

SUMITOMO MITSUI BANKING CORPORATION

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

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS MARCH 31, 2021 AND 2022

March 31	Millions of yen		Millions of U.S. dollars	
	2021	2022	2022	
Assets:				
Cash and due from banks	*5 ¥ 70,430,539	*5 ¥ 72,742,334	\$	594,252
Call loans and bills bought	3,253,463	3,265,134		26,674
Receivables under resale agreements	4,827,826	3,856,984		31,509
Receivables under securities borrowing transactions	1,602,444	1,874,221		15,311
Monetary claims bought	4,657,587	5,363,980		43,820
Trading assets	*5 3,408,323	*5 3,780,424		30,883
Money held in trust	0	0		0
Securities	*1, *2, *3, *5, *13 35,493,879	*1, *2, *3, *5, *13 37,465,859		306,069
Loans and bills discounted	*3, *4, *5, *6 86,594,613	*3, *4, *5, *6 92,472,845		755,435
Foreign exchanges	*3, *4 2,164,234	*3, *4 2,799,157		22,867
Lease receivables and investment assets	236,392	228,608		1,868
Other assets	*3, *5 5,063,312	*3, *5 6,312,402		51,568
Tangible fixed assets	*7, *8, *9 1,305,648	*7, *8, *9 1,297,011		10,596
Assets for rent	465,147	456,108		3,726
Buildings	293,501	276,407		2,258
Land	420,760	412,235		3,368
Lease assets	1,806	1,549		13
Construction in progress	15,053	26,580		217
Other tangible fixed assets	109,379	124,129		1,014
Intangible fixed assets	346,534	314,145		2,566
Software	296,265	262,615		2,145
Other intangible fixed assets	50,268	51,529		421
Net defined benefit asset	559,043	616,206		5,034
Deferred tax assets	30,870	52,543		429
Customers' liabilities for acceptances and guarantees	*3 8,618,012	*3 10,342,818		84,493
Reserve for possible loan losses	(526,161)	(678,743)		(5,545)
Total assets	¥ 228,066,567	¥ 242,105,934	\$	1,977,828

CONSOLIDATED BALANCE SHEETS MARCH 31, 2021 AND 2022 — (Continued)

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Liabilities and net assets:			
Liabilities:			
Deposits	*5 ¥ 142,486,668	*5 ¥ 149,249,696	\$ 1,219,261
Negotiable certificates of deposit	12,760,617	13,460,296	109,961
Call money and bills sold	536,515	704,999	5,759
Payables under repurchase agreements	*5 13,720,196	*5 16,350,836	133,574
Payables under securities lending transactions	*5 551,377	*5 305,779	2,498
Commercial paper	1,686,404	1,856,909	15,170
Trading liabilities	2,837,664	2,788,884	22,783
Borrowed money	*5, *10 25,061,421	*5, *10 26,887,509	219,651
Foreign exchanges	1,154,507	1,265,002	10,334
Bonds	*11 1,115,496	*11 812,303	6,636
Due to trust account	*5, *12 2,321,223	*5, *12 2,443,873	19,965
Other liabilities	5,249,597	5,980,727	48,858
Reserve for employee bonuses	42,033	44,526	364
Reserve for executive bonuses	1,481	1,497	12
Net defined benefit liability	5,406	10,985	90
Reserve for executive retirement benefits	635	580	5
Reserve for point service program	603	870	7
Reserve for reimbursement of deposits	9,982	5,767	47
Deferred tax liabilities	620,747	343,017	2,802
Deferred tax liabilities for land revaluation	*7 29,603	*7 29,193	238
Acceptances and guarantees	*5 8,618,012	10,342,818	84,493
Total liabilities	218,810,197	232,886,075	1,902,509
Net assets:			
Capital stock	1,770,996	1,770,996	14,468
Capital surplus	1,966,300	1,966,205	16,062
Retained earnings	3,676,110	3,867,551	31,595
Treasury stock	(210,003)	(210,003)	(1,716)
Total stockholders' equity	7,203,404	7,394,750	60,410
Net unrealized gains (losses) on other securities	1,748,263	1,253,370	10,239
Net deferred gains (losses) on hedges	28,751	(74,044)	(605)
Land revaluation excess	*7 36,251	*7 36,320	297
Foreign currency translation adjustments	12,494	361,502	2,953
Accumulated remeasurements of defined benefit plans	125,380	118,548	968
Total accumulated other comprehensive income	1,951,141	1,695,697	13,853
Non-controlling interests	101,823	129,411	1,057
Total net assets	9,256,369	9,219,858	75,319
Total liabilities and net assets	¥ 228,066,567	¥ 242,105,934	\$ 1,977,828

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2021 AND 2022

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Ordinary income	¥ 2,786,647	¥ 2,990,450	\$ 24,430
Interest income	1,621,117	1,657,035	13,537
Interest on loans and discounts	1,168,345	1,157,042	9,452
Interest and dividends on securities	274,694	333,532	2,725
Interest on call loans and bills bought	12,031	15,921	130
Interest on receivables under resale agreements	21,513	10,382	85
Interest on receivables under securities borrowing transactions	450	588	5
Interest on deposits with banks	17,010	20,208	165
Interest on lease transactions	6,540	6,932	57
Other interest income	120,531	112,426	918
Trust fees	4,895	5,940	49
Fees and commissions	632,005	710,850	5,807
Trading income	71,141	13,223	108
Other operating income	332,118	333,705	2,726
Lease-related income	33,074	33,982	278
Other	299,044	299,722	2,449
Other income	125,367	269,696	2,203
Recoveries of written-off claims	1,288	1,757	14
Other	*1 124,079	*1 267,938	2,189
Ordinary expenses	2,251,924	2,122,601	17,340
Interest expenses	529,752	382,255	3,123
Interest on deposits	152,365	90,226	737
Interest on negotiable certificates of deposit	35,878	21,468	175
Interest on call money and bills sold	1,800	1,458	12
Interest on payables under repurchase agreements	15,581	9,702	79
Interest on payables under securities lending transactions	(60)	24	0
Interest on commercial paper	6,029	2,251	18
Interest on borrowed money	203,137	201,368	1,645
Interest on bonds	44,347	37,475	306
Other interest expenses	70,673	18,279	149
Fees and commissions payments	175,991	170,125	1,390
Trading losses	—	14,443	118
Other operating expenses	97,188	156,320	1,277
Lease-related expenses	23,419	24,989	204
Other	73,768	131,331	1,073
General and administrative expenses	*2 1,067,621	*2 1,113,576	9,097
Other expenses	381,371	285,879	2,335
Provision for reserve for possible loan losses	240,028	185,632	1,516
Other	*3 141,342	*3 100,246	819
Ordinary profit	534,722	867,849	7,090

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Extraordinary gains	¥ 9,439	¥ 1,698	\$ 14
Gains on disposal of fixed assets	9,035	1,698	14
Other extraordinary gains	404	—	—
Extraordinary losses	13,772	110,423	902
Losses on disposal of fixed assets	4,324	2,177	18
Losses on impairment of fixed assets	*4 9,448	*4 108,246	884
Income before income taxes	530,389	759,124	6,201
Income taxes-current	183,672	223,715	1,828
Income taxes-deferred	(68,020)	(40,591)	(332)
Income taxes	115,651	183,124	1,496
Profit	414,737	576,000	4,705
Profit attributable to non-controlling interests	8,644	7,755	63
Profit attributable to owners of parent	¥ 406,093	¥ 568,244	\$ 4,642

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2021 AND 2022

Year ended March 31	Millions of yen		Millions of
	2021	2022	U.S. dollars
Profit	¥ 414,737	¥ 576,000	\$ 4,705
Other comprehensive income (losses)	*1 823,809	*1 (248,056)	(2,026)
Net unrealized gains (losses) on other securities	622,340	(492,606)	(4,024)
Net deferred gains (losses) on hedges	(82,684)	(112,117)	(916)
Foreign currency translation adjustments	69,595	342,257	2,796
Remeasurements of defined benefit plans	213,628	(7,360)	(60)
Share of other comprehensive income of affiliates	929	21,770	178
Total comprehensive income	1,238,547	327,943	2,679
Comprehensive income attributable to owners of parent	1,228,609	312,732	2,555
Comprehensive income attributable to non-controlling interests	9,937	15,211	124

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2021 AND 2022

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Year ended March 31, 2021					
Balance at the beginning of the fiscal year	¥ 1,770,996	¥ 1,966,291	¥ 3,622,140	¥ (210,003)	¥ 7,149,425
Cumulative effects of changes in accounting policies			(36,917)		(36,917)
Restated balance	1,770,996	1,966,291	3,585,223	(210,003)	7,112,508
Changes in the fiscal year					
Cash dividends			(272,952)		(272,952)
Profit attributable to owners of parent			406,093		406,093
Decrease due to decrease in affiliates accounted for by the equity method			(42,828)		(42,828)
Changes in shareholders' interest due to transaction with non-controlling interests		9			9
Reversal of land revaluation excess			574		574
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	9	90,886	—	90,896
Balance at the end of the fiscal year	¥ 1,770,996	¥ 1,966,300	¥ 3,676,110	¥ (210,003)	¥ 7,203,404

	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
Year ended March 31, 2021						
Balance at the beginning of the fiscal year	¥ 1,125,808	¥ 103,609	¥ 36,870	¥ (48,969)	¥ (88,577)	¥ 1,128,741
Cumulative effects of changes in accounting policies						
Restated balance	1,125,808	103,609	36,870	(48,969)	(88,577)	1,128,741
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Decrease due to decrease in affiliates accounted for by the equity method						
Changes in shareholders' interest due to transaction with non-controlling interests						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	622,455	(74,857)	(619)	61,464	213,957	822,400
Net changes in the fiscal year	622,455	(74,857)	(619)	61,464	213,957	822,400
Balance at the end of the fiscal year	¥ 1,748,263	¥ 28,751	¥ 36,251	¥ 12,494	¥ 125,380	¥ 1,951,141

	Millions of yen	
	Non-controlling interests	Total net assets
	Year ended March 31, 2021	
Balance at the beginning of the fiscal year	¥ 90,182	¥ 8,368,349
Cumulative effects of changes in accounting policies	(1,504)	(38,421)
Restated balance	88,678	8,329,927
Changes in the fiscal year		
Cash dividends		(272,952)
Profit attributable to owners of parent		406,093
Decrease due to decrease in affiliates accounted for by the equity method		(42,828)
Changes in shareholders' interest due to transaction with non-controlling interests		9
Reversal of land revaluation excess		574
Net changes in items other than stockholders' equity in the fiscal year	13,145	835,545
Net changes in the fiscal year	13,145	926,441
Balance at the end of the fiscal year	¥ 101,823	¥ 9,256,369

