SUMITOMO MITSUI BANKING CORPORATION

Consolidated Financial Statements
as of and for the year ended March 31, 2023

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS MARCH 31, 2022 AND 2023

March 31		Millions of yen			Millions of U.S. dollars
		2022		2023	2023
Assets:					
Cash and due from banks	*5	¥ 72,742,334	*5	¥ 73,403,912	$ 549,677
Call loans and bills bought		3,265,134		6,374,812	47,737
Receivables under resale agreements		3,856,984		4,603,145	34,470
Receivables under securities borrowing transactions		1,874,221		1,612,415	12,074
Monetary claims bought		5,363,980		5,549,887	41,560
Trading assets	*5	3,780,424	*5	4,084,755	30,588
Money held in trust		0		0	0
Securities	*1, *2, *3, *5, *13	37,465,859	*1, *2, *3, *5, *13	32,074,167	240,184
Loans and bills discounted	*3, *4, *5, *6	92,472,845	*3, *4, *5, *6	99,823,911	747,521
Foreign exchanges	*3, *4	2,799,157	*3, *4	1,940,736	14,533
Lease receivables and investment assets		228,608		226,302	1,695
Other assets	*3, *5	6,312,402	*3, *5	8,753,186	65,547
Tangible fixed assets	*7, *8, *9	1,297,011	*7, *8, *9	1,337,805	10,018
Assets for rent		456,108		519,308	3,889
Buildings		276,407		244,155	1,828
Land		412,235		375,127	2,809
Lease assets		1,549		275	2
Construction in progress		26,580		30,557	229
Other tangible fixed assets		124,129		168,381	1,261
Intangible fixed assets		314,145		354,939	2,658
Software		262,615		307,444	2,302
Other intangible fixed assets		51,529		47,494	356
Net defined benefit asset		616,206		698,974	5,234
Deferred tax assets		52,543		57,428	430
Customers' liabilities for acceptances and guarantees	*3	10,342,818	*3	12,278,891	91,949
Reserve for possible loan losses		(678,743)		(607,747)	(4,551)
Total assets		¥ 242,105,934		¥ 252,567,523	$ 1,891,325

CONSOLIDATED BALANCE SHEETS MARCH 31, 2022 AND 2023 — (Continued)

March 31		Millions of yen 2022		Millions of yen 2023	Millions of U.S. dollars 2023
Liabilities and net assets:					
Liabilities:					
Deposits	*5	¥ 149,249,696	*5	¥ 159,251,139	$ 1,192,535
Negotiable certificates of deposit		13,460,296		13,252,060	99,237
Call money and bills sold		704,999		786,055	5,886
Payables under repurchase agreements	*5	16,350,836	*5	14,194,027	106,290
Payables under securities lending transactions	*5	305,779	*5	438,094	3,281
Commercial paper		1,856,909		2,320,969	17,380
Trading liabilities		2,788,884		4,234,268	31,708
Borrowed money	*5, *10	26,887,509	*5, *10	22,246,521	166,591
Foreign exchanges		1,265,002		1,496,765	11,208
Bonds	*11	812,303	*11	681,821	5,106
Due to trust account	*5, *12	2,443,873	*5, *12	2,413,464	18,073
Other liabilities		5,980,727		8,811,706	65,986
Reserve for employee bonuses		44,526		52,102	390
Reserve for executive bonuses		1,497		1,623	12
Net defined benefit liability		10,985		6,367	48
Reserve for executive retirement benefits		580		596	4
Reserve for point service program		870		1,140	9
Reserve for reimbursement of deposits		5,767		10,845	81
Deferred tax liabilities		343,017		325,598	2,438
Deferred tax liabilities for land revaluation	*7	29,193	*7	27,952	209
Acceptances and guarantees		10,342,818		12,278,891	91,949
Total liabilities		232,886,075		242,832,013	1,818,422
Net assets:					
Capital stock		1,770,996		1,770,996	13,262
Capital surplus		1,966,205		1,965,682	14,720
Retained earnings		3,867,551		4,239,771	31,749
Treasury stock		(210,003)		(210,003)	(1,573)
Total stockholders' equity		7,394,750		7,766,447	58,158
Net unrealized gains (losses) on other securities		1,253,370		972,941	7,286
Net deferred gains (losses) on hedges		(74,044)		(15,964)	(120)
Land revaluation excess	*7	36,320	*7	35,005	262
Foreign currency translation adjustments		361,502		697,887	5,226
Accumulated remeasurements of defined benefit plans		118,548		131,222	983
Total accumulated other comprehensive income		1,695,697		1,821,091	13,637
Non-controlling interests		129,411		147,969	1,108
Total net assets		9,219,858		9,735,509	72,903
Total liabilities and net assets		¥ 242,105,934		¥ 252,567,523	$ 1,891,325

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2022 AND 2023

Year ended March 31		Millions of yen 2022		2023	Millions of U.S. dollars 2023
Ordinary income		¥ 2,990,450		¥ 4,991,948	$ 37,382
Interest income		1,657,035		3,464,103	25,941
Interest on loans and discounts		1,157,042		2,189,970	16,399
Interest and dividends on securities		333,532		423,966	3,175
Interest on call loans and bills bought		15,921		77,003	577
Interest on receivables under resale agreements		10,382		60,800	455
Interest on receivables under securities borrowing transactions		588		579	4
Interest on deposits with banks		20,208		300,521	2,250
Interest on lease transactions		6,932		8,676	65
Other interest income		112,426		402,582	3,015
Trust fees		5,940		6,752	51
Fees and commissions		710,850		748,894	5,608
Trading income		13,223		59,815	448
Other operating income		333,705		436,543	3,269
Lease-related income		33,982		39,707	297
Other		299,722		396,835	2,972
Other income		269,696		275,839	2,066
Recoveries of written-off claims		1,757		4,412	33
Other	*1	267,938	*1	271,426	2,033
Ordinary expenses		2,122,601		3,866,020	28,950
Interest expenses		382,255		2,040,212	15,278
Interest on deposits		90,226		796,922	5,968
Interest on negotiable certificates of deposit		21,468		259,659	1,944
Interest on call money and bills sold		1,458		18,007	135
Interest on payables under repurchase agreements		9,702		281,456	2,108
Interest on payables under securities lending transactions		24		2,909	22
Interest on commercial paper		2,251		44,181	331
Interest on borrowed money		201,368		291,998	2,187
Interest on bonds		37,475		27,959	209
Other interest expenses		18,279		317,118	2,375
Fees and commissions payments		170,125		175,674	1,316
Trading losses		14,443		—	—
Other operating expenses		156,320		262,061	1,962
Lease-related expenses		24,989		31,314	234
Other		131,331		230,746	1,728
General and administrative expenses	*2	1,113,576	*2	1,178,706	8,827
Other expenses		285,879		209,365	1,568
Provision for reserve for possible loan losses		185,632		80,973	606
Other	*3	100,246	*3	128,392	961
Ordinary profit		867,849		1,125,928	8,431

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2022 AND 2023 — (Continued)

Year ended March 31		Millions of yen			Millions of U.S. dollars
		2022		2023	2023
Extraordinary gains		¥ 1,698		¥ 2,576	$ 19
Gains on disposal of fixed assets		1,698		2,363	18
Other extraordinary gains		—		213	2
Extraordinary losses		110,423		34,445	258
Losses on disposal of fixed assets		2,177		2,256	17
Losses on impairment of fixed assets	*4	108,246	*4	32,189	241
Income before income taxes		759,124		1,094,059	8,193
Income taxes-current		223,715		215,915	1,617
Income taxes-deferred		(40,591)		65,473	490
Income taxes		183,124		281,389	2,107
Profit		576,000		812,669	6,086
Profit attributable to non-controlling interests		7,755		5,627	42
Profit attributable to owners of parent		¥ 568,244		¥ 807,042	$ 6,043

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2022 AND 2023

Year ended March 31		Millions of yen 2022		Millions of yen 2023	Millions of U.S. dollars 2023
Profit		¥ 576,000		¥ 812,669	$ 6,086
Other comprehensive income (losses)	*1	(248,056)	*1	139,344	1,043
Net unrealized gains (losses) on other securities		(492,606)		(273,054)	(2,045)
Net deferred gains (losses) on hedges		(112,117)		52,588	394
Foreign currency translation adjustments		342,257		310,859	2,328
Remeasurements of defined benefit plans		(7,360)		12,788	96
Share of other comprehensive income of affiliates		21,770		36,162	271
Total comprehensive income		327,943		952,014	7,129
Comprehensive income attributable to owners of parent		312,732		933,751	6,992
Comprehensive income attributable to non-controlling interests		15,211		18,262	137

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2022 AND 2023

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2022	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
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					
	Accumulated other comprehensive income					
Year ended March 31, 2022	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	¥ 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	
Year ended March 31, 2022	Non-controlling interests	Total net assets
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, 2022 AND 2023 — (Continued)

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2023	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	¥ 1,770,996	¥ 1,966,205	¥ 3,867,551	¥ (210,003)	¥ 7,394,750
Changes in the fiscal year					
Cash dividends			(437,849)		(437,849)
Profit attributable to owners of parent			807,042		807,042
Changes in shareholders' interest due to transaction with non-controlling interests		(522)			(522)
Increase due to decrease in affiliates accounted for by the equity method			1,712		1,712
Reversal of land revaluation excess			1,314		1,314
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	(522)	372,219	—	371,697
Balance at the end of the fiscal year	¥ 1,770,996	¥ 1,965,682	¥ 4,239,771	¥ (210,003)	¥ 7,766,447

	Millions of yen					
	Accumulated other comprehensive income					
Year ended March 31, 2023	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	¥ 1,253,370	¥ (74,044)	¥ 36,320	¥ 361,502	¥ 118,548	¥ 1,695,697
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Changes in shareholders' interest due to transaction with non-controlling interests						
Increase due to decrease in affiliates accounted for by the equity method						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	(280,429)	58,079	(1,314)	336,385	12,673	125,394
Net changes in the fiscal year	(280,429)	58,079	(1,314)	336,385	12,673	125,394
Balance at the end of the fiscal year	¥ 972,941	¥ (15,964)	¥ 35,005	¥ 697,887	¥ 131,222	¥ 1,821,091

	Millions of yen	
Year ended March 31, 2023	Non-controlling interests	Total net assets
Balance at the beginning of the fiscal year	¥ 129,411	¥ 9,219,858
Changes in the fiscal year		
Cash dividends		(437,849)
Profit attributable to owners of parent		807,042
Changes in shareholders' interest due to transaction with non-controlling interests		(522)
Increase due to decrease in affiliates accounted for by the equity method		1,712
Reversal of land revaluation excess		1,314
Net changes in items other than stockholders' equity in the fiscal year	18,558	143,953
Net changes in the fiscal year	18,558	515,650
Balance at the end of the fiscal year	¥ 147,969	¥ 9,735,509

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2022 AND 2023 — (Continued)

