financial assets of ¥1,200,314 million and financial liabilities of ¥1,510 million.

\*2 The amounts collectively represent the derivative transactions which are recorded in “Trading assets,” “Trading liabilities,” “Other assets” and “Other liabilities.” Debts and credits arising from derivative transactions are presented on a net basis, with a net debt presented in round brackets.

\*3 As for derivative transactions applying hedge accounting, ¥207,017 million is recorded on the consolidated balance sheet. These are interest rate swap and other derivative transactions designated as hedging instruments for stabilizing cash flows of loans and bills discounted, etc., that are hedged items. The Company has mainly applied deferred hedge accounting for those derivative transactions. For these hedging relationships, the Company has applied “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No.40, September 29, 2020).

March 31, 2022	Millions of yen Consolidated balance sheet amount			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 139,783	¥ 453,676	¥ 593,459
Trading assets				
Securities classified as trading purposes *1	3,026,478	612,347	2,953	3,641,779
Money held in trust	—	310	—	310
Securities				
Other securities *1	26,967,783	8,748,760	38,988	35,755,532
Stocks	3,236,224	789	—	3,237,013
Japanese government bonds	15,774,197	—	—	15,774,197
Japanese local government bonds	1,101,913	43,583	—	1,145,496
Short-term bonds	—	101,998	—	101,998
Bonds	120	2,500,547	37,949	2,538,617
Foreign stocks	881,009	10,450	—	891,459
Foreign bonds	5,971,115	6,069,966	1,038	12,042,120
Other	3,204	21,425	—	24,629
Total assets	¥ 29,994,261	¥ 9,501,201	¥ 495,618	¥ 39,991,081
Trading liabilities				
Trading securities sold for short sales *1	¥ 3,048,624	¥ 129,081	¥ —	¥ 3,177,706
Total liabilities	¥ 3,048,624	¥ 129,081	¥ —	¥ 3,177,706
Derivative transactions *2,3				
Interest rate derivatives	¥ 397,345	¥ (573,584)	¥ 1,505	¥ (174,733)
Currency derivatives	(951)	(292,364)	14,851	(278,465)
Equity derivatives	(69,982)	(842)	70,501	(323)
Bond derivatives	(3,293)	1,406	—	(1,886)
Commodity derivatives	1,210	(193)	—	1,016
Credit derivative transactions	—	(4,494)	3,141	(1,352)
Total derivative transactions	¥ 324,327	¥ (870,072)	¥ 89,999	¥ (455,745)

\*1 The amount of investment trusts for which transitional measures are applied in accordance with Paragraph 26 of the “Guidance for Application of Fair Value Measurement” are not included in the table above. The amount of such investment trusts on the consolidated balance sheet includes financial assets of ¥1,099,909 million.

\*2 The amounts collectively represent the derivative transactions which are recorded in “Trading assets,” “Trading liabilities,” “Other assets” and “Other liabilities.” Debts and credits arising from derivative transactions are presented on a net basis, with a net debt presented in round brackets.

\*3 As for derivative transactions applying hedge accounting, ¥(682,849) million is recorded on the consolidated balance sheet. These are interest rate swap and other derivative transactions designated as hedging instruments for stabilizing cash flows of loans and bills discounted, etc., that are hedged items. The Company has mainly applied deferred hedge accounting for those derivative transactions. For these hedging relationships, the Company has applied “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No.40, March 17, 2022).

## (2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheet

Cash and due from banks, Call loans and bills bought, Receivables under resale agreements, Receivables under securities borrowing transactions, Foreign exchanges, Call money and bills sold, Payable under repurchase agreements, Payable under securities lending transactions, Commercial papers, and Short-term bonds payable are not included in the following tables since they are mostly short-term, and their fair values approximate their carrying amounts.

March 31, 2021	Millions of yen					
	Fair Value				Consolidated balance sheet amount	Net unrealized gains (losses)
	Level 1	Level 2	Level 3	Total		
Monetary claims bought *	¥ —	¥ —	¥ 3,971,664	¥ 3,971,664	¥ 3,930,431	¥ 41,233
Securities						
Bonds classified as held-to-maturity	22,239	—	—	22,239	22,300	(60)
Loans and bills discounted					85,132,738	
Reserve for possible loan losses *					(456,861)	
	—	—	86,450,361	86,450,361	84,675,876	1,774,484
Lease receivables and investment assets *	—	—	239,867	239,867	235,723	4,144
Total assets	¥ 22,239	¥ —	¥ 90,661,893	¥ 90,684,133	¥ 88,864,331	¥ 1,819,802
Deposits	¥ —	¥ 142,023,649	¥ —	¥ 142,023,649	¥ 142,026,156	¥ (2,507)
Negotiable certificates of deposit	—	12,579,851	—	12,579,851	12,570,617	9,233
Borrowed money	—	17,773,586	—	17,773,586	17,679,690	93,895
Bonds	—	8,621,373	702,346	9,323,720	9,043,031	280,688
Due to trust account	—	2,335,221	—	2,335,221	2,321,223	13,998
Total liabilities	¥ —	¥ 183,333,682	¥ 702,346	¥ 184,036,029	¥ 183,640,720	¥ 395,308

\* General reserves and special reserves corresponding to loans are deducted. The reserve for possible loan losses on “Monetary claims bought” and “Lease receivables and investment assets” are deducted directly from consolidated balance sheet amount since they are immaterial.

Millions of yen							
March 31, 2022	Fair Value				Consolidated balance sheet amount	Net unrealized gains (losses)	
	Level 1	Level 2	Level 3	Total			
Monetary claims bought *	¥ —	¥ —	¥ 4,811,550	¥ 4,811,550	¥ 4,774,841	¥ 36,709	
Securities							
Bonds classified as held- to-maturity	25,522	—	—	25,522	25,741	(218)	
Loans and bills discounted					90,834,056		
Reserve for possible loan losses *					(590,744)		
	—	—	91,961,573	91,961,573	90,243,312	1,718,260	
Lease receivables and investment assets *	—	—	230,308	230,308	228,254	2,053	
Total assets	¥ 25,522	¥ —	¥ 97,003,432	¥ 97,028,954	¥ 95,272,149	¥ 1,756,805	
Deposits	¥ —	¥ 148,573,241	¥ —	¥ 148,573,241	¥ 148,585,460	¥ (12,218)	
Negotiable certificates of deposit	—	13,074,760	—	13,074,760	13,069,796	4,963	
Borrowed money	—	18,860,623	—	18,860,623	18,877,990	(17,366)	
Bonds	—	8,805,035	775,403	9,580,439	9,808,107	(227,668)	
Due to trust account	—	2,429,001	—	2,429,001	2,443,873	(14,871)	
Total liabilities	¥ —	¥ 191,742,662	¥ 775,403	¥ 192,518,066	¥ 192,785,228	¥ (267,161)	

\* General reserves and special reserves corresponding to loans are deducted. The reserve for possible loan losses on “Monetary claims bought” and “Lease receivables and investment assets” are deducted directly from consolidated balance sheet amount since they are immaterial.

(Note 1) Description of the valuation techniques and inputs used to measure fair value

Assets

Monetary claims bought

The fair values of subordinated trust beneficiary interests related to securitized housing loans among monetary claims bought are determined by estimating future cash flows using the probability of default, loss given default and prepayment rate, and assessing the value by deducting the value of senior beneficial interests, etc. from the value of underlying housing loans.

The fair values of other transactions are, in principle, based on methods similar to the methods applied to Loans and bills discounted.

These transactions are mainly classified into Level 3.

Trading assets

The fair values of bonds and other securities held for trading purposes are, in principle, based on their market prices at the end of the fiscal year ended March 31, 2022.

The fair values of such bonds and other securities are mainly classified into Level 1 depending on the level of market activity. When fair value is determined based on either the prices quoted by the financial institutions, or future cash flows discounted using observable inputs such as interests, spreads, and others, they are classified into Level 2.

Money held in trust

The fair values of money held in trust are, in principle, fair values of securities in trust property calculated by the same method as securities that the Company owns. They are classified into Level 2.

Securities

In principle, the fair values of stocks (including foreign stocks) are based on the market price as of the end of the fiscal year ended March 31, 2022. They are mainly classified into Level 1 depending on the level of market activity. The fair values of securities with market prices other than stocks are based on the market price as of the end of the fiscal year ended March 31, 2022. Japanese Government bonds, etc. are mainly classified into Level 1 and other bonds are classified into Level 2.

The fair values of privately-placed bonds with no market prices are based on the present value of estimated future cash flows, taking into account the borrower's probability of default, loss given default, etc. Those present values are discounted by a rate comprising a risk-free interest rate with certain adjustment. However, the fair values of bonds, such as privately-placed bonds issued by bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers are based on the bond's book value after the deduction of the expected amount of a loss on the bond computed by using the same method applied to the estimation of a loan loss.

These transactions are mainly classified into Level 2.

Loans and bills discounted, and Lease receivables and investment assets

Of these transactions, considering the characteristics of these transaction, the fair values of overdrafts with no specified repayment dates are their book values as they are considered to approximate their fair values.

For short-term transactions, the fair values are also their book values as they are considered to approximate their fair values.

The fair values of long-term transactions are, in principle, based on the present value of estimated future cash flows taking into account the borrower's probability of default, loss given default, etc. Those present values are discounted by a rate comprising a risk-free interest rate with certain adjustment. At certain consolidated subsidiaries of the Company, the fair values are calculated based on the present values of estimated future cash flows, which are computed based on the contractual interest rate. Those present values are discounted by a rate comprising a risk-free rate and a credit risk premium.

Regarding claims on bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, expected losses on such claims are calculated based on either the expected recoverable amount from disposal of collateral or guarantees, or the present value of expected future cash flows. Since the claims' consolidated balance sheet amounts minus the expected amount of loan losses approximate their fair values, such amounts are considered to be their fair values.

These transactions are classified into Level 3.

## Liabilities

### Trading liabilities

The fair values of bonds sold for short sales and other securities for trading purposes are, in principle, based on their market prices as of the end of the fiscal year ended March 31, 2022. They are mainly classified into Level 1.

### Deposits, Negotiable certificates of deposit, and Due to trust account

Out of these transactions, the fair values of demand deposits and deposits without maturity are their book values. The fair values of transactions with a short-term remaining maturity are also their book values, as their book values are regarded to approximate their fair values. The fair values of transactions with a long-term remaining maturity are, in principle, based on the present value of estimated future cash flows discounted by the interest rate assuming that the same type of deposit is newly accepted until the end of the remaining maturity.

The fair values of borrowings from the trust account related to covered bond issued by the trust account are based on the amount calculated in accordance with the price quoted by industry associations, etc.

These transactions are classified into Level 2.

### Borrowed money and Bonds

The fair values of short-term transactions are their book values, as their book values are considered to approximate their fair values. For long-term transactions, their fair values are based on the present value of estimated future cash flows discounted using the refinancing rate applied to the same type of instruments for the remaining maturity.

For transactions with the price quoted by industry associations, etc., fair value is based on the amount calculated by using the published price data, yield data, etc.

These transactions are classified into Level 2.

### Derivative transactions

The fair values of listed derivatives are based on their closing prices. The fair values of over-the-counter derivative transactions are based on the present value of the future cash flows, option valuation models, etc., using inputs such as interest rate, foreign exchange rate, stock price, commodity price, etc.

Over-the-counter derivative transactions takes into account the counterparty's and the Company's credit risks, and the liquidity risks of the unsecured lending funds. Listed derivative transactions are mainly classified into Level 1. Over-the-counter derivative transactions are classified into Level 2 if observable inputs are available or impact of unobservable inputs to the fair values is not significant. If impact of unobservable inputs to the fair values is significant, they are classified into Level 3.

(Note 2) Quantitative information about financial assets and liabilities measured and stated on the consolidated balance sheet at fair value and classified in Level 3

1) Quantitative information on significant unobservable inputs

<b>March 31, 2021</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range</b>
Monetary claims bought	Discounted cash flow	Probability of default	0.1% — 100.0%
		Loss given default	0.0% — 51.4%
		Prepayment rate	2.0% — 7.5%
Trading assets:			
Securities classified as trading purposes	Option valuation model	Equity volatility	24.6% — 57.6%
Securities:			
Corporate Bonds	Discounted cash flow	Probability of default	7.9% — 100.0%
		Loss given default	0.0% — 80.2%
Foreign bonds	Discounted cash flow	Probability of default	11.9% — 100.0%
		Loss given default	34.1% — 78.5%
Derivative transactions:			
Interest rate derivatives	Option valuation model	Correlation between interest rates	14.9% — 98.0%
Currency derivatives	Option valuation model	Correlation between interest rates	26.7% — 98.0%
		Correlation between interest rate and foreign exchange rate	13.9% — 47.6%
		Foreign exchange rate volatility	8.9% — 14.8%
Equity derivatives	Option valuation model	Correlation between equities	47.1% — 93.1%
		Correlation between foreign exchange rate and equity	(26.0)% — (2.6)%
		Equity volatility	16.6% — 55.9%
Credit derivatives	Credit default model	Correlation between foreign exchange rate and CDS* spread	15.0% — 90.0%

\* Credit Default Swap

<b>March 31, 2022</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range</b>
Monetary claims bought	Discounted cash flow	Probability of default	0.1% — 100.0%
		Loss given default	0.0% — 52.8%
		Prepayment rate	2.0% — 7.0%
Trading assets:			
Securities classified as trading purposes	Option valuation model	Equity volatility	31.1% — 57.8%
Securities:			
Corporate Bonds	Discounted cash flow	Probability of default	7.9% — 100.0%
		Loss given default	0.0% — 55.0%
Foreign bonds	Discounted cash flow	Probability of default	100.0%
		Loss given default	33.6% — 79.5%
Derivative transactions:			
Interest rate derivatives	Option valuation model	Correlation between interest rates	16.0% — 58.1%
		Correlation between interest rate and foreign exchange rate	6.9% — 30.4%
Currency derivatives	Option valuation model	Correlation between interest rates	28.5% — 98.8%
		Correlation between interest rate and foreign exchange rate	10.5% — 48.7%
		Foreign exchange rate volatility	12.2% — 15.2%
Equity derivatives	Discounted cash flow	Prepayment rate	22.0%
	Option valuation model	Correlation between equities	42.6% — 93.1%
		Correlation between foreign exchange rate and equity	(14.2)% — 19.7%
		Equity volatility	12.8% — 79.1%
Credit derivatives	Credit default model	Correlation between foreign exchange rate and CDS* spread	15.0% — 90.0%

\* Credit Default Swap

2) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in the earnings of the period

Millions of yen								
March 31, 2021	Beginning balance	Earnings of the period*1	Other comprehensiv e income*2	Net amount of purchase, sale, issuance and settlement	Transfer to Level 3*3	Transfer from Level 3*4	Ending balance	Net unrealized gains (losses) on financial assets and liabilities held at consolidated balance sheet date among the amount recognized in the earnings of the period
Monetary claims bought	¥ 451,033	¥ —	¥ 4,789	¥ (994)	¥ —	¥ —	¥ 454,827	¥ —
Trading assets	152	3,499	—	(3,383)	1	—	270	184
Securities								
Other securities	33,251	539	(1,515)	(28,217)	48,305	(170)	52,193	(4,585)
Corporate bonds	26,784	(50)	(1,510)	(27,452)	48,305	(170)	45,906	(4,545)
Foreign bonds	6,467	589	(4)	(765)	—	—	6,287	(40)
Derivative transactions								
Interest rate	4,280	(3,316)	—	50	—	—	1,013	366
Currency	1,721	3,038	—	—	—	47	4,807	3,297
Equity	32,865	(13,462)	—	2,293	—	—	21,696	10,855
Bond	—	—	—	—	—	—	—	—
Credit derivative	2,240	(1,444)	—	—	—	—	796	(709)
<b>Total</b>	<b>¥ 525,544</b>	<b>¥ (11,145)</b>	<b>¥ 3,274</b>	<b>¥ (30,251)</b>	<b>¥ 48,306</b>	<b>¥ (122)</b>	<b>¥ 535,605</b>	<b>¥ 9,408</b>

\*1 The amounts shown in the table above are included in consolidated statements of income.

