

Special Features



SMBC Group's Digital Strategies Transcending Finance



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Special Feature 1



Senior Managing
Executive Officer
Group CIO
Shoji Masuda

Development of a Next-Generation Core Banking System to Support the Digital Era

SMBC has begun the development of a next-generation core banking system for the purpose of supporting the digitalization of the improvement of customer service and work processes. In this feature, we look at the background for our efforts to develop a system that builds upon our reputation for reliability and efficiency while also offering the flexibility and speed necessary for responding to future changes.

Pursuit of Banking Services Available Anywhere and at Any Time

One goal of the development of a next-generation core banking system is to provide non-stop online services that can be used at any time of day. As transactions become increasingly diverse and global, demand is rising among customers for online services that can be accessed around the clock. Under existing systems, however, online services have to be halted on Sunday nights to undergo maintenance. The next-generation core banking system currently under development will make it possible to conduct online bank transfers and to perform withdrawals or deposits at convenience store ATMs at any time of day. Moreover, this system will offer an expanded range of features, including services for immediate global transactions, such as overseas money transfers, and extended processing windows to increase customer convenience.

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Construction of Forward-Looking Foundations

An important element of redeveloping our systems is to further build upon our reputation for reliability and efficiency while also ensuring that the new system offers the flexibility and speed necessary for responding to future changes.

SMBC has always been swift to update its banking systems. In 1994, then Sumitomo Bank undertook a complete overhaul of its banking systems a step ahead of the rest of the industry. This overhaul entailed the installation of a cutting-edge system for performing large-scale batch processing of account transfer transactions on an individual transaction basis (online batch processing). Furthermore, we were able to integrate our systems at low cost during the 2002 merger, which combined large-scale banks to create Japan's first megabank, by incorporating systems into the banking systems of the former Sumitomo Bank. Later, in 2009 we developed the frameworks necessary for operating all banking programs through open systems. This transformation gave us the option of adopting lower system costs while making it easier to incorporate the latest technologies. The current project for developing a next-generation core banking system uses the approach of expanding systems based on our online systems.

Evolution of SMBC's Banking System

	1994	2002	2009	2016	2021-2025
	4th online development	System integration	Verification of completely open system	Function revision / BCP enhancement	Next-generation banking platform
Characteristics	Online batch processing, compartmentalization, etc.	Integration of banking systems of Sumitomo Bank and Sakura Bank	Completion of verification, partial commercial operation	Mutual backup systems for east and west Japan operations	Open platforms / mainframes; optimal mix architecture
Investment	¥60 billion	¥60 billion	¥5 billion	¥30 billion	¥50 billion
Development	20 thousand man-months	20 thousand man-months	3 thousand man-months	5 thousand man-months	20 thousand man-months

Low-Cost Development through the Utilization of Existing Systems

In renovating our systems, we examined the possibility of completely overhauling systems in ways that included rebuilding existing online systems from scratch. However, a survey of our existing systems produced favorable scores with regard to indicators of program complexity and volume, and there were no aspects of systems that had become inaccessible black boxes. It was therefore judged that there was no need for a complete overhaul of our systems, leading us to take the option of renovating systems while using the existing systems as a base. This approach is projected to allow us to limit system renovation costs to ¥50 billion, as opposed to the hundreds of billions estimated to be necessary for a complete overhaul.

The next-generation core banking system will include an open platform for the utilization of advanced technologies. Through this platform, a ledger mirror database will be compiled by copying the entirety of the general ledger in real time. This methodology will allow for the swift, low-cost development of new functions and products without placing additional burden on the mainframe that monitors the ledger while also making it possible to analyze the ledger in its entirety in real time. In the past, SMBC used an event-based marketing