	Millions of U.S. dollars				
	Stockholders' equity				
Year ended March 31, 2023	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	$ 13,262	$ 14,724	$ 28,962	$ (1,573)	$ 55,375
Changes in the fiscal year					
Cash dividends			(3,279)		(3,279)
Profit attributable to owners of parent			6,043		6,043
Changes in shareholders' interest due to transaction with non-controlling interests		(4)			(4)
Increase due to decrease in affiliates accounted for by the equity method			13		13
Reversal of land revaluation excess			10		10
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	(4)	2,787	—	2,783
Balance at the end of the fiscal year	$ 13,262	$ 14,720	$ 31,749	$ (1,573)	$ 58,158

	Millions of U.S. dollars					
	Accumulated other comprehensive income					
Year ended March 31, 2023	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	$ 9,386	$ (554)	$ 272	$ 2,707	$ 888	$ 12,698
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Changes in shareholders' interest due to transaction with non-controlling interests						
Increase due to decrease in affiliates accounted for by the equity method						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	(2,100)	435	(10)	2,519	95	939
Net changes in the fiscal year	(2,100)	435	(10)	2,519	95	939
Balance at the end of the fiscal year	$ 7,286	$ (120)	$ 262	$ 5,226	$ 983	$ 13,637

	Millions of U.S. dollars	
Year ended March 31, 2023	Non-controlling interests	Total net assets
Balance at the beginning of the fiscal year	$ 969	$ 69,042
Changes in the fiscal year		
Cash dividends		(3,279)
Profit attributable to owners of parent		6,043
Changes in shareholders' interest due to transaction with non-controlling interests		(4)
Increase due to decrease in affiliates accounted for by the equity method		13
Reversal of land revaluation excess		10
Net changes in items other than stockholders' equity in the fiscal year	139	1,078
Net changes in the fiscal year	139	3,861
Balance at the end of the fiscal year	$ 1,108	$ 72,903

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2022 AND 2023

Year ended March 31	Millions of yen 2022	Millions of yen 2023	Millions of U.S. dollars 2023
Cash flows from operating activities:			
Income before income taxes	¥ 759,124	¥ 1,094,059	$ 8,193
Depreciation	151,734	153,133	1,147
Losses on impairment of fixed assets	108,246	32,189	241
Amortization of goodwill	—	1,649	12
Net (gains) losses on step acquisitions	—	(213)	(2)
Equity in net (gains) losses of affiliates	(6,788)	(41,409)	(310)
Net change in reserve for possible loan losses	167,550	(78,196)	(586)
Net change in reserve for employee bonuses	(234)	4,178	31
Net change in reserve for executive bonuses	26	113	1
Net change in net defined benefit asset and liability	(51,062)	(86,961)	(651)
Net change in reserve for executive retirement benefits	(8)	15	0
Net change in reserve for point service program	266	269	2
Net change in reserve for reimbursement of deposits	(4,214)	5,077	38
Interest income	(1,657,035)	(3,464,103)	(25,941)
Interest expenses	382,255	2,040,212	15,278
Net (gains) losses on securities	(168,910)	(49,766)	(373)
Net (gains) losses from money held in trust	(0)	(0)	(0)
Net exchange (gains) losses	(624,333)	(645,090)	(4,831)
Net (gains) losses from disposal of fixed assets	478	(107)	(1)
Net change in trading assets	(350,654)	136,557	1,023
Net change in trading liabilities	(152,820)	1,095,302	8,202
Net change in loans and bills discounted	(5,275,385)	(6,892,002)	(51,610)
Net change in deposits	5,788,901	9,294,165	69,598
Net change in negotiable certificates of deposit	663,896	(221,022)	(1,655)
Net change in borrowed money (excluding subordinated borrowings)	846,405	(5,522,195)	(41,352)
Net change in deposits with banks	(2,904,102)	(519,758)	(3,892)
Net change in call loans and bills bought and others	711,906	(3,626,798)	(27,159)
Net change in receivables under securities borrowing transactions	(271,777)	261,806	1,961
Net change in call money and bills sold and others	2,555,206	(2,337,887)	(17,507)
Net change in commercial paper	98,789	384,060	2,876
Net change in payables under securities lending transactions	(245,597)	132,314	991
Net change in foreign exchanges (assets)	(622,272)	866,374	6,488
Net change in foreign exchanges (liabilities)	106,431	227,522	1,704
Net change in lease receivables and investment assets	26,248	20,819	156
Issuance and redemption of bonds (excluding subordinated bonds)	(132,878)	(209,404)	(1,568)
Net change in due to trust account	122,649	(30,408)	(228)
Interest received	1,676,762	3,217,226	24,092
Interest paid	(385,261)	(1,890,927)	(14,160)
Other, net	(12,035)	335,745	2,514
Subtotal	1,301,511	(6,313,459)	(47,278)
Income taxes paid	(209,992)	(357,596)	(2,678)
Net cash provided by (used in) operating activities	1,091,518	(6,671,056)	(49,955)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2022 AND 2023 — (Continued)

Year ended March 31		Millions of yen 2022		Millions of yen 2023	Millions of U.S. dollars 2023
Cash flows from investing activities:					
Purchases of securities		¥ (37,046,063)		¥ (33,395,512)	$ (250,079)
Proceeds from sale of securities		18,614,071		17,876,486	133,866
Proceeds from redemption of securities		16,468,614		21,746,425	162,846
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		(70,627)		(81,171)	(608)
Proceeds from sale of tangible fixed assets		2,724		9,162	69
Purchases of intangible fixed assets		(113,207)		(116,037)	(869)
Proceeds from sale of stocks of subsidiaries resulting in change in scope of consolidation	*2	200,601		—	—
Net cash provided by (used in) investing activities		(1,943,886)		6,039,352	45,225
Cash flows from financing activities:					
Proceeds from subordinated borrowings		1,194,319		1,336,104	10,005
Repayment of subordinated borrowings		(890,493)		(1,192,013)	(8,926)
Redemption of subordinated bonds and bonds with stock acquisition rights		(246,065)		—	—
Dividends paid		(376,756)		(437,849)	(3,279)
Dividends paid to non-controlling stockholders		(1,230)		(2,044)	(15)
Proceeds from sale of stocks of subsidiaries not resulting in change in scope of consolidation		51		956	7
Net cash provided by (used in) financing activities		(320,174)		(294,845)	(2,208)
Effect of exchange rate changes on cash and cash equivalents		367,217		355,868	2,665
Net change in cash and cash equivalents		(805,325)		(570,681)	(4,273)
Cash and cash equivalents at the beginning of the fiscal year		65,641,797		64,836,471	485,521
Cash and cash equivalents at the end of the fiscal year	*1	¥ 64,836,471	*1	¥ 64,265,790	$ 481,247

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2022 AND 2023

(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, 2023 which was ¥133.54 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.

(Significant Accounting Policies for Preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

The number of consolidated subsidiaries at March 31, 2023 was 118.

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

Changes in the consolidated subsidiaries in the fiscal year ended March 31, 2023 were as follows:
6 companies were newly included in the scope of consolidation as a result of new establishment and for other reasons.
4 companies were excluded from the scope of consolidation because of liquidation and for other reasons.

(2) Unconsolidated subsidiaries

Principal company: Energy Opportunity Fund, L.P.

5 of the unconsolidated subsidiaries were investment partnerships, and neither their assets nor profit/loss were substantially attributable to subsidiaries, and thus were 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, 2023 was 231.

Principal company: The Bank of East Asia, Limited

Changes in the equity method affiliates in the fiscal year ended March 31, 2023 were as follows:
192 companies became equity method affiliates due to acquisition of stock and for other reasons.
Vietnam Export Import Commercial Joint Stock Bank and 4 other companies were excluded from the scope of equity method affiliates due to sale of stocks and for other reasons.

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

5 of the unconsolidated subsidiaries not accounted for by the equity method were investment partnerships, and neither their assets nor profit/loss were substantially attributable to subsidiaries, and thus were 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.

(4) Affiliates not accounted for by the equity method

Principal company: Park Square Capital / SMBC Loan Programme S.à r.l.

Affiliates not accounted for by the equity method were also excluded from the scope of equity method because their total amounts in terms of net income and retained earnings were immaterial, and as such, they did not hinder a rational judgment of the financial position and results of operations of SMBC and its consolidated subsidiaries 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, 2023 were as follows:

June 30	1
October 31	2
December 31	70
March 31	45

(2) The subsidiary with balance sheets dated June 30 is consolidated using the financial statements as of December 31, 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 are 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.

(2) Standards for recognition and measurement of securities

1) Debt securities that are classified as held-to-maturity securities are carried at amortized cost (based on straight-line method) using the moving-average method. Investments in affiliates not accounted for by the equity method are carried at cost using the moving-average method. Other securities are carried at fair value (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 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.

(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 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, 2022 and 2023 were ¥127,278 million and ¥131,148 million, respectively.

(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.

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 administration fees 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 overseas 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, etc, 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.

(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.

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 group tax sharing system

SMBC and certain consolidated domestic subsidiaries apply the group tax sharing system in which Sumitomo Mitsui Financial Group, Inc. is a parent company of the group tax sharing system.

(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, 2022 and 2023

	Millions of yen			
Year ended March 31	2022		2023	
Reserve for possible loan losses	¥	678,743	¥	607,747

(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, the tightening monetary policies overseas, 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, 2022 and 2023

	Millions of yen	
Year ended March 31	2022	2023
Tangible fixed assets	¥ 1,297,011	¥ 1,337,805
Intangible fixed assets	314,145	354,939
Losses on impairment of fixed assets	108,246	32,189

(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 was recorded. The future cash flows used to test recognition of impairment loss and calculate value in use was 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 was 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, 2023

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).

4. Retirement benefits expenses and retirement benefit obligations

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022 and 2023

	Millions of yen	
Year ended March 31	2022	2023
Net defined benefit asset	¥ 616,206	¥ 698,974
Net defined benefit liability	10,985	6,367
Retirement benefit expenses included in general and administrative expenses	(22,206)	(27,829)

(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, 2022 and 2023

	Millions of yen	
Year ended March 31	2022	2023
Deferred tax assets	¥ 52,543	¥ 57,428
Deferred tax liabilities	343,017	325,598

(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 entire group tax sharing 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.

(Changes in Accounting Policies)

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

SMBC applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021) from the beginning of the fiscal year ended March 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, SMBC had prospectively adopted the new accounting policy set forth in Implementation Guidance on Accounting Standard for Fair Value Measurement.

There were no effects on consolidated financial statements due to the application of the Implementation Guidance.

(Unapplied Accounting Standards and Others)

"Accounting Standard for Current Income Taxes" (ASBJ Statement No.27, October 28, 2022)

(1) Outline

The Accounting Standard defines the treatment of the accounting classification of corporate income tax etc. which is imposed on Other comprehensive income and tax effect accounting for sales of stocks of consolidated subsidiaries when applying the group taxation regime.

(2) Date of Application

SMBC will apply the Accounting Standard from the beginning of the fiscal year commencing on April 1, 2024.