\*2 The amounts shown in the table above are included in “Net unrealized gains (losses) on other securities” under “Other comprehensive income (losses).”

\*3 Transfer from Level 2 to Level 3 due to an increase in the impact on the fair value of unobservable inputs for privately-placed bonds etc. The transfer was made at the beginning of the fiscal year ended March 31, 2021.

\*4 Transfer from Level 3 to Level 2 due to a decrease in the impact on the fair value of unobservable inputs for privately-placed bonds etc. The transfer was made at the beginning of the fiscal year ended March 31, 2021.

Millions of yen

March 31, 2022	Beginning balance	Earnings of the period*1	Other comprehensive income*2	Net amount of purchase, sale, issuance and settlement	Transfer to Level 3*3	Transfer from Level 3*4	Ending balance	Net unrealized gains (losses) on financial assets and liabilities held at consolidated balance sheet date among the amount recognized in the earnings of the period
Monetary claims bought	¥ 454,827	¥ —	¥ (3,748)	¥ 2,597	¥ —	¥ —	¥ 453,676	¥ —
Trading assets	270	1,430	—	958	295	—	2,953	145
Securities								
Other securities	52,193	3,716	(390)	(19,369)	9,757	(6,919)	38,988	(652)
Corporate bonds	45,906	3,638	(390)	(19,294)	9,757	(1,667)	37,949	(441)
Foreign bonds	6,287	77	0	(74)	—	(5,252)	1,038	(211)
Derivative transactions								
Interest rate	1,013	699	—	743	—	(951)	1,505	709
Currency	4,807	10,043	—	—	—	—	14,851	10,042
Equity	21,696	48,398	—	407	—	—	70,501	65,804
Bond	—	(315)	—	315	—	—	—	—
Credit derivative	796	2,344	—	—	—	—	3,141	2,300
Total	¥ 535,605	¥ 66,317	¥ (4,138)	¥ (14,347)	¥ 10,052	¥ (7,871)	¥ 585,618	¥ 78,350

\*1 The amounts shown in the table above are included in consolidated statements of income.

\*2 The amounts shown in the table above are included in “Net unrealized gains (losses) on other securities” under “Other comprehensive income (losses).”

\*3 Transfer from Level 2 to Level 3 due to an increase in the impact on the fair value of unobservable inputs for privately-placed bonds etc. The transfer was made at the beginning of the fiscal year ended March 31, 2022.

\*4 Transfer from Level 3 to Level 2 due to a decrease in the impact on the fair value of unobservable inputs for privately-placed bonds etc. The transfer was made at the beginning of the fiscal year ended March 31, 2022.

### 3) Description of the fair value valuation process

At the Group, the middle division establishes policies and procedures for the calculation of fair value, and the front division develops valuation models in accordance with such policies and procedures. The middle division verifies the reasonableness of the fair value valuation models, the inputs used, and the appropriateness of the classified fair value level of the calculated fair value.

Observable data is utilized as much as possible for the valuation model. If quoted prices obtained from third parties are used, those values are verified by comparison with results recalculated by the Company using the inputs for the valuation.

#### 4) Description of the sensitivity of the fair value to changes in significant unobservable inputs

##### Probability of default

Probability of default represents the likelihood that the default will occur, and is calculated based on actual defaults in the past. A significant increase (decrease) in the default rate would result in a significant decrease (increase) in a fair value.

##### Loss given default

Loss given default is the proportion of estimated losses in the event that default occurs to the total balance of bonds or loans and bills discounted, and is calculated based on actual defaults in the past. A significant increase (decrease) in loss given default would result in a significant decrease (increase) in a fair value.

##### Prepayment rate

Prepayment rate is the proportion of estimated principals assuming that prepayment is made in each period. In general, a significant change in prepayment rate would result in a significant increase or decrease in a fair value according to the contractual terms and conditions of the financial instruments.

##### Volatility

Volatility is an indicator that represents the estimation of severity of change over a certain period in values of inputs and market values. Volatility is estimated based on actual results in the past, information derived from third parties and other analysis approach. Volatility is mainly used in valuation of derivatives that refer to potential changes of interest rate, foreign exchange rate, stock price, etc. A significant increase (decrease) in volatility would generally result in a significant increase (decrease) in a fair value.

##### Correlation

Correlation is an indicator of the relation of variables such as interest rate, foreign exchange rate, Credit Default Swap (CDS) spread and stock price. Correlation is estimated based on actual results in the past, and is mainly used in valuation technique of complex derivatives, etc. A significant change in correlation would generally result in a significant increase or decrease in a fair value according to the contractual terms and conditions of the financial instrument.

(Note 3) Consolidated balance sheet amounts of stocks with no market prices, etc. and investments in partnership, etc. are as follows. In accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, March 31, 2020) and Paragraph 27 of “Guidance for Application of Fair Value Measurement,” these amounts are not included in “Trading assets” and “Securities” stated on the tables disclosed in “Matters concerning fair value of financial instruments and breakdown by input level:

	Millions of yen	
	March 31, 2021	March 31, 2022
Stocks with no market prices, etc. <sup>*1,2</sup>	¥ 187,204	¥ 226,213
Investments in partnership, etc. <sup>*2</sup>	278,072	324,512
Total	¥ 465,276	¥ 550,725

\*1 Unlisted stocks are included in stocks with no market prices, etc.

\*2 Unlisted stocks and investments in partnership totaling ¥20,644 million and ¥19,749 million were written-off in the fiscal year ended March 31, 2021 and 2022, respectively.

## (Note 4) Redemption schedule of monetary claims and securities with maturities

March 31, 2021	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Monetary claims bought* <sup>1</sup>	¥ 3,315,168	¥ 813,388	¥ 255,255	¥ 221,553
Securities	8,992,297	13,437,597	4,576,528	3,251,964
Bonds classified as held-to-maturity	—	—	22,300	—
Japanese government bonds	—	—	—	—
Japanese local government bonds	—	—	22,300	—
Japanese corporate bonds	—	—	—	—
Other	—	—	—	—
Other securities with maturity	8,992,297	13,437,597	4,554,228	3,251,964
Japanese government bonds	5,899,020	6,642,300	1,406,600	283,900
Japanese local government bonds	7,170	205,548	506,788	12,232
Japanese corporate bonds	273,382	1,222,810	639,373	466,520
Other	2,812,724	5,366,938	2,001,466	2,489,310
Loans and bills discounted* <sup>1, *2</sup>	22,105,264	36,046,216	13,079,391	6,402,231
Lease receivables and investment assets	18,821	57,940	42,590	70,712
Total	¥ 34,431,552	¥ 50,355,142	¥ 17,953,766	¥ 9,946,460

\*1 The amounts shown in the table above do not include amounts for claims, such as claims on bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers for which redemption is unlikely. The amounts for such claims are Monetary claims bought: ¥317 million, Loans and bills discounted: ¥422,940 million.

\*2 Loans and bills discounted without the maturity dates are not included. Such amount is totaled to ¥7,073,876 million at March 31, 2021.

March 31, 2022	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Monetary claims bought* <sup>1</sup>	¥ 3,974,845	¥ 815,745	¥ 311,015	¥ 219,015
Securities	11,491,448	11,580,697	6,916,911	2,534,711
Bonds classified as held-to-maturity	—	3,448	22,300	—
Japanese government bonds	—	—	—	—
Japanese local government bonds	—	3,448	22,300	—
Japanese corporate bonds	—	—	—	—
Other	—	—	—	—
Other securities with maturity	11,491,448	11,577,249	6,894,611	2,534,711
Japanese government bonds	7,757,060	6,196,100	1,451,300	355,800
Japanese local government bonds	100	282,749	858,988	11,584
Japanese corporate bonds	193,861	1,329,315	554,483	448,883
Other	3,540,426	3,769,084	4,029,839	1,718,443
Loans and bills discounted* <sup>1, *2</sup>	22,664,721	39,577,284	13,538,895	6,749,118
Lease receivables and investment assets	24,097	57,516	36,056	71,880
Total	¥ 38,155,113	¥ 52,031,243	¥ 20,802,880	¥ 9,574,725

\*1 The amounts shown in the table above do not include amounts for claims, such as claims on bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers for which redemption is unlikely. The amounts for such claims are Monetary claims bought: ¥313 million, Loans and bills discounted: ¥601,929 million.

\*2 Loans and bills discounted without the maturity dates are not included. Such amount is totaled to ¥7,725,704 million at March 31, 2022.

## (Note 5) Repayment schedule of bonds, borrowed money and other interest-bearing debts

<b>March 31, 2021</b>	<b>Millions of yen</b>			
	<b>Within 1 year</b>	<b>After 1 year through 5 years</b>	<b>After 5 years through 10 years</b>	<b>After 10 years</b>
Deposits*	¥ 138,365,168	¥ 3,108,605	¥ 160,363	¥ 392,019
Negotiable certificates of deposit	12,105,583	465,034	—	—
Borrowed money	7,638,210	9,154,938	634,982	251,559
Bonds	1,294,715	3,677,761	2,970,463	1,100,289
Due to trust account	1,732,438	426,597	162,187	—
<b>Total</b>	<b>¥ 161,136,116</b>	<b>¥ 16,832,937</b>	<b>¥ 3,927,997</b>	<b>¥ 1,743,867</b>

\* Demand deposits are included in “Within 1 year.” Deposits include current deposits.

<b>March 31, 2022</b>	<b>Millions of yen</b>			
	<b>Within 1 year</b>	<b>After 1 year through 5 years</b>	<b>After 5 years through 10 years</b>	<b>After 10 years</b>
Deposits*	¥ 145,231,046	¥ 2,762,344	¥ 192,498	¥ 399,570
Negotiable certificates of deposit	12,784,102	285,694	—	—
Borrowed money	8,765,083	9,128,064	691,834	293,007
Bonds	1,378,622	4,521,901	2,397,014	1,510,161
Due to trust account	1,876,830	464,435	102,607	—
<b>Total</b>	<b>¥ 170,035,684</b>	<b>¥ 17,162,440</b>	<b>¥ 3,383,955</b>	<b>¥ 2,202,739</b>

\* Demand deposits are included in “Within 1 year.” Deposits include current deposits.

## (Notes to securities)

The amounts shown in the following tables include trading securities and short-term bonds classified as “Trading assets,” negotiable certificates of deposit classified as “Cash and due from banks,” and beneficiary claims on loan trust classified as “Monetary claims bought,” in addition to “Securities” stated in the consolidated balance sheets.

### 1. Securities classified as trading purposes

March 31	Millions of yen	
	2021	2022
Valuation gains (losses) included in the earnings for the fiscal year	¥ 9,501	¥ (10,612)

### 2. Bonds classified as held-to-maturity

March 31, 2021		Millions of yen		
		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with unrealized gains:	Japanese government bonds	¥ —	¥ —	¥ —
	Japanese local government bonds	3,700	3,701	1
	Japanese corporate bonds	—	—	—
	Other	—	—	—
	Subtotal	3,700	3,701	1
Bonds with unrealized losses:	Japanese government bonds	—	—	—
	Japanese local government bonds	18,600	18,538	(61)
	Japanese corporate bonds	—	—	—
	Other	—	—	—
	Subtotal	18,600	18,538	(61)
Total	¥ 22,300	¥ 22,239	¥ (60)	

March 31, 2022		Millions of yen		
		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with unrealized gains:	Japanese government bonds	¥ —	¥ —	¥ —
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	—	—	—
	Other	—	—	—
	Subtotal	—	—	—
Bonds with unrealized losses:	Japanese government bonds	—	—	—
	Japanese local government bonds	25,741	25,522	(218)
	Japanese corporate bonds	—	—	—
	Other	—	—	—
	Subtotal	25,741	25,522	(218)
Total	¥ 25,741	¥ 25,522	¥ (218)	

### 3. Other securities

		Millions of yen		
<b>March 31, 2021</b>		<b>Consolidated balance sheet amount</b>	<b>Acquisition cost</b>	<b>Net unrealized gains (losses)</b>
Other securities with unrealized gains:	Stocks	¥ 3,443,816	¥ 1,161,142	¥ 2,282,673
	Bonds	6,148,728	6,119,071	29,657
	Japanese government bonds	3,980,113	3,977,980	2,132
	Japanese local government bonds	215,060	214,647	413
	Japanese corporate bonds	1,953,555	1,926,443	27,111
	Other	8,133,879	7,336,137	797,741
	Subtotal	17,726,424	14,616,350	3,110,073
Other securities with unrealized losses:	Stocks	106,431	133,466	(27,035)
	Bonds	11,506,509	11,528,134	(21,624)
	Japanese government bonds	10,313,497	10,329,703	(16,206)
	Japanese local government bonds	517,561	518,629	(1,067)
	Japanese corporate bonds	675,450	679,800	(4,350)
	Other	6,613,717	6,743,300	(129,582)
	Subtotal	18,226,657	18,404,900	(178,243)
<b>Total</b>		<b>¥ 35,953,082</b>	<b>¥ 33,021,251</b>	<b>¥ 2,931,830</b>

Note: Net unrealized gains (losses) on other securities shown above include gains of ¥399 million for the fiscal year ended March 31, 2021 that are recognized in the earnings by applying fair value hedge accounting.