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Year ended March 31, 2022					
Balance at the beginning of the fiscal year	¥ 1,770,996	¥ 1,966,300	¥ 3,676,110	¥ (210,003)	¥ 7,203,404
Changes in the fiscal year					
Cash dividends			(376,756)		(376,756)
Profit attributable to owners of parent			568,244		568,244
Increase due to decrease in subsidiaries			22		22
Changes in shareholders' interest due to transaction with non-controlling interests		(95)			(95)
Reversal of land revaluation excess			(68)		(68)
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	(95)	191,441	—	191,345
Balance at the end of the fiscal year	¥ 1,770,996	¥ 1,966,205	¥ 3,867,551	¥ (210,003)	¥ 7,394,750

	Millions of yen					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	
Year ended March 31, 2022						
Balance at the beginning of the fiscal year	¥ 1,748,263	¥ 28,751	¥ 36,251	¥ 12,494	¥ 125,380	¥ 1,951,141
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Increase due to decrease in subsidiaries						
Changes in shareholders' interest due to transaction with non-controlling interests						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	(494,892)	(102,796)	68	349,007	(6,831)	(255,443)
Net changes in the fiscal year	(494,892)	(102,796)	68	349,007	(6,831)	(255,443)
Balance at the end of the fiscal year	¥ 1,253,370	¥ (74,044)	¥ 36,320	¥ 361,502	¥ 118,548	¥ 1,695,697

	Millions of yen	
	Non- controlling interests	Total net assets
	Year ended March 31, 2022	
Balance at the beginning of the fiscal year	¥ 101,823	¥ 9,256,369
Changes in the fiscal year		
Cash dividends		(376,756)
Profit attributable to owners of parent		568,244
Increase due to decrease in subsidiaries		22
Changes in shareholders' interest due to transaction with non-controlling interests		(95)
Reversal of land revaluation excess		(68)
Net changes in items other than stockholders' equity in the fiscal year	27,587	(227,856)
Net changes in the fiscal year	27,587	(36,510)
Balance at the end of the fiscal year	¥ 129,411	¥ 9,219,858

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2021 AND 2022 — (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	\$ 14,468	\$ 16,063	\$ 30,031	\$ (1,716)	\$ 58,847
Changes in the fiscal year					
Cash dividends			(3,078)		(3,078)
Profit attributable to owners of parent			4,642		4,642
Increase due to decrease in subsidiaries			0		0
Changes in shareholders' interest due to transaction with non-controlling interests		(1)			(1)
Reversal of land revaluation excess			(1)		(1)
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	(1)	1,564	—	1,563
Balance at the end of the fiscal year	\$ 14,468	\$ 16,062	\$ 31,595	\$ (1,716)	\$ 60,410

Year ended March 31, 2022	Millions of U.S. dollars					
	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	\$ 14,282	\$ 235	\$ 296	\$ 102	\$ 1,024	\$ 15,939
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Increase due to decrease in subsidiaries						
Changes in shareholders' interest due to transaction with non-controlling interests						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	(4,043)	(840)	1	2,851	(56)	(2,087)
Net changes in the fiscal year	(4,043)	(840)	1	2,851	(56)	(2,087)
Balance at the end of the fiscal year	\$ 10,239	\$ (605)	\$ 297	\$ 2,953	\$ 968	\$ 13,853

Year ended March 31, 2022	Millions of U.S. dollars	
	Non- controlling interests	Total net assets
	Balance at the beginning of the fiscal year	\$ 832
Changes in the fiscal year		
Cash dividends		(3,078)
Profit attributable to owners of parent		4,642
Increase due to decrease in subsidiaries		0
Changes in shareholders' interest due to transaction with non-controlling interests		(1)
Reversal of land revaluation excess		(1)
Net changes in items other than stockholders' equity in the fiscal year	225	(1,861)
Net changes in the fiscal year	225	(298)
Balance at the end of the fiscal year	\$ 1,057	\$ 75,319

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2021 AND 2022

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Cash flows from operating activities:			
Income before income taxes	¥ 530,389	¥ 759,124	\$ 6,201
Depreciation	141,365	151,734	1,240
Losses on impairment of fixed assets	9,448	108,246	884
Amortization of goodwill	605	—	—
Net (gains) losses on step acquisitions	(404)	—	—
Equity in net (gains) losses of affiliates	(7,602)	(6,788)	(55)
Net change in reserve for possible loan losses	188,526	167,550	1,369
Net change in reserve for employee bonuses	5,043	(234)	(2)
Net change in reserve for executive bonuses	259	26	0
Net change in net defined benefit asset and liability	(331,248)	(51,062)	(417)
Net change in reserve for executive retirement benefits	(28)	(8)	(0)
Net change in reserve for point service program	215	266	2
Net change in reserve for reimbursement of deposits	5,294	(4,214)	(34)
Interest income	(1,621,117)	(1,657,035)	(13,537)
Interest expenses	529,752	382,255	3,123
Net (gains) losses on securities	(156,084)	(168,910)	(1,380)
Net (gains) losses from money held in trust	(0)	(0)	(0)
Net exchange (gains) losses	(391,418)	(624,333)	(5,100)
Net (gains) losses from disposal of fixed assets	(4,710)	478	4
Net change in trading assets	603,463	(350,654)	(2,865)
Net change in trading liabilities	(396,259)	(152,820)	(1,248)
Net change in loans and bills discounted	(2,015,508)	(5,275,385)	(43,096)
Net change in deposits	14,505,015	5,788,901	47,291
Net change in negotiable certificates of deposit	2,428,038	663,896	5,424
Net change in borrowed money (excluding subordinated borrowings)	2,476,831	846,405	6,915
Net change in deposits with banks	153,656	(2,904,102)	(23,724)
Net change in call loans and bills bought and others	1,252,908	711,906	5,816
Net change in receivables under securities borrowing transactions	(645,172)	(271,777)	(2,220)
Net change in call money and bills sold and others	697,767	2,555,206	20,874
Net change in commercial paper	307,253	98,789	807
Net change in payables under securities lending transactions	(278,351)	(245,597)	(2,006)
Net change in foreign exchanges (assets)	(106,456)	(622,272)	(5,084)
Net change in foreign exchanges (liabilities)	(343,065)	106,431	869
Net change in lease receivables and investment assets	(3,878)	26,248	214
Issuance and redemption of bonds (excluding subordinated bonds)	(612,235)	(132,878)	(1,086)
Net change in due to trust account	509,868	122,649	1,002
Interest received	1,678,095	1,676,762	13,698
Interest paid	(571,785)	(385,261)	(3,147)
Other, net	(536,331)	(12,035)	(98)
Subtotal	18,002,140	1,301,511	10,632
Income taxes paid	(192,387)	(209,992)	(1,715)
Net cash provided by (used in) operating activities	17,809,752	1,091,518	8,917

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Cash flows from investing activities:			
Purchases of securities	¥ (41,743,077)	¥ (37,046,063)	\$ (302,639)
Proceeds from sale of securities	17,193,613	18,614,071	152,063
Proceeds from redemption of securities	17,212,107	16,468,614	134,537
Purchases of money held in trust	(0)	(0)	(0)
Proceeds from sale of money held in trust	0	0	0
Purchases of tangible fixed assets	(79,099)	(70,627)	(577)
Proceeds from sale of tangible fixed assets	27,157	2,724	22
Purchases of intangible fixed assets	(105,857)	(113,207)	(925)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(3,092)	—	—
Proceeds from sale of stocks of subsidiaries resulting in change in scope of consolidation	—	*2 200,601	1,639
Net cash provided by (used in) investing activities	(7,498,249)	(1,943,886)	(15,880)
Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowings	1,172,224	1,194,319	9,757
Repayment of subordinated borrowings	(610,665)	(890,493)	(7,275)
Redemption of subordinated bonds and bonds with stock acquisition rights	(239,640)	(246,065)	(2,010)
Dividends paid	(272,921)	(376,756)	(3,078)
Proceeds from issuance of common stock to non-controlling stockholders	100	—	—
Dividends paid to non-controlling stockholders	(1,526)	(1,230)	(10)
Purchases 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	47,571	(320,174)	(2,616)
Effect of exchange rate changes on cash and cash equivalents	159,555	367,217	3,000
Net change in cash and cash equivalents	10,518,631	(805,325)	(6,579)
Cash and cash equivalents at the beginning of the fiscal year	55,123,166	65,641,797	536,245
Cash and cash equivalents at the end of the fiscal year	*1 ¥ 65,641,797	*1 ¥ 64,836,471	\$ 529,666

**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022**

(Basis of presentation)

Sumitomo Mitsui Banking Corporation (“SMBC”), a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc. provides an extensive range of wholesale and retail banking services to its customers in Japan and overseas. SMBC 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 SMBC’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 yen 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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 116.

Principal companies:	SMBC Trust Bank Ltd. (“SMBC Trust”)
	SMBC Bank International plc
	Sumitomo Mitsui Banking Corporation (China) Limited
	PT Bank BTPN Tbk
	SMBC Americas Holdings, Inc.
	SMBC Bank EU AG

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

5 companies were newly included in the scope of consolidation as a result of new establishment and for other reasons.

SMBC Guarantee Co., Ltd. was excluded from the scope of consolidation as it ceased to be subsidiaries due to the sale of its stocks, and 4 other companies were excluded from the scope of consolidation as they ceased to be subsidiaries due to liquidation and for other reasons.

(2) Unconsolidated subsidiaries

Principal company:	Energy Opportunity Fund, L.P.
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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 Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

2. Application of the equity method

(1) Unconsolidated subsidiaries accounted for by the equity method

There were no corresponding companies.

(2) Equity method affiliates

The number of affiliates accounted for by the equity method at March 31, 2022 is 44.

Principal company:	The Bank of East Asia, Limited
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Changes in the equity method affiliates in the fiscal year ended March 31, 2022 are as follows:

2 companies became equity method affiliates due to new establishment.

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

5 of the 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.

**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)**

(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 SMBC's financial position and results of operations 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	68
March 31	46

(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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(2) Standards for recognition and measurement of securities

- 1) Debt securities that SMBC or its 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 SMBC 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

The 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 SMBC and its consolidated domestic subsidiaries is depreciated over its estimated useful life (5 to 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(5) Reserve for possible loan losses

The reserve for possible loan losses of SMBC and 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 applies Discounted Cash Flows (“DCF”) method for claims of large borrowers exceeding a certain amount, of which borrower's 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 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 amounts of write-off for the fiscal years ended March 31, 2021 and 2022 were ¥129,645 million and ¥127,278 million, respectively.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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 deemed of 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.” 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 future claims of withdrawal based on the historical reimbursements.

(11) Employee retirement benefits

In calculating the projected benefit obligation, mainly the benefit formula basis is used to calculate 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.

(12) 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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 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.

(13) Translation of foreign currency assets and liabilities

Assets and liabilities of SMBC 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.

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.

(14) 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(15) 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 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 Guidelines 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 applies deferred hedge accounting stipulated in “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Committee Practical Guidelines 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 Guidelines 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 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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

(16) 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.