(3) Effects of Application of the Accounting Standard

The effects of the application of the Accounting Standard are currently being assessed.

(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, and the deterioration in the credit status of Russia including interest payments on Russian government bonds, a reserve for possible loan losses is recorded at an amount deemed necessary based on an overall assessment.

Also, regarding certain funds of repayment from customers in Russia, given the prolonged difficulty in collecting the funds through overseas remittances as a result of the Russian Presidential decree and instructions of the Central Bank of the Russian Federation, the impact of the countermeasure is estimated, and a reserve for possible loan losses is recorded at an amount deemed necessary based on an overall assessment.

As a result, a reserve for possible loan losses at a total of ¥77,094 million was recorded for the Russia-related credits.

2. The estimates of reserve for possible loan losses related to the impact of the tightening monetary policies overseas

Considering the increasing burden of interest payments for companies due to tightening monetary policies in various countries following suppressed inflationary pressures overseas, estimation of the reserve for possible loan losses associated with such impact is reflected in the consolidated financial statements by the following method.

For potential losses expected to be incurred related to individual borrowers due to deteriorating 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 includes specifying the portfolios that are considered to be easily affected by rising interest rates, and estimating the impact of changes in the market condition and the rising interest rates.

As a result, an additional reserve for possible loan losses at a total of ¥29,000 million was recorded for such portfolio.

3. The estimates of reserve for possible loan losses related to the impact of the spread of the novel coronavirus disease (COVID-19)

The current situation regarding the spread of COVID-19 appeared to have stabilized to some extent as the Japanese government has downgraded its classification of COVID-19 under the Infectious Diseases Control Law to Class V. However, for certain portfolios, considering concerns over the future deterioration in credit conditions due to cease of government financial support and establishment of the new normal way of life, the estimation of the reserve for possible loan losses associated with such impact 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 includes specifying the portfolios that are considered to be easily affected by the abovementioned factors from perspectives of industry and ability of debt repayment, and estimating the impact of changes in the market condition, etc.

4. Transition from the consolidated corporate-tax system to the group tax sharing system

SMBC and certain consolidated domestic subsidiaries transitioned from the consolidated corporate-tax system to the group tax sharing system from the fiscal year ended March 31, 2023. In accordance with the transition, the accounting treatment and disclosure of corporate tax, local tax, and tax effect accounting are based on “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issue Task Force No.42, August 12, 2021). Based on Paragraph 32(1) of ASBJ Practical Issue Task Force No.42, it is deemed that changes in accounting policy by applying ASBJ Practical Issue Task Force No.42 have no effect.

(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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	**2022**	**2023**
Stocks	¥ 564,925	¥ 683,216
Investments	735	595

Stocks of jointly controlled entities were as follows:

	Millions of yen	
March 31	**2022**	**2023**
Stocks of jointly controlled entities	¥ 6,056	¥ 6,184

***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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	**2022**	**2023**
Japanese government bonds and Japanese local government bonds in "Securities"	¥ 133,331	¥ 468,390

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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	**2022**	**2023**
Securities pledged	¥ 6,642,353	¥ 6,002,761
Securities lent	15,871	19,036
Securities held without being disposed	2,247,125	3,142,444

*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 at March 31, 2022 and 2023 were as follows. The claims were items that were 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 were guaranteed, and that were 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 was conducted, such securities (limited to those based on loan for a use agreement or lease agreement) were also included in the claims.

	Millions of yen	
March 31	2022	2023
Bankrupt and quasi-bankrupt loans	¥ 87,074	¥ 83,554
Doubtful loans	576,112	421,769
Substandard loans	303,221	185,867
Past due loans (3 months or more)	7,309	12,100
Restructured loans	295,911	173,767
Subtotal	966,408	691,191
Normal loans	106,256,879	115,121,869
Total	¥ 107,223,288	¥ 115,813,060

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 reorganization 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 were the amounts before deduction of reserve for possible loan losses.

*4 Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Committee Practical Guideline 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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
Bills discounted	¥ 1,120,625	¥ 822,762

*5 Assets pledged as collateral

Assets pledged as collateral at March 31, 2022 and 2023 were as follows:

March 31, 2022	Millions of yen	March 31, 2023	Millions of yen
Assets pledged as collateral:		Assets pledged as collateral:	
Cash and due from banks	¥ 22,976	Cash and due from banks	¥ 12,971
Trading assets	134,493	Trading assets	48,997
Securities	17,807,664	Securities	12,458,656
Loans and bills discounted	10,817,911	Loans and bills discounted	11,903,309
Liabilities corresponding to assets pledged as collateral:		Liabilities corresponding to assets pledged as collateral:	
Deposits	2,300	Deposits	2,654
Payables under repurchase agreements	9,950,128	Payables under repurchase agreements	9,709,823
Payables under securities lending transactions	305,779	Payables under securities lending transactions	412,944
Borrowed money	16,254,404	Borrowed money	10,826,571
Due to trust account	629,091	Due to trust account	717,178

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, 2022 and 2023:

March 31, 2022	Millions of yen	March 31, 2023	Millions of yen
Cash and due from banks	¥ 178,882	Cash and due from banks	¥ 15,164
Trading assets	4,430	Trading assets	583
Securities	5,120,441	Securities	5,149,925
Loans and bills discounted	18,823	Loans and bills discounted	21,015

Other assets include collateral money deposited for financial instruments, surety deposits, margins of futures markets and other margins. The amounts for such assets were as follows:

March 31, 2022	Millions of yen	March 31, 2023	Millions of yen
Collateral money deposited for financial instruments	¥ 2,514,048	Collateral money deposited for financial instruments	¥ 2,881,128
Surety deposits	56,702	Surety deposits	55,142
Margins of futures markets	14,883	Margins of futures markets	13,156
Other margins	6,900	Other margins	14,763

***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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
The amounts of unused commitments	¥ 70,160,608	¥ 76,357,609
The amounts of unused commitments whose original contract terms are within 1 year or unconditionally cancelable at any time	45,410,764	49,145,316

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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
Accumulated depreciation	¥ 755,468	¥ 809,064

***9 Deferred gain on tangible fixed assets deductible for tax purposes**

Deferred gain on tangible fixed assets deductible for tax purposes at March 31, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
Deferred gain on tangible fixed assets deductible for tax purposes	¥ 55,269	¥ 55,240
[The consolidated fiscal year concerned]	[—]	[149]

*10 Subordinated borrowings

The balance of subordinated borrowings included in "Borrowed money" at March 31, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
Subordinated borrowings	¥ 9,259,397	¥ 9,938,263

*11 Subordinated bonds

The balance of subordinated bonds included in "Bonds" at March 31, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
Subordinated bonds	¥ 79,996	¥ 79,997

*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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
The amount of borrowings from trust account in relation to covered bonds issued by trust account	¥ 629,091	¥ 717,178

*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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
Guaranteed amount to privately-placed bonds	¥ 1,355,925	¥ 1,316,824

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, 2022 and 2023 were as follows:

	Millions of yen	
March 31	2022	2023
Money trusts	¥ 20,462	¥ 26,574

(Notes to consolidated statements of income)

***1 Other income**

"Other" in "Other income" for the fiscal years ended March 31, 2022 and 2023 included the following:

Year ended March 31, 2022	Millions of yen	Year ended March 31, 2023	Millions of yen
Gains on sales of stocks and others	¥ 247,306	Gains on sales of stocks and others	¥ 207,613

***2 General and administrative expenses**

"General and administrative expenses" for the fiscal years ended March 31, 2022 and 2023 included the following:

Year ended March 31, 2022	Millions of yen	Year ended March 31, 2023	Millions of yen
Salaries and related expenses	¥ 466,179	Salaries and related expenses	¥ 523,588
Depreciation	132,279	Depreciation	127,961

***3 Other expenses**

"Other" in "Other expenses" for the fiscal years ended March 31, 2022 and 2023 included the following:

Year ended March 31, 2022	Millions of yen	Year ended March 31, 2023	Millions of yen
Losses on sales of stocks and others	¥ 42,432	Losses on sales of stocks and others	¥ 30,451

***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, 2022 and 2023.

Year ended March 31, 2022

Area	Purpose of use	Type	Millions of yen Impairment loss
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

Year ended March 31, 2023

Area	Purpose of use	Type	Millions of yen Impairment loss
Tokyo metropolitan area	Idle assets (117 items)	Land and buildings, etc.	¥ 13,488
Kinki area	Idle assets (94 items)	Land and buildings, etc.	17,681
Other areas in Japan	Idle assets (18 items)	Land and buildings, etc.	1,019

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 are treated as corporate assets. SMBC and certain consolidated subsidiaries utilized management accounting framework 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. In the fiscal year ended March 31, 2022, at the Retail Banking Unit of SMBC, indications of impairment were identified due to continuous losses from operating activities caused by COVID-19 or other factors. As a result, the carrying amounts of business assets (branches, software) that includes corporate assets attributable to the business unit were reduced to their recoverable amounts, and the decreased amounts were included in "Extraordinary losses" as "Losses on impairment of fixed assets." The recoverable amount of the relevant business unit was calculated based on its net realizable value. When measuring the net realizable value, the net realizable value for land and buildings was 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, carrying amounts of business assets (branches, software) that includes corporate assets attributable to the personal loans unit were reduced to their recoverable amounts, and the decreased amounts were included in "Extraordinary losses" as "Losses on impairment of fixed assets." The recoverable amount of the Unit was measured by value in use, which was 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. In the fiscal year ended March 31, 2023, at SMBC, certain branches were expected to be relocated due to the revision of domestic marketing framework under the next Medium-Term Management Plan. Therefore, the carrying amounts of such branches were reduced to their recoverable amounts, and the decreased amounts were included in "Extraordinary losses" as "Losses on impairment of fixed assets."

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 were reduced to their recoverable amounts, and the decreased amounts were included in "Extraordinary losses" as "Losses on impairment of fixed assets." The recoverable amount was measured by value in use, which was calculated by discounting future cash flows by 5%.

(Notes to consolidated statements of comprehensive income)

*1 Reclassification adjustment and tax effect of other comprehensive income

	Millions of yen	
Year ended March 31	2022	2023
Net unrealized gains (losses) on other securities:		
Amount arising during the fiscal year	¥ (501,213)	¥ (287,278)
Reclassification adjustments	(200,833)	(103,626)
Before adjustments to tax effect	(702,046)	(390,904)
Tax effect	209,439	117,849
Net unrealized gains (losses) on other securities	(492,606)	(273,054)
Net deferred gains (losses) on hedges:		
Amount arising during the fiscal year	(153,676)	(32,837)
Reclassification adjustments	(9,916)	109,008
Adjustments of acquisition cost of assets	80	—
Before adjustments to tax effect	(163,512)	76,171
Tax effect	51,394	(23,582)
Net deferred gains (losses) on hedges	(112,117)	52,588
Foreign currency translation adjustments:		
Amount arising during the fiscal year	342,257	310,859
Reclassification adjustments	—	—
Before adjustments to tax effect	342,257	310,859
Tax effect	—	—
Foreign currency translation adjustments	342,257	310,859
Remeasurements of defined benefit plans:		
Amount arising during the fiscal year	16,419	52,560
Reclassification adjustments	(27,035)	(33,835)
Before adjustments to tax effect	(10,615)	18,724
Tax effect	3,254	(5,935)
Remeasurements of defined benefit plans	(7,360)	12,788
Share of other comprehensive income of equity method affiliates:		
Amount arising during the fiscal year	21,471	35,005
Reclassification adjustments	299	1,156
Before adjustments to tax effect	21,770	36,162
Tax effect	—	—
Share of other comprehensive income of equity method affiliates	21,770	36,162
Total other comprehensive income	¥ (248,056)	¥ 139,344

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2022

1. Type and number of shares issued and treasury stock

	Number of shares				
Year ended March 31, 2022	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	Notes
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 were no corresponding transactions to be disclosed.

