Corporate Governance

Basic Approach

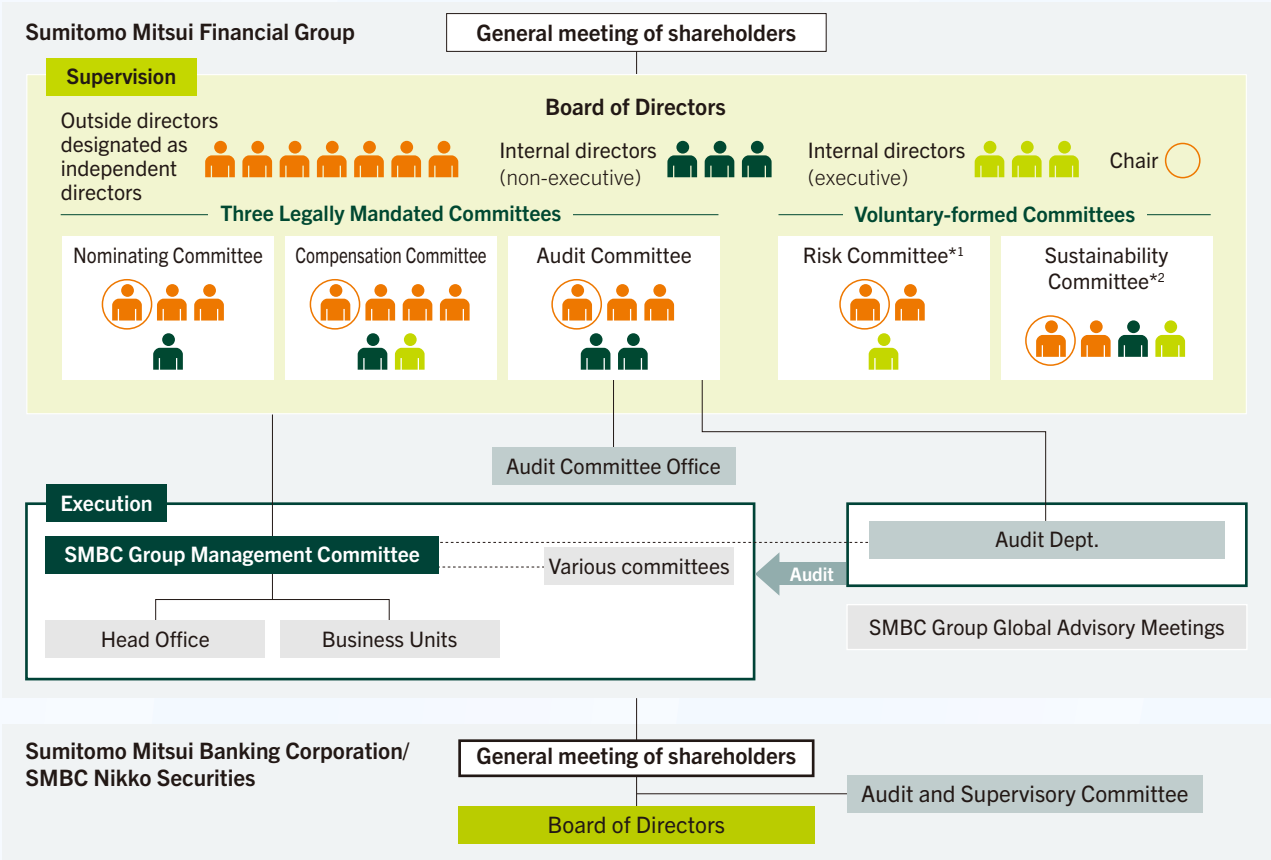
We position "Our Mission" as the universal philosophy underpinning the management of SMBC Group and as the foundation for all of our corporate activities. To achieve the approach outlined in "Our Mission," we consider the strengthening and enhancement of corporate governance a top-priority issue as we pursue effective corporate governance.

Sumitomo Mitsui Financial Group's Corporate Governance System

SMFG Group employs the Company with Three Committees structure. This structure was adopted in order to build a corporate governance system that is globally recognized and is aligned with international banking regulations and supervision requirements, as well as to achieve enhanced oversight of the exercise of duties by the Board of Directors and to expedite the exercise of duties. Core subsidiaries SMBC and SMBC Nikko Securities employ the Company with Audit and Supervisory Committee system described in the Companies Act.