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

For the purposes 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.

(18) Adoption of the consolidated corporate-tax system

SMBC and certain consolidated domestic subsidiaries apply the consolidated corporate-tax system on the premise that Sumitomo Mitsui Financial Group, Inc. files a tax return as a consolidated entity.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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	¥ 526,161	¥ 678,743

(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

<u>Year ended March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Tangible fixed assets	¥ 1,305,648	¥ 1,297,011
Intangible fixed assets	346,534	314,145
Losses on impairment of fixed assets	9,448	108,246

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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 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).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

4. 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

<u>Year ended March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Net defined benefit asset	¥ 559,043	¥ 616,206
Net defined benefit liability	5,406	10,985
Retirement benefit expenses included in general and administrative expenses	7,826	(22,206)

(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.

5. Deferred tax assets

(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>
Deferred tax assets	¥ 30,870	¥ 52,543
Deferred tax liabilities	620,747	343,017

(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.

**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)**

(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

SMBC 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

SMBC 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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 a comprehensive judgment.

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, SMBC 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).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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:

March 31	Millions of yen	
	2021	2022
Stocks	¥ 509,524	¥ 564,925
Investments	847	735

Stocks of jointly controlled entities were as follows:

March 31	Millions of yen	
	2021	2022
Stocks of jointly controlled entities	¥ 7,940	¥ 6,056

***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:

March 31	Millions of yen	
	2021	2022
Japanese government bonds and Japanese local government bonds in “Securities”	¥ 50,045	¥ 133,331

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:

March 31	Millions of yen	
	2021	2022
Securities pledged	¥ 5,594,587	¥ 6,642,353
Securities lent	4,775	15,871
Securities held without being disposed	3,095,540	2,247,125

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

***3 Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions**

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.

March 31	Millions of yen	
	2021	2022
Bankrupt and quasi-bankrupt loans	¥ 125,233	¥ 87,074
Doubtful loans	336,736	576,112
Substandard loans	349,382	303,221
Past due loans (3 months or more)	10,048	7,309
Restructured loans	339,334	295,911
Subtotal	811,352	966,408
Normal loans	98,236,912	106,256,879
Total	99,048,263	107,223,288

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

***4 Bills discounted**

Bills discounted are accounted for as financial transactions in accordance with the 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	117,996	Trading assets	134,493
Securities	15,078,844	Securities	17,807,664
Loans and bills discounted	10,152,979	Loans and bills discounted	10,817,911
Liabilities corresponding to assets pledged as collateral:		Liabilities corresponding to assets pledged as collateral:	
Deposits	13,972	Deposits	2,300
Payables under repurchase agreements	7,573,015	Payables under repurchase agreements	9,950,128
Payables under securities lending transactions	551,377	Payables under securities lending transactions	305,779
Borrowed money	14,950,162	Borrowed money	16,254,404
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	7,814	Trading assets	4,430
Securities	5,796,808	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	¥ 1,913,941	Collateral money deposited for financial instruments	¥ 2,514,048
Surety deposits	58,322	Surety deposits	56,702
Margins of futures markets	10,852	Margins of futures markets	14,883
Other margins	2,613	Other margins	6,900

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

***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:

March 31	Millions of yen	
	2021	2022
The amounts of unused commitments	¥ 68,564,608	¥ 70,160,608
The amounts of unused commitments whose original contract terms are within 1 year or unconditionally cancelable at any time	47,212,250	45,410,764

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 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 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:

March 31	Millions of yen	
	2021	2022
Accumulated depreciation	¥ 701,323	¥ 755,468

***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:

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

***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	¥ 8,403,181	¥ 9,259,397

***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	¥ 326,049	¥ 79,996

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

The amount 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 SMBC and its 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	¥ 1,443,803	¥ 1,355,925

14 Money trusts with the principal indemnification agreement

The principal amounts of money trusts with principal indemnification agreements which SMBC, as a trustee, has been administrating and operating at March 31, 2021 and 2022 were as follows:

<u>March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Money trusts	¥ 26,034	¥ 20,462

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(Notes to consolidated statements of income)

***1 Other income**

“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	¥ 105,165	Gains on sales of stocks	¥ 247,306

***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	¥ 429,413	Salaries and related expenses	¥ 466,179
Depreciation	125,093	Depreciation	132,279

***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>
Expenses related to equity derivatives	¥ 45,968	Losses on sale of stocks and others	¥ 42,432
Write-off of loans	23,991		

***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 (138 items)		6,215
Kinki area	Branches (1 item)	Land and buildings, etc.	16
	Idle assets (47 items)		2,105
Other	Branches (1 item)	Land and buildings, etc.	0
	Idle assets (17 items)		237
<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 (81 items)		4,262
Kinki area	Branches (14 items)	Land and buildings, etc.	1,417
	Idle assets (55 items)		2,038
Other areas in Japan	Branches (10 items)	Land and buildings, etc.	548
	Idle assets (38 items)		1,170
Asia/Oceania	Idle assets (1 item)	Buildings	1,596
Americas/ Europe/Middle East	Freight car lease assets, etc. 5,026 items	Assets for rent	36,980
—	—	Software	55,815

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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 at headquarters are treated as corporate assets.

In the fiscal year ended March 31, 2022, at the Retail Banking Unit at SMBC 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 SMBC, 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 each 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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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	¥ 1,079,627	¥ (501,213)
Reclassification adjustments	(200,957)	(200,833)
Before adjustments to tax effect	878,670	(702,046)
Tax effect	(256,330)	209,439
Net unrealized gains (losses) on other securities	622,340	(492,606)
Net deferred gains (losses) on hedges:		
Amount arising during the fiscal year	(159,399)	(153,676)
Reclassification adjustments	40,425	(9,916)
Adjustments of acquisition cost of assets	—	80
Before adjustments to tax effect	(118,973)	(163,512)
Tax effect	36,288	51,394
Net deferred gains (losses) on hedges	(82,684)	(112,117)
Foreign currency translation adjustments:		
Amount arising during the fiscal year	72,087	342,257
Reclassification adjustments	(2,492)	—
Before adjustments to tax effect	69,595	342,257
Tax effect	—	—
Foreign currency translation adjustments	69,595	342,257
Remeasurements of defined benefit plans:		
Amount arising during the fiscal year	302,705	16,419
Reclassification adjustments	4,934	(27,035)
Before adjustments to tax effect	307,639	(10,615)
Tax effect	(94,011)	3,254
Remeasurements of defined benefit plans	213,628	(7,360)
Share of other comprehensive income of affiliates:		
Amount arising during the fiscal year	1,741	21,471
Reclassification adjustments	(811)	299
Before adjustments to tax effect	929	21,770
Tax effect	—	—
Share of other comprehensive income of affiliates	929	21,770
Total other comprehensive income	¥ 823,809	¥ (248,056)

**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)**

(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	106,248,400	—	—	106,248,400	
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	106,318,401	—	—	106,318,401	
Treasury stock					
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	70,001	—	—	70,001	

2. Information on stock acquisition rights

There are no corresponding transactions to be disclosed.

3. Information on dividends

(1) Dividends paid by cash 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	
Meeting of the Board of Directors held on May 15, 2020	Common stock	¥ 44,411	¥ 418	March 31, 2020	May 18, 2020	
Meeting of the Board of Directors held on November 12, 2020	Common stock	228,540	2,151	September 30, 2020	November 25, 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
Meeting of the Board of Directors held on May 14, 2021	Common stock	¥ 34,424	Retained earnings	¥ 324	March 31, 2021	May 17, 2021

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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	
Shares issued				
Common stock	106,248,400	—	—	106,248,400
Preferred stock (1st series Type 6)	70,001	—	—	70,001
Total	106,318,401	—	—	106,318,401
Treasury stock				
Preferred stock (1st series Type 6)	70,001	—	—	70,001
Total	70,001	—	—	70,001

2. Information on stock acquisition rights

There are no corresponding transactions to be disclosed.

3. Information on dividends

(1) Dividends paid by cash in the fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount				Record date	Effective date
		Cash dividends	Cash dividends per share				
Meeting of the Board of Directors held on May 14, 2021	Common stock	¥ 34,424	¥	324	March 31, 2021	May 17, 2021	
Meeting of the Board of Directors held on November 11, 2021	Common stock	342,332		3,222	September 30, 2021	November 25, 2021	

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

Date of resolution	Type of shares	Millions of yen, except per share amount					Record date	Effective date
		Cash dividends	Source of dividends	Cash dividends per share				
Meeting of the Board of Directors held on May 12, 2022	Common stock	¥ 43,455	Retained earnings	¥	409	March 31, 2022	May 16, 2022	

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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 on 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	¥ 70,430,539	¥ 72,742,334
Interest earning deposits with banks (excluding the deposit with the Bank of Japan)	(4,788,741)	(7,905,862)
Cash and cash equivalents	<u>¥ 65,641,797</u>	<u>¥ 64,836,471</u>

***2 The major components of assets and liabilities of companies which were excluded from the scope of consolidation by sale of the shares**

SMBC Guarantee Co., Ltd. was excluded from the scope of consolidation as SMBC Loan Business Planning Co., Ltd. sold all shares of SMBC Guarantee Co., Ltd. to SMBC Consumer Finance Co., Ltd., a consolidated subsidiary of SMFG. The major components of assets and liabilities of SMBC Guarantee Co., Ltd., and the relationship between selling price and income for sales are as follows.

<u>Year ended March 31, 2022</u>	<u>Millions of yen</u>
Assets	¥ 9,358,917
Customers’ liabilities for acceptances and guarantees	9,074,445
Liabilities	(9,132,914)
Acceptances and guarantees	(9,074,445)
Net unrealized gains (losses) on other securities	(682)
Gains (losses) on sales of stocks	(25,679)
Selling price of SMBC Guarantee Co., Ltd.	<u>199,641</u>
Cash and cash equivalents included in disposed assets of SMBC Guarantee Co., Ltd.	(2)
Income for sales of SMBC Guarantee Co., Ltd.	<u>¥ 199,639</u>

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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

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

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

March 31	Millions of yen	
	2021	2022
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	<u>¥ 288,189</u>	<u>¥ 287,443</u>

2. Operating leases

(1) Lessee side

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

March 31	Millions of yen	
	2021	2022
Due within 1 year	¥ 25,043	¥ 25,055
Due after 1 year	172,061	168,576
Total	<u>¥ 197,105</u>	<u>¥ 193,631</u>

(2) Lessor side

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

March 31	Millions of yen	
	2021	2022
Due within 1 year	¥ 26,400	¥ 27,703
Due after 1 year	57,280	58,970
Total	<u>¥ 83,680</u>	<u>¥ 86,673</u>

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(Notes to financial instruments)

1. Status of financial instruments

(1) Policies on financial instruments

SMBC and its group companies (“the Group”) conduct banking and other financial services. 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, derivative transactions for ALM purposes are undertaken by the Treasury Dept., the Global Investment Dept., and the 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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 "(Significant Accounting Policies For Preparing Consolidated Financial Statements), 4. Accounting policies, (15) 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." SMBC's Management Committee establishes the basic risk management policy for the entire Group, based on the policies, 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.

