MESSAGE FROM GROUP CFO

We will deliver steady growth by bringing the Medium-Term Management Plan to a strong conclusion while increasing corporate value by further improving capital efficiency and proactively disclosing information

On February 24, 2022, Russia invaded Ukraine. At that time, very few people had imagined that Russia would launch a full-scale invasion of Ukraine. There was approximately one month left in our fiscal year, and my attention had already started to turn towards FY2022. Suddenly, I was faced with a slew of unforeseen issues that had to be addressed by the end of March. I instructed my team to take the necessary financial measures after carefully considering the scope of the arising issues while disclosing the status of our Russia business in a proactive, timely manner as part of our efforts to reduce the market's concern. SMBC Group was the first Japanese financial group to disclose details of its Russia exposure, an act for which we received positive feedback from investors and

analysts. I also carefully considered if our initiatives in their existing state were appropriate given the increased uncertainty in our business environment, for example, rising global inflation and interest rates.

Although March was a very hectic month, when I look back over the entire FY2021 it was a year in which I was able to confirm that our business was steadily recovering from the enormous impact of COVID-19 and that we had returned to our originally planned trajectory of growth. As Group CFO, I have also paid close attention to whether the management resources allocated under the Medium-Term Management Plan were producing the anticipated results. As Group CSO, I have carefully reviewed the initiatives established under the seven key strategies based on our core policies of "Transformation and Growth" while reviewing and revising our digital and green initiatives, and those related to other accelerating trends, to ensure they are being carried out at an appropriate pace. In addition, we have laid foundations for our future growth by making several investments for inorganic growth.

As a result, in our financial results for FY2021 we were able to generate strong growth in bottom-line profit while putting aside sufficient capital buffers as a precautionary measure. Unfortunately, the performance of our stock price throughout the year was by no means satisfactory. While the uncertain business environment will continue in FY2022, not only will we achieve the final financial targets established under the Medium-Term Management Plan, we will also plant the seeds of further growth with the next Medium-Term Management Plan in mind and enhance our capital efficiency, which includes accelerating the reduction of our strategic shareholdings so that we can improve our PBR.

Progress of the Medium-Term Management Plan

(1) Overview of FY2021 Results and Targets for FY2022

Although increased credit costs and impairment losses stemming from our aircraft leasing business due to the Russia-Ukraine conflict had a negative impact of approximately ¥100 billion on profit attributable to owners of parent for FY2021, we were still able to generate a final figure of ¥706.6 billion. This number not only exceeds our FY2020 result by ¥193.8 billion, it also exceeds the revised target we announced when releasing our financial results for the first half of FY2021. The key factors behind this were strong growth in consolidated net business profit thanks to the recovery of business activities from the disruptions of COVID-19, and the steady execution of initiatives established under the Medium-Term Management Plan by our Business Units, in addition to a major increase in gains on stocks due to the sale of strategic shareholdings.

For FY2022 we have set targets of ¥1,235 billion for consolidated net business profit and ¥730 billion for profit attributable to owners of parent. These numbers are in line with our promise made at the time of the Medium-Term Management Plan's release to increase consolidated net business profit by ¥100 billion and increase bottom-line profit by a minimum of 10% during the next three years, excluding one-time factors. Increasing net consolidated business profit by more than ¥80 billion on a year-on-year basis in this uncertain business environment is a very challenging target, but by no means an impossible one given the steady recovery of economic activities from COVID-19 and the steady progress of the Medium-Term Management Plan's initiatives. In terms of credit cost, loan loss provisions, including forward-looking ones, in relation to our Russia exposure are at this time deemed sufficient. As Group CFO I will strive to achieve our goal of ¥730 billion for profit attributable to owners of parent for FY2022 to bring our Medium-Term Management Plan to a strong conclusion.

(JPY bn)	Results FY2021	YoY	Target FY2022
Consolidated net business profit	1,152.9	+68.9	1,235
Total credit cost	274.4	(86.1)	210
Ordinary profit	1,040.6	+329.6	1,060
Profit attributable to owners of parent	706.6	+193.8	730

MESSAGE FROM GROUP CFO

Financial Impact of the Russia-Ukraine Conflict

In FY2021, increased credit costs and impairment losses stemming from our aircraft leasing business due to the Russia-Ukraine conflict had a negative impact of approximately ¥100 billion on our bottom-line profit.