3. Information on dividends

(1) Dividends paid by cash in the fiscal year

		Millions of yen, except per share amount			
Date of resolution	Type of shares	Cash dividends	Cash dividends per share	Record date	Effective date
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

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

Fiscal year ended March 31, 2023

1. Type and number of shares issued and treasury stock

	Number of shares				
Year ended March 31, 2023	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	Notes
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 were no corresponding transactions to be disclosed.

3. Information on dividends

(1) Dividends paid by cash in the fiscal year

		Millions of yen, except per share amount			
Date of resolution	Type of shares	Cash dividends	Cash dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 12, 2022	Common stock	¥ 43,455	¥ 409	March 31, 2022	May 16, 2022
Meeting of the Board of Directors held on November 11, 2022	Common stock	394,394	3,712	September 30, 2022	November 24, 2022

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

		Millions of yen, except per share amount				
Date of resolution	Type of shares	Cash dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 12, 2023	Common stock	¥ 71,505	Retained earnings	¥ 673	March 31, 2023	May 16, 2023

(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**

	Millions of yen	
Year ended March 31	**2022**	**2023**
Cash and due from banks	¥ 72,742,334	¥ 73,403,912
Interest earning deposits with banks (excluding the deposit with the Bank of Japan)	(7,905,862)	(9,138,121)
Cash and cash equivalents	¥ 64,836,471	¥ 64,265,790

***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 were as follows.

Year ended March 31, 2022	**Millions of yen**
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.	199,641
Cash and cash equivalents included in disposed assets of SMBC Guarantee Co., Ltd.	(2)
Income for sales of SMBC Guarantee Co., Ltd.	¥ 199,639

(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 were 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

	Millions of yen	
March 31	**2022**	**2023**
Lease receivables	¥ 287,443	¥ 302,063
Residual value	39,057	28,278
Unearned interest income	(97,892)	(104,040)
Total	¥ 228,608	¥ 226,302

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

	Millions of yen	
March 31	**2022**	**2023**
Within 1 year	¥ 34,531	¥ 25,559
More than 1 year to 2 years	22,448	22,678
More than 2 years to 3 years	19,539	21,939
More than 3 years to 4 years	17,347	36,947
More than 4 years to 5 years	12,851	16,934
More than 5 years	180,724	178,004
Total	¥ 287,443	¥ 302,063

2. Operating leases

(1) Lessee side

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

	Millions of yen	
March 31	2022	2023
Due within 1 year	¥ 25,055	¥ 23,047
Due after 1 year	168,576	216,570
Total	¥ 193,631	¥ 239,618

(2) Lessor side

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

	Millions of yen	
March 31	2022	2023
Due within 1 year	¥ 27,703	¥ 35,454
Due after 1 year	58,970	83,282
Total	¥ 86,673	¥ 118,737

(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.

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.

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.

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.

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, 2023, total VaR of SMBC and its major consolidated subsidiaries was ¥68.0 billion for the banking activities, ¥11.6 billion for the trading activities, and ¥1,003.2 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.

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 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 sheets

	Millions of yen			
	Consolidated balance sheet amount			
March 31, 2022	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	412,750	7,315	—	420,065
Foreign bonds	5,971,115	6,070,247	1,038	12,042,401
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 is not included in the table above in accordance with Paragraph 27-3 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021, hereinafter, "Guidance for Application of Fair Value Measurement"). 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 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).

	Millions of yen			
	Consolidated balance sheet amount			
March 31, 2023	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 100,379	¥ 465,157	¥ 565,537
Trading assets				
Securities classified as trading purposes	513,891	265,088	—	778,979
Money held in trust	—	0	—	0
Securities				
Other securities*1	20,140,776	10,504,318	25,725	30,670,819
Stocks	2,974,749	778	—	2,975,528
Japanese government bonds	9,576,298	—	—	9,576,298
Japanese local government bonds	1,041,285	46,339	—	1,087,625
Japanese short-term bonds	—	424,956	—	424,956
Japanese corporate bonds	—	2,363,868	24,703	2,388,572
Foreign stocks	393,890	15,608	—	409,498
Foreign bonds	5,802,603	7,274,217	1,021	13,077,841
Other	351,948	378,549	—	730,498
Total assets	¥ 20,654,667	¥ 10,869,787	¥ 490,883	¥ 32,015,337
Trading liabilities				
Trading securities sold for short sales	¥ 226,546	¥ 72,802	¥ —	¥ 299,349
Total liabilities	¥ 226,546	¥ 72,802	¥ —	¥ 299,349
Derivative transactions*2, 3				
Interest rate derivatives	¥ 218,391	¥ (1,879,008)	¥ 2,460	¥ (1,658,156)
Currency derivatives	2,808	(109,606)	—	(106,798)
Equity derivatives	(299)	—	48	(250)
Bond derivatives	(1,299)	—	—	(1,299)
Commodity derivatives	(839)	1,893	—	1,053
Credit derivative transactions	—	(2,527)	—	(2,527)
Total derivative transactions	¥ 218,762	¥ (1,989,249)	¥ 2,508	¥ (1,767,978)

*1 The amount of investment trusts that fall under the classification of Other securities is included in "Other" of the table above.

*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, ¥(1,345,162) 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 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).

(2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheets

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.

	Millions of yen					
	Fair value				Consolidated balance sheet amount	Difference
March 31, 2022	Level 1	Level 2	Level 3	Total		
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.

	Millions of yen					
	Fair value				Consolidated balance sheet amount	Difference
March 31, 2023	Level 1	Level 2	Level 3	Total		
Monetary claims bought*	¥ —	¥ —	¥ 5,031,961	¥ 5,031,961	¥ 4,982,701	¥ 49,259
Securities						
Bonds classified as held-to-maturity	165,207	—	—	165,207	165,592	(384)
Loans and bills discounted					99,823,911	
Reserve for possible loan losses*					(398,808)	
	—	1,327	100,584,272	100,585,600	99,425,102	1,160,497
Lease receivables and investment assets*	—	—	220,569	220,569	226,071	(5,501)
Total assets	¥ 165,207	¥ 1,327	¥105,836,803	¥106,003,339	¥ 104,799,468	¥ 1,203,870
Deposits	¥ —	¥159,102,301	¥ —	¥159,102,301	¥ 159,251,139	¥ (148,838)
Negotiable certificates of deposit	—	13,116,669	—	13,116,669	13,252,060	(135,391)
Borrowed money	—	20,209,831	1,246,430	21,456,262	22,246,521	(790,259)
Bonds	—	663,781	2,405	666,186	681,821	(15,634)
Due to trust account	—	2,366,787	—	2,366,787	2,413,464	(46,676)
Total liabilities	¥ —	¥195,459,372	¥ 1,248,835	¥196,708,208	¥ 197,845,008	¥ (1,136,800)

* 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.

(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, 2023. 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 and listed investment trusts) are based on the market price as of the end of the fiscal year ended March 31, 2023. 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, 2023. Japanese Government bonds, etc. 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 adjustments. 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. The fair values of investment trusts with no market prices are based on the net asset value.

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 transactions, 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 based on 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 adjustments. 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 mainly classified into Level 3.

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, 2023. 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 based on 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 based on 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 calculated 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., calculated using inputs such as interest rate, foreign exchange rate, stock price, commodity price, etc.

Over-the-counter derivative transactions take into account the counterparty's 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.

(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, 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%

March 31, 2023	Valuation technique	Significant unobservable inputs	Range
Monetary claims bought	Discounted cash flow	Probability of default	0.1% — 100.0%
		Loss given default	0.0% — 51.3%
		Prepayment rate	2.0% — 7.0%
Securities:			
Japanese corporate bonds	Discounted cash flow	Probability of default	7.8% — 100.0%
		Loss given default	0.0% — 50.0%
Foreign bonds	Discounted cash flow	Probability of default	100.0%
		Loss given default	32.1% — 78.0%
Derivative transactions:			
Interest rate derivatives	Option valuation model	Correlation between interest rates	26.3% — 62.9%
		Correlation between interest rates and foreign exchange rate	5.5% — 41.6%

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, 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.

	Millions of yen							
March 31, 2023	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	¥ 453,676	¥ (10,817)	¥ (35,036)	¥ 57,334	¥ —	¥ —	¥ 465,157	¥ —
Securities								
Other securities	38,988	1,256	(50)	(13,124)	4,771	(6,115)	25,725	715
Japanese corporate bonds	37,949	1,135	(50)	(12,985)	4,771	(6,115)	24,703	889
Foreign bonds	1,038	121	—	(138)	—	—	1,021	(174)
Derivative transactions								
Interest rate	1,505	195	—	759	—	—	2,460	163
Currency	5,522	—	—	—	—	(5,522)	—	—
Equity	—	48	—	—	—	—	48	48
Total	¥ 499,692	¥ (9,316)	¥ (35,086)	¥ 44,969	¥ 4,771	¥ (11,637)	¥ 493,392	¥ 927

*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, 2023.

*4 Transfer from Level 3 to Level 2 due to a decrease in the impact on the fair value of unobservable inputs for derivatives and privately-placed bonds etc. The transfer was made at the beginning of the fiscal year ended March 31,2023.

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 of assuming that prepayment is made in each period, and is calculated based on actual payment in the past. In general, a significant change in prepayment rate would result in a significant decrease (increase) in a fair value according to the contractual terms and conditions of the financial instruments.

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 instruments.

(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 the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020) and Paragraph 24-16 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	**2022**	**2023**
Stocks with no market prices, etc.[*1, 2]	¥ 194,053	¥ 201,625
Investments in partnership, etc.[*2]	314,861	352,318
Total	¥ 508,915	¥ 553,943

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

*2 Unlisted stocks and investments in partnership totaling ¥16,444 million and ¥24,790 million were written-off in the fiscal year ended March 31, 2022 and 2023, respectively.

(Note 4) Redemption schedule of monetary claims and securities with maturities

	Millions of yen			
March 31, 2022	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.