1) Management of credit risk

SMBC 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

At SMBC, basic policies on credit risk management and other significant matters require the resolution of Management Committee and the approval of Board of Directors.

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.

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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 straddling the business units, rounds out SMBC's oversight system for undertaking flexible and efficient control of credit risk and ensuring the overall soundness of the bank'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

SMBC 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 the capital

To keep credit risk exposure to a permissible level relative to capital, SMBC 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 a bank's capital significantly, SMBC 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, SMBC also has credit limit guidelines based on each country's creditworthiness.

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

SMBC 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, SMBC 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.

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In regards 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 SMBC 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

SMBC 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

At SMBC, important matters such as basic policies for managing market and liquidity risks and risk management framework are determined by the Management Committee and then approved by the Board of Directors.

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 and Supervisory Committee.

Furthermore, the ALM Committee at SMBC 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, SMBC's Internal Audit Unit, 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 and Supervisory Committee.

(b) Market and liquidity risk management methodology

- Market risk management

SMBC 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.

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SMBC 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), SMBC 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, SMBC 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, SMBC 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 ¥61.9 billion for the banking activities, ¥10.2 billion for the trading activities, and ¥1,043.5 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

SMBC 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 SMBC is willing to take on or tolerate. As an example, SMBC sets a lower limit on the number of days over which cash flows could be maintained under the stressed 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, SMBC 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., SMBC 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.

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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 sheet

	Millions of yen			
	Consolidated balance sheet amount			
March 31, 2021	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 276,989	¥ 454,827	¥ 731,817
Trading assets				
Securities classified as trading purposes	152,585	327,245	—	479,831
Money held in trust	—	0	—	0
Securities				
Other securities* ¹	24,512,152	8,840,315	52,193	33,404,661
Stocks	3,420,384	860	—	3,421,245
Japanese government bonds	14,293,610	—	—	14,293,610
Japanese local government bonds	686,861	45,760	—	732,622
Japanese short-term bonds	—	—	—	—
Japanese corporate bonds	520	2,582,578	45,906	2,629,005
Foreign stocks	5,908,560	6,198,001	6,287	12,112,849
Foreign bonds	199,091	1,449	—	200,540
Other	3,122	11,665	—	14,787
Total assets	¥ 24,664,737	¥ 9,444,550	¥ 507,021	¥ 34,616,309
Trading liabilities				
Trading securities sold for short sales	¥ 65,519	¥ 50,209	¥ —	¥ 115,729
Total liabilities	¥ 65,519	¥ 50,209	¥ —	¥ 115,729
Derivative transactions* ^{2, 3}				
Interest rate derivatives	¥ 24,638	¥ 437,092	¥ 53	¥ 461,784
Currency derivatives	(726)	64,775	—	64,048
Equity derivatives	(846)	(1,999)	—	(2,845)
Bond derivatives	427	43	—	470
Commodity derivatives	532	1,486	—	2,019
Credit derivative transactions	—	(5,665)	—	(5,665)
Total derivative transactions	¥ 24,025	¥ 495,733	¥ 53	¥ 519,811

*1 The amount of investment trusts for which transitional measures are applied in accordance with Paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019, hereinafter, “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 ¥1,128,258 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, ¥206,852 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. SMBC has mainly applied the deferred hedge accounting for those derivative transactions. For these hedging relationships, SMBC has applied “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No.40, September 29, 2020).

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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	470,250	380,392	—	850,642
Money held in trust	—	0	—	0
Securities				
Other securities* ¹	26,375,958	8,945,893	38,988	35,360,841
Stocks	3,112,659	789	—	3,113,448
Japanese government bonds	15,774,197	—	—	15,774,197
Japanese local government bonds	1,101,913	43,583	—	1,145,496
Japanese short-term bonds	—	301,985	—	301,985
Japanese corporate bonds	120	2,500,547	37,949	2,538,617
Foreign stocks	5,971,115	6,070,247	1,038	12,042,401
Foreign bonds	412,750	7,315	—	420,065
Other	3,204	21,425	—	24,629
Total assets	¥ 26,846,209	¥ 9,466,069	¥ 492,664	¥ 36,804,943
Trading liabilities				
Trading securities sold for short sales	¥ 143,948	¥ 106,773	¥ —	¥ 250,721
Total liabilities	¥ 143,948	¥ 106,773	¥ —	¥ 250,721
Derivative transactions * ^{2, 3}				
Interest rate derivatives	¥ 397,345	¥ (541,688)	¥ 1,505	¥ (142,838)
Currency derivatives	(866)	(343,689)	5,522	(339,032)
Equity derivatives	(5,763)	(2,031)	—	(7,794)
Bond derivatives	(738)	1,349	—	611
Commodity derivatives	1,210	(193)	—	1,016
Credit derivative transactions	—	(4,181)	—	(4,181)
Total derivative transactions	¥ 391,187	¥ (890,433)	¥ 7,027	¥ (492,218)

*1 The amount of investment trusts for which transitional measures are applied in accordance with Paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019, hereinafter, “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 ¥1,004,700 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, ¥(681,257) 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. SMBC has mainly applied the deferred hedge accounting for those derivative transactions. For these hedging relationships, SMBC has applied “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No.40, March 17, 2022).

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(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				Consolidated balance sheet amount	Net unrealized gains (losses)
	Fair value					
	Level 1	Level 2	Level 3	Total		
Monetary claims bought*	¥ —	¥ —	¥ 3,964,008	¥ 3,964,008	¥ 3,922,775	¥ 41,232
Securities						
Bonds classified as held-to-maturity	22,239	—	—	22,239	22,300	(60)
Loans and bills discounted					86,594,613	
Reserve for possible loan losses*					(391,052)	
	—	—	87,634,017	87,634,017	86,203,561	1,430,455
Lease receivables and investment assets*	—	—	239,867	239,867	235,723	4,144
Total assets	¥ 22,239	¥ —	¥ 91,837,893	¥ 91,860,133	¥ 90,384,360	¥ 1,475,772
Deposits	¥ —	¥ 142,484,164	¥ —	¥ 142,484,164	¥ 142,486,668	¥ (2,504)
Negotiable certificates of deposit	—	12,769,851	—	12,769,851	12,760,617	9,233
Borrowed money	—	24,203,025	1,197,162	25,400,188	25,061,421	338,766
Bonds	—	1,142,185	25,926	1,168,111	1,115,496	52,615
Due to trust account	—	2,335,221	—	2,335,221	2,321,223	13,998
Total liabilities	¥ —	¥ 182,934,448	¥ 1,223,088	¥ 184,157,537	¥ 183,745,428	¥ 412,108

* General reserves and special reserves corresponding to loans are deducted. The reserves 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.

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March 31, 2022	Millions of yen				Consolidated balance sheet amount	Net unrealized gains (losses)
	Fair value			Total		
	Level 1	Level 2	Level 3			
Monetary claims bought*	¥ —	¥ —	¥ 4,805,153	¥ 4,805,153	¥ 4,768,453	¥ 36,699
Securities						
Bonds classified as held-to-maturity	25,522	—	—	25,522	25,741	(218)
Loans and bills discounted					92,472,845	
Reserve for possible loan losses*					(533,094)	
	—	—	93,278,504	93,278,504	91,939,751	1,338,753
Lease receivables and investment assets*	—	—	230,308	230,308	228,254	2,053
Total assets	¥ 25,522	¥ —	¥ 98,313,966	¥ 98,339,488	¥ 96,962,199	¥ 1,377,288
Deposits	¥ —	¥ 149,237,477	¥ —	¥ 149,237,477	¥ 149,249,696	¥ (12,218)
Negotiable certificates of deposit	—	13,465,260	—	13,465,260	13,460,296	4,963
Borrowed money	—	25,368,029	1,267,321	26,635,350	26,887,509	(252,158)
Bonds	—	803,974	23,815	827,790	812,303	15,487
Due to trust account	—	2,429,001	—	2,429,001	2,443,873	(14,871)
Total liabilities	¥ —	¥ 191,303,743	¥ 1,291,137	¥ 192,594,880	¥ 192,853,679	¥ (258,798)

* General reserves and special reserves corresponding to loans are deducted. The reserves 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.

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(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 for securities that SMBC 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 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 SMBC, the fair values are calculated based on the present values of estimated future cash flows, which is 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.

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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 mainly 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 and SMBC'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.

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(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

March 31, 2021	Valuation technique	Significant unobservable inputs	Range
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%
Securities:			
Japanese 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%
March 31, 2022	Valuation technique	Significant unobservable inputs	Range
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%
Securities:			
Japanese 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 rates and foreign exchange rate	6.9% — 30.4%
Currency derivatives	Discounted cash flow	Prepayment rate	22.0%

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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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 comprehen- sive income ^{*2}	Net amount of purchase, sale, issuance and settlement	Transfer to Level 3 ^{*3}	Transf- er 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	¥ —
Securities								
Other securities	33,251	539	(1,515)	(28,217)	48,305	(170)	52,193	(4,585)
Japanese 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	101	(98)	—	50	—	—	53	(101)
Total	¥ 484,386	¥ 440	¥ 3,274	¥ (29,161)	¥ 48,305	¥ (170)	¥ 507,074	¥ (4,687)

*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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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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	¥ —
Securities								
Other securities	52,193	3,716	(390)	(19,369)	9,757	(6,919)	38,988	(652)
Japanese 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	53	708	—	743	—	—	1,505	709
Currency	—	5,522	—	—	—	—	5,522	5,522
Total	¥ 507,074	¥ 9,947	¥ (4,138)	¥ (16,028)	¥ 9,757	¥ (6,919)	¥ 499,692	¥ 5,579

*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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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 SMBC 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 instrument.

Correlation

Correlation is an indicator of the relation of variables such as interest rate. 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 ASBJ Guidance No.19, “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. ^{*1, 2}	¥ 155,822	¥ 194,053
Investments in partnership, etc. ^{*2}	272,466	314,861
Total	¥ 428,288	¥ 508,915

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

*2 Unlisted stocks and investments in partnership totaling ¥19,971 million and ¥16,444 million were written-off in the fiscal year ended March 31, 2021 and 2022, respectively.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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* ¹	¥ 3,307,512	¥ 813,388	¥ 255,255	¥ 221,553
Securities	7,494,527	11,450,024	4,566,744	3,251,689
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	7,494,527	11,450,024	4,544,444	3,251,689
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	1,314,954	3,379,365	1,991,682	2,489,036
Loans and bills discounted* ^{1, *2}	21,697,097	36,225,465	13,122,673	6,408,197
Lease receivables and investment assets	18,821	57,940	42,590	70,712
Total	¥ 32,517,958	¥ 48,546,818	¥ 17,987,264	¥ 9,952,152

*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: ¥411,458 million.