For our aircraft leasing business, we booked impairment losses equivalent to approximately half the book value of the leased aircraft, resulting in a negative impact on consolidated net business profit of ¥47 billion. We are processing insurance claims in order to minimize the impact of the said impairment losses on our financials.

In terms of credit cost, we booked costs of ¥75 billion (equivalent to more than 30% of our exposure to Russian borrowers). This figure includes a buffer in case of further deteriorations in the creditworthiness of impacted customers.

In FY2022, we will pay careful attention to developments in the conflict and take necessary actions in a timely manner considering the volatility of the situation; upside scenarios resulting from a de-escalation in the conflict, and further downside scenarios are both possible.

We are producing solid results for our three financial metrics established in the Medium-Term Management Plan to measure profitability, efficiency, and financial soundness. We will continue to focus on business efficiency when conducting business operations.

(2) Seven Key Strategies

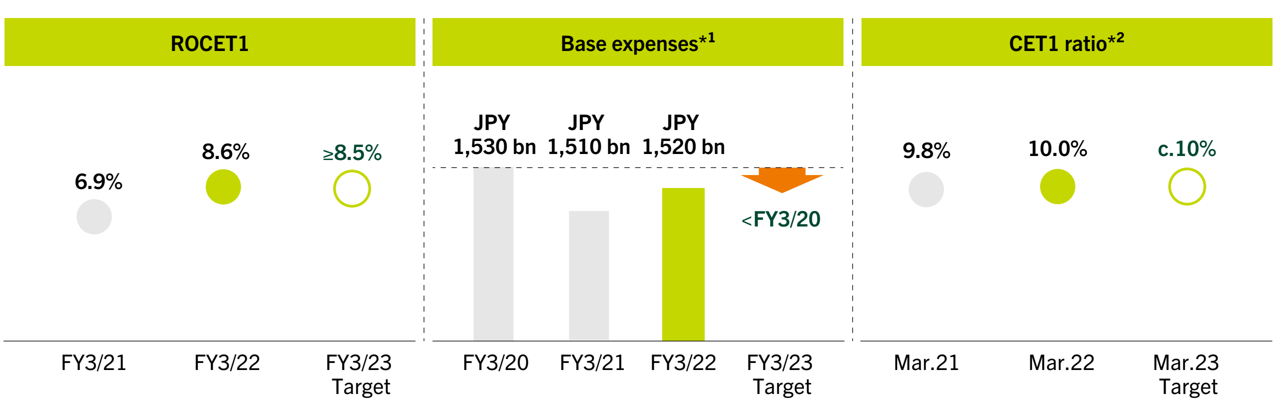
In addition to the prolonged impact of COVID-19, we are experiencing a number of other scenarios, such as the Russia-Ukraine conflict and rising global inflation, that we did not foresee when planning the current Medium-Term Management Plan. However, these events, rather than requiring fundamental changes to our Plan, have in fact accelerated anticipated trends. We must bring our various initiatives to an early conclusion so that we do not fall behind.

In FY2021, we focused on addressing new customer needs that were arising in a post-COVID-19 world while implementing initiatives to address issues that had become visible in the changing business environment.

For example, in our wealth management business SMBC Group companies worked closely together to strengthen our product design capabilities, approach to customers, and online sales. In our payment business, we captured the growth of the cashless payment market by focusing on expanding the customer base of “stera,” our cashless payment platform, and issuing next-generation credit cards. In addition, in our domestic wholesale business there was increased demand for solutions to address issues in business restructuring, real estate business, and other needs which became apparent due to COVID-19, while in our overseas business we introduced products offering high margins in order to enhance capital and asset efficiencies.

We are also carrying out initiatives aimed at realizing medium- to long-term growth by concluding investments and partnerships in our Asia retail business, overseas

Financial Targets



*1 G&A expenses excluding cost related to investment for future growth, revenue linked variable cost and others
Fixed Exchange rate at USD1=JPY105
*2 Post Basel III reforms basis, excludes net unrealized gains on other securities

securities business, and other traditional areas of focus. We will first focus on bringing each investment's PMI to a successful conclusion, and expect these investments to contribute to SMBC Group's revenue stream during the next Medium-Term Management Plan.