		Millions of yen		
<b>March 31, 2022</b>		<b>Consolidated balance sheet amount</b>	<b>Acquisition cost</b>	<b>Net unrealized gains (losses)</b>
Other securities with unrealized gains:	Stocks	¥ 3,102,908	¥ 1,043,950	¥ 2,058,958
	Bonds	3,669,443	3,652,567	16,875
	Japanese government bonds	2,139,495	2,139,166	329
	Japanese local government bonds	29,318	29,251	66
	Japanese corporate bonds	1,500,629	1,484,149	16,479
	Other	4,867,519	4,062,708	804,811
	Subtotal	11,639,871	8,759,226	2,880,645
Other securities with unrealized losses:	Stocks	134,105	159,405	(25,300)
	Bonds	15,890,865	15,957,815	(66,949)
	Japanese government bonds	13,634,701	13,682,130	(47,428)
	Japanese local government bonds	1,116,178	1,125,300	(9,121)
	Japanese corporate bonds	1,139,986	1,150,385	(10,399)
	Other	9,899,355	10,410,541	(511,185)
	Subtotal	25,924,326	26,527,762	(603,435)
<b>Total</b>		<b>¥ 37,564,198</b>	<b>¥ 35,286,988</b>	<b>¥ 2,277,209</b>

Note: Net unrealized gains (losses) on other securities shown above include gains of ¥2,122 million for the fiscal year ended March 31, 2022 that are recognized in the earnings by applying fair value hedge accounting.

#### 4. Held-to-maturity bonds sold during the fiscal year

##### *Fiscal year ended March 31, 2021*

There are no corresponding transactions.

##### *Fiscal year ended March 31, 2022*

There are no corresponding transactions.

#### 5. Other securities sold during the fiscal year

<u>Year ended March 31, 2021</u>	<u>Millions of yen</u>		
	<u>Sales amount</u>	<u>Gains on sales</u>	<u>Losses on sales</u>
Stocks	¥ 139,203	¥ 83,297	¥ (4,992)
Bonds	7,402,988	7,378	(3,812)
Japanese government bonds	7,318,109	6,970	(3,812)
Japanese local government bonds	—	—	—
Japanese corporate bonds	84,879	408	—
Other	9,545,072	164,069	(47,591)
Total	¥ 17,087,264	¥ 254,745	¥ (56,397)

<u>Year ended March 31, 2022</u>	<u>Millions of yen</u>		
	<u>Sales amount</u>	<u>Gains on sales</u>	<u>Losses on sales</u>
Stocks	¥ 287,839	¥ 191,361	¥ (7,223)
Bonds	7,581,576	8,918	(707)
Japanese government bonds	7,489,440	8,653	(707)
Japanese local government bonds	—	—	—
Japanese corporate bonds	92,135	264	—
Other	11,037,870	96,020	(88,699)
Total	¥ 18,907,285	¥ 296,300	¥ (96,630)

#### 6. Change of classification of securities

##### *Fiscal year ended March 31, 2021*

There are no significant corresponding transactions to be disclosed.

##### *Fiscal year ended March 31, 2022*

There are no significant corresponding transactions to be disclosed.

## 7. Write-down of securities

Bonds classified as held-to-maturity and other securities (excluding other securities whose consolidated balance sheet amounts are not measured at fair value) are considered as impaired if the fair value decreases materially below the acquisition cost and such decline is not considered as recoverable. The fair value is recognized as the consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the fiscal year. Valuation losses for the fiscal years ended March 31, 2021 and 2022 were ¥8,480 million and ¥4,688 million, respectively. The rule for determining “material decline” is as follows and is based on the classification of issuers under the rules of self-assessment of assets.

Bankrupt/Effectively bankrupt/Potentially bankrupt issuers: Fair value is lower than acquisition cost.

Issuers requiring caution: Fair value is 30% or lower than acquisition cost.

Normal issuers: Fair value is 50% or lower than acquisition cost.

Bankrupt issuers: Issuers that are legally bankrupt or formally declared bankrupt.

Effectively bankrupt issuers: Issuers that are not legally bankrupt but regarded as substantially bankrupt.

Potentially bankrupt issuers: Issuers that are not bankrupt now, but are perceived to have a high risk of falling into bankruptcy.

Issuers requiring caution: Issuers that are identified for close monitoring.

Normal issuers: Issuers other than the above 4 categories of issuers.

(Notes to money held in trust)

**1. Money held in trust classified as trading purposes**

*Fiscal year ended March 31, 2021*

There are no corresponding transactions.

*Fiscal year ended March 31, 2022*

There are no corresponding transactions.

**2. Money held in trust classified as held-to-maturity**

*Fiscal year ended March 31, 2021*

There are no corresponding transactions.

*Fiscal year ended March 31, 2022*

There are no corresponding transactions.

**3. Other money held in trust (other than trading purpose and held-to-maturity)**

<u>March 31, 2021</u>	<u>Millions of yen</u>		
	<u>Consolidated balance sheet amount</u>	<u>Acquisition cost</u>	<u>Net unrealized gains (losses)</u>
Other money held in trust	¥ 309	¥ 309	—

  

<u>March 31, 2022</u>	<u>Millions of yen</u>		
	<u>Consolidated balance sheet amount</u>	<u>Acquisition cost</u>	<u>Net unrealized gains (losses)</u>
Other money held in trust	¥ 310	¥ 310	—

**(Notes to net unrealized gains (losses) on other securities)**

The breakdown of “Net unrealized gains (losses) on other securities” reported on the consolidated balance sheets is as shown below:

<b>March 31, 2021</b>	<b>Millions of yen</b>	
Net unrealized gains (losses)	¥	2,931,364
Other securities		2,931,364
Other money held in trust		—
(-) Deferred tax liabilities		747,355
Net unrealized gains (losses) on other securities (before following adjustments)		2,184,009
(-) Non-controlling interests		105,206
(+) The Company’s interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates		15,802
Net unrealized gains (losses) on other securities	¥	2,094,605

Notes: 1. Net unrealized gains of ¥399 million for the fiscal year ended March 31, 2021 recognized in the fiscal year's earnings by applying fair value hedge accounting are deducted from net unrealized gains on other securities.  
2. Net unrealized gains (losses) on other securities include foreign currency translation adjustments on foreign currency denominated securities whose fair value is not recognized as consolidated balance sheet amount.  
3. Non-controlling interests include equity acquired from non-controlling stockholders.

<b>March 31, 2022</b>	<b>Millions of yen</b>	
Net unrealized gains (losses)	¥	2,277,165
Other securities		2,277,165
Other money held in trust		—
(-) Deferred tax liabilities		553,512
Net unrealized gains (losses) on other securities (before following adjustments)		1,723,652
(-) Non-controlling interests		105,291
(+) The Company’s interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates		13,719
Net unrealized gains (losses) on other securities	¥	1,632,080

Notes: 1. Net unrealized gains of ¥2,122 million for the fiscal year ended March 31, 2022 recognized in the fiscal year's earnings by applying fair value hedge accounting are deducted from net unrealized gains on other securities.  
2. Net unrealized gains (losses) on other securities include foreign currency translation adjustments on foreign currency denominated securities whose fair value is not recognized as consolidated balance sheet amount.  
3. Non-controlling interests include equity acquired from non-controlling stockholders.

(Notes to derivative transactions)

1. Derivative transactions to which the hedge accounting method is not applied

The following tables set forth the contract amount or the amount equivalent to the notional amount, fair value and valuation gains (losses) by type of derivative with respect to derivative transactions to which the hedge accounting method is not applied at the end of the fiscal year. Contract amount does not indicate the market risk relating to derivative transactions.

(1) Interest rate derivatives

<b>March 31, 2021</b>	<b>Millions of yen</b>			
	<b>Contract amount</b>		<b>Fair value</b>	<b>Valuation gains (losses)</b>
	<b>Total</b>	<b>Over 1 year</b>		
<b>Listed</b>				
Interest rate futures:				
Sold	¥ 17,270,061	¥ 6,611,011	¥ (1,126)	¥ (1,126)
Bought	8,617,990	5,912,395	726	726
Interest rate options:				
Sold	5,924,592	3,182,912	(6,862)	(6,862)
Bought	180,429,787	69,190,643	30,995	30,995
<b>Over-the-counter</b>				
Forward rate agreements:				
Sold	55,761,372	5,980	12,420	12,420
Bought	54,471,354	1,560	(12,423)	(12,423)
Interest rate swaps:	468,245,252	356,060,418	236,177	236,177
Receivable fixed rate/payable floating rate	208,413,122	158,339,724	4,627,453	4,627,453
Receivable floating rate/payable fixed rate	204,100,529	153,091,311	(4,402,436)	(4,402,436)
Receivable floating rate/payable floating rate	55,641,657	44,546,438	(1,218)	(1,218)
Interest rate swaptions:				
Sold	6,757,427	4,764,343	(84,446)	(84,446)
Bought	6,166,275	4,403,008	78,877	78,877
Caps:				
Sold	64,606,743	36,017,193	(41,891)	(41,891)
Bought	13,510,015	11,219,847	11,642	11,642
Floors:				
Sold	4,130,223	3,590,129	(19,012)	(19,012)
Bought	2,257,383	2,034,274	20,450	20,450
Other:				
Sold	1,855,047	1,322,008	(6,649)	(6,649)
Bought	6,082,064	4,112,358	56,462	56,462
<b>Total</b>	<b>/</b>	<b>/</b>	<b>¥ 275,340</b>	<b>¥ 275,340</b>

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

<b>March 31, 2022</b>	<b>Millions of yen</b>			
	<b>Contract amount</b>		<b>Fair value</b>	<b>Valuation gains (losses)</b>
	<b>Total</b>	<b>Over 1 year</b>		
<b>Listed</b>				
Interest rate futures:				
Sold	¥ 54,427,438	¥ 19,738,845	¥ 22,143	¥ 22,143
Bought	88,326,052	47,391,708	(19,479)	(19,479)
Interest rate options:				
Sold	63,833,754	15,699,082	(99,057)	(99,057)
Bought	386,745,214	128,653,154	493,419	493,419
<b>Over-the-counter</b>				
Forward rate agreements:				
Sold	6,333,817	—	(4,895)	(4,895)
Bought	6,241,393	—	4,867	4,867
Interest rate swaps:	661,604,364	431,818,786	(121,168)	(121,168)
Receivable fixed rate/payable floating rate	262,006,812	177,356,314	(4,693,040)	(4,693,040)
Receivable floating rate/payable fixed rate	270,394,735	183,824,473	4,557,661	4,557,661
Receivable floating rate/payable floating rate	129,083,786	70,522,569	4,364	4,364
Interest rate swaptions:				
Sold	13,166,812	7,857,909	(205,991)	(205,991)
Bought	13,520,720	8,447,484	195,485	195,485
Caps:				
Sold	90,834,343	57,007,182	(652,545)	(652,545)
Bought	17,003,839	13,666,308	146,807	146,807
Floors:				
Sold	4,669,520	2,890,693	(10,389)	(10,389)
Bought	2,907,184	2,460,367	14,650	14,650
Other:				
Sold	3,943,644	1,882,178	(27,824)	(27,824)
Bought	10,094,024	8,051,028	85,940	85,940
<b>Total</b>	<u>          /          </u>	<u>          /          </u>	<u>¥ (178,039)</u>	<u>¥ (178,039)</u>

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

## (2) Currency derivatives

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
<b>Listed</b>				
Currency futures:				
Sold	¥ 1,812	¥ —	¥ 93	¥ 93
Bought	6,256	—	0	0
<b>Over-the-counter</b>				
Currency swaps	76,626,201	59,390,711	(78,194)	161,586
Currency swaptions:				
Sold	70,002	70,002	117	117
Bought	520,389	501,768	(493)	(493)
Forward foreign exchange	77,285,120	13,081,964	134,477	134,477
Currency options:				
Sold	2,842,651	1,350,141	(85,577)	(85,577)
Bought	2,507,220	1,123,003	82,620	82,620
Total	/	/	¥ 53,043	¥ 292,824

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

March 31, 2022	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
<b>Listed</b>				
Currency futures:				
Sold	¥ 744	¥ —	¥ (103)	¥ (103)
Bought	10,013	—	0	0
<b>Over-the-counter</b>				
Currency swaps	86,400,103	69,758,870	615,163	242,608
Currency swaptions:				
Sold	47,455	47,455	54	54
Bought	645,572	612,935	36	36
Forward foreign exchange	86,861,074	13,390,507	(184,625)	(184,625)
Currency options:				
Sold	3,272,220	1,324,819	(141,879)	(141,879)
Bought	6,639,072	1,053,206	117,012	117,012
Total	/	/	¥ 405,658	¥ 33,103

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

## (3) Equity derivatives

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
<b>Listed</b>				
Equity price index futures:				
Sold	¥ 1,080,737	¥ 23,420	¥ (9,528)	¥ (9,528)
Bought	528,050	42,460	13,942	13,942
Equity price index options:				
Sold	589,781	184,932	(69,039)	(69,039)
Bought	360,975	118,530	34,014	34,014
<b>Over-the-counter</b>				
Equity options:				
Sold	50,915	4,266	(5,977)	(5,977)
Bought	107,824	25,680	18,974	18,974
Equity index forward contracts:				
Sold	—	—	—	—
Bought	3,574	—	98	98
Equity price index swaps:				
Receivable equity index/payable short-term floating rate	7,520	1,550	(1,153)	(1,153)
Receivable short-term floating rate/payable equity index	272,916	136,390	12,625	12,625
<b>Total</b>	<u>/</u>	<u>/</u>	<u>¥ (6,043)</u>	<u>¥ (6,043)</u>

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

March 31, 2022	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
<b>Listed</b>				
Equity price index futures:				
Sold	¥ 798,131	¥ 36,776	¥ (61,375)	¥ (61,375)
Bought	430,563	10,703	39,332	39,332
Equity price index options:				
Sold	757,642	214,565	(82,971)	(82,971)
Bought	494,972	141,251	35,030	35,030
<b>Over-the-counter</b>				
Equity options:				
Sold	73,807	10,524	(6,479)	(6,479)
Bought	176,088	53,670	29,472	29,472
Equity price index swaps:				
Receivable equity index/payable short-term floating rate	5,535	1,500	(839)	(839)
Receivable short-term floating rate/payable equity index	325,383	158,924	49,536	49,536
<b>Total</b>	<u>/</u>	<u>/</u>	<u>¥ 1,707</u>	<u>¥ 1,707</u>

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

## (4) Bond derivatives

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
<b>Listed</b>				
Bond futures:				
Sold	¥ 1,340,302	¥ —	¥ 12,083	¥ 12,083
Bought	1,604,432	—	(11,546)	(11,546)
Bond futures options:				
Sold	58,891	—	(44)	(44)
Bought	12,000	—	(7)	(7)
<b>Over-the-counter</b>				
Bond forward contract:				
Sold	103	—	3	3
Bought	—	—	—	—
Bond options:				
Sold	78,088	—	(745)	(745)
Bought	148,258	10,521	760	760
Total	/	/	¥ 503	¥ 503

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

March 31, 2022	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
<b>Listed</b>				
Bond futures:				
Sold	¥ 3,777,511	¥ —	¥ 90,483	¥ 90,483
Bought	4,250,422	—	(93,789)	(93,789)
Bond futures options:				
Sold	9,792	—	(1)	(1)
Bought	20,482	—	13	13
<b>Over-the-counter</b>				
Bond forward contract:				
Sold	59,827	—	1,438	1,438
Bought	—	—	—	—
Bond options:				
Sold	44,599	—	(586)	(586)
Bought	51,917	—	555	555
Total	/	/	¥ (1,886)	¥ (1,886)

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

## (5) Commodity derivatives

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
<b>Listed</b>				
Commodity futures:				
Sold	¥ 14,624	¥ —	¥ 405	¥ 405
Bought	16,291	—	127	127
<b>Over-the-counter</b>				
Commodity swaps:				
Receivable fixed price/payable floating price	39,320	27,601	(3,463)	(3,463)
Receivable floating price/payable fixed price	36,039	25,820	5,466	5,466
Receivable floating price/payable floating price	904	882	(30)	(30)
Commodity options:				
Sold	2,048	1,645	(546)	(546)
Bought	436	63	60	60
Total	/	/	¥ 2,019	¥ 2,019

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.  
2. Underlying assets of commodity derivatives are fuels and metals.