	Millions of yen			
March 31, 2023	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Monetary claims bought[*1]	¥ 4,079,430	¥ 824,019	¥ 381,543	¥ 239,232
Securities	10,135,223	10,018,846	3,783,492	3,863,447
Bonds classified as held-to-maturity	—	143,384	22,300	—
Japanese government bonds	—	72,600	—	—
Japanese local government bonds	—	70,784	22,300	—
Japanese corporate bonds	—	—	—	—
Other	—	—	—	—
Other securities with maturity	10,135,223	9,875,462	3,761,192	3,863,447
Japanese government bonds	5,904,790	3,228,000	90,200	354,800
Japanese local government bonds	17,990	283,069	794,153	10,937
Japanese corporate bonds	143,938	1,305,969	510,766	432,315
Other	4,068,504	5,058,424	2,366,072	3,065,394
Loans and bills discounted[*1, *2]	24,009,534	43,389,977	13,749,166	7,405,742
Lease receivables and investment assets	13,771	69,209	67,920	47,122
Total	¥ 38,237,960	¥ 54,302,052	¥ 17,982,122	¥ 11,555,545

*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: ¥400 million, Loans and bills discounted: ¥436,885 million.

*2 Loans and bills discounted without the maturity dates are not included. Such amount is totaled to ¥10,844,008 million.

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

	Millions of yen			
March 31, 2022	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.

	Millions of yen			
March 31, 2023	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits*	¥ 155,230,170	¥ 3,128,821	¥ 467,217	¥ 424,930
Negotiable certificates of deposit	12,722,835	529,225	—	—
Borrowed money	3,005,083	14,307,836	2,820,246	2,113,354
Bonds	309,069	260,030	25,372	87,468
Due to trust account	1,842,674	461,477	109,312	—
Total	¥ 173,109,834	¥ 18,687,391	¥ 3,422,149	¥ 2,625,753

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

(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

	Millions of yen	
March 31	**2022**	**2023**
Valuation gains (losses) included in the earnings for the fiscal year	¥ 5,311	¥ 8,101

2. Bonds classified as held-to-maturity

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

		Millions of yen		
March 31, 2023		**Consolidated balance sheet amount**	**Fair value**	**Net unrealized gains (losses)**
Bonds with unrealized gains:	Japanese government bonds	¥ 4,995	¥ 4,997	¥ 1
	Japanese local government bonds	28,744	28,857	113
	Japanese corporate bonds	—	—	—
	Other	—	—	—
	Subtotal	33,739	33,854	114
Bonds with unrealized losses:	Japanese government bonds	67,553	67,521	(31)
	Japanese local government bonds	64,299	63,831	(467)
	Japanese corporate bonds	—	—	—
	Other	—	—	—
	Subtotal	131,852	131,352	(499)
Total		¥ 165,592	¥ 165,207	¥ (384)

3. Other securities

		Millions of yen		
March 31, 2022		Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
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 were recognized in the earnings by applying fair value hedge accounting.

		Millions of yen		
March 31, 2023		Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other securities with unrealized gains:	Stocks	¥ 2,870,304	¥ 970,634	¥ 1,899,670
	Bonds	6,093,490	6,079,646	13,844
	Japanese government bonds	4,938,689	4,936,506	2,182
	Japanese local government bonds	4,110	4,105	4
	Japanese corporate bonds	1,150,691	1,139,033	11,657
	Other	4,822,553	4,525,086	297,466
	Subtotal	13,786,348	11,575,367	2,210,980
Other securities with unrealized losses:	Stocks	105,223	122,027	(16,803)
	Bonds	7,383,962	7,462,050	(78,088)
	Japanese government bonds	4,637,608	4,676,224	(38,615)
	Japanese local government bonds	1,083,514	1,102,772	(19,257)
	Japanese corporate bonds	1,662,838	1,683,054	(20,216)
	Other	10,103,677	10,876,033	(772,356)
	Subtotal	17,592,863	18,460,112	(867,249)
Total		¥ 31,379,211	¥ 30,035,479	¥ 1,343,731

Note: There were no net unrealized gains (losses) on other securities shown above for the fiscal year ended March 31, 2023 recognized in the earnings by applying fair value hedge accounting.

4. Held-to-maturity bonds sold during the fiscal year

Fiscal year ended March 31, 2022

There were no corresponding transactions.

Fiscal year ended March 31, 2023

There were no corresponding transactions.

5. Other securities sold during the fiscal year

	Millions of yen		
Year ended March 31, 2022	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)

	Millions of yen		
Year ended March 31, 2023	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 194,281	¥ 130,424	¥ (1,875)
Bonds	7,804,179	6,858	(23,730)
Japanese government bonds	7,556,122	6,643	(22,619)
Japanese local government bonds	131,726	28	(1,106)
Japanese corporate bonds	116,329	186	(4)
Other	9,512,523	117,242	(145,525)
Total	¥ 17,510,984	¥ 254,524	¥ (171,131)

6. Change of classification of securities

Fiscal year ended March 31, 2022

There were no significant corresponding transactions to be disclosed.

Fiscal year ended March 31, 2023

There were no significant corresponding transactions to be disclosed.

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, 2022 and 2023 were ¥4,018 million and ¥381 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 money held in trust)

1. Money held in trust classified as trading purposes

Fiscal year ended March 31, 2022

There were no corresponding transactions.

Fiscal year ended March 31, 2023

There were no corresponding transactions.

2. Money held in trust classified as held-to-maturity

Fiscal year ended March 31, 2022

There were no corresponding transactions.

Fiscal year ended March 31, 2023

There were no corresponding transactions.

3. Other money held in trust (other than trading purpose and held-to-maturity)

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

	Millions of yen		
March 31, 2023	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥ 0	¥ 0	—

(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, 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 were deducted from net unrealized gains on other securities.

2. Net unrealized gains (losses) on other securities included foreign currency translation adjustments on foreign currency denominated securities whose fair value was not recognized as consolidated balance sheet amount.

March 31, 2023		Millions of yen
Net unrealized gains (losses)	¥	1,344,019
Other securities		1,344,019
Other money held in trust		—
(-) Deferred tax liabilities		360,257
Net unrealized gains (losses) on other securities (before following adjustments)		983,762
(-) Non-controlling interests		6,984
(+) SMBC's interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates		(3,836)
Net unrealized gains (losses) on other securities	¥	972,941

Notes: 1. There were no net unrealized gains (losses) on other securities shown above for the fiscal year ended March 31, 2023 recognized in the fiscal year's earnings by applying fair value hedge accounting.

2. Net unrealized gains (losses) on other securities included foreign currency translation adjustments on foreign currency denominated securities whose fair value was not recognized as consolidated balance sheet amount.

(Notes to derivative transactions)

1. Derivative transactions to which the hedge accounting method was 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 was 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

	Millions of yen			
	Contract amount			
March 31, 2022	Total	Over 1 year	Fair value	Valuation gains (losses)
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 were valued at fair value and the valuation gains (losses) were accounted for in the consolidated statements of income.

	Millions of yen			
	Contract amount			
March 31, 2023	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Interest rate futures:				
Sold	¥ 107,086,292	¥ 26,234,540	¥ 7,582	¥ 7,582
Bought	18,705,937	7,686,959	(6,717)	(6,717)
Interest rate options:				
Sold	22,304,732	2,718,740	(52,887)	(52,887)
Bought	239,810,263	29,902,944	87,569	87,569
Over-the-counter				
Forward rate agreements:				
Sold	10,219,200	163,981	(13,649)	(13,649)
Bought	14,113,874	518,042	20,039	20,039
Interest rate swaps:	989,482,786	720,489,798	(286,898)	(286,898)
Receivable fixed rate/payable floating rate	405,562,504	332,166,540	(15,374,814)	(15,374,814)
Receivable floating rate/payable fixed rate	440,779,024	334,464,360	15,072,473	15,072,473
Receivable floating rate/payable floating rate	142,879,562	53,597,203	4,950	4,950
Interest rate swaptions:				
Sold	25,616,138	10,409,262	(312,659)	(312,659)
Bought	26,424,759	13,181,121	325,489	325,489
Caps:				
Sold	97,262,212	46,576,691	(1,648,233)	(1,648,233)
Bought	24,314,848	12,616,453	371,614	371,614
Floors:				
Sold	7,738,408	6,417,853	(24,909)	(24,909)
Bought	9,869,309	8,588,997	40,994	40,994
Other:				
Sold	9,507,746	4,634,071	(139,372)	(139,372)
Bought	32,961,001	26,866,264	242,793	242,793
Total	/	/	¥ (1,389,244)	¥ (1,389,244)

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

(2) Currency derivatives

	Millions of yen			
	Contract amount			
March 31, 2022	Total	Over 1 year	Fair value	Valuation gains (losses)
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 were valued at fair value and the valuation gains (losses) were accounted for in the consolidated statements of income.

	Millions of yen			
	Contract amount			
March 31, 2023	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Currency futures:				
Sold	¥ 1,114	¥ —	¥ 145	¥ 145
Bought	—	—	—	—
Over-the-counter				
Currency swaps	90,324,059	68,844,762	1,090,547	265,172
Currency swaptions:				
Sold	16,817	16,817	(95)	(95)
Bought	2,340,112	2,129,430	14,092	14,092
Forward foreign exchange	117,981,256	16,200,696	(155,321)	(155,321)
Currency options:				
Sold	3,897,938	1,540,087	(103,932)	(103,932)
Bought	3,508,399	1,197,138	124,016	124,016
Total	/	/	¥ 969,452	¥ 144,077

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

(3) Equity derivatives

	Millions of yen			
	Contract amount			
March 31, 2022	Total	Over 1 year	Fair value	Valuation gains (losses)
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 were valued at fair value and the valuation gains (losses) were accounted for in the consolidated statements of income.

	Millions of yen			
	Contract amount			
March 31, 2023	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Equity price index futures:				
Sold	¥ 378,067	¥ —	¥ (8,664)	¥ (8,664)
Bought	425,865	—	8,365	8,365
Equity price index options:				
Sold	1,302	—	0	0
Bought	1,335	—	(0)	(0)
Over-the-counter				
Equity options:				
Sold	—	—	—	—
Bought	100	100	48	48
Total	/	/	¥ (250)	¥ (250)

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

(4) Bond derivatives

	Millions of yen			
	Contract amount			
March 31, 2022	Total	Over 1 year	Fair value	Valuation gains (losses)
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 contracts:				
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 were valued at fair value and the valuation gains (losses) were accounted for in the consolidated statements of income.

	Millions of yen			
	Contract amount			
March 31, 2023	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Bond futures:				
Sold	¥ 1,767,755	¥ —	¥ (17,214)	¥ (17,214)
Bought	1,760,383	—	15,915	15,915
Bond futures options:				
Sold	7,344	—	(18)	(18)
Bought	7,344	—	18	18
Total	/	/	¥ (1,299)	¥ (1,299)

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

(5) Commodity derivatives

	Millions of yen			
	Contract amount			
March 31, 2022	Total	Over 1 year	Fair value	Valuation gains (losses)
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 were valued at fair value and the valuation gains (losses) were accounted for in the consolidated statements of income.
2. Underlying assets of commodity derivatives were fuels and metals.