By steadily carrying out such initiatives we will ensure that we will reach the various final year targets of the Medium-Term Management Plan while laying the foundations for our next three years of growth.

(3) Cost Control

We initially committed to reducing base expenses by ¥100 billion during the current Medium-Term Management Plan by executing three key initiatives: "Reform of domestic businesses," "Retail branch reorganization," and "Integration of Group operations."

Our various cost control initiatives progressed smoothly with a reduction in base expenses of ¥86 billion being realized over the FY2020-FY2021 period. We realized a reduction of workload operations equivalent to that of 3,900 full-time staff due to digitalization and an increased focus on operational efficiency, and we completed the transition of selected domestic banking offices to branches that focus exclusively on individual customers one year ahead of schedule. COVID-19 accelerating the digital shift had a material impact on the above efforts. We have now upwardly revised our base expense reduction target to between ¥130 billion and ¥140 billion.

At the same time, by procuring funds via additional cost reductions and strategically investing those funds in digitalization and overseas businesses, I want to not only streamline our business model, but also create a positive environment of growth by ensuring that initiatives aimed at generating topline growth are allocated the necessary resources. Investments in IT are absolutely essential when considering future enhancements in efficiency and potential revenue growth that can be generated. We will invest in developing new businesses and enhancing our resilience by allocating funds secured by minimizing the maintenance costs of existing systems and increasing FY2022's investment fund by ¥30 billion.

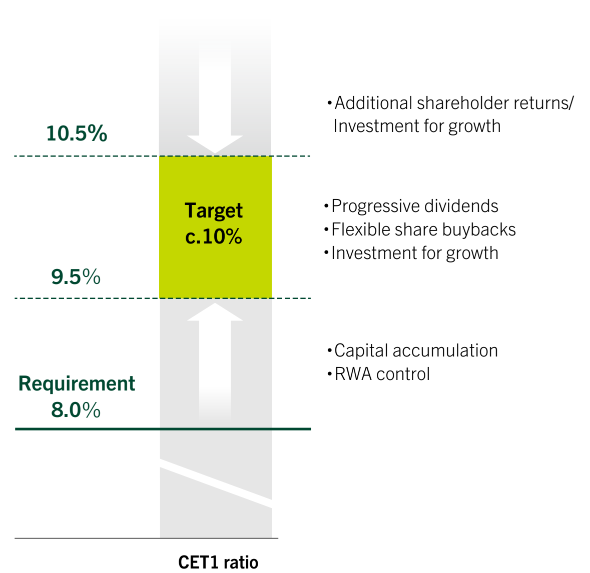
Capital Policy

(1) Basic Capital Policy

Our basic capital policy is to secure financial soundness and take a balanced approach to enhancing shareholder returns and investing for growth. Our CET1 ratio target, a metric we use to measure financial soundness, has been set at approximately 10%. Please note that this figure is calculated taking into account the full implementation of Basel III reforms and excludes unrealized gains on securities. Achieving a 10% CET1 ratio would provide us with a buffer of 2%, a level that allowed us to maintain the required 8% ratio under a variety of stress scenarios.

Up until the end of FY2021, we placed the utmost priority on supporting the liquidity needs of our customers in and outside of Japan who had been adversely affected by COVID-19, leading us to set our CET1 ratio in the range of 9.5% (±0.5%), a 0.5% decrease due to COVID-19 associated credit. Given that as of the end of March 2022 our CET1 ratio had recovered to 10.0%, in FY2022 we will return to our original mindset of managing our capital at a CET1 ratio of approximately 10%.

CET1 Ratio Target



(2) Enhancing Shareholder Returns

Dividends are our principal approach to shareholder returns, and we will continue to pursue a progressive dividend policy, meaning that we will at least maintain, if not increase, dividend payments. Furthermore, in FY2022, the final year of our current Medium-Term Management Plan, we aim to achieve a dividend payout ratio of 40%. To keep this promise we increased our FY2022 dividend forecast by ¥10 to ¥220, resulting in a dividend payout ratio of 41%. Although our dividend payout ratio for FY2020 exceeded 40% due to a decrease in bottom-line profit caused by COVID-19, in the final year of our current Medium-Term Management Plan I am delighted to reach our promised dividend payout ratio along with the expected profit levels.