Through the implementation of effective corporate governance systems, we aim to prevent corporate misconduct while also achieving ongoing growth and medium- to long-term improvements in corporate value. We realize that there is no perfect form for corporate governance structures. Accordingly, we will continue working toward the strengthening and enhancement of corporate governance in order to realize higher levels of effectiveness.

As of June 2025



*1 Hirohide Yamaguchi (Chairman of the Advisory Board of Nikko Research Center, former Deputy Governor of the Bank of Japan) and Tatsuo Yamasaki (Specially appointed professor of International University of Health and Welfare) serve as members of the Risk Committee in the capacity of external experts.

*2 Yukari Takamura (Professor at the University of Tokyo Institute for Future Initiatives) and Eiichiro Adachi (Japan Research Institute) serve as members of the Sustainability Committee in the capacity of experts.

Role of the Board of Directors

The Board of Directors of the Company is primarily responsible for making decisions on basic management policies and other matters that are within its legally mandated scope of authority, as well as overseeing the exercise of duties of executive officers and directors. Authority for decisions on execution of work other than decisions legally required of the Board of Directors will, in principle, be delegated to executive officers. The purpose of this delegation is to enhance the oversight function of the Board of Directors and to expedite the exercise of duties.

The Board of Directors works toward the realization of "Our Mission" and the long-term growth of corporate value and the common interests of the shareholders. Any action that may impede those objectives will be addressed with impartial decisions and response measures.

The Board of Directors is also responsible for establishing an environment that supports appropriate risk taking by executive officers. It is developing systems for ensuring the appropriateness of SMBC Group's business operations pursuant to the Companies Act and other relevant legislation in order to maintain sound management.' Another responsibility of the Board of Directors is exercising highly effective oversight of executive officers from an independent and objective standpoint. Accordingly, the Board of Directors endeavors to appropriately evaluate company performance and to reflect these evaluations in its assessment of executive officers.

Examples of matters discussed by the Board of Directors
• Progress of the Medium-Term Management Plan and business plans
• Global strategy/Inorganic strategy
• Digitalization initiatives
• Human resources initiatives (Human capital investment)
• System strategy policy, cybersecurity, and data governance
• Global compliance
• Policy for equity holdings
• Focused supervision of SMBC Nikko Securities in light of the administrative action taken by the Financial Services Agency
• Initiatives to create social value (including sustainability promotion)
• Capital policy (ROE and PBR improvement)
• Response to geopolitical risks/Response to trends in the financial markets

Initiatives for Improving Corporate Governance

2002	• Establishment of Sumitomo Mitsui Financial Group ("the Company") • Establishment of voluntary Nominating Committee, Compensation Committee, and Risk Management Committee as internal committees of the Board of Directors
2005	• Establishment of voluntary Audit Committee as an internal committee of the Board of Directors
2006	• Formulation of "Basic Policy on Internal Control Systems" through resolutions on internal control based on "Our Mission" and "Code of Conduct" in order to establish frameworks for ensuring appropriate operations
2010	• Listing of shares on the New York Stock Exchange to improve transparency of financial reporting, increase convenience for investors, and diversify fund procurement methods
2015	• Establishment of the "SMFG Corporate Governance Guidelines" • Increase in the number of outside directors to five and in the number of outside corporate auditors to three
2016	• Commencement of evaluations of the effectiveness of the Board of Directors
2017	• Transition to a Company with Three Committees; increase in the number of outside directors to seven. Establishment of voluntary Risk Committee together with legally mandated Nomination Committee, Compensation Committee, and Audit Committee; and appointment of outside directors as chairmen of three legally mandated committees • Institution of new Group governance system through introduction of group-wide Business Units and Group CxO system
2019	• Transition to Company with Audit and Supervisory Committee structure by core subsidiaries SMBC and SMBC Nikko Securities • Decrease in the number of directors from 17 to 15 and increase in the ratio of outside directors to 47%
2020	• Appointment of an outside director as the chairman of the Risk Committee
2021	• Appointment of Group CSuO • Establishment of voluntary Sustainability Committee (chaired by an outside director)
2023	• Establishment of Group Business Management Department
2024	• Change making outside directors a majority on the Board of Directors