	Millions of yen			
	Contract amount			
March 31, 2023	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Commodity futures:				
Sold	¥ 9,910	¥ —	¥ 136	¥ 136
Bought	15,516	—	(976)	(976)
Over-the-counter				
Commodity swaps:				
Receivable fixed price/payable floating price	40,878	20,027	(3,015)	(3,015)
Receivable floating price/payable fixed price	32,062	14,153	5,158	5,158
Receivable floating price/payable floating price	69	—	(15)	(15)
Commodity options:				
Sold	16,055	948	(179)	(179)
Bought	14,994	8	(55)	(55)
Total	/	/	¥ 1,053	¥ 1,053

Notes: 1. The above transactions were valued at fair value and the valuation gains (losses) were accounted for in the consolidated statements of income.
2. Underlying assets of commodity derivatives were fuels and metals.

(6) Credit derivative transactions

	Millions of yen			
	Contract amount			
March 31, 2022	Total	Over 1 year	Fair value gains (losses)	Valuation gains (losses)
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 were valued at fair value and the valuation gains (losses) were accounted for in the consolidated statements of income.
2. "Sold" represents transactions in which the credit risk was accepted; "Bought" represents transactions in which the credit risk was transferred.

	Millions of yen			
	Contract amount			
March 31, 2023	Total	Over 1 year	Fair value	Valuation gains (losses)
Over-the-counter				
Credit default options:				
Sold	¥ 97,400	¥ 73,650	¥ 1,397	¥ 1,397
Bought	468,742	421,242	(3,924)	(3,924)
Total	/	/	¥ (2,527)	¥ (2,527)

Notes: 1. The above transactions were valued at fair value and the valuation gains (losses) were accounted for in the consolidated statements of income.
2. "Sold" represents transactions in which the credit risk was accepted; "Bought" represents transactions in which the credit risk was transferred.

2. Derivative transactions to which the hedge accounting method was applied

The following tables set forth the contract amount or the amount equivalent to the notional amount and fair value by type of derivative and hedge accounting method with respect to derivative transactions to which the hedge accounting method was 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, 2022

			Millions of yen		
			Contract amount		
Hedge accounting method	Type of derivative	Principal items hedged	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 securities, deposits and negotiable certificates of deposit			
	Sold		¥ 774,856	¥ 25,541	¥ 319
	Bought		—	—	—
	Interest rate swaps:				
	Receivable fixed rate/ payable floating rate		33,156,979	27,311,289	(470,643)
	Receivable floating rate/ payable fixed rate		19,950,507	18,824,805	470,733
	Receivable floating rate/ payable floating rate		2,060,000	—	(20)
	Interest rate swaptions:				
	Sold		170,149	170,149	(3,214)
	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	66,010	59,570	(Note 2)
	Total		/	/	¥ 3,305

Notes: 1. SMBC applied 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 were treated with the borrowed money that was subject to the hedge. Therefore such fair value was included in the fair value of the relevant transaction subject to the hedge in the (Notes to financial instruments).

March 31, 2023

			Millions of yen		
			Contract amount		
Hedge accounting method	**Type of derivative**	**Principal items hedged**	**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 securities, deposits and negotiable certificates of deposit			
	Sold		¥ 6,342,990	¥ 3,372,276	¥ (1,312)
	Bought		2,403,720	1,335,400	4,467
	Interest rate swaps:				
	Receivable fixed rate/ payable floating rate		32,812,237	28,630,312	(931,456)
	Receivable floating rate/ payable fixed rate		22,472,430	20,788,379	640,823
	Interest rate swaptions:				
	Sold		185,620	185,620	(21,332)
	Bought		—	—	—
Recognition of gain or loss on the hedged items	Interest rate swaps:	Loans and bills discounted			
	Receivable floating rate/ payable fixed rate		720,281	591,205	39,900
Special treatment for interest rate swaps	Interest rate swaps:	Borrowed money			
	Receivable floating rate/ payable fixed rate		63,310	50,410	(Note 2)
	Total		/	/	¥ (268,911)

Notes: 1. SMBC applied 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 were treated with the borrowed money that was subject to the hedge. Therefore such fair value was included in the fair value of the relevant transaction subject to the hedge in the (Notes to financial instruments).

(2) Currency derivatives

March 31, 2022

			Millions of yen		
			Contract amount		
Hedge accounting method	Type of derivative	Principal items hedged	Total	Over 1 year	Fair value
Deferral hedge method	Currency swaps	Foreign currency denominated loans and bills discounted, other securities, deposits, foreign currency exchange, etc.	¥ 10,790,276	¥ 7,285,574	¥ (684,903)
	Forward foreign exchange		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 applied deferred hedge accounting stipulated in JICPA Industry Committee Practical Guidelines No. 25.

March 31, 2023

			Millions of yen		
			Contract amount		
Hedge accounting method	Type of derivative	Principal items hedged	Total	Over 1 year	Fair value
Deferral hedge method	Currency swaps	Foreign currency denominated loans and bills discounted, other securities, deposits, foreign currency exchange, etc.	¥ 14,035,451	¥ 8,354,826	¥ (1,073,360)
	Forward foreign exchange		4,323,798	—	(14,979)
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted, other securities	88,468	44,459	12,088
	Total		/	/	¥ (1,076,250)

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

(3) Equity derivatives

March 31, 2022

			Millions of yen		
			Contract amount		
Hedge accounting method	Type of derivative	Principal items hedged	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)

Fiscal year ended March 31, 2023

There were no corresponding transactions.

(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

	Millions of yen	
Year ended, March 31	**2022**	**2023**
Beginning balance of projected benefit obligation	¥ 1,009,631	¥ 972,449
Service cost	25,110	24,274
Interest cost on projected benefit obligation	4,725	6,862
Unrecognized net actuarial gain or loss incurred	(23,958)	(37,545)
Payments of retirement benefits	(52,060)	(53,586)
Unrecognized prior service cost	7,175	(4,077)
Other	1,824	(1,330)
Ending balance of projected benefit obligation	¥ 972,449	¥ 907,045

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

	Millions of yen	
Year ended, March 31	**2022**	**2023**
Beginning balance of plan assets	¥ 1,563,269	¥ 1,577,670
Expected return on plan assets	39,818	40,982
Unrecognized net actuarial gain or loss incurred	(116)	10,669
Contributions by the employer	10,046	10,020
Payments of retirement benefits	(39,529)	(40,313)
Other	4,181	623
Ending balance of plan assets	¥ 1,577,670	¥ 1,599,653

(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

	Millions of yen	
March 31	2022	2023
Funded projected benefit obligation	¥ (970,266)	¥ (904,717)
Plan assets	1,577,670	1,599,653
	607,403	694,935
Unfunded projected benefit obligation	(2,182)	(2,328)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 605,220	¥ 692,607

	Millions of yen	
March 31	2022	2023
Net defined benefit asset	¥ 616,206	¥ 698,974
Net defined benefit liability	(10,985)	(6,367)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 605,220	¥ 692,607

(4) Pension expenses

	Millions of yen	
Year ended March 31	2022	2023
Service cost	¥ 25,110	¥ 24,274
Interest cost on projected benefit obligation	4,725	6,862
Expected return on plan assets	(39,818)	(40,982)
Amortization of unrecognized net actuarial gain or loss	(25,041)	(31,538)
Amortization of unrecognized prior service cost	(1,993)	(2,297)
Other (nonrecurring additional retirement allowance paid and other)	6,677	7,086
Pension expenses	¥ (30,339)	¥ (36,596)

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) was as shown below:

	Millions of yen	
Year ended March 31	2022	2023
Prior service cost	¥ 9,168	¥ (1,779)
Net actuarial gain or loss	1,446	(16,945)
Total	¥ 10,615	¥ (18,724)

(6) Accumulated remeasurements of defined benefit plans

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

	Millions of yen	
March 31	2022	2023
Unrecognized prior service cost	¥ (12,483)	¥ (14,263)
Unrecognized net actuarial gain or loss	(158,519)	(175,465)
Total	¥ (171,003)	¥ (189,728)

(7) Plan assets

1) Major asset classes of plan assets

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

March 31	2022	2023
Stocks	52.9 %	51.6 %
Bonds	12.5 %	12.8 %
General account of life insurance	1.8 %	1.8 %
Other	32.8 %	33.8 %
Total	100.0 %	100.0 %

Note: The retirement benefit trusts set up for employee pension plans and lump-sum severance indemnity plans account for 36.3% and 37.4% of the total plan assets at March 31, 2022 and 2023, 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 were as follows:

1) Discount rate

Year ended March 31, 2022	Percentages	Year ended March 31, 2023	Percentages
SMBC and its domestic consolidated subsidiaries	0.4% to 0.6%	SMBC and its domestic consolidated subsidiaries	0.6% to 0.9%
Overseas consolidated subsidiaries	1.4% to 6.6%	Overseas consolidated subsidiaries	0.0% to 7.0%

2) Long-term expected rate of return on plan assets

Year ended March 31, 2022	Percentages	Year ended March 31, 2023	Percentages
SMBC and its domestic consolidated subsidiaries	1.1% to 3.6%	SMBC and its domestic consolidated subsidiaries	1.5% to 3.6%
Overseas consolidated subsidiaries	2.7% to 6.6%	Overseas consolidated subsidiaries	0.0% to 7.0%

3. Defined contribution plan

Fiscal year ended March 31, 2022

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

Fiscal year ended March 31, 2023

The amount required to be contributed by SMBC and the consolidated subsidiaries was ¥8,767 million.

(Notes to deferred tax assets and liabilities)

1. Significant components of deferred tax assets and liabilities

March 31, 2022	Millions of yen	March31, 2023	Millions of yen
Deferred tax assets:		Deferred tax assets:	
Reserve for possible loan losses and write-off of loans	¥ 230,388	Reserve for possible loan losses and write-off of loans	¥ 204,917
Net operating loss carryforwards*	65,128	Net operating loss carryforwards*	77,628
Securities	45,433	Securities	45,089
Net deferred gains (losses) on hedge	32,367	Net deferred gains (losses) on hedge	10,727
Other	149,340	Other	173,562
Subtotal	522,659	Subtotal	511,925
Valuation allowance for net operating loss carryforwards*	(7,714)	Valuation allowance for net operating loss carryforwards*	(7,626)
Valuation allowance for total amount of deductible temporary differences etc.	(55,219)	Valuation allowance for total amount of deductible temporary differences etc.	(55,200)
Valuation allowance subtotal	(62,934)	Valuation allowance subtotal	(62,826)
Total deferred tax assets	459,724	Total deferred tax assets	449,098
Deferred tax liabilities:		Deferred tax liabilities:	
Net unrealized gains on other securities	(493,757)	Net unrealized gains on other securities	(389,616)
Depreciation	(70,860)	Depreciation	(95,635)
Accumulated remeasurements of defined benefit plans	(55,673)	Accumulated remeasurements of defined benefit plans	(60,431)
Other	(129,907)	Other	(171,585)
Total deferred tax liabilities	(750,199)	Total deferred tax liabilities	(717,269)
Net deferred tax assets (liabilities)	¥ (290,474)	Net deferred tax assets (liabilities)	¥ (268,170)

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

	Millions of yen				
March 31, 2022	Within 1 year	More than 1 year to 5 years	More than 5 years to 10 years	More than 10 years	Total
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.

