

## Response to Administrative Actions and Efforts to Prevent Recurrence

In response to the market manipulation cases in which former executive officers and employees of SMBC Nikko Securities (“SMBC Nikko”) violated Article 159, Paragraph 3 of the Financial Instruments and Exchange Act (i.e., illegal stabilization transactions) as well as the cases of exchanging non-public information between executive officers and employees of SMBC Nikko and Sumitomo Mitsui Banking Corporation (“SMBC”) (violations of regulations on the firewall

between banking and securities operations), the Company has established a project team under the Board of Directors and has been discussing on issues of business management systems and improvement measures. In addition, the Board of Directors has strengthened its involvement on management execution by supervising the progress of each improvement measure and engaging in discussions about the effectiveness of these measures.

	Market manipulation cases	Violation of Regulations on the Firewall between Banking and Securities Operations
<b>Outline of the case</b>	SMBC Nikko conducted a series of limit price bids and offers to buy for ten listed stocks with the purpose of stabilizing the market price of those stocks to avoid a significant decline in their closing price on the execution date (the basis for the trading price in block offer transactions), compared to the closing price on the previous day, and thereby maintain the stock price at a certain level.	SMBC Nikko and SMBC had exchanged non-public information concerning corporate customers, despite being aware that these clients had requested a halt to such information sharing, or that consent for these exchanges had not been obtained.

In November 2022, the Company, SMBC Nikko, and SMBC each formulated and announced the improvement plans to prevent a similar incident from occurring again. Since then, we have been working to strengthen our business management system and internal control system and foster a sound corporate culture through the steady implementation of measures based on the improvement plans.

We have made progress in the formulation and implementation of each improvement measure as planned, six months since the submission of the Improvement Report. We will continue to implement improvement measures, verify the effectiveness of each improvement measure, and ensure dissemination and firm establishment of them.

### Progress of Improvement Plan

November 2022: Formulate an improvement plan

Present

	Formulation and Establishment of a Framework to Prevent Recurrence	Implementation and Verification of Effectiveness	Dissemination and Establishment
Market manipulation cases	<b>(1) Strengthen the Business Management System &lt;SMBC Nikko&gt;</b> <ul style="list-style-type: none"> <li>Strengthen supervision of management execution Appoint a new outside director</li> <li>Implement compliance training for executives</li> <li>Prioritize the allocation of resources on “defense” Increase personnel in the Second and Third Line, and make IT investment of over ¥10 billion to strengthen internal control systems</li> <li>Strengthen expertise in the First and Second Line of defense Promote to hire outside specialists</li> <li>Establish the Product and Services Council Discuss risks, issues and measures regarding products and services among the First and Second Line of defense</li> </ul>	<b>(2) Strengthen the Internal Control System</b> <ul style="list-style-type: none"> <li>Improve the effectiveness of the Three Lines of Defense system Formulate and implement a target operating model by utilizing external knowledge</li> <li>Reorganize compliance division Strengthen supervisory functions, and clarify roles and responsibilities</li> <li>Establish the Fraudulent Trade Prevention Committee Strengthening the trade control system by discussing the risk of unfair trading among the First and Second Line</li> </ul>	<b>(3) Foster a Sound Corporate Culture</b> <ul style="list-style-type: none"> <li>Formulate new corporate philosophy systems Restructure the existing philosophy systems to incorporate SMBC Group’s “Five Values”</li> <li>Dialogue between management and employees Establish a forum for discussion on improvement measures, company direction, etc. (held at 271 locations in total)</li> </ul>
	<b>(4) Strengthen the Business Management System</b> <ul style="list-style-type: none"> <li>Implement whistle-blowing training</li> <li>Reinforce the Company’s Compliance Department structure</li> </ul>	<b>(5) Strengthen the Customer Information Management System</b> <ul style="list-style-type: none"> <li>Establish and enforce information management rules</li> <li>Enhance post-event monitoring by utilizing artificial intelligence, etc.</li> </ul>	<b>(6) Foster Awareness of Compliance</b> <ul style="list-style-type: none"> <li>Establish a new rule for compliance training management and increase training opportunities</li> </ul>
Violation of regulations on the firewall between banking and securities operations			

### The Company: Establish the Group Business Management Department

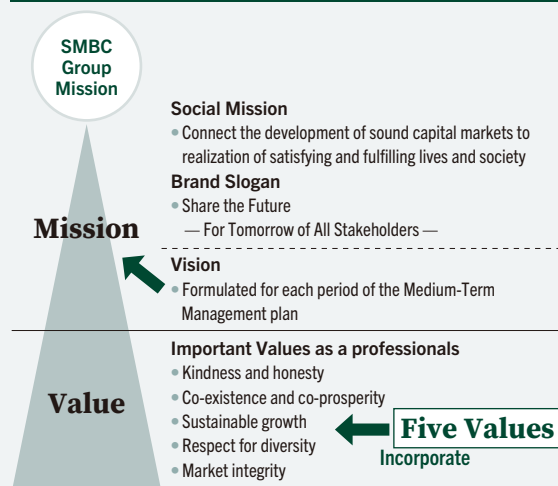
The Company has established the Group Business Management Department with the aim of strengthening the capability for emergency issues as a group. We will continue to strengthen capability for emergency issues of the eight major subsidiaries (including SMBC Nikko) by enhancing communication with them.



### SMBC Nikko: Formulate new corporate philosophy systems

In order to ensure that the philosophy fully permeates the entire company, SMBC Nikko has restructured the existing philosophy which includes five new SMBC Nikko's core values that encapsulate the SMBC group's common five values.

#### SMBC Nikko Securities Management Philosophy



### SMBC Nikko: Dialogue between Management and Employees

The management of SMBC Nikko has declared a strong commitment to compliance and risk management, and has enhanced bidirectional communication with sales staff, conducting town hall meetings at a total of 271 locations. Members of the Management Committee will discuss opinions and suggestions from employees during bidirectional communication and will incorporate these into various measures going forward.



### SMBC Nikko: Reorganize compliance division

The organization and operation of the compliance department have been reviewed with the aim of strengthening the internal control system. By appointing vice president to oversee compliance, we have reinforced the compliance department. Furthermore, we have reorganized the compliance departments by function, aiming to clarify roles and responsibilities.

#### Second Line of defense (Compliance Division)