Corporate Governance

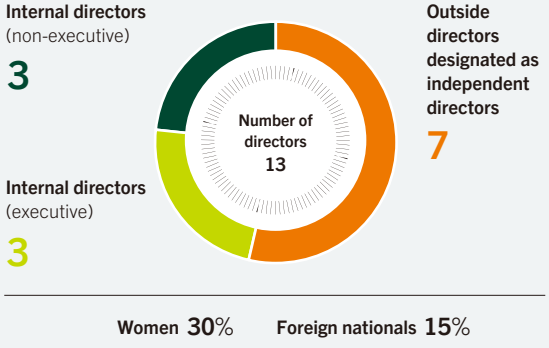
Composition of the Board of Directors

The Board of Directors is composed of directors of varied backgrounds and diverse expertise, experience, genders, and nationalities.

As of June 27, 2025, the Board of Directors is composed of 13 members. A majority of these, seven directors, are outside directors. The chairman of the Board of Sumitomo Mitsui Financial Group, who does not have business execution responsibilities, serves as the chairman of the Board of Directors. This membership ensures an objective stance toward supervision of the exercise of duties by executive officers and directors.

Outside directors serve as chairmen and members of the Company's legally mandated and voluntarily established committees. When necessary, outside directors request reports on compliance, risk management, and other matters from relevant departments to promote appropriate coordination and supervision.

Composition of the Board of Directors



Skills Matrix of Directors

Directors have been selected for their knowledge and experience in corporate management, finance, global business, legal affairs/risk management, financial accounting, IT/DX, sustainability, and other areas in order to exercise sufficient supervisory functions as a Board of Directors of a global financial group, expected to contribute to the further development of SMBC Group.

	Appointed	Committees*1					Expected knowledge and experience in particular*2						
		Nomination Committee	Audit Committee	Compensation Committee	Risk Committee	Sustainability Committee	Corporate management	Finance	Global	Legal affairs/ Risk management	Financial accounting	IT/DX	Sustainability
Makoto Takashima	2025	○		○		○	●	●	●	●	●	●	●
Toru Nakashima	2024			○		○	●	●	●	●	●	●	●
Teiko Kudo	2021							●	●	●			●
Kazuyuki Anchi	2025				○			●	●	●	●	●	●
Toshihiro Isshiki	2021		○					●		●			
Honami Matsugasaki	2025		○					●	●	●			
Sonosuke Kadonaga	2024	○	◎				●		●	●			
Jun Sawada	2025	◎		○			●		●			●	●
Yoriko Goto	2025		○			◎	●	●	●	●	●		●
Isao Teshirogi	2025			◎	○		●		●	●			
Norimitsu Takashima	2025	○		○						●			
Charles D. Lake II	2023		○		◎		●	●	●	●			
Jenifer Rogers	2023			○		○	●	●	●	●		●	●

*1 ◎ indicates Chairman

*2 The items listed in "Skills Matrix of Directors" are areas particularly expected of the relevant directors and do not represent the entirety of the knowledge and experience possessed by the directors.

Sumitomo Mitsui Financial Group Directors

Makoto Takashima

Chairman of the Board

Toru Nakashima

Director President (Representative Corporate Executive Officer)
Group CEO

Teiko Kudo

Director Deputy President and Corporate Executive Officer (Representative Corporate Executive Officer)
Group CCO
Director and Deputy President of SMBC

Kazuyuki Anchi

Director Senior Managing Corporate Executive Officer
Group CFO, Group CSO
Director and Senior Managing Executive Officer of SMBC

Toshihiro Isshiki

Director

Honami Matsugasaki

Director

Sonosuke Kadonaga

Outside director
Representative of Intrinsics

Jun Sawada

Outside director
Chairman and Member of the Board of NTT, Inc.

Yoriko Goto

Outside director
Certified public accountant

Isao Teshirogi

Outside director
Representative Director, President, and CEO of Shionogi & Co., Ltd.

Norimitsu Takashima

Outside director
Attorney at law

Charles D. Lake II

Outside director
President of Aflac International, Inc.
Chairman and Representative Director of Aflac Life Insurance Japan Ltd.
Attorney at Law, admitted in Pennsylvania, the U.S.A.
Attorney at Law, admitted in Washington, D.C., the U.S.A.

Jenifer Rogers

Outside director
General Counsel International of Asurion Japan Holdings G.K.
Attorney at Law, admitted in New York, the U.S.A.