*2 “Loans and bills discounted” without the maturity dates are not included. Such amount is totaled to ¥8,726,903 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* ¹	¥ 3,968,447	¥ 815,745	¥ 311,015	¥ 219,015
Securities	11,677,268	11,583,043	6,903,650	2,534,104
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	11,677,268	11,579,595	6,881,350	2,534,104
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	3,726,246	3,771,430	4,016,578	1,717,836
Loans and bills discounted* ^{1, *2}	22,925,980	38,938,693	13,520,465	6,703,448
Lease receivables and investment assets	24,097	57,516	36,056	71,880
Total	¥ 38,595,794	¥ 51,394,998	¥ 20,771,188	¥ 9,528,448

*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: ¥589,243 million.

*2 “Loans and bills discounted” without the maturity dates are not included. Such amount is totaled to ¥9,792,665 million at March 31, 2022.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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

March 31, 2021	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits *	¥ 138,825,645	¥ 3,108,640	¥ 160,363	¥ 392,019
Negotiable certificates of deposit	12,295,583	465,034	—	—
Borrowed money	8,036,142	12,035,484	3,415,195	1,574,599
Bonds	427,793	518,486	97,160	72,515
Due to trust account	1,732,438	426,597	162,187	—
Total	¥ 161,317,602	¥ 16,554,244	¥ 3,834,906	¥ 2,039,133

* Demand deposits are included in "Within 1 year." Deposits include current deposits.

March 31, 2022	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits *	¥ 145,895,282	¥ 2,762,345	¥ 192,498	¥ 399,570
Negotiable certificates of deposit	13,174,602	285,694	—	—
Borrowed money	9,329,954	12,672,047	2,914,194	1,971,313
Bonds	222,976	470,611	38,973	80,178
Due to trust account	1,876,830	464,435	102,607	—
Total	¥ 170,499,646	¥ 16,655,133	¥ 3,248,273	¥ 2,451,062

* Demand deposits are included in "Within 1 year." Deposits include current deposits.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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	¥ 4,891	¥ 5,311

2. Bonds classified as held-to-maturity

		Millions of yen		
		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31, 2021				
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)

		Millions of yen		
		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31, 2022				
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)

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

3. Other securities

		Millions of yen		
		Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
March 31, 2021				
Other securities with unrealized gains:	Stocks	¥ 3,325,347	¥ 1,120,959	¥ 2,204,387
	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	7,691,279	7,309,400	381,879
	Subtotal	17,165,355	14,549,430	2,615,924
Other securities with unrealized losses:	Stocks	95,897	121,695	(25,797)
	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	6,618,453	6,747,867	(129,413)
	Subtotal	18,220,860	18,397,697	(176,836)
Total	¥ 35,386,216	¥ 32,947,128	¥ 2,439,088	

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		
		Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
March 31, 2022				
Other securities with unrealized gains:	Stocks	¥ 2,992,848	¥ 1,005,622	¥ 1,987,226
	Bonds	3,669,440	3,652,565	16,875
	Japanese government bonds	2,139,495	2,139,166	329
	Japanese local government bonds	29,318	29,251	66
	Japanese corporate bonds	1,500,626	1,484,147	16,479
	Other	4,387,292	4,049,978	337,313
	Subtotal	11,049,581	8,708,166	2,341,415
Other securities with unrealized losses:	Stocks	120,599	143,710	(23,110)
	Bonds	16,090,855	16,157,818	(66,962)
	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	1,339,976	1,350,388	(10,411)
	Other	9,833,417	10,346,087	(512,670)
	Subtotal	26,044,872	26,647,616	(602,743)
Total	¥ 37,094,454	¥ 35,355,782	¥ 1,738,671	

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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

Year ended March 31, 2021	Millions of yen		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 116,597	¥ 64,873	¥ (4,887)
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	9,539,744	162,845	(47,550)
Total	¥ 17,059,330	¥ 235,097	¥ (56,250)

Year ended March 31, 2022	Millions of yen		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 285,450	¥ 189,202	¥ (7,211)
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	11,034,697	96,020	(88,618)
Total	¥ 18,901,725	¥ 294,140	¥ (96,536)

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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 ¥7,906 million and ¥4,018 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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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)

	Millions of yen		
March 31, 2021	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥ 0	¥ 0	—
	Millions of yen		
March 31, 2022	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥ 0	¥ 0	—

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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:

March 31, 2021	Millions of yen
Net unrealized gains (losses)	¥ 2,438,612
Other securities	2,438,612
Other money held in trust	—
(-) Deferred tax liabilities	687,547
Net unrealized gains (losses) on other securities (before following adjustments)	1,751,065
(-) Non-controlling interests	4,751
(+) SMBC’s interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates	1,949
Net unrealized gains (losses) on other securities	¥ 1,748,263

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.

March 31, 2022	Millions of yen
Net unrealized gains (losses)	¥ 1,736,570
Other securities	1,736,570
Other money held in trust	—
(-) Deferred tax liabilities	478,107
Net unrealized gains (losses) on other securities (before following adjustments)	1,258,463
(-) Non-controlling interests	5,165
(+) SMBC’s interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates	71
Net unrealized gains (losses) on other securities	¥ 1,253,370

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(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

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
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
Over-the-counter				
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:	435,315,378	327,838,080	241,702	241,702
Receivable fixed rate/payable floating rate	193,771,530	145,799,315	4,413,067	4,413,067
Receivable floating rate/payable fixed rate	189,388,796	140,580,517	(4,181,689)	(4,181,689)
Receivable floating rate/payable floating rate	52,110,509	41,413,705	(1,287)	(1,287)
Interest rate swaptions:				
Sold	4,722,935	3,493,011	(58,107)	(58,107)
Bought	4,984,155	3,655,788	66,653	66,653
Caps:				
Sold	64,529,054	35,939,504	(41,796)	(41,796)
Bought	13,440,015	11,169,847	11,603	11,603
Floors:				
Sold	4,022,223	3,482,129	(18,507)	(18,507)
Bought	2,215,383	2,012,274	20,146	20,146
Other:				
Sold	1,855,047	1,322,008	(6,649)	(6,649)
Bought	6,082,064	4,112,358	56,462	56,462
Total	/	/	¥ 295,237	¥ 295,237

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

March 31, 2022	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
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
Over-the-counter				
Forward rate agreements:				
Sold	6,333,817	—	(4,895)	(4,895)
Bought	6,241,393	—	4,867	4,867
Interest rate swaps:	615,131,597	401,862,115	(105,993)	(105,993)
Receivable fixed rate/payable floating rate	245,504,399	163,637,260	(4,508,091)	(4,508,091)
Receivable floating rate/payable fixed rate	252,984,758	170,497,819	4,391,141	4,391,141
Receivable floating rate/payable floating rate	116,587,312	67,671,907	1,985	1,985
Interest rate swaptions:				
Sold	11,086,996	6,387,703	(166,721)	(166,721)
Bought	12,186,740	7,565,504	172,546	172,546
Caps:				
Sold	90,744,010	56,916,850	(652,162)	(652,162)
Bought	16,953,839	13,636,308	146,693	146,693
Floors:				
Sold	4,561,520	2,782,693	(10,025)	(10,025)
Bought	2,885,184	2,448,367	14,405	14,405
Other:				
Sold	3,943,644	1,882,178	(27,824)	(27,824)
Bought	10,094,024	8,051,028	85,940	85,940
Total	/	/	¥ (146,143)	¥ (146,143)

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(2) Currency derivatives

	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
March 31, 2021				
Listed				
Currency futures:				
Sold	¥ 1,812	¥ —	¥ 93	¥ 93
Bought	6,256	—	0	0
Over-the-counter				
Currency swaps	73,062,434	56,044,622	(110,030)	129,751
Currency swaptions:				
Sold	70,002	70,002	117	117
Bought	520,389	501,768	(493)	(493)
Forward foreign exchange	76,183,014	12,990,764	124,396	124,396
Currency options:				
Sold	2,007,748	766,728	(34,062)	(34,062)
Bought	1,786,401	625,132	41,721	41,721
Total	/	/	¥ 21,743	¥ 261,524

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

	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
March 31, 2022				
Listed				
Currency futures:				
Sold	¥ 744	¥ —	¥ (103)	¥ (103)
Bought	10,013	—	0	0
Over-the-counter				
Currency swaps	82,507,263	66,149,233	551,226	178,672
Currency swaptions:				
Sold	47,455	47,455	54	54
Bought	645,572	612,935	36	36
Forward foreign exchange	85,811,361	13,306,988	(200,280)	(200,280)
Currency options:				
Sold	2,605,878	826,463	(81,529)	(81,529)
Bought	6,116,561	643,083	74,092	74,092
Total	/	/	¥ 343,498	¥ (29,056)

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(3) Equity derivatives

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Equity price index futures:				
Sold	¥ 518,512	¥ —	¥ (2,386)	¥ (2,386)
Bought	389,528	—	1,539	1,539
Total	/	/	¥ (846)	¥ (846)

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		
Listed				
Equity price index futures:				
Sold	¥ 456,954	¥ —	¥ (40,800)	¥ (40,800)
Bought	378,327	—	35,038	35,038
Equity price index options:				
Sold	1,254	—	11	11
Bought	1,254	—	(12)	(12)
Total	/	/	¥ (5,763)	¥ (5,763)

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(4) Bond derivatives

March 31, 2021	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Bond futures:				
Sold	¥ 1,261,748	¥ —	¥ 12,068	¥ 12,068
Bought	1,159,655	—	(11,633)	(11,633)
Bond futures options:				
Sold	—	—	—	—
Bought	12,000	—	(7)	(7)
Over-the-counter				
Bond options:				
Sold	50,000	—	(644)	(644)
Bought	120,170	10,521	687	687
Total	/	/	¥ 470	¥ 470

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		
Listed				
Bond futures:				
Sold	¥ 3,727,141	¥ —	¥ 90,363	¥ 90,363
Bought	3,742,150	—	(91,110)	(91,110)
Bond futures options:				
Sold	9,792	—	(1)	(1)
Bought	18,361	—	10	10
Over-the-counter				
Bond forward contract:				
Sold	59,827	—	1,438	1,438
Bought	—	—	—	—
Bond options:				
Sold	20,000	—	(552)	(552)
Bought	27,318	—	463	463
Total	/	/	¥ 611	¥ 611

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(5) Commodity derivatives

	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
March 31, 2021				
Listed				
Commodity futures:				
Sold	¥ 14,624	¥ —	¥ 405	¥ 405
Bought	16,291	—	127	127
Over-the-counter				
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.

	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
March 31, 2022				
Listed				
Commodity futures:				
Sold	¥ 3,059	¥ —	¥ (192)	¥ (192)
Bought	8,125	—	1,402	1,402
Over-the-counter				
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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(6) Credit derivative transactions

	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
March 31, 2021				
Over-the-counter				
Credit default options:				
Sold	¥ 158,977	¥ 131,192	¥ 1,166	¥ 1,166
Bought	519,136	463,566	(6,832)	(6,832)
Total	/	/	¥ (5,665)	¥ (5,665)

- 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.