March 31, 2022	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
<b>Listed</b>				
Commodity futures:				
Sold	¥ 3,059	¥ —	¥ (192)	¥ (192)
Bought	8,125	—	1,402	1,402
<b>Over-the-counter</b>				
Commodity swaps:				
Receivable fixed price/payable floating price	72,156	19,691	(67,209)	(67,209)
Receivable floating price/payable fixed price	65,653	15,445	67,595	67,595
Receivable floating price/payable floating price	459	245	(88)	(88)
Commodity options:				
Sold	2,677	1,766	(589)	(589)
Bought	1,113	202	98	98
Total	/	/	¥ 1,016	¥ 1,016

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.  
2. Underlying assets of commodity derivatives are fuels and metals.

(6) Credit derivative transactions

<b>March 31, 2021</b>	<b>Millions of yen</b>			
	<b>Contract amount</b>		<b>Fair value</b>	<b>Valuation gains (losses)</b>
	<b>Total</b>	<b>Over 1 year</b>		
<b>Over-the-counter</b>				
Credit default options:				
Sold	¥ 1,213,365	¥ 1,093,942	¥ 21,929	¥ 21,929
Bought	1,561,193	1,414,334	(27,645)	(27,645)
Total	<u>                  /</u>	<u>                  /</u>	<u>¥ (5,716)</u>	<u>¥ (5,716)</u>

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.  
2. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

<b>March 31, 2022</b>	<b>Millions of yen</b>			
	<b>Contract amount</b>		<b>Fair value</b>	<b>Valuation gains (losses)</b>
	<b>Total</b>	<b>Over 1 year</b>		
<b>Over-the-counter</b>				
Credit default options:				
Sold	¥ 1,289,784	¥ 1,125,797	¥ 15,206	¥ 15,206
Bought	1,691,397	1,498,916	(16,558)	(16,558)
Total	<u>                  /</u>	<u>                  /</u>	<u>¥ (1,352)</u>	<u>¥ (1,352)</u>

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.  
2. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

## 2. Derivative transactions to which the hedge accounting method is applied

The following tables set forth the contract amount or the amount equivalent to the notional amount and fair value by type of derivative and hedge accounting method with respect to derivative transactions to which the hedge accounting method is applied at the end of the fiscal year. Contract amount does not indicate the market risk relating to derivative transactions.

### (1) Interest rate derivatives

March 31, 2021			Millions of yen		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
			Total	Over 1 year	
Deferral hedge method	Interest rate futures:	Interest-earning/bearing financial assets/liabilities such as loans and bills discounted, other securities, deposits and negotiable certificates of deposit			
	Sold		¥ 7,580,404	¥ 4,439,058	¥ 1,403
	Bought		4,048,886	4,048,886	(498)
	Interest rate swaps:				
	Receivable fixed rate/payable floating rate		31,981,533	25,876,121	298,464
	Receivable floating rate/payable fixed rate		11,869,419	10,877,836	(132,770)
	Interest rate swaptions:				
	Sold		153,886	153,886	11,270
	Bought	—	—	—	
Recognition of gain or loss on the hedged items	Interest rate swaps:	Loans and bills discounted			
	Receivable floating rate/payable fixed rate		567,041	511,375	(11,324)
Special treatment for interest rate swaps	Interest rate swaps:	Borrowed money			
	Receivable floating rate/payable fixed rate		62,100	51,380	(Note 2)
	Total		/	/	¥ 166,545

Notes: 1. The Company applies deferred hedge accounting stipulated in JICPA Industry Committee Practical Guidelines No. 24.

2. Interest rate swap amounts measured by the special treatment for interest rate swaps are treated with the borrowed money that is subject to the hedge. Therefore such fair value is included in the fair value of the relevant transaction subject to the hedge in the (Notes to financial instruments).

March 31, 2022			Millions of yen		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
			Total	Over 1 year	
Deferral hedge method	Interest rate futures:	Interest-earning/bearing financial assets/liabilities such as loans and bills discounted, other securities, deposits and negotiable certificates of deposit			
	Sold		¥ 774,856	¥ 25,541	¥ 319
	Bought		—	—	—
	Interest rate swaps:				
	Receivable fixed rate/payable floating rate		33,156,979	27,311,289	(470,643)
	Receivable floating rate/payable fixed rate		20,063,241	18,890,568	470,733
	Receivable floating rate/payable floating rate		2,060,000	—	(20)
	Interest rate swaptions:				
	Sold	170,149	170,149	(3,214)	
	Bought	—	—	—	
Recognition of gain or loss on the hedged items	Interest rate swaps:	Loans and bills discounted			
	Receivable floating rate/payable fixed rate		525,018	447,551	6,131
Special treatment for interest rate swaps	Interest rate swaps:	Borrowed money			
	Receivable floating rate/payable fixed rate		66,010	59,570	(Note 2)
	Total		/	/	¥ 3,305

Notes: 1. The Company applies deferred hedge accounting stipulated in JICPA Industry Committee Practical Guidelines No. 24.

2. Interest rate swap amounts measured by the special treatment for interest rate swaps are treated with the borrowed money that is subject to the hedge. Therefore such fair value is included in the fair value of the relevant transaction subject to the hedge in the (Notes to financial instruments).

## (2) Currency derivatives

<b>March 31, 2021</b>			<b>Millions of yen</b>		
<b>Hedge accounting method</b>	<b>Type of derivative</b>	<b>Principal items hedged</b>	<b>Contract amount</b>		
			<b>Total</b>	<b>Over 1 year</b>	<b>Fair value</b>
Deferral hedge method	Currency swaps	Foreign currency denominated loans and bills discounted, other securities, deposits, foreign currency exchange, etc.	¥ 10,896,132	¥ 6,051,444	¥ 39,920
	Forward foreign exchange		39,074	3,859	334
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted, other securities	219,977	205,644	2,214
	Forward foreign exchange		304	—	1
<b>Total</b>			<b>/</b>	<b>/</b>	<b>¥ 42,471</b>

Note: The Company applies deferred hedge accounting stipulated in JICPA Industry Committee Practical Guidelines No. 25.

<b>March 31, 2022</b>			<b>Millions of yen</b>		
<b>Hedge accounting method</b>	<b>Type of derivative</b>	<b>Principal items hedged</b>	<b>Contract amount</b>		
			<b>Total</b>	<b>Over 1 year</b>	<b>Fair value</b>
Deferral hedge method	Currency swaps	Foreign currency denominated loans and bills discounted, other securities, deposits, foreign currency exchange, etc.	¥ 10,819,281	¥ 7,285,574	¥ (685,686)
	Forward foreign exchange		53,067	17,578	(1,224)
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted, other securities	343,890	317,306	2,786
	Forward foreign exchange		523	—	0
<b>Total</b>			<b>/</b>	<b>/</b>	<b>¥ (684,124)</b>

Note: The Company applies deferred hedge accounting stipulated in JICPA Industry Committee Practical Guidelines No. 25.

## (3) Equity derivatives

<b>March 31, 2021</b>			<b>Millions of yen</b>		
<b>Hedge accounting method</b>	<b>Type of derivative</b>	<b>Principal items hedged</b>	<b>Contract amount</b>		
			<b>Total</b>	<b>Over 1 year</b>	<b>Fair value</b>
Deferral hedge method	Equity price index swaps: Receivable floating rate/payable equity index	Other securities	¥ 21,077	¥ —	¥ 690
	Equity price index swaps: Receivable floating rate/payable equity index		33,674	33,674	(2,689)
<b>Total</b>			<b>/</b>	<b>/</b>	<b>¥ (1,999)</b>

<b>March 31, 2022</b>			<b>Millions of yen</b>		
<b>Hedge accounting method</b>	<b>Type of derivative</b>	<b>Principal items hedged</b>	<b>Contract amount</b>		
			<b>Total</b>	<b>Over 1 year</b>	<b>Fair value</b>
Recognition of gain or loss on the hedged items	Equity price index swaps: Receivable floating rate/payable equity index	Other securities	¥ 19,719	¥ 19,719	¥ (2,031)
	<b>Total</b>			<b>/</b>	<b>/</b>

## (Notes to employee retirement benefits)

### 1. Outline of employee retirement benefits

The Company's consolidated subsidiaries have funded and unfunded contributory defined benefit pension plans and defined-contribution pension plans for benefit payments to their employees.

Funded contributory defined benefit pension plans mainly consist of contributory funded defined benefit pension plans and lump-sum severance indemnity plans which set up employee retirement benefit trusts.

Unfunded contributory defined benefit pension plans are lump-sum severance indemnity plans which do not use such trust scheme.

Some consolidated subsidiaries adopt the simplified method in calculating the projected benefit obligation. Additional benefits may also be granted when employees retire.

### 2. Contributory defined benefit pension plan

#### (1) Reconciliation of beginning and ending balances of projected benefit obligation

Year ended March 31	Millions of yen	
	2021	2022
Beginning balance of projected benefit obligation	¥ 1,123,979	¥ 1,097,541
Service cost	32,047	30,745
Interest cost on projected benefit obligation	3,970	5,180
Unrecognized net actuarial gain or loss incurred	10,691	(24,203)
Payments of retirement benefits	(53,586)	(56,858)
Unrecognized prior service cost	(23,842)	7,175
Other	4,281	1,448
Ending balance of projected benefit obligation	¥ 1,097,541	¥ 1,061,029

#### (2) Reconciliation of beginning and ending balances of plan assets

Year ended March 31	Millions of yen	
	2021	2022
Beginning balance of plan assets	¥ 1,318,775	¥ 1,627,741
Expected return on plan assets	39,287	40,654
Unrecognized net actuarial gain or loss incurred	293,981	34
Contributions by the employer	11,680	12,744
Payments of retirement benefits	(41,932)	(42,271)
Other	5,949	4,308
Ending balance of plan assets	¥ 1,627,741	¥ 1,643,211

(3) Reconciliation of the projected benefit obligation and plan assets to net defined benefit asset and net defined benefit liability reported on the consolidated balance sheets

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Funded projected benefit obligation	¥ (1,069,315)	¥ (1,032,246)
Plan assets	1,627,741	1,643,211
	558,426	610,964
Unfunded projected benefit obligation	(28,226)	(28,783)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 530,200	¥ 582,181

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Net defined benefit asset	¥ 565,534	¥ 623,045
Net defined benefit liability	(35,334)	(40,864)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 530,200	¥ 582,181

(4) Pension expenses

<b>Year ended March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Service cost	¥ 32,047	¥ 30,745
Interest cost on projected benefit obligation	3,970	5,180
Expected return on plan assets	(39,287)	(40,654)
Amortization of unrecognized net actuarial gain or loss	8,107	(25,280)
Amortization of unrecognized prior service cost	(2,349)	(2,082)
Other (nonrecurring additional retirement allowance paid and other)	4,659	7,370
Pension expenses	¥ 7,148	¥ (24,719)

Note: Pension expenses of consolidated subsidiaries which adopt the simplified method are included in "Service cost."

(5) Remeasurements of defined benefit plans

The breakdown of "Remeasurements of defined benefit plans" (before deducting tax effect) is as shown below:

<b>Year ended March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Prior service cost	¥ (21,493)	¥ 9,257
Net actuarial gain or loss	(291,618)	1,289
Total	¥ (313,111)	¥ 10,546

(6) Accumulated remeasurements of defined benefit plans

The breakdown of "Accumulated remeasurements of defined benefit plans" (before deducting tax effect) is as shown below:

<b>March 31</b>	<b>Millions of yen</b>	
	<b>2021</b>	<b>2022</b>
Unrecognized prior service cost	¥ (21,653)	¥ (12,395)
Unrecognized net actuarial gain or loss	(163,372)	(162,083)
Total	¥ (185,025)	¥ (174,479)

## (7) Plan assets

### 1) Major asset classes of plan assets

The proportion of major asset classes to the total plan assets is as follows:

<b>March 31</b>	<b>2021</b>	<b>2022</b>
Stocks	57.6%	51.7%
Bonds	14.6%	13.8%
General account of life insurance	2.5%	2.5%
Other	25.3%	32.0%
Total	100.0%	100.0%

Note: The retirement benefit trusts set up for employee pension plans and lump-sum severance indemnity plans account for 37.1% and 35.2% of the total plan assets at March 31, 2021 and 2022, respectively.

### 2) Method for setting the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined based on the current and expected allocation of plan assets and the current and expected long-term rates of return on various asset classes of plan assets.

## (8) Actuarial assumptions

The principal assumptions used in determining benefit obligation and pension expenses are as follows:

### 1) Discount rate

<b>Year ended March 31, 2021</b>	<b>Percentages</b>	<b>Year ended March 31, 2022</b>	<b>Percentages</b>
Domestic consolidated subsidiaries	0.0% to 0.8%	Domestic consolidated subsidiaries	0.1% to 0.8%
Overseas consolidated subsidiaries	2.0% to 6.5%	Overseas consolidated subsidiaries	1.4% to 6.6%

### 2) Long-term expected rate of return on plan assets

<b>Year ended March 31, 2021</b>	<b>Percentages</b>	<b>Year ended March 31, 2022</b>	<b>Percentages</b>
Domestic consolidated subsidiaries	0.0% to 3.7%	Domestic consolidated subsidiaries	0.0% to 3.6%
Overseas consolidated subsidiaries	2.0% to 6.5%	Overseas consolidated subsidiaries	2.7% to 6.6%

## 3. Defined contribution plan

### *Fiscal year ended March 31, 2021*

The amount required to be contributed by the consolidated subsidiaries is ¥11,088 million.

### *Fiscal year ended March 31, 2022*

The amount required to be contributed by the consolidated subsidiaries is ¥12,401 million.