** The seven directors Sonosuke Kadonaga, Jun Sawada, Yoriko Goto, Isao Teshirogi, Norimitsu Takashima, Charles D. Lake II, and Jenifer Rogers are outside directors as provided for in Article 2, Item 15 of the Companies Act.*

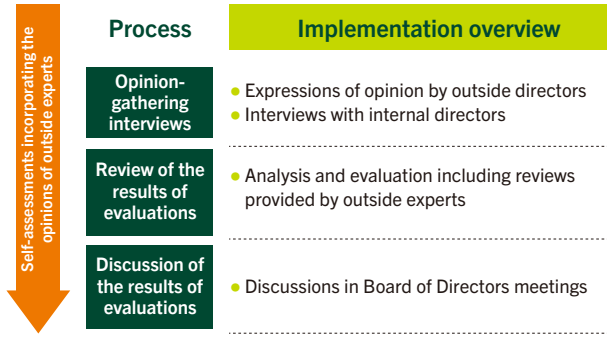
For career summaries, please refer to UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 FORM20-F for the fiscal year ending March 31, 2025.

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

The "SMFG Corporate Governance Guideline" contains provisions on evaluating the effectiveness of the Board of Directors. In accordance with these provisions, the Board of Directors conducts annual analysis and evaluation to determine whether it is executing its duties in line with the guideline, and discloses the findings of these.

In FY2024, the evaluation focused on the role of the Board of Directors, operation of the Board of Directors and support systems for outside directors, and composition of the Board of Directors, for which provisions exist in Japan's Corporate Governance Code and the "SMFG Corporate Governance Guideline." All five outside directors were asked for their opinions regarding these areas at meetings of the Board of Directors held in April and May 2025, with interviews of internal directors conducted thereafter. Discussions were held at Board of Directors' meetings in June based on the findings of these interviews with internal directors, after which analyses and evaluations were carried out to determine whether the Board of Directors is executing its duties in line with the "SMFG Corporate Governance Guideline." Reviews by knowledgeable experts from developed nations are received at each stage of the evaluation process.



Overview of Results of Evaluation of the Effectiveness of the Board of Directors

In FY2024, the Board of Directors was assessed to be sufficiently effective and to have improved its effectiveness, as a result of efforts to raise the level and effectiveness of deliberations at Board of Directors meetings following appropriate actions taken in response to the findings of the previous effectiveness evaluation. Based on the results of the latest effectiveness evaluation, along with diverse opinions by directors and recommendations by external experts gathered through the series of processes, the Board of Directors is working to further enhance its effectiveness by promoting mutual understanding between outside directors and internal officers and employees and by discussing fundamental issues aimed at enhancing corporate value.

PDCA Cycle for the Evaluation of the Effectiveness of the Board of Directors

The Board of Directors was assessed to be sufficiently effective and to have improved its effectiveness

	FY2023	FY2024		FY2025
	Evaluation	Initiative	Evaluation	Initiative
Role of the Board of Directors	• Appropriately demonstrated its supervisory function through discussions on key topics including the creation of social value • Outside directors demonstrated a high level of expertise with the aim of enhancement of corporate value based on the interests of stakeholders	• Enhanced deliberations on inorganic strategy and global governance • Risks associated with global affairs, market trends, and other changes in the business environment were identified, analyzed, and then reported and discussed in a timely manner	• Appropriately exercised supervisory functions based on the timely provision of information, etc. • Outside directors continued to demonstrate a high level of expertise, and the Board of Directors and internal committees collaborated effectively	• Discussions are held on the formulation of the next Medium-Term Management Plan with a view toward the future vision of the SMBC Group and on enhancing the governance system • Enhanced deliberations on initiatives for creating social value and on the utilization of generative AI
Operation of the Board of Directors and Support Systems for Outside Directors	• Agenda items and the length of deliberations were appropriate, and discussions were invigorated by the chairman's effective facilitation • Deepened understanding through information sharing and meetings regarding key group companies	• Enhanced opportunities for study sessions for outside directors and exchanges with management both in Japan and overseas • Clearly identified items in meeting materials that required discussion	• Meeting operations were smooth and effective (agenda items, length of deliberations, etc. were appropriate) • Further enhanced informal gatherings, which contributed to mutual information exchange and the fostering of trust between outside directors and internal officers	• Promoted two-way communication between outside directors and internal officers • Continuously reviewed our approach to providing materials and explanations for supporting effective discussions
Composition of the Board of Directors	• Diversity was observed in the attributes of outside directors, and an atmosphere was established conducive to outside directors voicing opinions	• The ideal composition was continuously reviewed and examined, led by the Nomination Committee, in light of the role of the Board of Directors	• With an appropriate number of members and diverse attributes, the Board of Directors maintained a well-balanced composition in which each member demonstrated their expertise	• Continued examination, primarily by the Nomination Committee, of the composition of the Board of Directors with a view toward the challenges and future direction of the SMBC Group

