



Strategies of Business Units

Global Markets Business Unit



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Global Markets Business Unit results

	FY2023	YoY ^{*1}
Gross profit	¥526.2 billion	+¥64.4 billion
Expenses	¥165.3 billion	+¥14.8 billion
Base expenses	¥98.5 billion	+¥3.2 billion
Net business profit	¥389.9 billion	+¥49.8 billion
Net income	¥272.9 billion	+¥34.8 billion
ROCE ^{*2}	17.8%	+2.1%
Risk-weighted assets (RwA)	¥7.9 trillion	+¥1.9 trillion

^{*1} Figures are after adjustments for exchange rate impacts, etc.

^{*2} Incl. impact from the interest-rate risk associated to the banking account.

Key strategies

Discerning the essence and the trends of the world through the Three “I”s

Dynamic adjusting our portfolio to maximize earnings

Addressing to increasingly complex and sophisticated customer needs

Detecting changes in the financing environment caused by varied factors

Operation with a focus on ensuring balance sheet stability

As market risk professionals, we aim to enhance our own risk-taking skills while continuously offering customers high added value.

The Global Markets Business Unit offers solutions through foreign exchange, derivatives, bonds, stocks, and other marketable financial products and also undertakes asset liability management (“ALM”) operations that comprehensively control balance sheet liquidity risks and market risks.

Our emphasis in this work is on analyzing the various phenomena that occur throughout the world based on the Three “I”s of Insight, Imagination, and Intelligence in order to forecast the market trends that will emerge in the future. In short, we emphasize the capacity to discern the underlying essence of world affairs.

Under paradigm shifts taking place against the backdrop of global fragmentation, everyone now faces a market environment of the like not seen for over three decades. Under a variety of scenarios, it is assumed that conventional ways of thinking will not hold. By adapting flexibly to this new environment and undertaking bold action with our gaze on the future, we will continue our unending evolution.

In FY2023, as the policy rate stopped rising in the U.S. and Europe while Japan steered its course toward the normalization of monetary policy, interest rates and stock prices fluctuated wildly in developed countries due to factors including market player expectation. Amid this, our portfolio management steadily captured investment opportunities while properly controlling risks, recording a profit as a result. We also supported customers’ funding needs through stable foreign currency funding and strengthened our S&T global collaboration to provide customers with optimal solutions.

We will actively engage in not only pursuing such economic value but also creating social value. In addition to GX support, as exemplified by the green bond issuances we have been offering, we will support “Fulfilled Growth” for customers and employees by undertaking initiatives in new fields including enhancement of financial literacy for society overall and revitalization of the asset management industry.

Global Markets Business Unit

Dynamic portfolio management in response to market changes

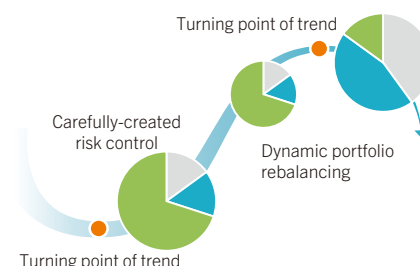
The strength of the Global Markets Business Unit lies in its ability to dynamically adjust its portfolio and maximize earnings by accurately capturing market trends through proactive observation of market fluctuations.

Through the Three “I”s, members of the Unit collect, analyze, and thoroughly discuss information on phenomena occurring every day, then, they make positions in accordance with the scenarios formulated through this work, after which they review the results and validity of these positions. The consistent application of this iterative process is the only way we can hone our ability to read the markets.

Recognizing that ongoing paradigm shifts have placed us in a market environment completely different from that of the past, we will continue to aptly capture opportunities for profit.

We have also begun to manage an investment fund adopting an absolute return-oriented global macro strategy at Sumitomo Mitsui DS Asset Management, taking advantage of the operational capabilities that are our strength. Through such initiatives, we will create social value by promoting the shift from savings to investment, supporting higher financial literacy, and helping to lift the status of the asset management industry as a whole.