## (Notes to stock options)

### Outline of stock options and changes

#### The Company

#### (1) Outline of stock options

<b>Date of resolution</b>	<b>July 28, 2010</b>	<b>July 29, 2011</b>	<b>July 30, 2012</b>	<b>July 29, 2013</b>
Title and number of grantees	Directors of the Company 8 Corporate auditors of the Company 3 Executive officers of the Company 2 Directors, corporate auditors and executive officers of SMBC 69	Directors of the Company 9 Corporate auditors of the Company 3 Executive officers of the Company 2 Directors, corporate auditors and executive officers of SMBC 71	Directors of the Company 9 Corporate auditors of the Company 3 Executive officers of the Company 2 Directors, corporate auditors and executive officers of SMBC 71	Directors of the Company 9 Corporate auditors of the Company 3 Executive officers of the Company 3 Directors, corporate auditors and executive officers of SMBC 67
Number of stock options*	Common shares 102,600	Common shares 268,200	Common shares 280,500	Common shares 115,700
Grant date	August 13, 2010	August 16, 2011	August 15, 2012	August 14, 2013
Condition for vesting	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.
Requisite service period	From June 29, 2010 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2011	From June 29, 2011 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2012	From June 28, 2012 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2013	From June 27, 2013 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2014
Exercise period	August 13, 2010 to August 12, 2040	August 16, 2011 to August 15, 2041	August 15, 2012 to August 14, 2042	August 14, 2013 to August 13, 2043
<b>Date of resolution</b>	<b>July 30, 2014</b>	<b>July 31, 2015</b>	<b>July 26, 2016</b>	
Title and number of grantees	Directors of the Company 10 Corporate auditors of the Company 3 Executive officers of the Company 2 Directors, corporate auditors and executive officers of SMBC 67	Directors of the Company 8 Corporate auditors of the Company 3 Executive officers of the Company 4 Directors, corporate auditors and executive officers of SMBC 68	Directors of the Company 8 Corporate auditors of the Company 3 Executive officers of the Company 5 Directors, corporate auditors and executive officers of SMBC 73	
Number of stock options*	Common shares 121,900	Common shares 132,400	Common shares 201,200	
Grant date	August 15, 2014	August 18, 2015	August 15, 2016	
Condition for vesting	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	
Requisite service period	From June 27, 2014 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2015	From June 26, 2015 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2016	From June 29, 2016 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2017	
Exercise period	August 15, 2014 to August 14, 2044	August 18, 2015 to August 17, 2045	August 15, 2016 to August 14, 2046	

\* Number of stock options is converted and stated as number of shares.

(2) Stock options granted and changes

1) Number of stock options\*

Date of resolution	Number of stock options						
	July 28, 2010	July 29, 2011	July 30, 2012	July 29, 2013	July 30, 2014	July 31, 2015	July 26, 2016
Before vested							
Previous fiscal year-end	4,600	5,800	56,900	27,400	34,400	63,200	95,700
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	1,400	800	21,500	12,000	2,100	27,000	17,500
Outstanding	3,200	5,000	35,400	15,400	32,300	36,200	78,200
After vested							
Previous fiscal year-end	39,700	120,300	108,200	25,400	25,700	11,700	15,700
Vested	1,400	800	21,500	12,000	2,100	27,000	17,500
Exercised	3,300	9,000	26,300	12,400	2,000	27,000	16,800
Forfeited	—	—	—	—	—	—	—
Exercisable	37,800	112,100	103,400	25,000	25,800	11,700	16,400

\* Number of stock options has been converted and stated as number of shares.

2) Price information

Date of resolution	Yen							
	July 28, 2010	July 29, 2011	July 30, 2012	July 29, 2013	July 30, 2014	July 31, 2015	July 26, 2016	
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	
Average exercise price	4,000	3,912	3,925	3,903	3,919	3,846	3,837	
Fair value at the grant date	2,215	1,872	2,042	4,159	3,661	4,904	2,811	

(3) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

(Notes to deferred tax assets and liabilities)

1. Significant components of deferred tax assets and liabilities

<b>March 31, 2021</b>	<b>Millions of yen</b>		<b>March 31, 2022</b>	<b>Millions of yen</b>	
Deferred tax assets:			Deferred tax assets:		
Reserve for possible loan losses and write-off of loans	¥	270,071	Reserve for possible loan losses and write-off of loans	¥	311,128
Securities		142,716	Securities		142,140
Net operating loss carryforwards*		113,089	Net operating loss carryforwards*		113,008
Reserve for losses on interest repayment		43,100	Reserve for losses on interest repayment		41,362
Net deferred gains (losses) on hedge		2,071	Net deferred gains (losses) on hedge		32,584
Other		166,372	Other		216,895
Subtotal		737,421	Subtotal		857,120
Valuation allowance for net operating loss carryforwards*		(49,547)	Valuation allowance for net operating loss carryforwards*		(37,144)
Valuation allowance for total amount of deductible temporary differences etc.		(172,713)	Valuation allowance for total amount of deductible temporary differences etc.		(173,496)
Valuation allowance subtotal		(222,261)	Valuation allowance subtotal		(210,641)
Total deferred tax assets		515,160	Total deferred tax assets		646,479
Deferred tax liabilities:			Deferred tax liabilities:		
Net unrealized gains on other securities		(742,247)	Net unrealized gains on other securities		(569,133)
Depreciation		(62,442)	Depreciation		(70,862)
Accumulated remeasurements of defined benefit plans		(58,556)	Accumulated remeasurements of defined benefit plans		(56,355)
Other		(154,267)	Other		(158,978)
Total deferred tax liabilities		(1,017,514)	Total deferred tax liabilities		(855,329)
Net deferred tax assets (liabilities)	¥	(502,353)	Net deferred tax assets (liabilities)	¥	(208,850)

\*Net operating loss carryforwards and the amount of its deferred tax assets by expiry date.

<b>March 31, 2021</b>	<b>Millions of yen</b>				
	<b>Within 1 year</b>	<b>More than 1 year to 5 years</b>	<b>More than 5 years to 10 years</b>	<b>More than 10 years</b>	<b>Total</b>
Net operating loss carryforwards*	¥ 15,460	¥ 24,348	¥ 22,467	¥ 50,813	¥ 113,089
Valuation allowance	(8,407)	(20,122)	(19,719)	(1,298)	(49,547)
Deferred tax assets	7,052	4,226	2,748	49,515	63,542

\*Net operating loss carryforwards is multiplied by statutory tax rate.

<b>March 31, 2022</b>	<b>Millions of yen</b>				
	<b>Within 1 year</b>	<b>More than 1 year to 5 years</b>	<b>More than 5 years to 10 years</b>	<b>More than 10 years</b>	<b>Total</b>
Net operating loss carryforwards*	¥ 10,008	¥ 22,553	¥ 16,573	¥ 63,873	¥ 113,008
Valuation allowance	(2,364)	(17,516)	(15,654)	(1,609)	(37,144)
Deferred tax assets	7,644	5,036	918	62,264	75,863

\*Net operating loss carryforwards is multiplied by statutory tax rate.

## 2. Significant components of difference between the statutory tax rate used by the Company and the effective income tax rate

March 31, 2021	Percentages	March 31, 2022	Percentages
Statutory tax rate (Adjustments)	30.62%	Statutory tax rate (Adjustments)	30.62%
Valuation allowance	(12.04)	Valuation allowance	(1.85)
Retained earnings of subsidiaries	(1.91)	Differences of the scope of taxable income between corporate income tax and enterprise income tax	(1.08)
Difference between the Company and overseas consolidated subsidiaries	(1.37)	Equity in gains of affiliates	(0.95)
Equity in gains of affiliates	(1.14)	Dividends exempted for income tax purposes	(0.91)
Expired loss carryforwards	9.28	Difference between the Company and overseas consolidated subsidiaries	(0.60)
Other	(0.18)	Other	(2.15)
Effective income tax rate	23.26%	Effective income tax rate	23.08%

**(Notes to asset retirement obligations)**

***Fiscal year ended March 31, 2021***

There is no significant information to be disclosed.

***Fiscal year ended March 31, 2022***

There is no significant information to be disclosed.

**(Notes to real estate for rent)**

***Fiscal year ended March 31, 2021***

There is no significant information to be disclosed.

***Fiscal year ended March 31, 2022***

There is no significant information to be disclosed.

## (Revenue Recognition)

Information on breakdown of revenues from contracts with customers.

<b>Year ended March 31</b>	<b>Millions of yen</b>
	<b>2022</b>
Ordinary income	¥ 4,111,127
Fees and commissions	1,414,867
Deposits and loans	203,004
Remittances and transfers	141,312
Securities-related business	173,799
Agency	9,043
Safe deposits	4,025
Guarantees	80,330
Credit card business	332,054
Investment trusts	183,656
Others	287,641

Note: Fees and commissions obtained through Deposits and loans principally arise in the Wholesale Business Unit and the Global Business Unit, Remittances and transfers principally arise in the Wholesale Business Unit, the Retail Business Unit, and the Global Business Unit, Securities-related business principally arise in the Wholesale Business Unit, the Retail Business Unit, and the Global Business Unit, Credit card business principally arise in the Retail Business Unit, and Investment trusts principally arise in the Retail Business Unit and Head office account and others. Income based on "Accounting Standard for Financial Instrument" (ASBJ Statement No. 10, July 4, 2019) is also included in the table above.

**(Notes to segment and other related information)**

**[Segment information]**

**1. Summary of reportable segment**

The Group's reportable segment is defined as an operating segment for which discrete financial information is available and reviewed by the Board of Directors and the Company's Management Committee regularly in order to make decisions about resources to be allocated to the segment and assess its performance.

The businesses operated by each business unit are as follows:

Wholesale Business Unit:	Business to deal with domestic medium-to-large-sized and small-to-medium-sized corporate customers
Retail Business Unit:	Business to deal with mainly domestic individual customers
Global Business Unit:	Business to deal with international (including Japanese) corporate customers in overseas
Global Markets Business Unit:	Business to deal with financial market
Head office account:	Business other than businesses above

**2. Method of calculating profit and loss amount by reportable segment**

Accounting methods applied to the reported business segment are the same as those described in "(Significant accounting policies for preparing consolidated financial statements)." In case several business units cooperate for transactions, profit and loss, and expenses related to the transactions are recognized in the business units cooperating for the transactions and those amounts are calculated in accordance with internal managerial accounting policy.

The Company does not assess assets by business segments.

### 3. Information on profit and loss amount by reportable segment

	Millions of yen					
	Wholesale Business Unit	Retail Business Unit	Global Business Unit	Global Markets Business Unit	Head office account and others	Total
<b>Year ended March 31, 2021</b>						
Consolidated gross profit	¥ 634,900	¥ 1,127,400	¥ 723,700	¥ 460,700	¥ (140,513)	¥ 2,806,187
General and administrative expenses	(299,900)	(910,400)	(383,300)	(82,900)	(70,644)	(1,747,144)
Others	53,500	2,200	26,300	35,700	(92,728)	24,972
Consolidated net business profit	¥ 388,500	¥ 219,200	¥ 366,700	¥ 413,500	¥ (303,885)	¥ 1,084,015

Notes: 1. Figures shown in the parenthesis represent the loss.  
 2. "Others" includes equity in profit and loss of affiliates and cooperated profit and loss based on internal managerial accounting.  
 3. "Head office account and others" includes profit or loss to be eliminated as inter-segment transactions.

	Millions of yen					
	Wholesale Business Unit	Retail Business Unit	Global Business Unit	Global Markets Business Unit	Head office account and others	Total
<b>Year ended March 31, 2022</b>						
Consolidated gross profit	¥ 707,500	¥ 1,146,900	¥ 872,000	¥ 390,600	¥ (171,495)	¥ 2,945,505
General and administrative expenses	(303,600)	(935,500)	(461,300)	(92,300)	(28,425)	(1,821,125)
Others	65,800	3,500	20,500	39,800	(101,089)	28,511
Consolidated net business profit	¥ 469,700	¥ 214,900	¥ 431,200	¥ 338,100	¥ (301,010)	¥ 1,152,890

Notes: 1. Figures shown in the parenthesis represent the loss.  
 2. "Others" includes equity in profit and loss of affiliates and cooperated profit and loss based on internal managerial accounting.  
 3. "Head office account and others" includes profit or loss to be eliminated as inter-segment transactions.

### 4. Difference between total amount of consolidated net business profit by reportable segment and ordinary profit on consolidated statements of income (adjustment of difference)

	Millions of yen
<b>Year ended March 31, 2021</b>	
Consolidated net business profit	¥ 1,084,015
Other ordinary income (excluding equity in gains of affiliates)	155,617
Other ordinary expenses	(528,613)
Ordinary profit on consolidated statements of income	¥ 711,018

Note: Figures shown in the parenthesis represent the loss.

	Millions of yen
<b>Year ended March 31, 2022</b>	
Consolidated net business profit	¥ 1,152,890
Other ordinary income (excluding equity in gains of affiliates)	282,625
Other ordinary expenses	(394,893)
Ordinary profit on consolidated statements of income	¥ 1,040,621

Note: Figures shown in the parenthesis represent the loss.

## [Related information]

*Fiscal year ended March 31, 2021*

### 1. Information on each service

There is no information to be disclosed since information on each service is similar to the segment information.

### 2. Geographic information

#### (1) Ordinary income

Millions of yen									
	Japan		The Americas		Europe and Middle East		Asia and Oceania		Total
¥	2,548,661	¥	538,055	¥	292,491	¥	523,099	¥	3,902,307

- Notes:
1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.
  2. Ordinary income from transactions of the Company and its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries is classified as "Japan." Ordinary income from transactions of overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries is classified as "The Americas," "Europe and Middle East" and "Asia and Oceania," based on their locations and in consideration of their geographic proximity and other factors.
  3. The Americas includes the United States, Brazil, Canada and others; Europe and Middle East includes the United Kingdom, Germany and others; Asia and Oceania includes China, Singapore, Indonesia and others except Japan.

#### (2) Tangible fixed assets

Millions of yen									
	Japan		The Americas		Europe and Middle East		Asia and Oceania		Total
¥	906,663	¥	474,507	¥	40,821	¥	36,997	¥	1,458,991

### 3. Information on major customers

There are no major customers individually accounting for 10% or more of ordinary income reported on the consolidated statements of income.

## *Fiscal year ended March 31, 2022*

### 1. Information on each service

There is no information to be disclosed since information on each service is similar to the segment information.

### 2. Geographic information

#### (1) Ordinary income

Millions of yen					
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total	
¥ 2,622,484	¥ 606,120	¥ 289,018	¥ 593,504	¥	4,111,127

- Notes:
1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.
  2. Ordinary income from transactions of the Company and its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries is classified as "Japan." Ordinary income from transactions of overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries is classified as "The Americas," "Europe and Middle East" and "Asia and Oceania," based on their locations and in consideration of their geographic proximity and other factors.
  3. The Americas includes the United States, Brazil, Canada and others; Europe and Middle East includes the United Kingdom, Germany and others; Asia and Oceania includes China, Singapore, Indonesia and others except Japan.

#### (2) Tangible fixed assets

Millions of yen					
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total	
¥ 889,007	¥ 487,105	¥ 36,838	¥ 44,301	¥	1,457,254

### 3. Information on major customers

There are no major customers individually accounting for 10% or more of ordinary income reported on the consolidated statements of income.