Activities of Internal Committees (FY2024)

	Main role	Number of meetings (average attendance rate)	Activities
Nominating Committee	The Nominating Committee is responsible for preparing proposals regarding the appointment and dismissal of directors to be submitted to the general meeting of shareholders. The committee deliberates on matters including those related to future top management selection and personnel decisions pertaining to officers of major subsidiaries.	**4 meetings** (100%)	• Held ongoing discussions concerning succession planning for the Chairman of the Company, the Chairman of Sumitomo Mitsui Banking Corporation, and the presidents of Group companies, reaching consensus on the decisions • Reviewed the selection criteria for outside director candidates and deliberated on the proposal for appointing directors based on those criteria
Compensation Committee	The Compensation Committee is responsible for setting policies for determining the compensation of directors,corporate executive officers and executive officers of the Company as well as individual remuneration for directors and corporate executive officers of the Company.The committee also deliberates on policies for setting the compensation of the executive officers of major subsidiaries and the individual remuneration for executive officers of the Company.	**7 meetings** (100%)	• Deliberated on the revision of the executive compensation systems at the Company and Sumitomo Mitsui Banking Corporation in anticipation of the Group's next Medium-Term Management Plan, which is to start in FY2026 • Deliberated on further expanding the eligibility for the Stock Compensation Plans for executives of SMBC Group companies to enhance the Group's competitiveness.
Audit Committee	The Audit Committee is responsible for auditing the execution of duties by directors and executive officers of the Company, preparing audit reports, and determining the content of proposals related to the accounting auditor to be submitted to the general meeting of shareholders.	**14 meetings** (99%)	• In accordance with audit policy, audited the execution of duties by directors and executive officers by attending key meetings, interviewing directors and executive officers, receiving reports from internal departments, and conducting site visits at each location • Reported the results of deliberations in the Audit Committee to the Board of Directors and issued recommendations and opinions to executive officers, etc. where necessary
Risk Committee	The Risk Committee is responsible for deliberation on important matters relating to risk management, including environmental and risk awareness, operation of the Risk Appetite Framework, and implementation of risk management systems, and provides counsel to the Board of Directors on these matters.	**4 meetings** (100%)	• Discussed the political and macroeconomic trends of major countries, as well as geopolitical risks and related topics, and deliberated on risk appetite and policy for addressing risk scenarios when they materialize, based on the top risks and stress test results • Deliberated on matters including initiatives to foster a sound risk culture and ways to enhance operational resilience
Sustainability Committee	The Sustainability Committee is responsible for deliberating on the progress of measures to create social value, domestic and overseas conditions surrounding sustainability, and other important matters. It reports to and advises the Board of Directors.	**2 meetings** (100%)	• Reviewed the status of initiatives aimed at creating social value, and deliberated on measures for further expanding these initiatives as well as which direction we should head in for measuring and disclosing their impact • Deliberated on the need to revise SMBC Group strategies and tactics in light of changes in the external sustainability landscape, and on enhancing initiatives for the decarbonization of the real economy.

Corporate Governance

Support Systems for Outside Directors

The Company recognizes that outside directors require an in-depth understanding of the Group's business operations and business activities. Accordingly, we continually endeavor to supply outside directors with the business activity information and insights that are necessary to supervise management while also providing them with the opportunities needed to fulfill their roles.

In FY2024, we carried out the initiatives indicated at right.