Overview of Portfolio Rebalancing

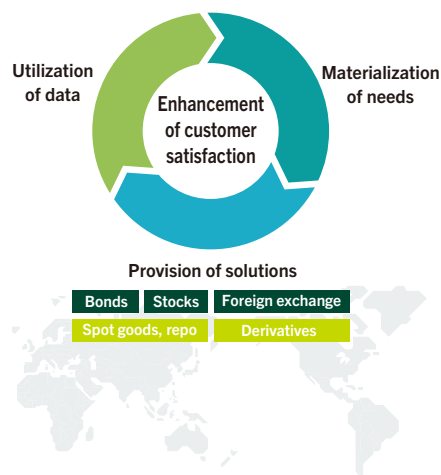


Reinforcement of our ability to provide solutions through marketable financial products

Paradigm shifts are also affecting customers in many ways. To address the risk hedging needs arising in customers’ businesses and balance sheets along with the risk-taking needs accompanying investing and investment management, we are accelerating our globally integrated management and enhancing our ability to provide solutions.

Specifically, we are utilizing diverse data to actualize customers’ latent needs and are honing our ability to deliver custom-made proposals to appropriately address diverse needs. In the future, we will also promote more sophisticated analysis through means including linkages with digital platforms. By providing unique solutions, we are taking on the challenge of supporting customers’ management strategies from non-conventional approaches.

In this way, by supporting “Japan’s Regrowth” from a starting point in our customers’ businesses, we will create social value.



Development of a robust foreign currency funding base

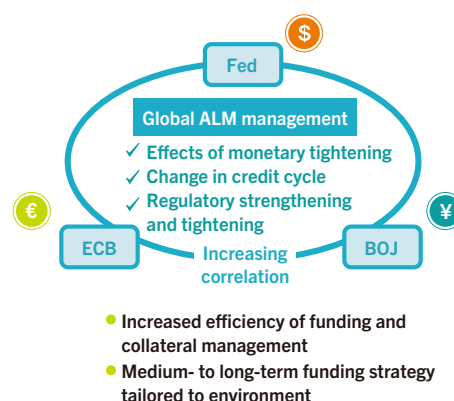
The Global Markets Business Unit is taking steps regarding foreign currency funding to balance assurance of stability with pursuit of cost efficiency, so that we can continue supporting customers' businesses through lending.

We strategically carry out funding fitted to SMBC Group's balance sheet composition and the market environment, with seeking to expand our investor base and diversify funding methods. Initiatives in this area have included the issuance of covered bonds and cross-currency repo initiatives (foreign currency procurement using government bonds, etc. as collateral), along with the issuance of regular foreign currency-denominated straight bonds.

Although the funding environment will continue to face headwinds in the form of ongoing tight monetary policy in areas including Europe and the U.S., regulatory strengthening and tightening, and the emergence of geopolitical risks, we will respond pro-actively from a long-term perspective and engage in stable balance sheet control through global collaboration.

The Global Markets Business Unit regularly issues green bonds, the funds from which are used only for renewable energy or other eco-friendly projects. In October 2015, we became the first Japanese private financial institution to issue US dollar-denominated green bonds. In the years that followed, we proceeded to expand the scope of investors served by our green bonds, becoming the first private company in Japan to issue green bonds for individual investors in December 2018 and issuing green bonds through a public offering in the U.S. in January 2021. To date, we have floated eight green bond issues in Japan and overseas, raising a total of approximately US\$3.6 billion. In these issues, we carefully explain our sustainability initiatives to investors to foster mutual understanding.

We will continue contributing to the further development of markets and to the preservation and improvement of the environment as one of Japan's leading issuers of green bonds, thereby creating social value.

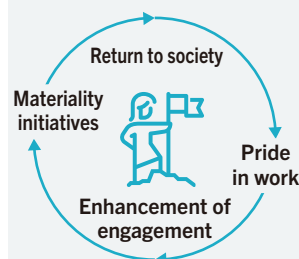


Japan's Regrowth / Poverty & Inequality / Declining Birthrate & Aging Population

Supply of asset management human resources
↓
Raising the status of the asset management industry
↓
Support for the advancement of Japan's financial industry

Endowed courses
↓
Enhancement of financial literacy
↓
Support for asset formation

DE&I



Environment

Sustainable finance
↓
Support through green procurement and customer seminars