#### [Information on impairment loss for fixed assets by reportable segment]

The Company does not allocate impairment loss for fixed assets to the reportable segment.

Impairment loss for the fiscal year ended March 31, 2021 is ¥42,525 million.

Impairment loss for the fiscal year ended March 31, 2022 is ¥108,920 million.

As for the fiscal year ended March 31, 2022, impairment loss of ¥37,795 million (tangible fixed assets ¥5,118 million, intangible fixed assets ¥32,677 million) related to the business assets attributable to the Retail Business Unit at SMBC is recorded.

**[Information on amortization of goodwill and unamortized balance by reportable segment]**

	Millions of yen						Total
	Wholesale Business Unit	Retail Business Unit	Global Business Unit	Global Markets Business Unit	Head office account and others		
<b>Year ended March 31, 2021</b>							
Amortization of goodwill	¥ 633	¥ 4,019	¥ —	¥ —	¥ 14,711	¥ 19,365	
Unamortized balance	5,387	42,060	—	—	100,060	147,508	

	Millions of yen						Total
	Wholesale Business Unit	Retail Business Unit	Global Business Unit	Global Markets Business Unit	Head office account and others		
<b>Year ended March 31, 2022</b>							
Amortization of goodwill	¥ 633	¥ 4,019	¥ —	¥ —	¥ 14,964	¥ 19,618	
Unamortized balance	4,753	38,040	—	—	277,846	320,640	

**[Information on gains on negative goodwill by reportable segment]**

***Fiscal year ended March 31, 2021***

There are no corresponding transactions.

***Fiscal year ended March 31, 2022***

There are no corresponding transactions.

**[Information on related parties]**

***Fiscal year ended March 31, 2021***

There is no significant corresponding information to be disclosed.

***Fiscal year ended March 31, 2022***

There is no significant corresponding information to be disclosed.

## **(Business Combination)**

*Fiscal year ended March 31, 2022*

<Business combination through acquisition>

Fullerton India Credit Company Limited became a consolidated subsidiary of the Company

On November 30, 2021, the Company acquired partial shares of Fullerton India Credit Company Limited (“FICC”) based on the agreement concluded on July 6, 2021 among the Company, Fullerton Financial Holdings Pte. Ltd. and Angelica Investments Pte. Ltd. As a result, FICC and its 1 subsidiary became consolidated subsidiaries of the Company.

### **1. Outline of the business combination**

(1) Name of the acquired company and its business

Name: Fullerton India Credit Company Limited  
Business: Finance-related business

(2) Main reasons for the business combination

By investing in FICC, which has a strong pan-India distribution network with more than 650 branches and offers unsecured loans and loans against property to mainly SMEs, the self-employed, and mass market customers, the Company will gain a retail finance platform in India, which is essential for the expansion of its Asia franchise.

(3) Date of the business combination

November 30, 2021

(4) Legal form of the business combination

Acquisition of stock

(5) Name of the entity after the business combination

Sumitomo Mitsui Financial Group, Inc.

(6) The ratio of acquired voting rights

74.90%

(7) Grounds for deciding on the acquiring company

The Company owns a majority of the voting rights of FICC

### **2. Period of the acquired company's financial results included in the consolidated statements of income of the Company**

From January 1, 2022 to March 31, 2022

### 3. Acquisition cost and consideration of the acquired company

Consideration for the acquisition (cash)	¥	230,314 million
Acquisition cost of the acquired company	¥	230,314 million

### 4. Major acquisition-related cost

Advisory fees, etc.	¥	2,093 million
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### 5. Amount of goodwill, reason for recognizing goodwill, amortization method and the period

#### (1) Amount of goodwill

¥179,196 million

#### (2) Reason for recognizing goodwill

The Company accounted for the difference between the acquisition cost and the fair value of the Company's share of the net assets on the date of the business combination as goodwill.

#### (3) Amortization method and the period

Goodwill is amortized using the straight-line method over 15 years.

### 6. Amounts of assets acquired and liabilities assumed on the date of the business combination

#### (1) Assets

Total assets	¥	402,519 million
Loan and bills discounted	¥	306,412 million

#### (2) Liabilities

Total liabilities	¥	334,271 million
Borrowed money	¥	173,032 million

### 7. The details of contingent consideration specified in the business combination contract and the accounting policy from the fiscal year ended March 31, 2022

#### (1) The details of contingent consideration

The Company pays additional contingent consideration in proportion to the achievement level of the acquired company's performance in the future.

#### (2) The future accounting policy

If the payment of additional contingent consideration is required, acquisition cost of the acquired company is modified assuming contingent consideration was paid when acquired, and the amount of goodwill and the amount of amortization of goodwill are modified.

**8. Amounts allocated to intangible fixed assets other than goodwill, breakdown by component and the weighted average amortization period by component**

Intangible fixed assets other than goodwill	¥	5,504 million	(7 years)
Assets related to customers	¥	5,504 million	(7 years)

**9. Approximate amount and its calculation method of impact on the consolidated statements of income for the fiscal year ended March 31, 2022, assuming that the business combination had been completed at the beginning of the fiscal year**

The estimated amount of such impact is immaterial and disclosure of the information is therefore omitted.

**(Per Share Data)**

As of and year ended March 31	Yen	
	2021	2022
Net assets per share	¥ 8,629.73	¥ 8,825.53
Earnings per share	374.26	515.51
Earnings per share (diluted)	374.08	515.30

Note: Earnings per share and earnings per share (diluted) are calculated based on the following.

Year ended March 31	Millions of yen except number of shares	
	2021	2022
Earnings per share:		
Profit attributable to owners of parent	¥ 512,812	¥ 706,631
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent attributable to common stock	¥ 512,812	¥ 706,631
Average number of common stock during the fiscal year (in thousand)	1,370,213	1,370,737
Earnings per share (diluted):		
Adjustment for profit attributable to owners of parent	¥ (0)	¥ —
Adjustment of dilutive shares issued by consolidated subsidiaries and equity method affiliates	(0)	—
Increase in number of common stock (in thousand)	658	561
Stock acquisition rights	658	561
Outline of dilutive shares which were not included in the calculation of “Earnings per share (diluted)” because they do not have dilutive effect:	—	—

2. Net assets per share are calculated based on the following:

March 31	Millions of yen except number of shares	
	2021	2022
Net assets	¥ 11,899,046	¥ 12,197,331
Amounts excluded from Net assets	72,627	99,116
Stock acquisition rights	1,791	1,475
Non-controlling interests	70,836	97,641
Net assets attributable to common stock at the fiscal year-end	¥ 11,826,418	¥ 12,098,215
Number of common stock at the fiscal year-end used for the calculation of Net assets per share (in thousands)	1,370,427	1,370,819

**(Significant Subsequent Events)**

There is no significant corresponding information to be disclosed.

[Consolidated supplementary financial schedules]

[Schedule of bonds]

Company	Type of bonds	Date of issuance	Millions of yen		Percentages	Collateral	Date of maturity
			At the beginning of the fiscal year	At the end of the fiscal year	Interest rate (Note 1)		
The Company	Straight bonds, payable in U.S. dollars (Notes 3 and 4)	Mar. 2016 ~	4,703,467	5,515,326	0.074 ~	None	Jul. 2022 ~ Jan. 2052
		Jan. 2022	(\$42,484,578 thousand) [581,227]	(\$45,050,200 thousand) [766,085]	4.306		
	Straight bonds, payable in Euro (Notes 3 and 4)	Jun. 2016 ~	(€6,810,872 thousand)	(€6,314,951 thousand)	0 ~	None	Jun. 2022 ~ Feb. 2033
		Oct. 2020	[64,875]	[102,607]	1.716		
	Straight bonds, payable in Australian dollars (Notes 3 and 4)	Sep. 2016 ~	(A\$2,955,156 thousand)	(A\$1,956,051 thousand)	1.315 ~	None	Mar. 2023 ~ Jul. 2028
		Oct. 2019	[84,254]	[68,846]	4.13		
	Straight bonds, payable in Hong Kong dollars (Note 3)	Apr. 26, 2018	(HK\$300,000 thousand)	(HK\$300,000 thousand)	3.54	None	Apr. 26, 2028
		Sep. 2014 ~ Sep. 2016	371,946	371,932	1.328		
	Subordinated bonds, payable in Yen	Mar. 16, 2018	233,754	99,982	0.585	None	Mar. 16, 2028
		Perpetual subordinated bonds, payable in Yen	Jul. 2015 ~ Jan. 2022	648,878	733,998		
Subordinated bonds, payable in U.S. dollars (Note 3)	Apr. 2014 ~ Sep. 2021	341,689 (\$3,086,344 thousand)	483,265 (\$3,947,924 thousand)	2.142 ~ 4.436	None	Apr. 2024 ~ Sep. 2041	
	SMBC	Straight bonds, payable in U.S. dollars (Notes 3 and 4)	Jul. 2012 ~	486,088			469,015
Dec. 2018			(\$4,390,645 thousand) [61,997]	(\$3,831,516 thousand) [153,012]	4.13		
Straight bonds, payable in U.S. dollars (Note 3)		May. 28, 2015	72,515 (\$655,000 thousand)	80,178 (\$655,000 thousand)	4.3	None	May. 30, 2045
		Straight bonds, payable in Euro (Notes 3 and 4)	Jul. 24, 2013	162,034 (€1,248,821 thousand) [97,312]	68,346 (€499,570 thousand) [—]		
Straight bonds, payable in Australian dollars (Note 3)			Mar. 2015 ~	11,231	12,242	2.9 ~	None
		Dec. 2018	(A\$133,195 thousand) 23,054	(A\$133,197 thousand) 11,808	3.67		
Straight bonds, payable in Hong Kong dollars (Notes 3 and 4)		Apr. 30, 2015	(HK\$1,619,000 thousand) [12,303]	(HK\$755,000 thousand) [—]	2.92	None	Apr. 30, 2025
		Straight bonds, payable in Thai baht (Notes 3 and 4)	Nov. 8, 2018	(THB2,000,000 thousand) [7,080]	—		
Straight bonds, payable in Chinese Yuan (Note 3)			Jun. 8, 2020	16,860 (CNY1,000,000 thousand)	19,260 (CNY1,000,000 thousand)	3.2	None
		Subordinated bonds, payable in Yen (Note 4)	Jun. 2011 ~	139,935	59,996	2.17 ~	
Dec. 2011	[79,940]		[—]	2.21			
Perpetual subordinated bonds, payable in U.S. dollars (Notes 3 and 4)	Mar. 1, 2012	165,962 (\$1,499,074 thousand) [165,976]	—	—	—	—	
	(*1)	Consolidated subsidiaries, straight bonds, payable in Yen (Notes 2 and 4)	Feb. 2012 ~	444,891			572,920
Mar. 2022			[128,911]	[168,376]	20		
(*2)	Consolidated subsidiaries, straight bonds, payable in U.S. dollars (Notes 2,3 and 4)	Oct. 2016 ~	42,198	42,153	0.01 ~	None	Apr. 2022 ~ Nov. 2037
		Mar. 2022	(\$381,166 thousand) [6,272]	(\$344,360 thousand) [4,636]	3.2		
(*3)	Consolidated subsidiaries, straight bonds, payable in Euro (Notes 2 and 3)	Dec. 18, 2018	77 (€600 thousand)	54 (€400 thousand)	0.1	None	Dec. 18, 2023
		(*4)	Consolidated subsidiaries, straight bonds, payable in Australian dollars (Notes 2,3 and 4)	Mar. 2017 ~	1,178		
Dec. 2018	(A\$13,978 thousand) [548]			(A\$5,790 thousand) [39]	0.75		
(*5)	Consolidated subsidiaries, straight bonds, payable in Turkish lira (Notes 2,3 and 4)	Jul. 2017 ~	2,443	821	0.01 ~	None	Apr. 2022 ~ Oct. 2023
		Oct. 2018	(TRY183,200 thousand) [982]	(TRY98,290 thousand) [581]	15		

(*6)	Consolidated subsidiaries, straight bonds, payable in Indonesia rupiah (Notes 2,3 and 4)	Nov. 27, 2019	7,552 (IDR993,783,810 thousand) [—]	8,473 (IDR996,888,908 thousand) [6,791]	7.55 ~ 7.75	None	Nov. 2022 ~ Nov. 2024
(*7)	Consolidated subsidiaries, straight bonds, payable in Chinese Yuan (Notes 2,3 and 4)	Jan. 2022 ~ Mar. 2022	3,030 (CNY179,752 thousand) [3,034]	62,982 (CNY3,270,100 thousand) [63,172]	0	None	Apr. 2022 ~ Jun. 2022
(*8)	Consolidated subsidiaries, straight bonds, payable in Indian rupee (Notes 2,3 and 4)	Apr. 2013 ~ Mar. 2022	—	103,786 (INR,64,065,950 thousand) [40,759]	5.5 ~ 10.6	None	Apr. 2022 ~ Jan. 2028
(*9)	Consolidated subsidiaries, subordinated bonds, payable in Indian rupee (Notes 2,3 and 4)	Sep. 2012 ~ Oct. 2021	—	22,608 (INR13,955,850 thousand) [3,713]	7.6 ~ 11.4	Existing	Jun. 2022 ~ Oct. 2031
(*10)	Consolidated subsidiaries, subordinated bonds, payable in Yen (Note 2)	Dec. 1997 ~ Feb. 1998	20,000	20,000	4 ~ 4.15	None	Jan. 28, 2028
(*11)	Consolidated subsidiaries, short-term bonds, payable in Yen (Notes 2 and 4)	Jun. 2021 ~ Mar. 2022	585,000 [585,000]	442,000 [442,000]	(0.01) ~ 0.01	None	Apr. 2022 ~ Dec. 2022
Total		—	¥9,628,031	¥10,250,107	—	—	—

- Notes:
1. "Interest rate" indicates a nominal interest rate which is applied at respective consolidated balance sheet dates. Therefore, this rate may differ from an actual interest rate.
  2. (\*1) This represents straight bonds issued in Yen by SMBC Nikko, a domestic consolidated subsidiary.  
(\*2) This represents straight bonds issued in U.S. dollar by SMBC Nikko, a domestic consolidated subsidiary.  
(\*3) This represents straight bonds issued in Euro by SMBC Nikko, a domestic consolidated subsidiary.  
(\*4) This represents straight bonds issued in Australian dollar by SMBC Nikko, a domestic consolidated subsidiary.  
(\*5) This represents straight bonds issued in Turkish lira by SMBC Nikko, a domestic consolidated subsidiary.  
(\*6) This represents straight bonds issued in Indonesia rupiah by PT Bank BTPN Tbk, an overseas consolidated subsidiary.  
(\*7) This represents straight bonds issued in Chinese Yuan by Sumitomo Mitsui Banking Corporation (China) Limited, an overseas consolidated subsidiary.  
(\*8) This represents straight bonds issued in Indian rupee by Fullerton India Credit Company Limited which became an overseas consolidated subsidiary of the Company from the fiscal year ended March 31, 2022.  
(\*9) This represents subordinate term bonds issued in Indian rupee by Fullerton India Credit Company Limited which became an overseas consolidated subsidiary of the Company from the fiscal year ended March 31, 2022.  
(\*10) This represents subordinate term bonds issued in Yen by SMBC International Finance N.V., an overseas consolidated subsidiary.  
(\*11) This represents an aggregate of short-term bonds issued in Yen by SMBC Nikko and SMCC, domestic consolidated subsidiaries.
  3. Figures showed in ( ) in "At the beginning of the fiscal year" and "At the end of the fiscal year" are in foreign currency.
  4. Figures showed in [ ] in "At the beginning of the fiscal year" and "At the end of the fiscal year" are the amounts to be redeemed within one year.
  5. The redemption schedule over the next 5 years after respective balance sheet dates of the consolidated subsidiaries was as follows:

