

# Human Resource Strategies to Support Value Creation



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Group CHRO

The environment surrounding our business is changing faster than ever before, and together with the growing importance of issues such as “sustainability,” “digital,” “global,” and “compliance,” our responsibilities to society as a company are also increasing dramatically.

In order to respond to increasingly complex and serious social issues and to meet increasingly diverse and sophisticated customer needs, SMBC Group has established the basic policies of “creating social value,” “pursuing economic value,” and “further strengthening our management foundations” in its new medium-term management plan beginning from FY2023.

Further diversification and specialization of human resources, the most important driving force behind the execution of the new medium-term management plan, is also essential. To respond to the transformation of our business portfolio, we will make strategic efforts to build a human resources portfolio focusing on specialized personnel in fields such as digital, compliance and human resources able to drive global business.

At the same time, employee values and work perspectives are diversifying alongside the transformation of society, and changes in the relationship between companies and employees are increasing the mobility of human resources and intensifying competition for talent. With a view to

SMBC Group’s sustainable growth, we will continue to review our appraisal systems and the way we treat our employees in a timely and appropriate manner to ensure that we are an “employer of choice,” and we will further accelerate our transformation from traditional HR operating styles, including a review of operations that emphasize age-based seniority.

We will further promote DE&I with an emphasis on individuals taking on challenges and growing autonomously to create an environment where diverse professional human resources can demonstrate the best of their abilities. We will also strive to enhance the sophistication of human resource management by establishing a fair evaluation system based on skills and performance.

We aim to achieve a virtuous cycle in which employees repeatedly take on challenges and grow, and contribute to the development of customers and society by providing added value, thereby enhancing the corporate value of SMBC Group.

As Group CHRO, I will personally take the lead in taking on challenges and transformation, and will increase opportunities for dialogue with employees through town hall meetings and seminars, and for internal communication by the Human Resources Department, so that the vision the company and its employees are aiming for can spread throughout the group and our human resource capabilities are maximized.

# People in SMBC Group at a Glance\*1

## Number of SMBC Group employees\*2

(March 31, 2023: Changes since March 31, 2020)

**116,000**  
persons

Retail Business Unit **37,000** persons  
(7,000) persons

Wholesale Business Unit **9,000** persons  
+1,000 persons

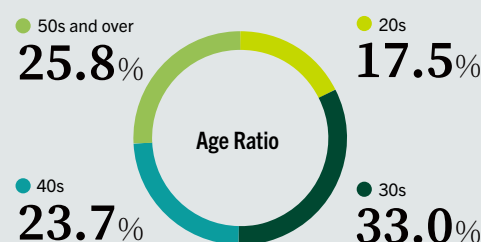
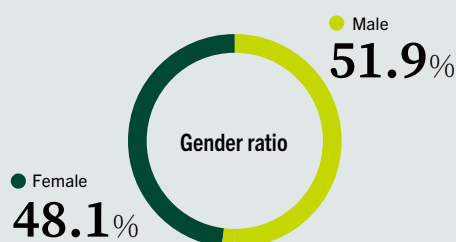
Global Business Unit **52,000** persons  
+23,000 persons

Global Markets Business Unit **1,000** persons  
(0) persons

Head Office Administration Unit **17,000** persons  
(2,000) persons

**EMEA** **ASIA** **JAPAN** **AMERICAS**

**3,000** **47,000** **62,000** **5,000**  
persons persons persons persons  
+0 persons +20,000 persons (7,000) persons +2,000 persons



New graduate recruitment  
**1,098** persons  
(Joined April 2023)

Percentage of female graduate hires  
**37.5%**  
(Joined April 2023)

Experienced hire rate  
**30.7%**  
(FY2022)

Voluntary retirement rate  
**4%**  
(FY2022)

Average years of service  
**15.4** years  
(March 2023)

Absenteeism<sup>3,4</sup>  
**2.9%**  
(FY2022)

Total annual training costs  
**¥3.95** billion  
(FY2022)

Number of participants in training programs for young and mid-career employees  
**26,000** persons/year  
(FY2022)