	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
March 31, 2022				
Over-the-counter				
Credit default options:				
Sold	¥ 107,720	¥ 71,104	¥ 1,044	¥ 1,044
Bought	500,345	427,113	(5,225)	(5,225)
Total	/	/	¥ (4,181)	¥ (4,181)

- 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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, 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		
			Total	Over 1 year	Fair value
Deferral hedge method	Interest rate futures:	Interest-earning/ bearing financial assets/liabilities such as loans and bills discounted, other	¥ 7,580,404	¥ 4,439,058	¥ 1,403
	Sold				
	Bought		4,048,886	4,048,886	(498)
	Interest rate swaps:	securities, deposits and negotiable certificates of deposit	31,981,533	25,876,121	298,464
	Receivable fixed rate/ payable floating rate				
	Receivable floating rate/ payable fixed rate				
	Interest rate swaptions:	Loans and bills discounted	11,728,908	10,769,101	(132,768)
Sold					
	Bought	153,886	153,886	11,270	
			—	—	—
Recognition of gain or loss on the hedged items	Interest rate swaps:		567,041	511,375	(11,324)
	Receivable floating rate/ payable fixed rate				
Special treatment for interest rate swaps	Interest rate swaps:	Borrowed money			(Note 2)
	Receivable floating rate/ payable fixed rate		62,100	51,380	
	Total		/	/	¥ 166,547

Notes: 1. SMBC 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).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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

- Notes: 1. SMBC 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).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(2) Currency derivatives

March 31, 2021			Millions of yen		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		
			Total	Over 1 year	Fair value
Deferral hedge method	Currency swaps	Foreign currency	¥10,896,132	¥ 6,051,444	¥ 39,920
	Forward foreign exchange	denominated loans and bills discounted, other securities, deposits, foreign currency exchange, etc.	34,568	—	170
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted, other securities	219,977	205,644	2,214
	Total		/	/	¥ 42,305

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

March 31, 2022			Millions of yen		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		
			Total	Over 1 year	Fair value
Deferral hedge method	Currency swaps	Foreign currency	¥10,790,276	¥ 7,285,574	¥ (684,903)
	Forward foreign exchange	denominated loans and bills discounted, other securities, deposits, foreign currency exchange, etc.	34,466	—	(413)
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted, other securities	343,890	317,306	2,786
	Total		/	/	¥ (682,531)

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(3) Equity derivatives

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

March 31, 2022			Millions of yen		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		
			Total	Over 1 year	Fair value
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)
	Total		/	/	¥ (2,031)

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(Notes to employee retirement benefits)

1. Outline of employee retirement benefits

SMBC and its 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

<u>Year ended, March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Beginning balance of projected benefit obligation	¥ 1,037,073	¥ 1,009,631
Service cost	26,668	25,110
Interest cost on projected benefit obligation	3,569	4,725
Unrecognized net actuarial gain or loss incurred	10,662	(23,958)
Payments of retirement benefits	(48,699)	(52,060)
Unrecognized prior service cost	(23,861)	7,175
Other	4,217	1,824
Ending balance of projected benefit obligation	<u>¥ 1,009,631</u>	<u>¥ 972,449</u>

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

<u>Year ended, March 31</u>	<u>Millions of yen</u>	
	<u>2021</u>	<u>2022</u>
Beginning balance of plan assets	¥ 1,259,233	¥ 1,563,269
Expected return on plan assets	38,516	39,818
Unrecognized net actuarial gain or loss incurred	289,284	(116)
Contributions by the employer	9,217	10,046
Payments of retirement benefits	(38,932)	(39,529)
Other	5,949	4,181
Ending balance of plan assets	<u>¥ 1,563,269</u>	<u>¥ 1,577,670</u>

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

- (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

March 31	Millions of yen	
	2021	2022
Funded projected benefit obligation	¥ (1,007,212)	¥ (970,266)
Plan assets	1,563,269	1,577,670
	556,056	607,403
Unfunded projected benefit obligation	(2,419)	(2,182)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 553,637	¥ 605,220

March 31	Millions of yen	
	2021	2022
Net defined benefit asset	¥ 559,043	¥ 616,206
Net defined benefit liability	(5,406)	(10,985)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 553,637	¥ 605,220

- (4) Pension expenses

Year ended March 31	Millions of yen	
	2021	2022
Service cost	¥ 26,668	¥ 25,110
Interest cost on projected benefit obligation	3,569	4,725
Expected return on plan assets	(38,516)	(39,818)
Amortization of unrecognized net actuarial gain or loss	7,143	(25,041)
Amortization of unrecognized prior service cost	(2,209)	(1,993)
Other (nonrecurring additional retirement allowance paid and other)	4,274	6,677
Pension expenses	¥ 931	¥ (30,339)

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:

Year ended March 31	Millions of yen	
	2021	2022
Prior service cost	¥ (21,652)	¥ 9,168
Net actuarial gain or loss	(285,987)	1,446
Total	¥ (307,639)	¥ 10,615

- (6) Accumulated remeasurements of defined benefit plans

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

March 31	Millions of yen	
	2021	2022
Unrecognized prior service cost	¥ (21,652)	¥ (12,483)
Unrecognized net actuarial gain or loss	(159,966)	(158,519)
Total	¥ (181,619)	¥ (171,003)

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(7) Plan assets

1) Major asset classes of plan assets

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

<u>March 31</u>	<u>2021</u>	<u>2022</u>
Stocks	59.1%	52.9%
Bonds	13.2%	12.5%
General account of life insurance	1.8%	1.8%
Other	25.9%	32.8%
Total	<u>100.0%</u>	<u>100.0%</u>

Note: The retirement benefit trusts set up for employee pension plans and lump-sum severance indemnity plans account for 38.2% and 36.3% 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

<u>Year ended March 31, 2021</u>	<u>Percentages</u>	<u>Year ended March 31, 2022</u>	<u>Percentages</u>
SMBC and its domestic consolidated subsidiaries	0.4% to 0.5%	SMBC and its domestic consolidated subsidiaries	0.4% to 0.6%
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

<u>Year ended March 31, 2021</u>	<u>Percentages</u>	<u>Year ended March 31, 2022</u>	<u>Percentages</u>
SMBC and its domestic consolidated subsidiaries	1.6% to 3.7%	SMBC and its domestic consolidated subsidiaries	1.1% 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 SMBC and the consolidated subsidiaries is ¥6,895 million.

Fiscal year ended March 31, 2022

The amount required to be contributed by SMBC and the consolidated subsidiaries is ¥8,133 million.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(Notes to deferred tax assets and liabilities)

1. Significant components of deferred tax assets and liabilities

<u>March 31, 2021</u>	<u>Millions of yen</u>	<u>March 31, 2022</u>	<u>Millions of yen</u>
Deferred tax assets:		Deferred tax assets:	
Reserve for possible loan losses and write-off of loans	¥ 189,550	Reserve for possible loan losses and write-off of loans	¥ 230,388
Net operating loss carryforwards *	58,358	Net operating loss carryforwards *	65,128
Securities	46,951	Securities	45,433
Net deferred gains (losses) on hedge	2,071	Net deferred gains (losses) on hedge	32,367
Other	105,801	Other	149,340
Subtotal	402,733	Subtotal	522,659
Valuation allowance for net operating loss carryforwards *	(6,459)	Valuation allowance for net operating loss carryforwards *	(7,714)
Valuation allowance for total amount of deductible temporary differences etc.	(54,757)	Valuation allowance for total amount of deductible temporary differences etc.	(55,219)
Valuation allowance subtotal	(61,216)	Valuation allowance subtotal	(62,934)
Total deferred tax assets	341,516	Total deferred tax assets	459,724
Deferred tax liabilities:		Deferred tax liabilities:	
Net unrealized gains on other securities	(682,158)	Net unrealized gains on other securities	(493,757)
Depreciation	(62,441)	Depreciation	(70,860)
Accumulated remeasurements of defined benefit plans	(58,048)	Accumulated remeasurements of defined benefit plans	(55,673)
Other	(128,746)	Other	(129,907)
Total deferred tax liabilities	(931,394)	Total deferred tax liabilities	(750,199)
Net deferred tax assets (liabilities)	¥ (589,877)	Net deferred tax assets (liabilities)	¥ (290,474)

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

<u>March 31, 2021</u>	<u>Millions of yen</u>				
	<u>Within 1 year</u>	<u>More than 1 year to 5 years</u>	<u>More than 5 years to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Net operating loss carryforwards*	¥ 87	¥ 92	¥ 7,364	¥ 50,813	¥ 58,358
Valuation allowance	(68)	(12)	(5,079)	(1,298)	(6,459)
Deferred tax assets	18	80	2,285	49,515	51,899

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

<u>March 31, 2022</u>	<u>Millions of yen</u>				
	<u>Within 1 year</u>	<u>More than 1 year to 5 years</u>	<u>More than 5 years to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Net operating loss carryforwards*	¥ 11	¥ 2,443	¥ 5,023	¥ 57,650	¥ 65,128
Valuation allowance	(2)	(1,552)	(4,550)	(1,609)	(7,714)
Deferred tax assets	8	891	472	56,041	57,413

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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

<u>March 31, 2021</u>	<u>Percentages</u>	<u>March 31, 2022</u>	<u>Percentages</u>
Statutory tax rate (Adjustments)	30.62%	Statutory tax rate (Adjustments)	30.62%
		Differences of the scope of taxable income	
Retained earnings of subsidiaries	(2.44)	between corporate income tax and enterprise income tax	(1.33)
Valuation allowance	(1.72)	Valuation allowance	(0.50)
Differences of the scope of taxable income between corporate income tax and enterprise income tax	(1.41)	Dividends exempted for income tax purposes	(0.50)
Difference of effective income tax rate between SMBC and overseas consolidated subsidiaries	(1.40)	Difference of effective income tax rate between SMBC and overseas consolidated subsidiaries	(0.39)
Dividends exempted for income tax purposes	(0.62)	Equity in gains of affiliates	(0.28)
Equity in gains of affiliates	(0.44)	Other	(3.50)
Other	(0.78)	Effective income tax rate	24.12%
Effective income tax rate	21.81%		

**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)**

(Notes to asset retirement obligations)

Fiscal year ended March 31, 2021

There is no information to be disclosed since the total amount of asset retirement obligations is immaterial.

Fiscal year ended March 31, 2022

There is no information to be disclosed since the total amount of asset retirement obligations is immaterial.