Millions of yen					
Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	
¥ 1,820,622	¥ 898,257	¥ 1,179,897	¥ 873,245	¥ 1,570,499	

## [Schedule of borrowings]

Classification	Millions of yen		Percentages	Repayment Term
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rate	
Borrowed money	¥ 17,679,690	¥ 18,877,990	0.21	—
Other borrowings	17,679,690	18,877,990	0.21	Apr. 2022 ~ Perpetual
Lease obligations	28,835	29,030	2.64	Apr. 2022 ~ Jul. 2022

- Notes: 1. “Average interest rate” represents the weighted average interest rate based on the interest rates and “At the end of the fiscal year” at respective balance sheet dates of consolidated subsidiaries.  
2. The redemption schedule over the next 5 years on Borrowings and Lease obligations after respective balance sheet dates of the consolidated subsidiaries was as follows:

	Millions of yen				
	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years
Other borrowings	¥ 8,765,083	¥ 2,728,697	¥ 4,541,966	¥ 1,748,860	¥ 108,539
Lease obligations	7,951	6,998	5,630	4,616	1,829

Since the commercial banking business accepts deposits and raises and manages funds through the call loan and commercial paper markets as a normal course of business, the schedule of borrowings shows a breakdown of Borrowed money included in the “Liabilities” and Lease obligations included in “Other liabilities” in the consolidated balance sheet.

Reference: Commercial paper issued for funding purpose as a normal course of business is as follows:

	Millions of yen		Percentage	Repayment Term
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rate	
Commercial paper	¥ 1,686,404	¥ 1,866,366	0.34	Apr. 2022 ~ Sep. 2022

## [Schedule of asset retirement obligations]

Since the amount of asset retirement obligations accounts for 1% or less than the total of liabilities and net assets, the schedule of asset retirement obligation is not disclosed.

## [Others]

Quarterly consolidated financial information in the fiscal year ended March 31, 2022 is as follows:

	Millions of yen (except Earnings per share)			
	First quarter consolidated total period	Second quarter consolidated total period	Third quarter consolidated total period	Fiscal year ended March 31, 2022
Ordinary income	¥ 951,725	¥ 1,965,482	¥ 2,995,751	¥ 4,111,127
Income before income taxes	284,812	626,759	862,152	929,588
Profit attributable to owners of parent	203,243	456,068	624,795	706,631
Earnings per share	148.30	332.74	455.82	515.51

  

	Yen			
	First quarter consolidated accounting period	Second quarter consolidated accounting period	Third quarter consolidated accounting period	Fourth quarter consolidated accounting period
Earnings per share	¥ 148.30	¥ 184.43	¥ 123.08	¥ 59.70

(Non-consolidated financial statements)

1. Non-consolidated balance sheets

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
<b>Assets:</b>			
<b>Current assets</b>			
Cash and due from banks .....	¥ 221,992	¥ 319,147	\$ 2,607
Prepaid expenses .....	401	713	6
Accrued income .....	45,877	47,870	391
Accrued income tax refunds .....	4,380	28,074	229
Current portion of long-term loans receivables from subsidiaries and affiliates .....	741,493	936,602	7,651
Other current assets .....	88,583	84,127	687
Total current assets .....	1,102,729	1,416,534	11,572
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Buildings .....	38,262	38,824	317
Land .....	31,454	31,454	257
Equipment .....	326	964	8
Construction in progress .....	772	100	1
Total tangible fixed assets .....	70,815	71,344	583
<b>Intangible fixed assets</b>			
Software .....	474	3,703	30
Total intangible fixed assets .....	474	3,703	30
<b>Investments and other assets</b>			
Investment securities .....	2,200	43	0
Investments in subsidiaries and affiliates .....	6,393,634	6,625,337	54,124
Long-term loans receivable from subsidiaries and affiliates .....	7,454,394	8,132,822	66,439
Long-term prepaid expenses .....	438	273	2
Deferred tax assets .....	472	540	4
Other investments and other assets .....	220	2,487	20
Total investments and other assets .....	13,851,362	14,761,505	120,591
Total fixed assets .....	13,922,653	14,836,553	121,204
<b>Total assets</b> .....	¥ 15,025,382	¥ 16,253,088	\$ 132,776
<b>Liabilities:</b>			
<b>Current liabilities</b>			
Short-term borrowings .....	¥ 1,278,030	¥ 1,508,030	\$ 12,320
Accounts payable .....	17,913	14,903	122
Accrued expenses .....	45,025	47,993	392
Income taxes payable .....	12	13	0
Business office taxes payable .....	65	48	0
Reserve for employee bonuses .....	747	744	6
Reserve for executive bonuses .....	569	529	4
Current portion of bonds .....	730,422	936,602	7,651
Current portion of long-term borrowings .....	11,071	—	—
Other current liabilities .....	1,699	4,055	33
Total current liabilities .....	2,085,555	2,512,921	20,529
<b>Fixed liabilities</b>			
Bonds .....	6,718,181	7,325,358	59,843
Long-term borrowings .....	237,989	308,975	2,524
Total fixed liabilities .....	6,956,170	7,634,334	62,367
<b>Total liabilities</b> .....	9,041,726	10,147,255	82,896
<b>Net assets:</b>			
<b>Stockholders' equity</b>			
Capital stock .....	2,341,274	2,341,878	19,131
Capital surplus			
Capital reserve .....	1,562,751	1,563,355	12,771
Total capital surplus .....	1,562,751	1,563,355	12,771
Retained earnings			
Other retained earnings			
Voluntary reserve .....	30,420	30,420	249
Retained earnings brought forward .....	2,061,118	2,182,107	17,826

Total retained earnings .....	<u>2,091,538</u>	<u>2,212,527</u>	<u>18,075</u>
Treasury stock .....	<u>(13,698)</u>	<u>(13,402)</u>	<u>(109)</u>
Total stockholders' equity .....	<u>5,981,865</u>	<u>6,104,357</u>	<u>49,868</u>
<b>Stock acquisition rights</b> .....	<u>1,791</u>	<u>1,475</u>	<u>12</u>
<b>Total net assets</b> .....	<u>5,983,656</u>	<u>6,105,832</u>	<u>49,880</u>
<b>Total liabilities and net assets</b> .....	<u>¥ 15,025,382</u>	<u>¥ 16,253,088</u>	<u>\$ 132,776</u>

## 2. Non-consolidated statements of income

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
<b>Operating income:</b>			
Dividends on investments in subsidiaries and affiliates .....	¥ 304,866	¥ 422,366	\$ 3,450
Fees and commissions received from subsidiaries .....	7,817	9,481	77
Interests on loans receivable from subsidiaries and affiliates .....	170,775	184,204	1,505
Total operating income .....	483,459	616,052	5,033
<b>Operating expenses:</b>			
General and administrative expenses .....	30,791	34,499	282
Interest on bonds .....	160,013	172,901	1,412
Interest on long-term borrowings .....	4,516	5,252	43
Total operating expenses .....	195,322	212,653	1,737
<b>Operating profit</b> .....	288,137	403,398	3,295
<b>Non-operating income:</b>			
Interest income on deposits .....	17	9	0
Fees and commissions income .....	0	0	0
Other non-operating income .....	446	136	1
Total non-operating income .....	465	146	1
<b>Non-operating expenses:</b>			
Interest on short-term borrowings .....	4,298	4,735	39
Fees and commissions payments .....	32	130	1
Amortization of bond issuance cost .....	4,695	5,088	42
Other non-operating expenses .....	174	585	5
Total non-operating expenses .....	9,200	10,539	86
<b>Ordinary profit</b> .....	279,402	393,006	3,211
<b>Extraordinary loss:</b>			
Losses on valuation of investment securities .....	—	2,798	23
Losses on valuation of stocks of subsidiaries and affiliates .....	2,943	2,692	22
Total extraordinary loss .....	2,943	5,490	45
<b>Income before income taxes</b> .....	276,458	387,515	3,166
Income taxes-current .....	(5,511)	(7,584)	(62)
Income taxes-deferred .....	3	(67)	(1)
Income taxes .....	(5,508)	(7,651)	(63)
<b>Net income</b> .....	¥ 281,966	¥ 395,167	\$ 3,228
	Yen		U.S. dollars
	2021	2022	2022
<b>Per share data:</b>			
Earnings per share .....	¥ 205.78	¥ 288.29	\$ 2.36
Earnings per share (diluted) .....	205.68	288.17	2.35

### 3. Non-consolidated statements of changes in net assets

	Millions of yen			
	Stockholders' equity			
	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
<b>Year ended March 31, 2021</b>				
Balance at the beginning of the fiscal year .....	¥ 2,339,964	¥ 1,561,442	¥ —	¥ 1,561,442
Changes in the fiscal year:				
Issuance of new stock .....	1,309	1,308		1,308
Cash dividends .....				
Net income .....				
Purchase of treasury stock .....				
Disposal of treasury stock .....			(65)	(65)
Transfer from retained earnings to capital surplus .....			65	65
Net changes in items other than stockholders' equity in the fiscal year .....				
Net changes in the fiscal year .....	1,309	1,308	—	1,308
Balance at the end of the fiscal year .....	¥ 2,341,274	¥ 1,562,751	¥ —	¥ 1,562,751

	Millions of yen		
	Stockholders' equity		
	Retained earnings		
	Voluntary reserve	Retained earnings brought forward	Total retained earnings
<b>Year ended March 31, 2021</b>			
Balance at the beginning of the fiscal year .....	¥ 30,420	¥ 2,046,360	¥ 2,076,780
Changes in the fiscal year:			
Issuance of new stock .....			
Cash dividends .....		(267,143)	(267,143)
Net income .....		281,966	281,966
Purchase of treasury stock .....			
Disposal of treasury stock .....			
Transfer from retained earnings to capital surplus .....		(65)	(65)
Net changes in items other than stockholders' equity in the fiscal year .....			
Net changes in the fiscal year .....	—	14,757	14,757
Balance at the end of the fiscal year .....	¥ 30,420	¥ 2,061,118	¥ 2,091,538

	Millions of yen			
	Stockholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total		
<b>Year ended March 31, 2021</b>				
Balance at the beginning of the fiscal year .....	¥ (13,983)	¥ 5,964,203	¥ 2,064	¥ 5,966,267
Changes in the fiscal year:				
Issuance of new stock .....		2,618		2,618
Cash dividends .....		(267,143)		(267,143)
Net income .....		281,966		281,966
Purchase of treasury stock .....	(61)	(61)		(61)
Disposal of treasury stock .....	347	281		281
Transfer from retained earnings to capital surplus .....		—		—
Net changes in items other than stockholders' equity in the fiscal year .....			(272)	(272)
Net changes in the fiscal year .....	285	17,661	(272)	17,388
Balance at the end of the fiscal year .....	¥ (13,698)	¥ 5,981,865	¥ 1,791	¥ 5,983,656

	Millions of yen			
	Stockholders' equity			
	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
<b>Year ended March 31, 2022</b>				
Balance at the beginning of the fiscal year .....	¥ 2,341,274	¥ 1,562,751	¥ —	¥ 1,562,751
Changes in the fiscal year:				
Issuance of new stock .....	603	603		603
Cash dividends .....				
Net income .....				
Purchase of treasury stock .....				
Disposal of treasury stock .....			(50)	(50)
Transfer from retained earnings to capital surplus .....			50	50
Net changes in items other than stockholders' equity in the fiscal year .....				
Net changes in the fiscal year .....	603	603	—	603
Balance at the end of the fiscal year .....	¥ 2,341,878	¥ 1,563,355	¥ —	¥ 1,563,355

	Millions of yen		
	Stockholders' equity		
	Retained earnings		
	Other retained earnings		
Voluntary reserve	Retained earnings brought forward	Total retained earnings	
<b>Year ended March 31, 2022</b>			
Balance at the beginning of the fiscal year .....	¥ 30,420	¥ 2,061,118	¥ 2,091,538
Changes in the fiscal year:			
Issuance of new stock .....			
Cash dividends .....		(274,127)	(274,127)
Net income .....		395,167	395,167
Purchase of treasury stock .....			
Disposal of treasury stock .....			
Transfer from retained earnings to capital surplus .....		(50)	(50)
Net changes in items other than stockholders' equity in the fiscal year .....			
Net changes in the fiscal year .....	—	120,989	120,989
Balance at the end of the fiscal year .....	¥ 30,420	¥ 2,182,107	¥ 2,212,527

	Millions of yen			
	Stockholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total		
	<b>Year ended March 31, 2022</b>			
Balance at the beginning of the fiscal year .....	¥ (13,698)	¥ 5,981,865	¥ 1,791	¥ 5,983,656
Changes in the fiscal year:				
Issuance of new stock .....		1,207		1,207
Cash dividends .....		(274,127)		(274,127)
Net income .....		395,167		395,167
Purchase of treasury stock .....	(74)	(74)		(74)
Disposal of treasury stock .....	370	320		320
Transfer from retained earnings to capital surplus .....		—		—
Net changes in items other than stockholders' equity in the fiscal year .....			(316)	(316)
Net changes in the fiscal year .....	296	122,492	(316)	122,176
Balance at the end of the fiscal year .....	¥ (13,402)	¥ 6,104,357	¥ 1,475	¥ 6,105,832

	Millions of U. S. dollars			
	Stockholders' equity			
	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
<b>Year ended March 31, 2022</b>				
Balance at the beginning of the fiscal year .....	\$ 19,126	\$ 12,767	\$ —	\$ 12,767
Changes in the fiscal year:				
Issuance of new stock .....	5	5		5
Cash dividends .....				
Net income .....				
Purchase of treasury stock .....				
Disposal of treasury stock .....			(0)	(0)
Transfer from retained earnings to capital surplus .....			0	0
Net changes in items other than stockholders' equity in the fiscal year .....				
Net changes in the fiscal year .....	5	5	—	5
Balance at the end of the fiscal year .....	\$ 19,131	\$ 12,771	\$ —	\$ 12,771