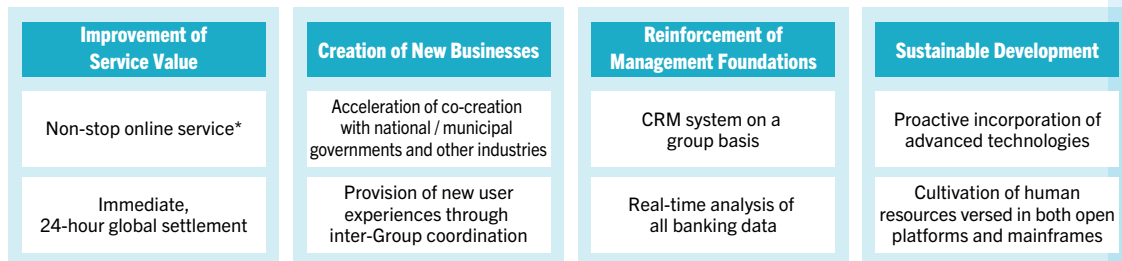
approach through which products were proposed based on customers' transaction histories. Going forward, however, we will use the new system to adopt a one-to-one marketing approach through which we propose the ideal product for each individual customer based on swift analysis of more dynamic customer data. We are also eyeing the development of new businesses as a platform holder. To this end, we are implementing a banking application programming interface (API) for realizing substantial improvements in the connectivity of internal and external systems while accelerating flexible coordination with various partner companies.

At the same time, we will partner with NEC Corporation to outfit the banking system for managing ledgers with a next-generation NEC mainframe to further build upon the reputation for reliability and efficiency we have cultivated thus far.

Optimal Mix of Open Platforms and Mainframes

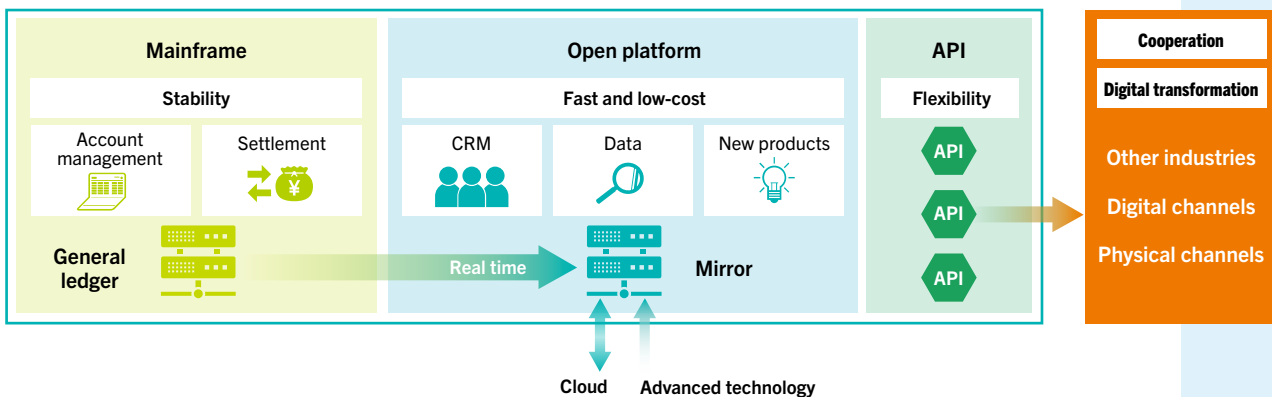
To create a system featuring an optimal mix of open platforms and mainframes, which could be said to be an amalgamation of past system development initiatives, we are utilizing technologies developed in preparation for the transition from our existing systems. Few of the world's financial institutions employ this type of system, and we will have a huge lead on other megabanks in terms of services and functions after the completion of our new system. Going forward, SMBC Group will continue its quest to create unprecedented value in order to accommodate the advancement of the digitalization trend.

Characteristics of Next-Generation Core Banking System



* Excluding days for implementing disaster response drills and other special measures

Transition to a stable and flexible architecture that can respond quickly to environmental changes



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Special Feature 2

DESIGN SHIFT

創造する、銀行の未来を。



Creation of the Financial Group Most Chosen by Customers through the Power of Design

In-House Designers' Efforts to Design Experiences

Customers are at the heart of SMBC Group's digitalization efforts. Through digitalization, we aim to deliver services with the same level of hospitality and dedication as on-site transactions and to provide new experiences that can only be realized through digital technologies. In this feature, we introduce the efforts of the in-house designers who are designing such new experiences to break the mold of their traditional roles and to create new digital services that are unique to SMBC Group.

Design Team

SMBC Group's design team is a group of professionals who passionately believe that design can transform traditional banking culture.