Outside directors visit Group company location in New York

Outside directors visit Sumitomo Mitsui DS Asset Management

- Participation in meetings of general managers of core Group companies and other executive team meetings, tours of domestic and overseas bases of Group companies, and discussions with officers at overseas bases and presidents of Group companies for facilitating a greater understanding of business operations and business activities
- Informal meetings between outside directors and relevant departments on topics including the revision of SMBC's personnel system and the businesses of Group companies
- Explanatory sessions on Board of Directors' meeting agenda items prior to board meetings to assist in the understanding of items
- Study sessions led by external experts on sustainability, data governance, and Central Bank Digital Currencies
- Timely and effective provision of information on the proceedings of internal meetings, etc. to outside directors
- Outside directors-only meetings

Outside Director Independence Standards

In order to be classified as independent, an outside director of the Company must not fall under, or have recently fallen under, any of the following categories:

❶ **Major business partner**	• An entity that has the Company or SMBC as a major business partner, or an executive director, officer, or other person engaged in the execution of the business of such an entity • An entity that is a major business partner of the Company or SMBC, or an executive director, officer, or other person engaged in the execution of the business of such an entity
❷ **Specialist**	• A legal expert, accounting expert, or consultant who has received money or other property from the Company or SMBC averaging over ¥10 million per year over the last three years, in addition to any compensation received as a director or corporate auditor • A member of a Juridical Person, etc. or other organization that provides specialist services, such as a law firm, accounting firm, or consulting firm, which has received large amounts of money or other property from the Company or SMBC
❸ **Donations**	• A person who has received donations or other payments from the Company or SMBC averaging more than ¥10 million per year or 2% of the recipient's annual revenue, whichever is greater, over the last three years, or an executive director, officer, or other person engaged in the execution of business of an entity which has received the same
❹ **Major shareholder**	• A major shareholder of the Company or an executive director, officer, or other person engaged in the execution of business of a major shareholder (including anyone who has been a major shareholder, or an executive director, officer, or other person engaged in the execution of business of a major shareholder, within the last three years)
❺ **Close relative**	• A close relative of any person (excluding non-material personnel) who falls under any of the following: (1) A person who falls under any of 1 through 4 above; or (2) A director, corporate auditor, executive officer, or other person engaged in the execution of business of the Company or a subsidiary thereof

See Reference 6 in "SMFG Corporate Governance Guideline" for details.
https://www.smfg.co.jp/aboutus/pdf/cg_guideline.pdf

Equity Holdings

● Policy for Equity Holdings

(1) In principle, SMBC Group does not hold shares of other companies except in cases in which a rationale for holding shares is recognized. This policy exists to maintain SMBC Group's financial soundness, taking into consideration the standards of globally operating financial institutions and our proactive response to global regulation.

(2) We deem cases in which shareholding will contribute to the enhancement of SMBC Group's corporate value over the medium to long term to be cases in which a rationale for holding shares is recognized. We determine this through comprehensive consideration based on (a) profitability, through an appropriate assessment and understanding of relevant factors including associated risks and the costs and returns of the holding; (b) the objectives for holding, such as maintaining and strengthening business relationships, capital and business alliances, and restructuring support; and (c) other relevant factors.

(3) We examine rationale for holding shares on a regular basis. We continue to hold shares when a rationale for holding is recognized, and sell shares, with consideration of factors including market impact and the financial strategy of the issuer, when a rationale for holding is no longer recognized.

● Plan for Reduction of Equity Holdings

SMBC Group engages in continuous efforts to reduce price fluctuation risks in order to ensure a financial foundation that allows us to sufficiently demonstrate our financial intermediary functions even under a stressful environment of drastically falling stock prices.