On the other hand, we announced a ¥100 billion share buyback in November 2021. However, the buyback has yet to be executed given uncertainties arising from the SMBC Nikko Securities case. We will promptly execute the buyback as soon as we determine that share buybacks are appropriate. Furthermore, we refrained from committing to new share buybacks in FY2022 due to the Russia-Ukraine conflict, rising inflation, changes in countries' monetary policies, and other uncertainties in the global economy's outlook. We will continue paying close attention to developments in FY2022 to determine if a new share buyback is appropriate.

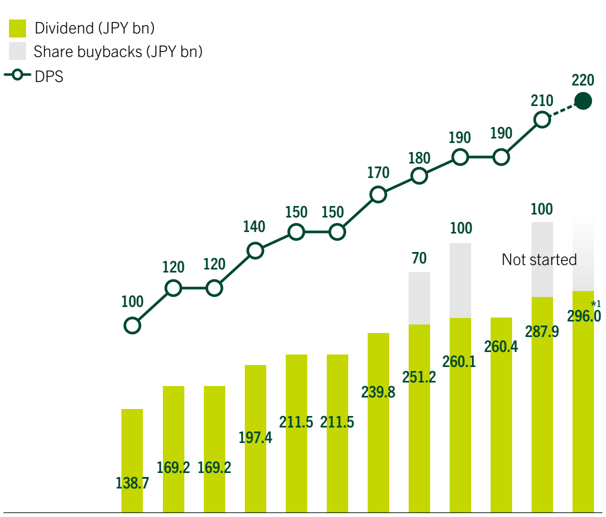
(3) Investment for Growth

"Growth" is a core policy of the current Medium-Term Management Plan. This core policy represents our commitment to pursue quantitative growth that is accompanied by heightened quality from both organic and inorganic perspectives, by ensuring adequate funds are allocated to growth areas.

FY2021 happened to see a number of inorganic transactions come to a close. During the year we made public announcements in quick succession regarding investments and partnerships with Fullerton India in India, FE Credit in Vietnam, RCBC in the Philippines, and Jefferies in the United States. However, I would like to stress the fact that we decided to proceed with these deals only after carefully considering whether they would lead to sustained growth based on our investment criteria: "Fits with our strategy," "ROCET1 ≥ 8.5% after synergies," and "Risk is manageable." The focus of our investments continues to be "Investments with high capital/asset efficiencies" and "Investments that contribute to the creation of a business platform to realize medium- to long-term growth."

In Asia, as part of our Multi-Franchise Strategy we acquired stakes in local financial institutions in India, Vietnam, and the Philippines, in addition to our existing investments in Indonesia, with the aim of establishing a 2nd and 3rd SMBC Group in the region. These investments are the foundations of our future growth in these countries.

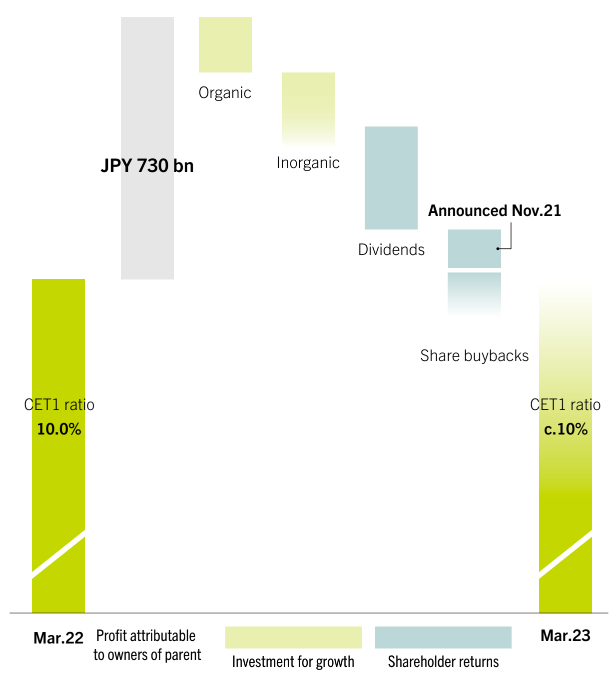
Shareholder Returns



	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E
Dividend payout ratio (%)	27	21	20	26	33	30	33	35	37	51	41	41
Profit attributable to owners of parent (JPY bn)	518.5	794.1	835.4	753.6	646.7	706.5	734.4	726.7	703.9	512.8	706.6	730