This team has put forth a four-part mission statement (shown on the next page) that guides its members in their uncompromising pursuit of higher-quality services for customers as they seek to strike a balance between business viability and design.



Designer Mission Statement

Strong Presence

A company's presence is reflective of an ability to accomplish goals and influence others.

We believe that design has the power to create positive value for banks as well as for the rest of society, and we will therefore continue our efforts to develop a stronger presence through design.

Core of Design Management

The role of design management is to improve corporate competitiveness through enhanced brand image and increased capacity for innovation.

As an organization that is core to design management, we must remain, in our daily efforts, aware that design, right down to the most minute details of our craft, is directly linked to corporate competitiveness.

First-Rate Personnel, First-Rate Quality

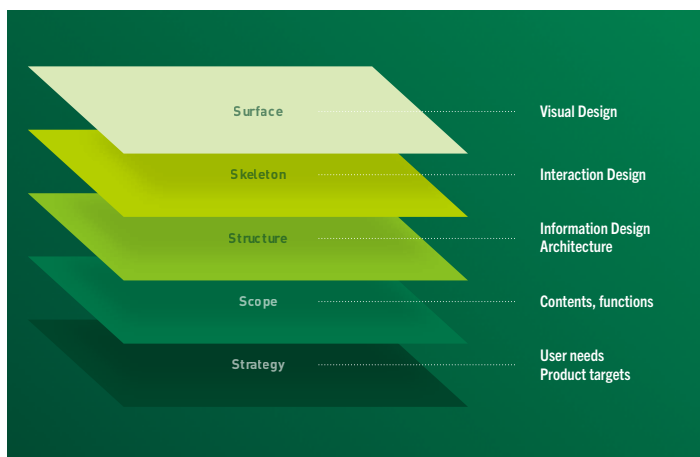
It is a given that customers will be supplied with the desired quality, based on the differences that can only be seen through a professional's eye, at the ideal time.

Our first-rate personnel seek to provide new standards for first-rate quality that overwrite customer expectations.

Self-Sculpted Environment for Excellence

Designers give form to ideas with no tangible form and therefore must be ready, at times, to create the necessary tools for this task.

It is unsightly to complain about lacking the necessary environment; if the environment is lacking, we will sculpt it ourselves.



Role and Domain of In-House Designers

In-house designers are expected to understand SMBC Group's culture and values and to call upon their robust experience and masterful techniques to design services.



Hiroshi Kanazawa

Hiroshi Kanazawa completed a graduate textile design program at Musashino Art University in 2008. After graduating from this program, he went on to act as a modeling artist and a web designer while also working as a fine arts professor before joining a web design company in 2011. At this company, Kanazawa was responsible for developing websites for major companies and on-site online banking services. He became the first designer at SMBC in 2016 and is currently providing his services as a specialist in the Human-Centered Design approach of Human-Centered Design Organization (HCD-Net).



Naoki Kaneko

After graduating from university, Naoki Kaneko joined a recruitment firm in 2004, where he was responsible for corporate marketing. He then started his own company together with a colleague in 2006. His role in this company centered around e-commerce website operation and website and smartphone app planning and production. He moved on in 2013, taking up a website planning, production, and operation position at the marketing arm of a major advertising firm before joining SMBC in 2017. He is also a specialist in the Human-Centered Design approach of HCD-Net.



Yuko Hori

Yuko Hori joined SMBC in 2017 and took up a position designing banking applications, webpages, and banking system user interface and experience. Participating in projects from the upstream design phase, which includes usability tests, user interface specification design, and visual design, she has been involved in proposing and producing concrete design and visual concepts. She is also a specialist in the Human-Centered Design approach of HCD-Net.