Average training time  
**21** hours/year  
(FY2022)

\*1 Unless otherwise noted, data are for employees hired in Japan by the nine major group companies \*2 Group, consolidated \*3 Sumitomo Mitsui Banking Corporation, non-consolidated  
\*4 Percentage of employees with at least one day of absence or leave of absence in a year

## Human Resource Strategies to Support Value Creation

### Creating and Sharing SMBC Group Talent Policy

In addition to changes in the management and business environment, employee values have become more diverse due to generational changes in business leaders, promotion of female empowerment in the workplace, and the growth of experienced hire recruitment. In line with this change, the relationship between companies and employees is shifting from one of mutual dependence to one of choosing and being chosen.

Inheriting the business spirit and culture of Mitsui and Sumitomo, which have long emphasized people, characterized by the lines “Mitsui is its people” and “Business is people,” and in order to continue being a place where diverse employees can gather, grow and play active roles, SMBC Group clearly states in the “SMBC Group Talent Policy,” “what SMBC Group want employees to be” and “employee Value Proposition.”

Employees are expected to “carry out their responsibilities as professionals,” “respect others and pursue

the best results as a team,” and “carry on, stay bold even if challenging,” based on the premise that they are members of a global financial group with great responsibility to society and operate with a DE&I mindset, which actively accepts values that differ from their own.

At the same time, we are pushing our employees who are working to realize these goals to achieve their dreams: we provide an environment in which they can express their individuality, opportunities to contribute to customers and society by leveraging our business foundations, and support for career development and growth.

In order to spread and implement this policy, we will be updating the criteria and items of personnel evaluations in line with the SMBC Group Talent Policy, and further emphasize competence rather than hiring year or age for promotions and advancement.

### The SMBC Group Human Capital Management Model

In accordance with SMBC Group Talent Policy, we will advance measures that contribute to “1. Creating human resources portfolio that supports our strategy” and “2. Supporting employee growth and wellbeing” and “3. Maximizing team performance” for all employees in order to maximize human resources capabilities through group and global human capital management.

In line with this, we will review our evaluation system, compensation system, and other platforms, and further expand our human capital investment. For example, SMBC is increasing its human capital investment in FY2023 by 7% compared to the previous year. Moreover, we are not simply increasing the amount of investment, but investing strategically and effectively in focused areas while verifying the effectiveness of the investment using various profitability indicators we have defined.

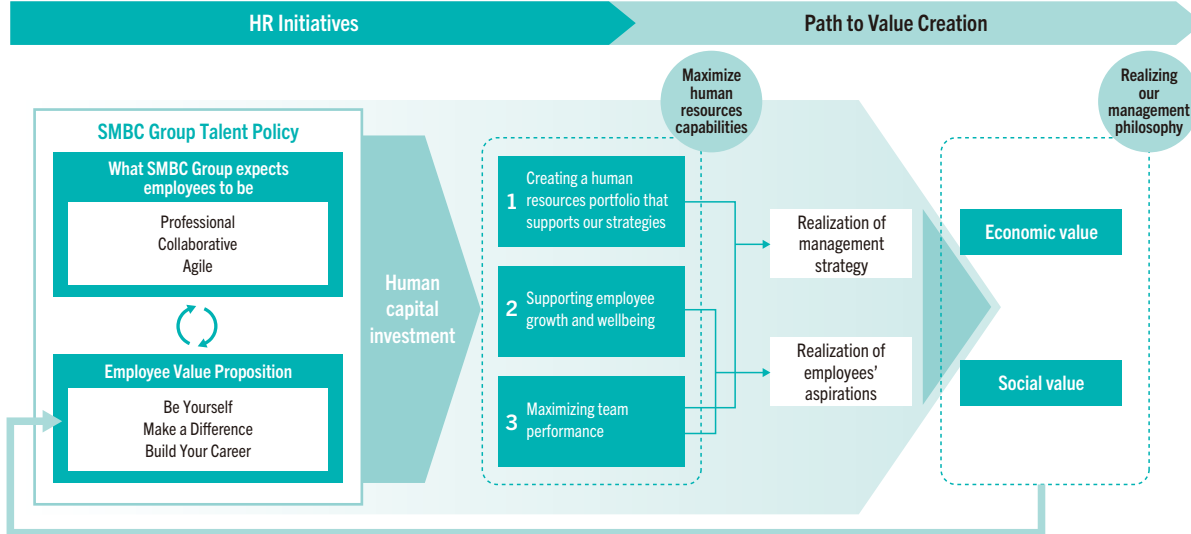
This will ensure the achievement of management strategy by optimizing staffing and investments through the