*1 After executing share buyback announced in Nov.21

Capital Allocation



Our overseas securities business is unfortunately a business in which we have lagged behind our competitors. As a possible solution, we concluded a strategic capital and business partnership with Jefferies, a major full-line US securities firm. We commenced collaborations in Sub-IG, global M&A, and healthcare sector. We have already closed a number of deals as a result of these collaborations.

In FY2022, we announced the acquisition of Goshawk Management (Ireland) by SMBC Aviation Capital. Through the acquisition we expanded our fleet to approximately 1,000 aircraft and gained access to a new client base. We also announced a capital and business alliance with SBI Holdings for digital financial services for individuals.

Given the quick succession of these inorganic deals, many investors questioned whether SMBC Group was devoting an excessive volume of resources to investment for growth. Given that timing plays a key role in determining whether to proceed with such investments, there will be cases, such as the one we have just experienced, in which multiple deals are executed within a short period of time. Having said this, there will also be periods in which no inorganic investments are made. We will strive to realize sustained growth by nimbly pursuing opportunities in the short-term and striking a balance with share buybacks in the medium- to long-term.

(4) Reducing Strategic Shareholdings

In FY2020, we established a goal to reduce our strategic shareholdings by ¥300 billion over a five year period. Over the past two years, we have succeeded in reducing our strategic shareholdings by ¥122 billion. FY2021 saw a considerable acceleration in our negotiations with customers regarding the reduction of strategic shareholdings with the Tokyo Stock Exchange's reorganization of its existing market structure and the increasing penetration of Japan's Corporate Governance Code acting as strong tailwinds. In addition, we are on pace to reduce our strategic shareholdings by ¥181 billion by the end of March 2022 as we are holding unsold shares valued at ¥58 billion for which we have already obtained the customers' consent to sell.

The reduction of strategic shareholdings is also a very important facet of our capital policy, as it reduces stock price fluctuation risk. We will do our best to reduce strategic shareholdings while ensuring that we continue to engage in close communications with customers as we strive to achieve our target ahead of schedule.

Communicating with Our Stakeholders

It is during times like this, when our business environment is plagued by uncertainty and subject to sudden and material change, that it is vital we disclose information regarding areas of stakeholders' interest in a timely, proactive, and easy to understand manner. SMBC Group executed multiple inorganic deals in rapid succession in FY2021. It is very important that we clearly explain our medium- to long-term plans and continue to provide timely updates on the status of those plans so that our stakeholders understand our overall strategy and goals. While working to improve ROCET1 and ROE by further improving capital efficiency, we will enhance shareholder value by reducing capital costs by minimizing financial and non-financial information asymmetry through the enhancement of our information disclosure efforts.

In FY2021, for the third consecutive year SMBC Group received the top award in the banking category of the annual Award for Excellence in Corporate Disclosure presented by the Securities Analysts Association of Japan. I take great pride in the recognition we have received, and we will face the various opinions of our stakeholders with sincerity and humility so that we can further refine our efforts.

Engaging in constructive discussions with investors and analysts is one of my key responsibilities as Group CFO. Such discussions provide us with valuable opportunities to learn, and to recognize matters that had previously escaped our attention. In FY2021, we held theme-specific meetings in response to heightened interest in SMBC Group's efforts in areas such as investment for growth, shareholder returns, and sustainability. We also received valuable feedback through our regular meetings and IR events.

I will share such feedback with our Board of Directors and senior management team, and will respond directly at IR events or communicate the feedback to the relevant business units so that they are able the reflect the feedback in their initiatives. Through such efforts I believe that we can further enhance communications with stakeholders, and I want to use the enhanced communications to help increase SMBC Group's corporate value and realize our sustained growth.