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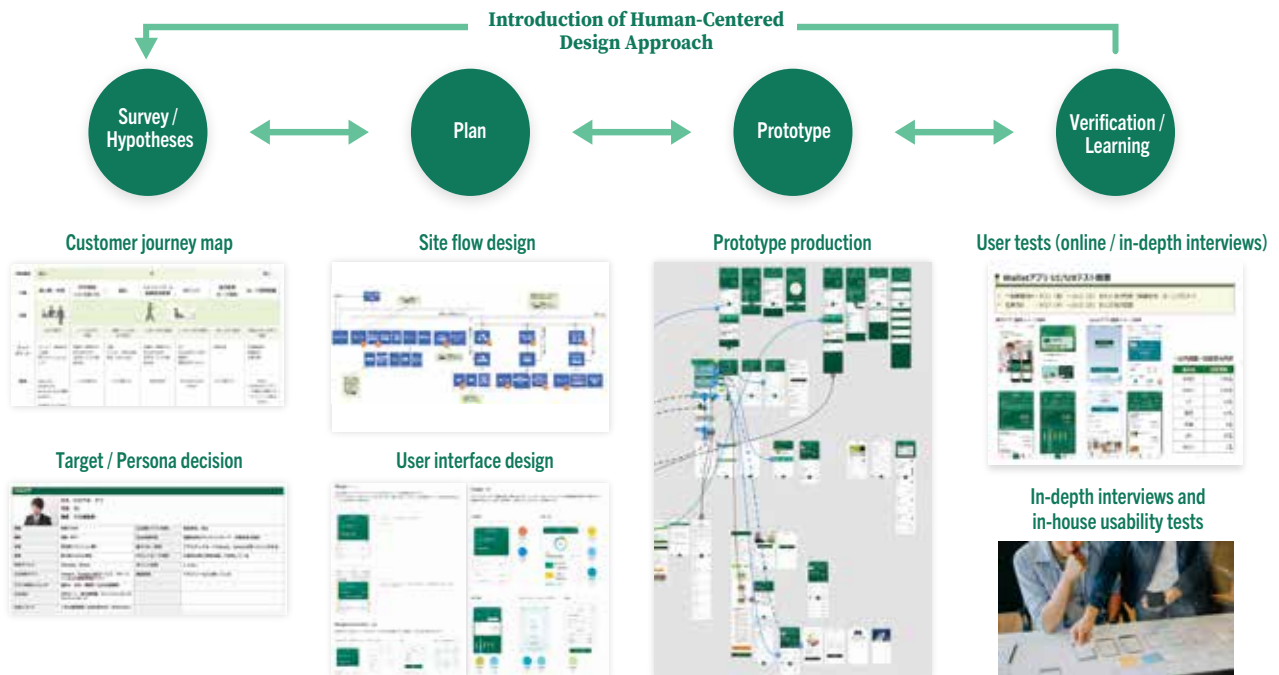
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Efforts of In-House Designers 1

Redesigning of the SMBC App

Creation of an App That is Easy to Use for Digital Novices and Experts Alike
 SMBC views its app as providing an exclusive branch, or approximately 9 million branches* in all, for every customer who downloads the app. This app was redesigned in March 2019. In redesigning the app, in-house designers carefully crafted everything from the function menu, control feel, and coloring to create digital branches that offer the same ease of everyday use and reliable service in times of need that SMBC is known for.

* Approximate number of app downloads as of June 30, 2021



Column

Review of the March 2019 App Redesign

In redesigning our app, we adopted a Human-Centered Design approach that entailed developing the interface based on observations of the natural behavior of people and of user-friendliness.

Through this process and through repeated user tests, we verified every aspect of the app, ranging from button locations and colors to how the screen reacts to taps. At the time, we were among the first in the industry to identify customer demand for a way to track the history of transactions with other, non-SMBC financial institutions in an integrated manner. This recognition prompted us to link data and functions with the Sumitomo Mitsui Card app as well as with the

Moneytree personal finance management app. Other companies have since followed suit. The inclusion of additional functions increases convenience while also creating the risk of making an app too complicated to use. For this reason, the utmost attention was paid to ensuring use was intuitive.

A year-on-year increase of 80% was seen in new downloads in the three-month period after the launch of the redesigned app, and we were even presented with an award for this app in the 2019 GOOD DESIGN AWARD program. Going forward, SMBC Group will ramp up its design initiatives to further the evolution of this app.

Efforts of In-House Designers 2

SMBC Website Redesign

SMBC's website serves as the digital entryway for the Company. On March 22, 2021, a redesigned version of this website was launched. The redesign was based on the concept of providing courteous customer service that is on par with our face-to-face service. In the redesign process, in-house designers fundamentally reinvented the user interface and then went on to install new experiences, such as a questionnaire function that allows us to solicit information on the desires of customers.