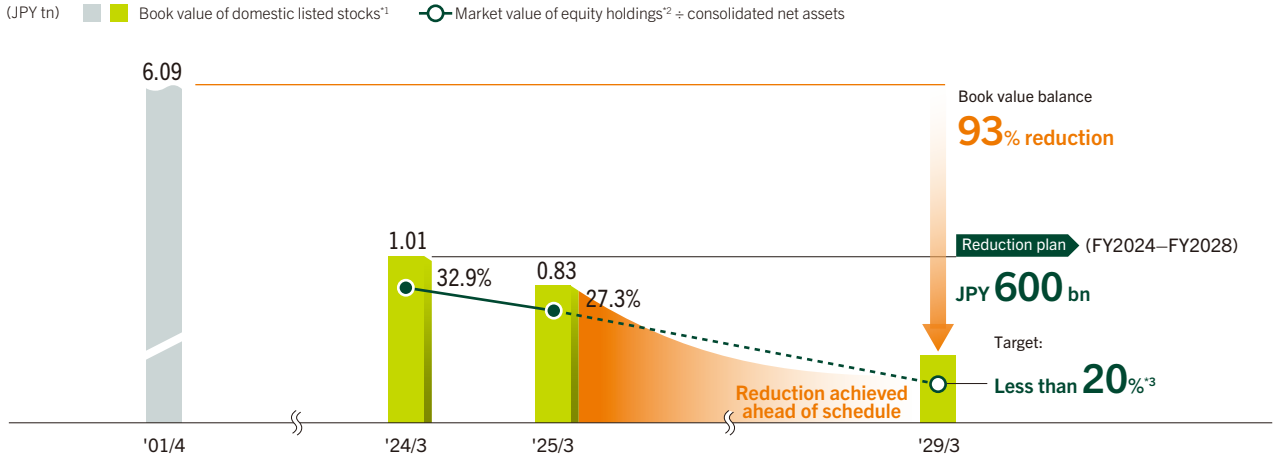
SMBC Group continuously makes efforts to reduce price fluctuation risks from the point of view of maintaining a foundation that can sufficiently demonstrate its financial intermediary function even in a stressful environment in which the prices of equities drastically fall.

Achieving the plan to reduce ¥200 billion (*) over three years from the end of March 2023 ahead of schedule by 1.5 years, in November 2024, we announced a plan to reduce the balance by ¥600 billion (*) over five years from the end of March 2024, and in fiscal 2024, we reduced it by ¥185 billion. With this plan, the cumulative reduction since the establishment of SMBC will exceed 90%, and during the next medium-term management plan period, the ratio of the market value of equity holdings to our consolidated net assets is expected to fall below 20%.

State of reduction

FY2024	**¥185 billion**
Consent of sales	**¥85 billion**

Plan for Reduction of Equity Holdings



*1 Excluding investments after the end of March 2020 for business alliance purposes *2 Including balance of deemed held shares
*3 Approximately 16% when assuming the Nikkei Stock Average of ¥35,618 on March 31, 2025

See our website for more information on equity holdings.
https://www.smfg.co.jp/company/organization/governance/structure/hold.html

Corporate Governance

Compensation Program

To facilitate the fulfillment of Our Mission and the realization of Our Vision, SMBC Group's medium- to long-term vision, we developed a compensation program for Directors, Corporate Executive Officers and Executive Officers (the "Executives") and introduced Stock Compensation Plans as a part of Executives' compensation programs, for the purpose of:

1. Providing appropriately functioning incentives for Executives, strengthening linkage with our short-, medium-, and long-term performance, and
2. Further aligning the interests of Executives with those of shareholders, by increasing the weight of stock compensation and enhancing the shareholding of our Executives.

Executive Compensation System (FY2025)

Cash compensation ■ Stock compensation ■ Variable compensation

Portion of stock-based compensation: 25% – 45%

Portion of variable compensation: 40% – 60%

Compensation Components	Payment Standards (Range of Variation) and Target Indices	Payment Method
Base salary	**Fixed compensation**	• Cash
Bonus (cash)	**Compensation determined based on SMFG's annual performance (0%–150%)**[*1] Standard levels × SMFG's annual performance, progress of initiatives towards the realization of sustainability, performance of the executive, etc.	• Cash: 70% • Restricted stock: 30%
Bonus (Stock Compensation Plan II)		
Stock Compensation Plan I	**Compensation determined based on SMFG's medium-term performance (0%–150%)**[*6] Standard levels × SMFG's medium-term performance, etc.	• Restricted stock
Stock Compensation Plan III	**(Promotion reward plan)**	• Restricted stock

Target Index[*2]		Weight
SMFG Net business profit[*3]	Annual growth/ Target achievement	50%
SMFG Net income[*4]	Annual growth/ Target achievement	50%

Sustainability index	Weight
Progress of KPIs[*5]	±10%
Performances of major external ratings	

Evaluation Index		Weight
Financial index	ROCET1[*7]	20%
	Base expenses[*8]	20%
	SMFG gross profit[*9]	15%
	SMFG net income[*4]	15%
Share index	TSR (Total shareholder return)[*10]	15%
Non-financial index	Social value creation[*11]	15%
Adjustment evaluation	Initiatives in new business areas, compliance, customer-orientated initiatives, and risk management	±5%

In the case that the CET1 ratio falls below a designated level at the end of each fiscal year, Stock Compensation Plan I for the respective fiscal year becomes null and void (knock-out provision).