	Millions of U. S. dollars		
	Stockholders' equity		
	Retained earnings		
	Other retained earnings		
	Voluntary reserve	Retained earnings brought forward	Total retained earnings
<b>Year ended March 31, 2022</b>			
Balance at the beginning of the fiscal year .....	\$ 249	\$ 16,838	\$ 17,086
Changes in the fiscal year:			
Issuance of new stock .....			
Cash dividends .....		(2,239)	(2,239)
Net income .....		3,228	3,228
Purchase of treasury stock .....			
Disposal of treasury stock .....			
Transfer from retained earnings to capital surplus .....		(0)	(0)
Net changes in items other than stockholders' equity in the fiscal year .....			
Net changes in the fiscal year .....	—	988	988
Balance at the end of the fiscal year .....	\$ 249	\$ 17,826	\$ 18,075

	Millions of U. S. dollars				
	Stockholders' equity			Stock acquisition rights	Total net assets
	Treasury stock	Total			
<b>Year ended March 31, 2022</b>					
Balance at the beginning of the fiscal year .....	\$ (112)	\$ 48,867	\$ 15	\$ 48,882	
Changes in the fiscal year:					
Issuance of new stock .....		10		10	
Cash dividends .....		(2,239)		(2,239)	
Net income .....		3,228		3,228	
Purchase of treasury stock .....	(1)	(1)		(1)	
Disposal of treasury stock .....	3	3		3	
Transfer from retained earnings to capital surplus .....		—		—	
Net changes in items other than stockholders' equity in the fiscal year .....			(3)	(3)	
Net changes in the fiscal year .....	2	1,001	(3)	998	
Balance at the end of the fiscal year .....	\$ (109)	\$ 49,868	\$ 12	\$ 49,880	

## **Independent Auditor's Report**

To the Board of Directors of  
Sumitomo Mitsui Financial Group, Inc.:

### **Opinion**

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Financial Group, Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. The reasonableness of management's assessment of the reserve for possible loan losses for SMBC's corporate loans

#### **The key audit matter**

In the consolidated balance sheet of Sumitomo Mitsui Financial Group, Inc. and its consolidated subsidiaries (collectively referred to as the "Group") as of March 31, 2022, the reserve for possible loan losses (the "Reserve") was ¥590,744 million on loans and bills discounted (the "Loans") of ¥90,834,056 million (or approximately 35.3% of total assets). Included in such balances were mainly corporate loans and the related reserve of Sumitomo Mitsui Banking Corporation ("SMBC"), a commercial banking subsidiary. As discussed in the "Notes (Additional information)" to the consolidated financial statements, a reserve of ¥75,398 million was recorded for possible loan losses for Russia-related credits.

As discussed in the "Notes (Significant Accounting Policies for Preparing Consolidated Financial Statements), 4. Accounting policies, (5) Reserve for possible loan losses" to the consolidated financial statements, SMBC assesses all claims including the Loans in accordance with the internal criteria for self-assessment of asset quality, and classifies borrowers into credit categories through examining individual

credit risk profiles. On the basis of each borrower category, reserves and/or write-offs are recorded based on the methods including one that uses the historical loan-loss ratios or the probability of default to estimate possible loan losses and a discounted cash flow (DCF) method, in accordance with its internal policy for write-offs and provisions. For claims originated in specific overseas countries, an additional specific overseas reserve is recorded in the amount deemed necessary based on the assessment of political and economic conditions. Additionally, considering the recent economic environment and risk factors, a potential loss amount that was deemed to have incurred in specific portfolios, among others, was recorded in the Reserve at the end of the current fiscal year based on an overall assessment of a probable future outlook for those portfolios that has not been fully captured in the historical data or individual borrower classification.

As discussed in the "Notes (Significant Accounting Estimates)" and the "Notes (Additional information)" to the consolidated financial statements, the assessment of the Reserve for SMBC's corporate loans involved significant estimation uncertainty, and required significant management judgment primarily in the following aspects:

- classifying borrowers into appropriate credit categories through performing a qualitative assessment, including the use of forward-looking information;
- determining whether additional reserves for specific portfolios are deemed necessary, and selecting appropriate methodologies to estimate such additional reserves based on the future outlook in light of the recent economic environment and risk factors; and
- projecting future cash flow scenarios as an input to the DCF method for borrowers with large claims classified mainly as substandard or lower-level classifications.

In the judgment and estimation of these elements during the current fiscal year, the uncertain business environment arising from the current international situation involving Ukraine and the continuing uncertainty of the COVID-19 situation, in particular, required consideration, which included the assessment, for the purpose of measuring potential losses, of (i) the impact of economic sanctions imposed by governments of each country and the countermeasures taken by the Russian government under the current international situation involving Ukraine, and (ii) the impact of changes in the economic environment and market conditions caused by voluntary restraints and other restrictions on social and economic activities due to COVID-19 considering the effects of government support programs on the trends of bankruptcy cases and other attributes.

We, therefore, determined that management's assessment of the Reserve for SMBC's corporate loans, specifically, classifying borrowers into credit categories through a qualitative assessment including the use of forward-looking information, determining whether additional reserves for specific portfolios are deemed necessary based on the future outlook in light of the recent economic environment and risk factors as well as determining appropriate methodologies to estimate such additional reserves, and projecting cash flow scenarios used in the DCF method, was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.

### **How the matter was addressed in our audit**

The primary procedures we performed to assess the reasonableness of management's assessment of the Reserve for SMBC's corporate loans included the following:

#### **(1) Internal control testing**

We evaluated the design and tested the operating effectiveness of certain of SMBC's internal controls over its process to assess the Reserve for SMBC's corporate loans. In this assessment, we focused on the controls that related to the:

- approval of the internal rules for accounting for the Reserve, including the criteria for self-assessment and the policy for write-offs and provisions;
- validation of the obligor grading models;

- classification of individual borrowers into credit categories through a qualitative assessment;
- determination of additional reserves for specific portfolios based on the future outlook in light of the recent economic environment and risk factors; and
- projection of future cash flow scenarios used in the DCF method.

## **(2) Evaluation of the policy for the Reserve and the obligor grading models**

We evaluated the policy for the Reserve for SMBC's corporate loans for compliance with the accounting principles generally accepted in Japan. Additionally, we involved credit risk specialists with industry-specific knowledge and expertise who assisted us in evaluating the appropriateness of the obligor grading models, which provided the basis for borrower classification, through analyzing the consistency of obligor grades with external ratings, and also through a retrospective review of the models' performance.

## **(3) Evaluation of borrower classification taking into account qualitative factors**

For SMBC's corporate borrowers that we selected based on certain criteria, we evaluated the appropriateness of borrower classification taking into account qualitative factors through:

- analyzing the borrowers' current business performance including the sufficiency of liquidity;
- assessing the appropriateness of the borrowers' business plans used as a basis for management's borrower classification, by comparing the plans with the industry outlook and the recent performance, and also by analyzing the impact of stressed scenarios considered by management;
- analyzing the impact of economic sanctions imposed by governments of each country and the countermeasures taken by the Russian government on the borrowers' business performance and liquidity positions, including the assessment of the consistency of the obligor grades with external ratings and the analysis of the current repayment situation; and
- analyzing the forecasts of liquidity position incorporating financial support programs by governments and financial institutions in each country in response to COVID-19 and the borrowers' business plans.

## **(4) Evaluation of the reasonableness of additional reserves for specific portfolios based on the future outlook in light of the recent economic environment and risk factors**

Given the uncertain business environment arising from the current international situation involving Ukraine and the continuing uncertainty of the COVID-19 situation impacting the economic environment, we evaluated the reasonableness of additional reserves for specific portfolios through:

- analyzing the respective industry environment by referencing the relevant indices and other information published by external agencies;
- assessing the appropriateness of the selection of portfolios subject to additional reserves, through the analysis of the impact of the economic sanctions imposed by governments of each country and the countermeasures taken by the Russian government assuming they are prolonged;
- assessing assumptions used in estimating additional reserves, especially the risks of delinquency and loan modifications related to credit exposure in Russia, through the analysis of the impact of the economic sanctions imposed by governments of each country and the countermeasures taken by the Russian government assuming they are prolonged, including the analysis of the observed trend in the repayment of Russian government and corporates;
- assessing the appropriateness of the selection of portfolios subject to additional reserves in relation to COVID-19, by analyzing the effects of financial support programs by governments and financial institutions in each country on the trends of bankruptcy cases and other attributes, and also by analyzing the observed trends in recent revisions of obligor grades by portfolios;
- assessing the consistency of assumptions used in estimating additional reserves, especially the assumption about the extent of the impact changes in economic environment and market conditions caused by voluntary restraints and other restrictions on social and economic activities have had on each portfolio with the respective industry environment; and

- evaluating the appropriateness of the methodologies used to estimate additional reserves considering the nature of and risk factors identified in each portfolio as well as the result of a retrospective review.

#### **(5) Evaluation of future cash flow scenarios used in the DCF method**

For borrowers that we selected based on certain criteria among those for which the reserves were calculated using the DCF method, we evaluated the appropriateness of the borrowers' future cash flow scenarios through:

- assessing the feasibility of the restructuring plans considering the recent economic environment and the prospect of future economic conditions;
- assessing the borrowers' current progress against the restructuring plans; and
- assessing the borrower's ability to repay considering the schedule and underlying sources of repayments based on the restructuring plans.

## 2. Application of impairment accounting for fixed assets in the SMBC Retail Business Unit

### **The key audit matter**

In the consolidated statement of income of the Group for the fiscal year ended March 31, 2022, losses on impairment of fixed assets of ¥ 108,920 million were recorded. As discussed in the "Notes (Significant Accounting Estimates)" to the consolidated financial statements, ¥ 37,795 million of this amount (tangible fixed assets ¥ 5,118 million, intangible fixed assets ¥ 32,677 million) was related to the business assets attributable to the Retail Business Unit at SMBC (the "SMBC Retail Business Unit").

In applying impairment accounting for fixed assets, whenever there is an indication of impairment for an asset group, the Group needs to determine whether an impairment loss should be recognized by comparing the undiscounted future cash flows that are expected to be generated from the respective asset group with its carrying amount. If it is determined that the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recorded as an impairment loss. The recoverable amount is estimated as the higher of either the net realizable value which is calculated by deducting expected disposal costs from the fair value of the fixed assets or the value in use which is the present value of future cash flows expected to be derived from the continuous use and ultimate disposal of the fixed assets.

#### **(1) Identification of assets attributable to the SMBC Retail Business Unit**

Since there was an indication of impairment for the SMBC Retail Business Unit in the current fiscal year, it was necessary to determine whether an impairment loss should be recognized for its business assets that includes corporate assets attributable to the SMBC Retail Business Unit. A management accounting framework was used to identify assets attributable to the SMBC Retail Business Unit.

If the identification of assets attributable to the SMBC Retail Business Unit was not performed reasonably, there may have been a significant impact on the consolidated financial statements.

#### **(2) Estimation of future cash flows**

The SMBC Retail Business Unit has incurred continuing losses from operating activities due to the effect of COVID-19 and other factors, and there was an indication of impairment for corporate assets related to the SMBC Retail Business Unit. Therefore, in the current fiscal year, the Group considered whether an impairment loss shall be recognized for the business assets that includes corporate assets related to the SMBC Retail Business Unit, and determined that the recognition of an impairment loss was deemed necessary since the total amount of estimated undiscounted future cash flows was less than the carrying amounts of the assets. In measuring the impairment loss, the net realizable value was used after comparing the value in use calculated as the present value of future cash flows with the net realizable value.

The future cash flows used to determine whether an impairment loss should be recognized and to calculate the recoverable amount for the purpose of measuring the impairment loss were estimated based on the business plan of the SMBC Retail Banking Unit prepared by management, which takes into account the balance of housing loans, as one of the major assumptions. There was a high degree of uncertainty in these estimates, involving subjective management judgment. If the future cash flows were not properly estimated, the determination on whether an impairment loss should be recognized and the measurement of the impairment loss may have been inappropriate, which may have resulted in a significant impact on the consolidated financial statements.

We, therefore, determined that the application of impairment accounting for fixed assets in the SMBC Retail Business Unit, specifically, the identification of assets attributable to the SMBC Retail Business Unit and the estimation of future cash flows, was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.

### **How the matter was addressed in our audit**

The primary procedures we performed to assess the appropriateness of the application of impairment accounting for fixed assets in the SMBC Retail Business Unit included the following:

#### **(1) Internal control testing**

We evaluated the design and tested the operating effectiveness of certain of SMBC's internal controls related to the application of impairment accounting for fixed assets in the SMBC Retail Business Unit. In this assessment, we focused on the controls that related to the:

- approval of the identification of assets attributable to the SMBC Retail Business Unit; and
- approval of the determination on whether an impairment loss shall be recognized and the measurement of the impairment loss for fixed assets in the SMBC Retail Business Unit, including the estimation of future cash flows.

#### **(2) Evaluation of the reasonableness of the identification of assets attributable to the SMBC Retail Business Unit**

We evaluated the reasonableness of the identification of assets attributable to the SMBC Retail Business Unit through:

- assessing the reasonableness of the Group's policy to determine the scope of assets attributable to the SMBC Retail Business Unit based on the extent of their relevance to the operations and the specific identification method used, by inquiring of the department in charge and reviewing the related approved documents, taking into consideration the method of managing fixed assets at SMBC and the profit and loss management related to the SMBC Retail Business Unit for management reporting purpose; and
- confirming that the identification of assets attributable to the SMBC Retail Business Unit was appropriately performed based on the Group's policy and the specific identification method referred to above, by inquiring of the department in charge and reviewing the results of the identification of assets and the supporting documents, taking into consideration the nature and usage of the identified assets.

#### **(3) Evaluation of the reasonableness of the estimation of future cash flows**

We evaluated the reasonableness of future cash flows used to determine whether an impairment loss should be recognized and to measure the impairment loss in the SMBC Retail Business Unit through:

- assessing the appropriateness of the scope of profit and loss items attributable to the SMBC Retail Business Unit based on their relevance to the operations, by inquiring of the department in charge about the business plan which was the basis for estimating future cash flows, and reviewing the relevant approved documents, with an understanding of the contents and nature of major profit and loss items included in the business plan;

- assessing the reasonableness of the estimation underlying the business plan, by inquiring of the department in charge about the business plan, reviewing the related approved documents, and comparing major profit and loss items included in the business plan with actual results, taking into consideration the impact of the business environment surrounding the SMBC Retail Business Unit on the future cash flows; and
- confirming that the market and competitive environment behind key assumptions including the projected balance of housing loans was consistent with our understanding based on external industry reports.

## **Other Information**

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

## **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the directors and the corporate executive officers' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in basis of presentation in the notes to the consolidated financial statements.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Toshihiro Otsuka  
Designated Engagement Partner  
Certified Public Accountant

/S/ Noriaki Habuto  
Designated Engagement Partner  
Certified Public Accountant

/S/ Kazuhide Niki  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
June 21, 2022

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.