Efforts of In-House Designers 3

SMBC Tablets

Digital technologies are transforming how we communicate with customers even in face-to-face settings. Seeking to make our time with customers more meaningful, members of our sales staff teamed up with in-house designers to reinvent our sales-use tablets through a process of ongoing discussion and user tests. The reinvented tablets feature several new functions, such as favorite registries and "My Folder" functions that contribute to smooth sales proposals.



Efforts of In-House Designers 4

Design System

SMBC Group is committed to providing its customers with consistent service, even as its range of customer contact points expands to include venues such as its website, internet banking, apps, and SMBC tablets. To facilitate service consistency, we have prepared a design system as a shared development tool through an effort centered on in-house designers. This design system will be used as the basis for the services that we supply going forward.



Other Design Team Efforts



Official note Account

In-house designers operate our official note account that provides information on design-related activities.



Designer Website

SMBC Group has created a website that displays designer profiles and introduces the projects of these designers. Also, we have ramped up the recruitment of mid-career designers.

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Special Feature 3

Digital Solutions for Corporate Clients Breaking the Mold of a Financial Group

SMBC Group is keen to support the growth of SMEs by helping them address their operational streamlining issues with digital tools.

Ryo Namiki

President & CEO
Plari Town, Inc.

Ryo Namiki joined SMBC in 2008. After holding positions in corporate marketing, the Wholesale Banking Unit, and the Corporate Digital Solution Department, he became president & CEO of Plari Town, Inc., in May 2020.

SMBC Group has defined the development of digital solutions for corporate clients as one of the key strategies of its Medium-Term Management Plan. This strategy is aimed at resolving the management issues of corporate clients and at creating new business value.

The forerunners of our digital strategies are SMBC CLOUDSIGN, Inc., and Plari Town, Inc. SMBC Group is encouraging in-house entrepreneurial ventures by supporting the ambitious and unprecedented undertakings of employees through a CEO production project. Both SMBC CLOUDSIGN and Plari Town, Inc., are led by CEOs in their 30s who have been appointed through this project.

In this feature, we look at the new endeavors of these two companies that break the mold of a financial group.

Through partnerships between large and venture companies, we aim to provide new solutions that go beyond the traditional domain of banks.

Hideki Mishima

President & CEO
SMBC CLOUDSIGN, Inc.

Hideki Mishima entered SMBC as a mid-career hire in 2018. He was initially assigned responsibility for overseeing our digital innovation center, "hoops link tokyo," and for developing new businesses. He became president & CEO of SMBC CLOUDSIGN in October 2019.



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New Standard for Contracts

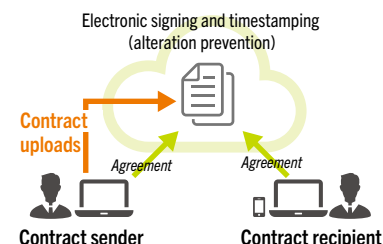
SMBC CLOUDSIGN

SMBC CLOUDSIGN was established in October 2019 as a joint venture between Bengo4.com, Inc., and SMBC Group to provide electronic contract services. Based on its business vision of transforming Japanese legacy cultures and business processes centered on contracts, this company supplies cloud-based electronic contract services that allow all aspects of contract conclusion, ranging from signing to storage, to be performed online. SMBC CLOUDSIGN's services allow users to upload contracts for which negotiations have been completed to a cloud server, after which the counterparty can confirm and approve the contract online, resulting in its conclusion. This process expedites contract conclusion while reducing costs and making it easier to search for contract details.

The COVID-19 pandemic is spurring a shift away from traditional paper-based contract procedures, and cloud-based electronic contract services are gathering attention amid this transformation in traditional paper-based contract procedures.

Framework of SMBC CLOUDSIGN's Services

Cloud-based electronic contract services covering everything from signing to management



Support for the Digitalization of Mid-Sized Companies and SMEs

Plari Town, Inc.

Plari Town, Inc., was established in May 2020. At the same time, this company launched its PlariTown corporate digital platform for supporting the digitalization efforts of mid-tier companies and small-medium enterprises (SMEs) in Japan. The full-fledged provision of services through this platform was commenced in December 2020.