creation of human resources portfolio that is linked to the Group’s strategies while maximizing team performance.

We are also realizing the aspirations of our employees by creating an environment that maximizes individual employee performance within teams by supporting growth and wellbeing.

Maximizing human resource capabilities and realizing both management strategy and employees’ aspirations will lead to achieving our management philosophy, together with the creation of both economic and social value. In addition, one of our ten goals for creating social value, “creating a workplace where employees feel fulfilled in their work,” increases the value that SMBC Group can provide to its employees, creating a virtuous cycle leading to further human capital investment.

**The SMBC Group Human Capital Management Model**



**1. Creating a Human Resources Portfolio that Supports Our Strategy**

**A Human Resources Portfolio to Support Business Strategy**

SMBC Group will upgrade its human resources portfolio management as a framework for securing the human resources needed to achieve its business strategies and re-allocating human resources to strategic areas. Specifically, the business units, which have deep business knowledge, and the human resources department, which possesses deep human resources knowledge, work together to clarify the human talent requirements, such as experience and skills needed, for each key strategic area. Identifying gaps between the desired talent portfolio and the existing portfolio of employees belonging to each business unit, the Human Resources department expands mid-career recruitment and enhances hiring process for new graduates for a specific course. All employees are identified by their human resources type based on their experience and skills, and we strive to train and flexibly optimize the allocation of human resources.

**Leading Investment in Focus Areas**

To ensure the “further strengthening of our business foundations,” one of our business strategies, we will continue to secure human resources, especially in the fields of

Legal & Compliance, Risk Management, and IT. In order to secure human resources with skills and expertise in digital transformation and analytics to promote “business model reform in domestic market” and global skills and know-how to support overseas business development, we have identified specific talent requirements for each business in Japan, and plan to deploy a total of 1,400 employees over three years through mid-career recruitment and internal reallocation.

**Plan for Human Resources Investment in Focus Areas (3 years)**

Business strategy	Focus area	Human resources planning (3 years)
Further strengthening of our business foundations -Quality builds Trust-	Legal & Compliance, Risk Management, IT	+1,000 persons
	DX, Analytics	+300 persons
	Global	+100 persons
Pursuit of economic value -Transformation & Growth-		

## Human Resource Strategies to Support Value Creation

### Acquiring Human Resources with Special Skills

#### Recruitment of people with special expertise

We hire experienced skilled persons and also strengthen course-specific recruitment for new graduates to respond career conscious candidates. For example, SMBC newly established three courses focus on data science, cyber-security and risk analysis. SMBC group is also expanding such style of recruitment.

#### Certifying specialists

We have established a system to certify employees who possess and demonstrate high levels of expertise in a particular area. There are 31 fields in SMBC's expert/specialist framework, and certified individuals are provided compensation depending on their level. JRI's IT Professional Certification System certifies those with digital expertise to contribute to the strengthening the digital domain throughout the Group. Sumitomo Mitsui Card Company has further established a Digital & Marketing Skill Certification System, among other measures, to create an environment in which human resources throughout the Group can maximize performance.

Alongside these efforts, we will promote the further independent growth of employees with expertise, and secure and develop professionals in each field by establishing a framework that enables appropriate evaluation of expertise in each field of business, with a focus on priority areas, and a compensation system tailored to the characteristics of the business.