(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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(Revenue Recognition)

Information on breakdown of revenues from contracts with customers

Year ended March 31	Millions of yen
	2022
Ordinary Income	¥ 2,990,450
Fees and commissions	710,850
Deposits and loans	203,898
Remittances and transfers	141,312
Securities-related business	53,412
Agency	7,823
Safe deposits	4,025
Guarantees	39,520
Investment trusts	30,196
Others	230,660

Notes: 1. Fees and commissions obtained through Deposits and loans principally arise in the Wholesale Banking Unit and the Global Banking Unit, Remittances and transfers principally arise in the Wholesale Banking Unit, the Retail Banking Unit, and the Global Banking Unit, Securities-related business principally arise in the Global Banking Unit. Income based on “Accounting Standard for Financial Instrument” (ASBJ Statement No. 10, July 4, 2019) is also included in the table above.

2. In accordance with the transitional measures set forth in paragraph 89-3 of “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) etc., among notes of “Revenue Recognition” comparative information for the fiscal year ended March 31, 2021 is not disclosed.

**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)**

(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 SMBC'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 Banking Unit:	Business to deal with domestic medium-to-large-sized and small-to-medium-sized corporate customers
Retail Banking Unit:	Business to deal with mainly domestic individual customers
Global Banking Unit:	Business to deal with international (including Japanese) corporate customers in overseas
Treasury 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.

SMBC does not assess assets by business segments.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

3. Information on profit and loss amount by reportable segment

Year ended March 31, 2021	Millions of yen					Total
	Wholesale Banking Unit	Retail Banking Unit	Global Banking Unit	Treasury Unit	Head office account and others	
Consolidated gross profit	¥ 659,700	¥ 299,800	¥ 731,200	¥ 430,100	¥ (262,453)	¥ 1,858,347
General and administrative expenses	(275,300)	(303,900)	(382,200)	(68,400)	(37,821)	(1,067,621)
Equity in gains (losses) of affiliates	—	2,200	4,600	—	802	7,602
Consolidated net business profit	<u>¥ 384,400</u>	<u>¥ (1,900)</u>	<u>¥ 353,600</u>	<u>¥ 361,700</u>	<u>¥ (299,472)</u>	<u>¥ 798,328</u>

Notes: 1. Figures shown in the parenthesis represent the loss.

2. “Head office account and others” includes profit or loss to be eliminated as inter-segment transactions.

Year ended March 31, 2022	Millions of yen					Total
	Wholesale Banking Unit	Retail Banking Unit	Global Banking Unit	Treasury Unit	Head office account and others	
Consolidated gross profit	¥ 742,700	¥ 312,300	¥ 904,200	¥ 394,400	¥ (355,991)	¥ 1,997,609
General and administrative expenses	(282,600)	(306,300)	(457,100)	(75,900)	8,324	(1,113,576)
Equity in gains (losses) of affiliates	—	2,900	(8,700)	—	12,588	6,788
Consolidated net business profit	<u>¥ 460,100</u>	<u>¥ 8,900</u>	<u>¥ 438,400</u>	<u>¥ 318,500</u>	<u>¥ (335,079)</u>	<u>¥ 890,821</u>

Notes: 1. Figures shown in the parenthesis represent the loss.

2. “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)

Year ended March 31, 2021	Millions of yen
Consolidated net business profit	¥ 798,328
Other ordinary income (excluding equity in gains of affiliates)	117,765
Other ordinary expenses	(381,371)
Ordinary profit on consolidated statements of income	<u>¥ 534,722</u>

Note: Figures shown in the parenthesis represent the loss.

Year ended March 31, 2022	Millions of yen
Consolidated net business profit	¥ 890,821
Other ordinary income (excluding equity in gains of affiliates)	262,907
Other ordinary expenses	(285,879)
Ordinary profit on consolidated statements of income	<u>¥ 867,849</u>

Note: Figures shown in the parenthesis represent the loss.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

[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
¥ 1,474,358	¥ 549,171	¥ 280,094	¥ 483,023	¥ 2,786,647

- Notes:
1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.
 2. Ordinary income from transactions of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries is classified as “Japan.” Ordinary income from transactions of overseas branches of SMBC 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
¥ 756,509	¥ 474,346	¥ 40,246	¥ 34,545	¥ 1,305,648

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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
¥ 1,625,129	¥ 578,183	¥ 249,792	¥ 537,345	¥ 2,990,450

- Notes: 1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.
2. Ordinary income from transactions of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries is classified as “Japan.” Ordinary income from transactions of overseas branches of SMBC 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
¥ 736,303	¥ 486,944	¥ 36,063	¥ 37,700	¥ 1,297,011

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

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

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

Impairment loss for the fiscal year ended March 31, 2021 is ¥9,448 million.

Impairment loss for the fiscal year ended March 31, 2022 is ¥108,246 million.

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

Year ended March 31, 2021	Millions of yen					
	Wholesale Banking Unit	Retail Banking Unit	Global Banking Unit	Treasury Unit	Head office account and others	Total
Amortization of goodwill	¥ —	¥ —	¥ —	¥ —	¥ 605	¥ 605
Unamortized balance	—	—	—	—	—	—

Fiscal year ended March 31, 2022

There are no corresponding transactions.

[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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

[Information on related parties]

Fiscal year ended March 31, 2021

1. Transactions with related parties

There are no significant corresponding transactions to be disclosed.

2. Notes to the parent company or important affiliates

Information on parent company

Sumitomo Mitsui Financial Group, Inc. (listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange and the New York Stock Exchange)

Fiscal year ended March 31, 2022

1. Transactions with related parties

There are no significant corresponding transactions to be disclosed.

2. Notes to the parent company or important affiliates

Information on parent company

Sumitomo Mitsui Financial Group, Inc. (listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange and the New York Stock Exchange)

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(Business Combination)

Fiscal year ended March 31, 2022

<Change in subsidiary due to the sale of shares>

Sale of all of the shares of SMBC Guarantee Co., Ltd.

Following the resolution at the Meeting of Board of Directors held on October 26, 2021, on February 28, 2022, SMBC Loan Business Planning Co., Ltd, a consolidated subsidiary of SMBC, sold all of its possessing shares of SMBC Guarantee Co., Ltd. to SMBC Consumer Finance Co. Ltd, a consolidated subsidiary of SMFG.

As a result, SMBC Guarantee Co., Ltd. was excluded from the scope of consolidation.

1. Objectives of the Sale of the Shares

To enhance SMBC Group guarantee business

2. Outline of the accounting treatment implemented

(1) Gains (losses) on sale of shares of subsidiaries

Losses on sales of stocks and others	¥	25,679 million
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(2) Outline of the accounting treatment implemented

The accounting treatment defined in “Accounting Standard for Business Divestitures” (ASBJ Statement No.7) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10) is applied for the non-consolidated financial statements and consolidated financial statements.

(3) Outline of the subsidiary excluded from the scope of consolidation (as of March 31, 2022)

SMBC Guarantee Co., Ltd. (Reportable segment: Retail Banking Unit)

Total assets	¥	9,358,917 million
Total net assets	¥	226,003 million
Profit	¥	9,838 million

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(Per Share Data)

As of and year ended March 31	Yen	
	2021	2022
Net assets per share	¥ 86,161.73	¥ 85,558.44
Earnings per share	3,822.11	5,348.27
Earnings per share (diluted)	3,822.11	—

Notes: 1. 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	¥ 406,093	¥ 568,244
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent attributable to common stock	¥ 406,093	¥ 568,244
Average number of common stock during the fiscal year (in thousand)	106,248	106,248
Earnings per share (diluted):		
Adjustment for profit attributable to owners of parent	¥ (0)	¥ —
Adjustment of dilutive shares issued by subsidiaries and equity method affiliates	(0)	—
Increase in number of common stock (in thousand)	—	—
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	¥ 9,256,369	¥ 9,219,858
Amounts excluded from Net assets	101,823	129,411
Non-controlling interests	101,823	129,411
Net assets attributable to common stock at the fiscal year-end	¥ 9,154,545	¥ 9,090,447
Number of common stock at the fiscal year-end used for the calculation of Net assets per share (in thousands)	106,248	106,248

(Significant Subsequent Events)

There are no significant subsequent events to be disclosed.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

[Consolidated supplementary financial schedules]

[Schedule of bonds]

Compa- ny	Type of bonds	Date of issuance	Millions of yen		Percentages	Collat- eral	Date of maturity
			At the beginning of the fiscal year	At the end of the fiscal year	Interest rate (Note 1)		
SMBC	Straight bonds, payable in U.S. dollars (Notes 3 and 4)	Jul. 2012 ~	486,088	469,015	3 ~	None	Jul. 2022 ~ Mar. 2030
		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	80,178	4.3	None	May. 30, 2045
			(\$655,000 thousand)	(\$655,000 thousand)			
	Straight bonds, payable in Euro (Notes 3 and 4)	Jul. 24, 2013	162,034	68,346		None	Jul. 24, 2023
			(€1,248,821 thousand) [97,312]	(€499,570 thousand) [—]	2.75		
	Straight bonds, payable in Australian dollars (Note 3)	Mar. 2015 ~ Dec. 2018	11,231	12,242	2.9 ~	None	Jun. 2023 ~ Mar. 2025
			(A\$133,195 thousand)	(A\$133,197 thousand)	3.67		
	Straight bonds, payable in Hong Kong dollars (Notes 3 and 4)	Apr. 30, 2015	23,054	11,808		None	Apr. 30, 2025
			(HK\$1,619,000 thousand) [12,303]	(HK\$755,000 thousand) [—]	2.92		
	Straight bonds, payable in Thai baht (Notes 3 and 4)	Nov. 8, 2018	7,080			—	—
			(THB2,000,000 thousand) [7,080]				
	Straight bonds, payable in Renminbi (Note 3)	Jun. 8, 2020	16,860	19,260		None	Jun. 8, 2023
			(CNY1,000,000 thousand)	(CNY1,000,000 thousand)	3.2		
	Subordinated bonds, payable in Yen (Note 4)	Jun. 2011 ~ Dec. 2011	139,995	59,996	2.17 ~	None	Jun. 2026 ~ Dec. 2026
[80,000]			[—]	2.21			
Subordinated perpetual bonds, payable in U.S. dollars (Notes 3 and 4)	Mar. 1, 2012	166,054			—	—	
		(\$1,499,902 thousand) [166,065]					
(* 1)	Consolidated subsidiaries, straight bonds, payable in Indonesia rupiah (Notes 2, 3 and 4)	Nov. 27, 2019	7,552	8,473	7.55 ~ 7.75	None	Nov. 2022 ~ Nov. 2024
(* 2)	Consolidated subsidiaries, straight bonds, payable in Renminbi (Notes 2, 3 and 4)	Jan. 2022 ~ Mar. 2022	3,030	62,982		None	Apr. 2022 ~ Jun. 2022
(* 3)	Consolidated subsidiaries, subordinated bonds, payable in Yen (Note 2)	Dec. 1997 ~ Feb. 1998	20,000	20,000	4 ~ 4.15	None	Jan. 28, 2028
Total		—	¥1,115,496	812,303	—	—	—

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 Indonesia rupiah by PT Bank BTPN Tbk, an overseas consolidated subsidiary.