PlariTown coordinates with not just SMBC Group services but also the business apps and services of partner service providers to provide individualized information and digital services matched to customer needs. These services exceed the boundaries of finance to contribute to increased competitiveness by addressing customer issues related to operational streamlining and other aspects of management.



PlariTown Service Examples

Information Provision

Transmission of information that is helpful to everyday operations (articles, reports, etc.)

Video Content and Online Seminars

Provision of seminars and video content for PlariTown members

Partners' Services

Supply of services of partners together with digital services of SMBC Group



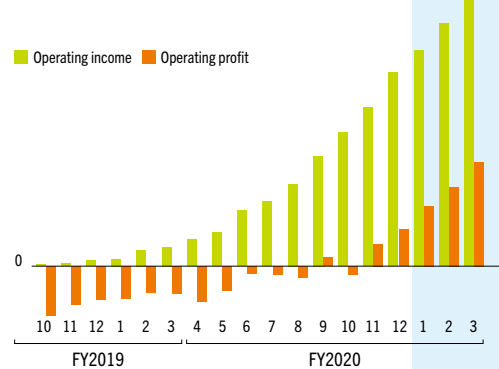
Source of Competitiveness for Winning Out in the Electronic Contract Market

The electronic contract market is currently home to fierce competition stimulated by the increasing entry of new players. SMBC CLOUDSIGN is able to exhibit competitiveness in this market by capitalizing on its large market share and the reliability associated with the SMBC brand. The combined market shares of SMBC CLOUDSIGN and Bengo4.com make for the top share of the domestic electronic contract market. Furthermore, SMBC CLOUDSIGN can utilize SMBC Group's base of corporate clients in its sales activities. This advantage makes it easier for SMBC CLOUDSIGN to approach large companies and those with long histories than it would be for a standard venture company. In this manner, the business of SMBC CLOUDSIGN will be advanced while coordinating with SMBC Group through means such as calling upon the Group's marketing resources to conduct demand surveys of companies.

New Value Born Out of Partnerships between Large and Venture Companies

SMBC Group aims to become a global solution provider, and the accomplishment of that will require branching out from finance to resolve customer issues in their entirety. In this endeavor, partnerships between large and venture companies will be an important theme for creating new businesses based on ideas from employees. Through these partnerships, we aim to provide new solutions that go beyond the traditional domain of banks. SMBC CLOUDSIGN achieved profitability on a full-year basis in FY2020, a mere year and a half after its inception, with profit that erased the aggregate losses recorded thus far. One contributor to the company was the rise in attempts to move away from traditional paper-based procedures in response to the COVID-19 pandemic. SMBC CLOUDSIGN will continue building its track record in the pursuit of greater contributions to group-wide performance going forward as its management makes daily efforts to be an ongoing source of stimulation for employees as a successful case study for the CEO production project.

Operating Income and Operating Profit



Comprehensive Supply of Digital Services Necessary for Daily Operation

When Plari Town President & CEO Ryo Namiki was working in corporate marketing at SMBC, he often fielded questions from customers about management issues related to operational streamlining. There was a limit to the extent to which the services offered by a bank could be used to address such customer issues. The desire to help resolve these issues was what led to the creation of Plari Town, Inc.

A major characteristic of the Plari Town digital platform of this company is how it spreads beyond the boundaries of financial services to offer various services for supporting daily operations, including accounting, marketing, human resource management, legal affairs, and planning services, on a one-stop basis. As the digitalization trend advances, SMBC Group is keen, as a global solution provider, to support the growth of SMEs by helping them address their operational streamlining issues with digital tools.

Development of a High-Value-Added Digital Platform

A major advantage at the time of the establishment of Plari Town, Inc., was the ability to assemble a team of human resources from both inside and outside of SMBC Group. From SMBC Group, individuals with highly specialized knowledge pertaining to legal affairs, taxation, IT, and other subjects were called. Meanwhile, project members were recruited from among like-minded individuals at various outside partner companies. Having an environment conducive to such a project is a valuable asset to SMBC Group. The thinking and speed of outside partners also helped inform various steps of the process. Such outside perspectives are something to be incorporated into SMBC Group going forward. Plari Town, Inc., will continue to coordinate with various internal and external organizations to heighten value and develop a digital platform for the entire Group.