#### Number of Persons Certificated Specialist

	Mar. 22	Mar. 23
<b>Number of certified persons</b>	1,230 persons	1,652 persons
<Field of Certification>		
<b>Digital</b>	343 persons	577 persons
<b>Investment banking</b>	419 persons	531 persons
<b>Governance</b>	108 persons	103 persons

## 2. Supporting Employee Growth and Wellbeing

### Securing Human Resources to Support the Group's Development

SMBC Group expects all employees to be professionals with a sense of responsibility in their respective positions who are able to provide high value-added services. To this end, we provide a wide range of growth opportunities regardless of the time, place, or type of employment, and strive to develop human resources that will support the Group's development.

#### Recruitment and training of human resources

For new graduate recruitment in FY2022, more than 2,000 employees participated in recruitment and public relations events, providing students with opportunities to understand our operations and company culture. For new employee training, we send employees representing each department as lecturers to help new employees understand the wide variety of banking operations and to support their career development. We are also planning to increase the number of experienced hires, and are expanding our recruiting methods to include referral recruiting, comeback recruiting, and direct recruiting.

#### Mid-career Recruitment-related KPIs

	FY2021	FY2022	Target for FY2025
<b>Ratio (Number of hires)</b>	20.3% (278)	30.7% (487)	30.7%
<b>Ratio of management positions</b>	15.8%	18.0%	18.0%

We have also established a system for human resource development through on-the-job training, in-service training, and self-development, and in addition to the efforts of each group company on its own, we are actively engaged in training and transfers for a wide range of talent, from new recruits through to executive officers, on a group and global basis. In FY2022, more than 10,000 people participated in group joint training, and 1,100 people participated in group joint new hire training. In addition, for global talents development who leads global business, we offer various training programs for employees from offices around the globe, including the leadership training for management-level employees delivered in partnership with The Wharton School of the University of Pennsylvania in the U.S., INSEAD in France and joint programs such as the

Global Japan Program where locally hired employees are assigned to departments in Japan, with approximately 150 participants.

### Independent career development

Each employee sets his or her own career aspirations and goals, and develops his or her career independently through feedback in interviews with supervisors and 1-on-1 opportunities.

The Human Resources Department provides a total of more than 7,000 hours of communication with employees annually. Among the 5,500 transfers made annually, we actively transfer mainly young employees across divisions and group companies, in so doing supporting career development that takes advantage of SMBC Group's broad business foundations.

We also aim to achieve the best mix of "job-based" and "membership-based" approaches, which are gaining attention in Japan, while developing a framework for career paths that allow each employee to develop his or her expertise around a specific field of work.

We have various other systems in place to support employees' independent career development and career diversification. For example, in addition to an open recruitment system in which employees can apply for jobs and posts within the Group, some Group companies promote the development of human resources with business skills and experience in diverse areas through an external dispatch system in which employees gain experience outside SMBC Group for a period of time, and internal side-jobs in which employees devote part of their working hours to work in another department. Sumitomo Mitsui Card Company and SMBC Finance Services also allow side-jobs, including employment at other companies, with the aim of supporting independent pursuit of challenges and

generating innovation through the formation of personal networks and the broadening of values.

### Framework to Support Independent Career Development

		FY2020	FY2021	FY2022
Open recruitment system	Number of applicants	1,171 persons	1,595 persons	1,693 persons
	Pass rate	31%	32%	30%
External dispatch through open recruitment		7 persons	22 persons	19 persons
Use of side-job system (including internal)		117 persons	183 persons	318 persons