	Millions of yen				
March 31, 2023	Within 1 year	More than 1 year to 5 years	More than 5 years to 10 years	More than 10 years	Total
Net operating loss carryforwards*	¥ 3	¥ 2,203	¥ 5,400	¥ 70,021	¥ 77,628
Valuation allowance	(3)	(871)	(5,032)	(1,719)	(7,626)
Deferred tax assets	0	1,331	368	68,301	70,001

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

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

March 31, 2022	Percentages	March 31, 2023	Percentages
Statutory tax rate	30.62%	Statutory tax rate	30.62%
(Adjustments)		(Adjustments)	
Differences of the scope of taxable income between corporate income tax and enterprise income tax	(1.33)	Differences of the scope of taxable income between corporate income tax and enterprise income tax	(1.34)
Valuation allowance	(0.50)	Equity in gains of affiliates	(1.13)
Dividends exempted for income tax purposes	(0.50)	Difference of effective income tax rate between SMBC and overseas consolidated subsidiaries	(0.55)
Difference of effective income tax rate between SMBC and overseas consolidated subsidiaries	(0.39)	Dividends exempted for income tax purposes	(0.55)
Equity in gains of affiliates	(0.28)	Retained earnings of subsidiaries	2.50
Other	(3.50)	Other	(3.83)
Effective income tax rate	24.12%	Effective income tax rate	25.72%

3. Accounting treatment for corporate tax, local tax and related tax effect accounting

SMBC and certain consolidated domestic subsidiaries apply the group tax sharing system in which Sumitomo Mitsui Financial Group, Inc. is a parent company of the group tax sharing system from the fiscal year ended March 31, 2023. Accordingly, corporate tax, local tax and related tax effect accounting are accounted for and disclosed in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issue Task Force No. 42, August 12, 2021).

(Notes to asset retirement obligations)

Fiscal year ended March 31, 2022

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

Fiscal year ended March 31, 2023

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

(Notes to real estate for rent)

Fiscal year ended March 31, 2022

There was no significant information to be disclosed.

Fiscal year ended March 31, 2023

There was no significant information to be disclosed.

(Revenue Recognition)

Information on breakdown of revenues from contracts with customers

	Millions of yen	
Year ended March 31	**2022**	**2023**
Ordinary income	¥ 2,990,450	¥ 4,991,948
Fees and commissions	710,850	748,894
Deposits and loans	203,898	237,441
Remittances and transfers	141,312	146,131
Securities-related business	53,412	36,261
Agency	7,823	8,202
Safe deposits	4,025	4,228
Guarantees	39,520	36,390
Investment trusts	30,196	26,828
Others	230,660	253,410

Note: 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.

(Notes to segment and other related information)

[Segment information]

1. Summary of reportable segment

SMBC and its group companies' 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.

3. Information on profit and loss amount by reportable segment

	Millions of yen					
Year ended March 31, 2022	Wholesale Banking Unit	Retail Banking Unit	Global Banking Unit	Treasury Unit	Head office account and others	Total
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	¥ 460,100	¥ 8,900	¥ 438,400	¥ 318,500	¥ (335,079)	¥ 890,821

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.

	Millions of yen					
Year ended March 31, 2023	Wholesale Banking Unit	Retail Banking Unit	Global Banking Unit	Treasury Unit	Head office account and others	Total
Consolidated gross profit	¥ 828,100	¥ 323,300	¥ 1,201,900	¥ 461,900	¥ (577,039)	¥ 2,238,161
General and administrative expenses	(284,600)	(285,900)	(577,300)	(79,800)	48,894	(1,178,706)
Equity in gains (losses) of affiliates	—	3,200	32,200	—	6,009	41,409
Consolidated net business profit	¥ 543,500	¥ 40,600	¥ 656,800	¥ 382,100	¥ (522,136)	¥ 1,100,864

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, 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	¥ 867,849

Note: Figures shown in the parenthesis represent the loss.

Year ended March 31, 2023	Millions of yen
Consolidated net business profit	¥ 1,100,864
Other ordinary income (excluding equity in gains of affiliates)	234,429
Other ordinary expenses	(209,365)
Ordinary profit on consolidated statements of income	¥ 1,125,928

Note: Figures shown in the parenthesis represent the loss.

[Related information]

Fiscal year ended March 31, 2022

1. Information on each service

There was no information to be disclosed since information on each service was 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 were no major customers individually accounting for 10% or more of ordinary income reported on the consolidated statements of income.

Fiscal year ended March 31, 2023

1. Information on each service

There was no information to be disclosed since information on each service was 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
¥ 1,938,590	¥ 1,388,638	¥ 718,697	¥ 946,022	¥ 4,991,948

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
¥ 704,005	¥ 558,648	¥ 38,815	¥ 36,335	¥ 1,337,805

3. Information on major customers

There were no major customers individually accounting for 10% or more of ordinary income reported on the consolidated statements of income.

[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, 2022 was ¥108,246 million.
Impairment loss for the fiscal year ended March 31, 2023 was ¥32,189 million.

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 was recorded.

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

Fiscal year ended March 31, 2022

There were no corresponding transactions.

	Millions of yen					
Year ended March 31, 2023	Wholesale Banking Unit	Retail Banking Unit	Global Banking Unit	Treasury Unit	Head office account and others	Total
Amortization of goodwill	¥ —	¥ —	¥ —	¥ —	¥ 1,649	¥ 1,649
Unamortized balance	—	—	—	—	—	—

[Information on gains on negative goodwill by reportable segment]

Fiscal year ended March 31, 2022

There were no corresponding transactions.

Fiscal year ended March 31, 2023

There were no corresponding transactions.

[Information on related parties]

Fiscal year ended March 31, 2022

1. Transactions with related parties

There were 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, 2023

1. Transactions with related parties

There were 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)

(Business Combination)

There was no significant corresponding information to be disclosed.

(Per Share Data)

	Yen	
As of and year ended March 31	2022	2023
Net assets per share	¥ 85,558.44	¥ 90,237.03
Earnings per share	5,348.27	7,595.81

Notes: 1. Earnings per share and earnings per share (diluted) are calculated based on the following.
Earnings per share (diluted) for the fiscal year ended March 31, 2023 is not disclosed because earnings per share does not decrease due to the adjustment of dilutive shares.

	Millions of yen except number of shares	
Year ended March 31	2022	2023
Earnings per share:		
Profit attributable to owners of parent	¥ 568,244	¥ 807,042
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent attributable to common stock	¥ 568,244	¥ 807,042
Average number of common stock during the fiscal year (in thousand)	106,248	106,248

2. Net assets per share are calculated based on the following.

	Millions of yen except number of shares	
March 31	2022	2023
Net assets	¥ 9,219,858	¥ 9,735,509
Amounts excluded from net assets	129,411	147,969
Non-controlling interests	129,411	147,969
Net assets attributable to common stock at the fiscal year-end	¥ 9,090,447	¥ 9,587,539
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 were no significant subsequent events to be disclosed.

[Consolidated supplementary financial schedules]

[Schedule of bonds]

			Millions of yen		Percentages		
Company	Type of bonds	Date of issuance	At the beginning of the fiscal year	At the end of the fiscal year	Interest rate (Note 1)	Collateral	Date of maturity
SMBC	Straight bonds, payable in U.S. dollars (Notes 3 and 4)	Jul. 2013 ~ Feb. 2023	469,015 ($3,831,516 thousand) [153,012]	372,200 ($2,787,180 thousand) [190,668]	3.31 ~ 5.985	None	Jun. 2023 ~ Mar. 2030
	Straight bonds, payable in U.S. dollars (Note 3)	May. 28, 2015	80,178 ($655,000 thousand)	87,468 ($655,000 thousand)	4.3	None	May. 30, 2045
	Straight bonds, payable in Euro (Notes 3 and 4)	Jul. 24, 2013	68,346 (€499,570 thousand) [—]	72,862 (€499,914 thousand) [72,875]	2.75	None	Jul. 24, 2023
	Straight bonds, payable in Australian dollars (Notes 3 and 4)	Mar. 2015 ~ Dec. 2022	12,242 (A$133,197 thousand) [—]	16,611 (A$185,193 thousand) [7,463]	2.9 ~ 4.79	None	Jun. 2023 ~ Dec. 2027
	Straight bonds, payable in Hong Kong dollars (Note 3)	Apr. 30, 2015	11,808 (HK$755,000 thousand)	12,850 (HK$755,000 thousand)	2.92	None	Apr. 30, 2025
	Straight bonds, payable in Chinese Yuan (Notes 3 and 4)	Jun. 8, 2020	19,260 (CNY1,000,000 thousand) [—]	19,420 (CNY1,000,000 thousand) [19,420]	3.2	None	Jun. 8, 2023
	Subordinated bonds, payable in Yen	Jun. 2011 ~ Dec. 2011	59,996	59,997	2.17 ~ 2.21	None	Jun. 2026 ~ Dec. 2026
(* 1)	Consolidated subsidiaries, straight bonds, payable in Indonesia rupiah (Notes 2, 3 and 4)	Nov. 27, 2019	8,473 (IDR996,888,908 thousand) [6,791]	1,782 (IDR200,239,931 thousand) [—]	7.75	None	Nov. 26, 2024
(* 2)	Consolidated subsidiaries, straight bonds, payable in Chinese Yuan (Notes 2, 3 and 4)	Oct. 14, 2022	62,982 (CNY3,270,100 thousand) [63,172]	18,628 (CNY959,249 thousand) [18,643]	0	None	Apr. 14, 2023
(* 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		—	¥812,303	¥681,821	—	—	—

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 Chinese Yuan 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
¥ 309,069	¥ 73,043	¥ 79,620	¥ 60,000	¥ 47,366

[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	¥ 26,887,509	¥ 22,246,521	1.61	—
Other borrowings	26,887,509	22,246,521	1.61	Apr. 2023 ~ Perpetual
Lease obligations	3,782	2,014	2.91	Apr. 2023 ~ 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	¥ 3,005,083	¥ 6,730,894	¥ 2,868,295	¥ 3,443,098	¥ 1,265,548
Lease obligations	316	276	267	270	246

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	¥ 1,856,909	¥ 2,320,969	4.06	Apr. 2023 ~ Jan. 2024

[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.