(*2) This represents straight bonds issued in Renminbi by Sumitomo Mitsui Banking Corporation (China) Limited, an overseas consolidated subsidiary.

(*3) This represents subordinated term bonds issued in Yen by SMBC International Finance N.V., an overseas consolidated subsidiary.

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	
¥ 222,976	¥ 270,088	¥ 67,509	¥ 73,013	¥ 60,000	

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

[Schedule of borrowings]

Classification	Millions of yen		Percentages	
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rate	Repayment Term
Borrowed money	¥ 25,061,421	¥ 26,887,509	0.80	—
Other borrowings	25,061,421	26,887,509	0.80	Apr. 2022 ~ Perpetual
Lease obligations	4,180	3,782	3.25	Apr. 2022 ~ Jul. 2032

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	¥ 9,329,954	¥ 3,156,727	¥ 5,536,093	¥ 2,496,237	¥ 1,482,989
Lease obligations	548	552	518	518	535

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	
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rate	Repayment Term
Commercial paper	¥ 1,686,404	¥ 1,856,909	0.32	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]

Not applicable.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

(Non-consolidated financial statements)

1. Non-consolidated balance sheets

March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Assets:			
Cash and due from banks	¥ 68,872,236	¥ 70,840,809	\$ 578,718
Call loans	2,483,453	2,234,818	18,257
Receivables under resale agreements	2,564,708	1,645,410	13,442
Receivables under securities borrowing transactions	1,587,813	1,863,080	15,220
Monetary claims bought	1,765,424	2,290,607	18,713
Trading assets	2,448,415	2,025,767	16,549
Securities	36,487,225	38,238,579	312,381
Loans and bills discounted	81,937,725	87,671,294	716,210
Foreign exchanges	2,048,571	2,721,735	22,235
Other assets	4,291,338	5,291,974	43,232
Tangible fixed assets	780,803	766,477	6,262
Intangible fixed assets	258,523	249,750	2,040
Prepaid pension cost	366,298	428,164	3,498
Customers' liabilities for acceptances and guarantees	10,526,389	12,285,466	100,363
Reserve for possible loan losses	(456,405)	(589,208)	(4,813)
Reserve for possible losses on investments	(115,791)	—	—
Total assets	¥ 215,846,732	¥ 227,964,729	\$ 1,862,305
Liabilities and net assets:			
Liabilities:			
Deposits	¥ 134,685,582	¥ 141,015,245	\$ 1,151,991
Negotiable certificates of deposit	12,703,900	13,108,797	107,089
Call money	671,522	680,893	5,562
Payables under repurchase agreements	11,879,494	14,626,237	119,486
Payables under securities lending transactions	551,377	305,779	2,498
Commercial paper	978,109	1,229,180	10,042
Trading liabilities	2,348,232	1,558,679	12,733
Borrowed money	24,825,882	26,700,215	218,121
Foreign exchanges	1,193,427	1,339,163	10,940
Bonds	1,084,913	720,847	5,889
Due to trust account	2,218,601	2,321,699	18,967
Other liabilities	3,571,515	4,255,764	34,766
Reserve for employee bonuses	13,345	12,584	103
Reserve for executive bonuses	1,154	1,150	9
Reserve for point service program	603	870	7
Reserve for reimbursement of deposits	9,245	4,974	41
Deferred tax liabilities	487,964	221,503	1,810
Deferred tax liabilities for land revaluation	29,603	29,193	238
Acceptances and guarantees	10,526,389	12,285,466	100,363
Total liabilities	207,780,865	220,418,246	1,800,656
Net assets:			
Capital stock	1,770,996	1,770,996	14,468
Capital surplus	1,774,554	1,774,554	14,497
Retained earnings	2,910,394	3,079,860	25,160
Treasury stock	(210,003)	(210,003)	(1,716)
Total stockholders' equity	6,245,942	6,415,408	52,409
Net unrealized gains (losses) on other securities	1,719,291	1,288,414	10,525
Net deferred gains (losses) on hedges	75,141	(182,902)	(1,494)
Land revaluation excess	25,492	25,563	209
Total valuation and translation adjustments	1,819,924	1,131,074	9,240
Total net assets	8,065,866	7,546,483	61,649
Total liabilities and net assets	¥ 215,846,732	¥ 227,964,729	\$ 1,862,305

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

2. Non-consolidated statements of income

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Ordinary income	¥ 2,283,356	¥ 2,477,287	\$ 20,238
Interest income	1,369,776	1,392,776	11,378
Interest on loans and discounts	958,835	945,143	7,721
Interest and dividends on securities	291,358	341,409	2,789
Trust fees	2,076	2,254	18
Fees and commissions	532,550	590,995	4,828
Trading income	17,235	5,157	42
Other operating income	248,584	248,075	2,027
Other income	113,133	238,029	1,945
Ordinary expenses	1,847,294	1,731,337	14,144
Interest expenses	433,414	301,679	2,464
Interest on deposits	91,518	36,987	302
Fees and commissions payments	201,865	192,556	1,573
Trading losses	450	74,753	611
Other operating expenses	52,829	91,090	744
General and administrative expenses	828,186	835,675	6,827
Other expenses	330,546	235,582	1,925
Ordinary profit	436,062	745,950	6,094
Extraordinary gains	8,987	1,365	11
Extraordinary losses	9,654	48,853	399
Income before income taxes	435,394	698,462	5,706
Income taxes - current	156,024	189,578	1,549
Income taxes - deferred	(58,666)	(37,409)	(306)
Net income	¥ 338,036	¥ 546,294	\$ 4,463
	Yen	U.S. dollars	
	2021	2022	2022
Per share data:			
Earnings per share	¥ 3,181.57	¥ 5,141.66	\$ 42.00
Earnings per share (diluted)	—	—	—

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

3. Non-consolidated statements of changes in net assets

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Year ended March 31, 2021					
Balance at the beginning of the fiscal year	¥ 1,770,996	¥ 1,774,554	¥ 2,875,747	¥ (210,003)	¥ 6,211,295
Cumulative effects of changes in accounting policies			(30,910)		(30,910)
Restated balance	1,770,996	1,774,554	2,844,836	(210,003)	6,180,384
Changes in the fiscal year:					
Cash dividends			(272,952)		(272,952)
Net income			338,036		338,036
Reversal of land revaluation excess			472		472
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	65,557	—	65,557
Balance at the end of the fiscal year	¥ 1,770,996	¥ 1,774,554	¥ 2,910,394	¥ (210,003)	¥ 6,245,942

	Millions of yen				
	Valuation and translation adjustments				
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Year ended March 31, 2021					
Balance at the beginning of the fiscal year	¥ 1,073,795	¥ 185,163	¥ 25,964	¥ 1,284,923	¥ 7,496,219
Cumulative effects of changes in accounting policies					(30,910)
Restated balance	1,073,795	185,163	25,964	1,284,923	7,465,308
Changes in the fiscal year:					
Cash dividends					(272,952)
Net income					338,036
Reversal of land revaluation excess					472
Net changes in items other than stockholders' equity in the fiscal year	645,495	(110,022)	(472)	535,001	535,001
Net changes in the fiscal year	645,495	(110,022)	(472)	535,001	600,558
Balance at the end of the fiscal year	¥ 1,719,291	¥ 75,141	¥ 25,492	¥ 1,819,924	¥ 8,065,866

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Year ended March 31, 2022					
Balance at the beginning of the fiscal year	¥ 1,770,996	¥ 1,774,554	¥ 2,910,394	¥ (210,003)	¥ 6,245,942
Changes in the fiscal year:					
Cash dividends			(376,756)		(376,756)
Net income			546,294		546,294
Reversal of land revaluation excess			(71)		(71)
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	169,466	—	169,466
Balance at the end of the fiscal year	¥ 1,770,996	¥ 1,774,554	¥ 3,079,860	¥ (210,003)	¥ 6,415,408

	Millions of yen				
	Valuation and translation adjustments				
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Year ended March 31, 2022					
Balance at the beginning of the fiscal year	¥ 1,719,291	¥ 75,141	¥ 25,492	¥ 1,819,924	¥ 8,065,866
Changes in the fiscal year:					
Cash dividends					(376,756)
Net income					546,294
Reversal of land revaluation excess					(71)
Net changes in items other than stockholders' equity in the fiscal year	(430,876)	(258,044)	71	(688,849)	(688,849)
Net changes in the fiscal year	(430,876)	(258,044)	71	(688,849)	(519,383)
Balance at the end of the fiscal year	¥ 1,288,414	¥ (182,902)	¥ 25,563	¥ 1,131,074	¥ 7,546,483

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2022 — (Continued)

	Millions of U. S. Dollars				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Year ended March 31, 2022					
Balance at the beginning of the fiscal year	\$ 14,468	\$ 14,497	\$ 23,776	\$ (1,716)	\$ 51,025
Changes in the fiscal year:					
Cash dividends			(3,078)		(3,078)
Net income			4,463		4,463
Reversal of land revaluation excess			(1)		(1)
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	1,384	—	1,384
Balance at the end of the fiscal year	<u>\$ 14,468</u>	<u>\$ 14,497</u>	<u>\$ 25,160</u>	<u>\$ (1,716)</u>	<u>\$ 52,409</u>

	Millions of U. S. Dollars				
	Valuation and translation adjustments				
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Year ended March 31, 2022					
Balance at the beginning of the fiscal year	\$ 14,045	\$ 614	\$ 208	\$ 14,867	\$ 65,892
Changes in the fiscal year:					
Cash dividends					(3,078)
Net income					4,463
Reversal of land revaluation excess					(1)
Net changes in items other than stockholders' equity in the fiscal year	(3,520)	(2,108)	1	(5,627)	(5,627)
Net changes in the fiscal year	(3,520)	(2,108)	1	(5,627)	(4,243)
Balance at the end of the fiscal year	<u>\$ 10,525</u>	<u>\$ (1,494)</u>	<u>\$ 209</u>	<u>\$ 9,240</u>	<u>\$ 61,649</u>

Independent Auditor's Report

To the Board of Directors of
Sumitomo Mitsui Banking Corporation.:

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Banking Corporation. ("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 Banking Corporation ("SMBC") as of March 31, 2022, the reserve for possible loan losses (the "Reserve") was ¥533,094 million on loans and bills discounted (the "Loans") of ¥92,472,845 million (or approximately 38.2% of total assets). Included in such balances were mainly corporate loans and the related reserve of SMBC. 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 SMBC for the fiscal year ended March 31, 2022, losses on impairment of fixed assets of ¥ 108,246 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, SMBC 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, SMBC 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 SMBC'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 SMBC'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 and Supervisory 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 and Supervisory Committee is responsible for overseeing the directors' 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 and Supervisory 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.

From the matters communicated with the Audit and Supervisory 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.