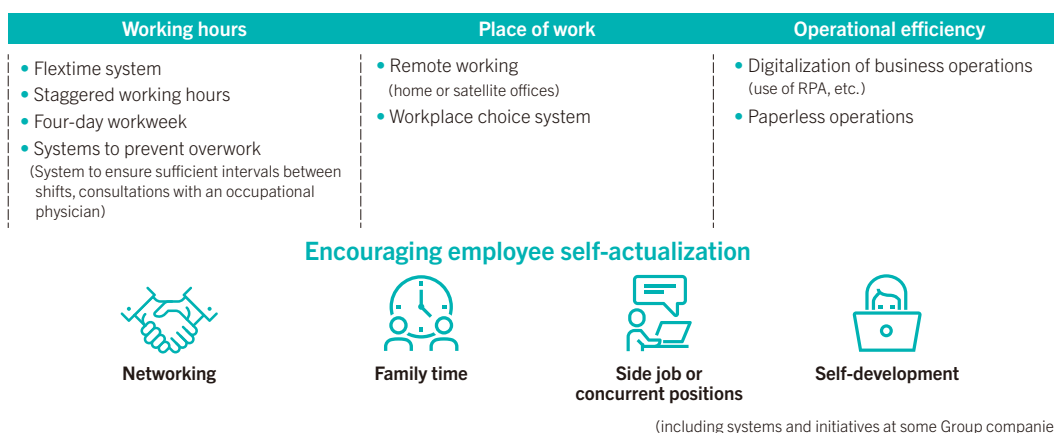
Furthermore, to support employees' learning, we have established a system to support a portion of the cost of attending graduate school and acquiring various qualifications, together with a comprehensive learning portal, "SMBC Group eCampus," which allows employees to learn necessary knowledge and skills on their own initiative, and we are expanding the content of this portal.

### Work-style Reform

#### Creating an environment that fits employees' lifestyles

As the lifestyles and values of individual employees become increasingly diverse, SMBC Group is developing infrastructure enabling employees to work flexibly without being constrained to a particular location or set hours. We are supporting employees' self-actualization by enabling employees to choose working styles that fit their own lifestyles, including activities outside of work.

Furthermore, in order to create a work environment where employees can play an active role while balancing work and childcare, we also encourage male employees to take at least 30 days of childcare leave.



## Human Resource Strategies to Support Value Creation

### Employee Well-being

#### Health management

Each of our Group companies has instituted a Statement on Health Management, and under the leadership of the Chief Health Officer, the company, health insurance association, and health support center are working together to create an environment in which employees are healthy and lively. More than 1,600 employees have participated in health seminars on topics such as wellbeing and fertility treatment, as well as walking events and expanded systems and training on women-specific health issues.

In FY2022, a lactation room and running station for use by all SMBC Group employees was installed at SMBC's head office and East Tower. In addition, a total of 6,222 people from 404 departments participated in walking events held by Sumitomo Mitsui Card Company and SMBC Finance Services in FY2022, leading to the establishment of exercise habits and revitalized communication. In recognition of these efforts, the Company has been certified as a "Health & Productivity Stock Selection 2023."



#### Employee asset formation initiatives

As part of our efforts to create an environment in which employees can concentrate on their work, we are also making efforts to help them build their assets.

In Japan, in addition to the system of property accumulation savings and stock ownership plan, we have introduced a dormitory and company housing system, a group insurance system, a retirement allowance, a defined benefit pension plan (DB), and a defined contribution pension plan (company DC).

We have also introduced external services that provide access to a wide range of services at preferential prices, including accommodation, restaurants, sports facilities, certifications, childcare, and more.

## 3. Maximizing Team Performance

### Enhancing Human Resource Management and Flexible Organizational Management

#### Group management personnel development and succession management

Candidate successors are identified and systematically trained for key management positions. For example, for posts responsible for management of the Group, in addition to identifying candidates available to immediately take over, we prepare training plans to fill in missing experience according to the readiness of a given candidate. We also conduct the "Group Management Personnel Exchange Program," in which candidates are transferred between Group companies to deepen their understanding of different businesses, organizations, and climates, with a total of 20 participants each year.

#### State of Key Posts Eligible for Successor Management

	Ready	Within 5 years	Future candidates
Number of candidates	89 persons	91 persons	174 persons
Approval Readiness*	3.2x	3.3x	6.4x

\* Number of candidates as a percentage of posts eligible

#### Agile organizational management

The Marketing Division of Sumitomo Mitsui Card Company and SMBC Finance Services are implementing agile organizations to strengthen customer responsiveness and increase speed.

We have created "squads" to which the most suitable members are assigned cross-departmentally according to the mission and KPIs set to meet customer needs. Members are periodically swapped to create an environment in which a wide range of experience can be gained.