(Non-consolidated financial statements)

1. Non-consolidated balance sheets

March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Assets:			
Cash and due from banks	¥ 70,840,809	¥ 70,818,701	$ 530,318
Call loans	2,234,818	5,285,838	39,582
Receivables under resale agreements	1,645,410	1,437,595	10,765
Receivables under securities borrowing transactions	1,863,080	1,598,124	11,967
Monetary claims bought	2,290,607	1,944,291	14,560
Trading assets	2,025,767	2,379,930	17,822
Securities	38,238,579	32,210,394	241,204
Loans and bills discounted	87,671,294	94,307,397	706,211
Foreign exchanges	2,721,735	1,824,364	13,662
Other assets	5,291,974	7,129,287	53,387
Tangible fixed assets	766,477	737,253	5,521
Intangible fixed assets	249,750	285,986	2,142
Prepaid pension cost	428,164	496,328	3,717
Customers' liabilities for acceptances and guarantees	12,285,466	15,405,856	115,365
Reserve for possible loan losses	(589,208)	(523,888)	(3,923)
Total assets	¥ 227,964,729	¥ 235,337,464	$ 1,762,299
Liabilities and net assets:			
Liabilities:			
Deposits	¥ 141,015,245	¥ 149,948,880	$ 1,122,876
Negotiable certificates of deposit	13,108,797	12,929,824	96,824
Call money	680,893	774,968	5,803
Payables under repurchase agreements	14,626,237	12,041,367	90,170
Payables under securities lending transactions	305,779	370,514	2,775
Commercial paper	1,229,180	1,292,198	9,676
Trading liabilities	1,558,679	1,643,213	12,305
Borrowed money	26,700,215	21,905,262	164,035
Foreign exchanges	1,339,163	1,516,160	11,354
Bonds	720,847	641,410	4,803
Due to trust account	2,321,699	2,277,046	17,051
Other liabilities	4,255,764	6,991,747	52,357
Reserve for employee bonuses	12,584	13,542	101
Reserve for executive bonuses	1,150	1,202	9
Reserve for point service program	870	1,140	9
Reserve for reimbursement of deposits	4,974	9,998	75
Deferred tax liabilities	221,503	150,223	1,125
Deferred tax liabilities for land revaluation	29,193	27,952	209
Acceptances and guarantees	12,285,466	15,405,856	115,365
Total liabilities	220,418,246	227,942,508	1,706,923
Net assets:			
Capital stock	1,770,996	1,770,996	13,262
Capital surplus	1,774,554	1,774,554	13,289
Retained earnings	3,079,860	3,276,915	24,539
Treasury stock	(210,003)	(210,003)	(1,573)
Total stockholders' equity	6,415,408	6,612,463	49,517
Net unrealized gains (losses) on other securities	1,288,414	1,040,472	7,791
Net deferred gains (losses) on hedges	(182,902)	(282,793)	(2,118)
Land revaluation excess	25,563	24,813	186
Total valuation and translation adjustments	1,131,074	782,492	5,860
Total net assets	7,546,483	7,394,955	55,376
Total liabilities and net assets	¥ 227,964,729	¥ 235,337,464	$ 1,762,299

2. Non-consolidated statements of income

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2022	2023	2023
Ordinary income	¥ 2,477,287	¥ 4,133,627	$ 30,954
Interest income	1,392,776	2,962,282	22,183
Interest on loans and discounts	945,143	1,868,741	13,994
Interest and dividends on securities	341,409	413,923	3,100
Trust fees	2,254	2,451	18
Fees and commissions	590,995	645,135	4,831
Trading income	5,157	4,315	32
Other operating income	248,075	310,067	2,322
Other income	238,029	209,376	1,568
Ordinary expenses	1,731,337	3,267,830	24,471
Interest expenses	301,679	1,798,082	13,465
Interest on deposits	36,987	648,542	4,857
Fees and commissions payments	192,556	189,174	1,417
Trading losses	74,753	58,229	436
Other operating expenses	91,090	179,290	1,343
General and administrative expenses	835,675	856,867	6,417
Other expenses	235,582	186,185	1,394
Ordinary profit	745,950	865,797	6,483
Extraordinary gains	1,365	2,292	17
Extraordinary losses	48,853	34,307	257
Income before income taxes	698,462	833,782	6,244
Income taxes - current	189,578	183,467	1,374
Income taxes - deferred	(37,409)	16,159	121
Net income	¥ 546,294	¥ 634,154	$ 4,749

	Yen		U.S. dollars
	2022	2023	2023
Per share data:			
Earnings per share	¥ 5,141.66	¥ 5,968.60	$ 44.70
Earnings per share (diluted)	—	—	—

3. Non-consolidated statements of changes in net assets

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2022	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
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				
Year ended March 31, 2022	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
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

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2023	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	¥ 1,770,996	¥ 1,774,554	¥ 3,079,860	¥ (210,003)	¥ 6,415,408
Changes in the fiscal year:					
Cash dividends			(437,849)		(437,849)
Net income			634,154		634,154
Reversal of land revaluation excess			749		749
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	197,054	—	197,054
Balance at the end of the fiscal year	¥ 1,770,996	¥ 1,774,554	¥ 3,276,915	¥ (210,003)	¥ 6,612,463

	Millions of yen				
	Valuation and translation adjustments				
Year ended March 31, 2023	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Balance at the beginning of the fiscal year	¥ 1,288,414	¥ (182,902)	¥ 25,563	¥ 1,131,074	¥ 7,546,483
Changes in the fiscal year:					
Cash dividends					(437,849)
Net income					634,154
Reversal of land revaluation excess					749
Net changes in items other than stockholders' equity in the fiscal year	(247,941)	(99,890)	(749)	(348,582)	(348,582)
Net changes in the fiscal year	(247,941)	(99,890)	(749)	(348,582)	(151,527)
Balance at the end of the fiscal year	¥ 1,040,472	¥ (282,793)	¥ 24,813	¥ 782,492	¥ 7,394,955

	Millions of U. S. Dollars				
	Stockholders' equity				
Year ended March 31, 2023	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	$ 13,262	$ 13,289	$ 23,063	$ (1,573)	$ 48,041
Changes in the fiscal year:					
Cash dividends			(3,279)		(3,279)
Net income			4,749		4,749
Reversal of land revaluation excess			6		6
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	1,476	—	1,476
Balance at the end of the fiscal year	$ 13,262	$ 13,289	$ 24,539	$ (1,573)	$ 49,517

	Millions of U. S. Dollars				
	Valuation and translation adjustments				
Year ended March 31, 2023	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Balance at the beginning of the fiscal year	$ 9,648	$ (1,370)	$ 191	$ 8,470	$ 56,511
Changes in the fiscal year:					
Cash dividends					(3,279)
Net income					4,749
Reversal of land revaluation excess					6
Net changes in items other than stockholders' equity in the fiscal year	(1,857)	(748)	(6)	(2,610)	(2,610)
Net changes in the fiscal year	(1,857)	(748)	(6)	(2,610)	(1,135)
Balance at the end of the fiscal year	$ 7,791	$ (2,118)	$ 186	$ 5,860	$ 55,376

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023, the reserve for possible loan losses (the "Reserve") was ¥398,808 million on loans and bills discounted (the "Loans") of ¥99,823,911 million (or approximately 39.5% of total assets). Included in such balances were mainly corporate loans and the related reserve of SMBC. As discussed in the "Notes (Additional information 1. The estimates of reserve for possible loan losses related to the impact of the current international situation involving Ukraine)" to the consolidated financial statements, a reserve of ¥77,094 million was recorded for possible loan losses for the Russia-related credits. In addition, as discussed in the "Notes (Additional information 2. The estimates of reserve for possible loan losses related to the impact of the tightening monetary policies overseas)" to the consolidated financial statements, a reserve of ¥29,000 million was recorded for possible loan losses for portfolios that were considered to be easily affected by rising interest rates.

As discussed in the "Notes (Significant accounting policies for preparing consolidated financial statements),

4. Accounting policy, (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 necessary 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 prolonged uncertain business environment arising from the current international situation involving Ukraine, the impact of tightening monetary policies overseas and the impact of ceasing COVID-19 related government financial support and establishment of the new normal way of life, in particular, required consideration, which included the assessment, for the purpose of measuring potential losses, of (i) the prolonged 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 (including the deterioration in the credit status of Russia and the prolonged difficulty in collecting funds from customers in Russia via overseas remittances as a result of the Russian Presidential decree and instructions of the Central Bank of the Russian Federation), (ii) the impact of tightening monetary policies overseas following suppressed inflationary pressures (including the impact of resulting changes in the market conditions and interest rates), and (iii) the impact of ceasing COVID-19 related government financial support and establishment of the new normal way of life (including concerns over the future deterioration in credit conditions for the portfolios in certain industries with specific debt-repayment capabilities that are considered to be easily affected by the abovementioned factors).

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 of most significance in our audit of the consolidated financial statements for the current 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' debt-repayment capability and financial positions, including the analysis of the current repayment status;
- analyzing the impact of trends in inflation and rising interest rates overseas on the individual borrowers' business performance and liquidity positions; and
- analyzing the impact of the trends in COVID-19 related government financial support programs and shifts in consumer behavior on the individual borrowers' business plans and liquidity positions.

(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 prolonged uncertain business environment caused by the current international situation involving Ukraine, the impact of tightening monetary policies overseas and the impact of ceasing COVID-19 related government financial support and establishment of the new normal way of life, we evaluated the reasonableness of additional reserves for specific portfolios through:

- assessing the appropriateness of the selection of portfolios subject to additional reserves, considering the analysis of the identified top risks and the respective industry environment by using the relevant indices and other information published by external agencies;
- assessing the appropriateness of the selection of portfolios subject to additional reserves, considering the analysis of the prolonged impact of economic sanctions imposed by governments of each country and the countermeasures taken by the Russian government;
- assessing assumptions used in estimating additional reserves, especially the risks of delinquency and loan modifications related to credit exposure in Russia, considering the analysis of the prolonged impact of the economic sanctions imposed by governments of each country and the countermeasures taken by the Russian government, and the deterioration in the credit status of Russia, including the analysis of the observed trend in the repayment of the Russian government and corporates;
- assessing assumptions used in estimating additional reserves, especially the impact of the prolonged

difficulty in collecting funds from customers in Russia via overseas remittances as a result of the Russian Presidential decree and instructions of the Central Bank of the Russian Federation;

- assessing the appropriateness of the selection of portfolios subject to additional reserves in relation to rising interest rates, considering the analysis of the impact of tightening monetary policies overseas;
- assessing the consistency of assumptions used in estimating additional reserves, especially the assumptions about changes in overseas interest rates and market conditions with available external data including interest rates outlook and industry environment;
- assessing the appropriateness of the selection of portfolios subject to additional reserves in relation to the cease of COVID-19 related government financial support and establishment of the new normal way of life, considering the comparison of the current sales by industry against pre-COVID-19 sales, the analysis of observed trends in internal credit ratings, and the analysis of the level of debt-repayment capability;
- assessing the consistency of assumptions used in estimating additional reserves, especially the assumptions about changes in the market conditions given the ease of the impact of COVID-19 and the establishment of the new normal way of life with available external data including 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.

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, 2023 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/ Kazuhide Niki
Designated Engagement Partner
Certified Public Accountant

/S/ Bumbee Nishi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 21, 2023

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.