■ Foster a prudent risk culture expected of a financial institution

Stock Compensation Plan I, Stock Compensation Plan II, and Stock Compensation Plan III are applicable to malus and claw-back provisions.

*1 Compensation amounts for each fiscal year are determined by the Compensation Committee
*2 If the Compensation Committee recognizes any element other than the above mentioned target indexes which should be taken into consideration, the Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the compensation to be paid to the employee by a maximum of 5%, plus or minus
*3 The Company's consolidated net business profit
*4 The Company's consolidated profit attributable to owners of parent
*5 Annual performance of KPIs related to sustainability
*6 Compensation amounts determined by the Compensation Committee at the conclusion of the Medium-Term Management Plan
*7 Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities
*8 General and administrative expenses excluding "revenue-linked cost," "prior investment cost" and others
*9 The Company's consolidated gross profit
*10 The Compensation Committee determines progress of performance by relative evaluation of TSR during the term of the Group's Medium-Term Management Plan
*11 The Compensation Committee evaluates the achievement of KPIs related to the environment (FE reduction and amount of sustainability finance executed) and employees (employee engagement and DE&I), as well as the status of efforts to address the five priority issues set forth by the Group ("Environment," "DE&I/Human Rights," "Poverty & Inequality," "Declining Birthrate & Aging Population," and "Japan's Regrowth")

Executive Compensation Structure

In principle, executive compensation consists of base salary, bonuses and stock compensation. The performance-linked portion, which fluctuates with the business environment and performance, accounts for approximately 40% to 60% of total compensation, depending on position. Executive compensation and levels are determined by the Compensation Committee based on third-party surveys of manager compensation, economic and social trends, and the operating environment.

Annual Performance-Linked Compensation

Bonuses (cash) and Stock-Compensation Plan II are paid as annual performance-linked incentives. "SMFG Net Income," which expresses the final outcome of SMBC Group management, and "SMFG Net Business Profit," which indicates the profitability of SMBC Group, were adopted as FY2024 performance indexes. These enhance the connection between performance and executive compensation, ensuring that compensation functions as an appropriate incentive for performance. The performance evaluation coefficient of the annual performance-linked compensation is determined by the Compensation Committee each year. The data for FY2024 is provided below.

Results: Bonus (Cash) & Stock Compensation Plan II

Target Index	Weight	Actual performance	Performance evaluation coefficient
SMFG Net business profit	50%	53.7%	115%*
SMFG Net income	50%	57.2%	
Sustainability index	**Weight**	**Evaluation results**	
Progress of KPIs	±10%	+5.0%	
Performances of major external ratings			

** The final performance evaluation coefficient is determined by summing the actual performance and the evaluation results and rounding down to the nearest whole number.*

Medium-Term Performance-Linked Compensation

Stock Compensation Plan I is paid as medium-term performance-linked compensation. In order to improve accountability incentives for our medium- and long-term performance and to increase shareholder value, in addition to financial indexes such as ROCET1 and Base expenses, we have adopted TSR as a share index and Create Social Value as a non-financial index. Also, adjustment evaluation including initiatives in new business areas and compliance, customer- orientated initiatives, and risk management are considered to determine the medium-term performance-linked compensation.

Evaluation of efforts to create social value

We are incorporating an indicator evaluating efforts to create social value into executive compensation with the aim of further increasing our executives' commitment to achieving a sustainable society.

From FY2022, the Compensation Committee will judge performances of annual progress of KPIs related to sustainability, such as the reduction of greenhouse gas emissions and performances of major external ratings. These performances will be reflected in annual performance-linked incentive by a maximum of 10%, plus or minus.

Create social value has been incorporated in the evaluation index of the medium-term performance-linked compensation since FY2023 as a non-financial index. Specifically, the Compensation Committee evaluates the KPI achievement rate for environmental and employee-related initiatives, as well as efforts to address the five materialities set by SMBC Group.

Ensuring Robust Business Operations

We have also introduced provisions for malus (forfeiture) of restricted stock and the claw-back of vested stock allocated under the Stock Compensation Plans in the event of incidents occurring such as material revisions to financial statements or material damage to the reputation of the Group.

We are working to restrain excessive risk-taking and foster a prudent risk culture expected of a financial institution.