#### Promoting Diversity and Inclusion

For SMBC Group, promoting Diversity and Inclusion is the very essence of our growth strategy by which to provide greater value to our customers and achieve sustainable growth together with our stakeholders. In FY2023, our Diversity & Inclusion Statement will be revised to incorporate the concept of "equity," which emphasizes the provision of fair opportunities based on employees' circumstances, and to clarify the goal of aiming to be an "innovative organization with diverse perspectives."

## Gender diversity

To promote women's empowerment in the workplace, we are working to recruit women, train candidates for managerial positions, and provide support for career advancement and steady promotion to managerial positions. Although senior management has committed itself to promoting DE&I through regular discussions at meetings of the Board of Directors, the Management Committee, and the Diversity and Inclusion Committee, we recognize there remain challenges in terms of diversifying decision-making layers of the organization, and these efforts need to be advanced further.

For example, in FY2015, SMBC Nikko Securities introduced a system under which executives and department managers act as mentors to support the growth of female managers (mentees) through dialogue, with the aim of producing managers with managerial perspectives, with approximately 120 mentees participating.

In support of LGBTQ community, we are offering in-house employee benefits and welfare rules for same-sex partners and set up an external consultation desk respond to various work-related consultations involving gender identity and sexual orientation. At overseas offices, the Employee Resource Group (ERG), which advances enlightenment of the LGBTQ community, hosts awareness-raising events both internally and externally, and SMBC Group also sponsors these events. In Japan, we are actively supporting the development of networks of allies through continuous aid and donations for external events and distribution of ally goods to those who have participated the events.

## Global diversity

The group has established the Global Talents Management Council as a framework for increasing transparency of promotion of locally hired employees, and for developing talents on a global basis regardless of hired location.

For example, SMBC provided career opportunities by moving across the region for more than 500 employees in FY2022, with the aim of developing talent that is broadly familiar with a range of business markets in various countries and regions and who drive the growth of businesses on a global basis. Through the expansion of global mobility across regions, we will accelerate the diversity and workplace where diverse professional talents aim high regardless of hired location.

## KPIs Concerning Gender and Internationality

		Jun. 22	Jun. 23	Target for FY2025	Target for FY2030
<b>Percentage of Women on the Board of Directors</b>		13.3%	20.0%	–	30%
<b>Number of officers</b>	Females	22	30	30	–
	Foreign nationals	15	21	25	–
		Mar. 22	Mar. 23	Target for FY2025	Target for FY2030
<b>Ratio of female managers</b>		17.2%	19.1%	25%	30%

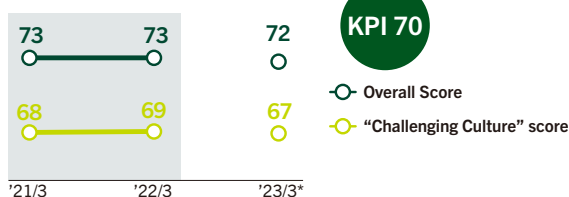
## Supporting the empowerment of people with disabilities

To promote understanding of how people with disabilities can play an active role in the company, we hold seminars in which athletes with disabilities affiliated with the Group take the stage, and roundtable discussions on the theme of "what it means to be truly barrier-free," with the aim of creating a rewarding workplace for all employees. In addition, SMBC Green Service, a special subsidiary, has created a workplace environment in which all employees, including approximately 500 employees with disabilities, can work and play an active role with peace of mind in both hard and soft aspects, including the introduction of a voice transcription system and face-recognition monitors, as well as a system for rehabilitation into work and full-time employment support counselors.

## Employee Engagement

The engagement survey is used as a tool to visualize employee engagement; in addition to organizational improvements made in each organization, monthly 1-on-1 meetings are used to build trust between supervisors and their juniors, and to promote both parties' growth. This will foster an organizational culture in which employees are aware of issues and motivated to improve, are able to exercise their abilities to the fullest in their respective positions, and can take on a range of challenges.

### Engagement Score Trends



\* Expanded scope of data collection (SMBC only up to Mar 2022)