SMFG and SMBC both implemented organizational reforms during the term under review. The major reforms are as follows:

**Organizational Reforms at SMFG**

1. **Reinforcement of Group-based management of subsidiaries and affiliates**
   SMFG established the Investment Banking Planning Dept. to strengthen its organizational structure and facilitate the promotion of investment banking business across the Group.

2. **Strengthening of organizational structure to promote CSR activities**
   SMFG established the Group CSR Dept. within the Corporate Planning Dept., responsible for the planning of CSR activities, as well as external communication on the Group’s CSR initiatives.

3. **Reinforcement of holding company function**
   SMFG established the Group Business Management Dept. to enhance the management and monitoring functions of SMFG as a holding company.

**Organizational Reforms at SMBC**

SMBC renewed its commitment to providing optimum added value to its customers and together with them achieve growth by reinforcing its “customer-centric approach” and establishing a new organizational structure that will enable it to actively respond to customer needs. The new organizational structure will enable SMBC to accelerate business development and strengthen internal control.

SMBC implemented a number of measures to reinforce its framework for developing its corporate banking business. One such measure is the establishment of a Corporate Advisory Division, which actively provides solutions to corporate customers’ management issues.

With regard to internal control, SMBC established a Quality Management Dept. to actively reflect customer views in its operations and management policies, and will continue to make every effort to improve the quality and service of our products and enhance customer satisfaction.

The details of the reorganization of SMBC are as follows:

1. **Strengthening banking business for corporations—Reorganization of the Middle Market Banking Unit (MMBU) and the Corporate Banking Unit (CPBU)**
   (1) Reorganization of marketing channels
   SMBC established a new type of marketing organization, the Corporate Advisory Division (CAD), which actively provides solutions to management issues of its corporate customers. Different groups were established for each industry in the CAD, where an accumulation of know-how and information on each industry will be concentrated. With a staff of approximately 140 professionals, the CAD utilizes this information and provides comprehensive management solutions to various customer needs, such as business expansion and M&As, working in close collaboration with departments of the International Banking Unit and the Investment Banking Unit, credit departments, research departments, Daiwa Securities SMBC Co., Ltd., and marketing channels such as Corporate Banking Departments and Corporate Business Offices.
   
   The establishment of the CAD has further strengthened SMBC's capability to provide the most appropriate solutions to customers, thereby contributing to their efforts to enhance corporate value and realizing one of its management philosophies—“to achieve growth together with customers.”

   (2) **Organizational reforms at headquarters**
   To promote the domestic banking business for corporations in an integrated way, SMBC combined the Planning Dept. of the MMBU and the Planning Dept. of the CPBU into a new department: the Planning Dept., CPBU & MMBU (“PDCM”). The PDCM has two internal departments, the Solution Promotion Dept. and the Real Estate Financial Solution Dept. The Solution Promotion Dept. supports the business operations of the marketing channels so that they can maintain a proper balance in their efforts to achieve both short-term and medium-term goals.
   
   Meanwhile, the Real Estate Financial Solution Dept., which acts as the bank’s central repository of real estate information, proposes real-estate-related financial solutions to the bank’s customers.
   
   SMBC also established a Small and Medium Enterprises Business Promotion Dept. (“SMED”) to centralize the currently dispersed SME product development, strategic planning, and branch support functions in one department, thereby strengthening its capability to support SME customers’ financial needs.
   
   The Planning Dept., Business Promotion Dept. and Business Owner Banking Dept. of the MMBU, and the Planning Dept. of the CPBU were integrated into the CAD or the above-mentioned departments.

   (3) **Organizational changes in credit departments**
   Reflecting the completion of the process of disposal of
nonperforming loans, SMBC reorganized the credit departments of the MMBU and the CPBU (Credit Dept. I, II, III, MMBU, and Credit Dept. I, II, CPBU) into Credit Dept. I, II, MMBU and Credit Dept., CPBU in order to further improve the efficiency of those departments. It also made the Structured Finance Credit Dept. into an independent department. The Credit Dept. III of the MMBU and the Credit Dept. I and II of the CPBU will be dissolved.

2. Strengthening banking business for corporations—Reorganization of the Investment Banking Unit (“IVBU”)

To provide better products and services in line with the bank’s customer-centric approach, SMBC reorganized the departments of the IVBU, as detailed below, with the goal of reducing the number of departments responsible for serving customer needs in financing and asset management consulting, leading to more effective operation.

(1) To strengthen its capability to respond to corporate customers’ financing needs, SMBC integrated the Corporate Finance Services Dept. into the Syndication Dept. At the same time, SMBC established the Corporate Finance Administration Dept. within the Syndication Dept. The dispersed middle office functions of loan syndication and corporate bond-related business are centrally administered by the new department.

(2) To strengthen its capability to respond to the asset management needs of customers, SMBC integrated the asset management consulting function of the former Business Promotion Dept. into the Derivatives & Financial Engineering Dept. The department was renamed the “Financial Engineering Dept.”

(3) To integrate money settlement and financing services, SMBC transferred the Electronic Commerce Banking Dept. (ECBD) and the Global Investors Services Dept., to the IVBU. These two departments and the Asset Finance Dept. were combined to create the Settlement Finance Unit in the IVBU. At the same time, the ECBD was reorganized: the Global Cash Management Dept. of the ECBD was dissolved, and the Transaction Business Promotion Dept. was established within the ECBD.

3. Strengthening consumer banking business in the Consumer Banking Unit (“CSBU”)

(1) SMBC established the Marketing Dept. within the Planning Dept. of the CSBU to strengthen its marketing by obtaining a better grasp of customer needs.

(2) To enhance its private banking business, SMBC divided the Private Banking Dept. into two organizations: the Private Banking Dept. (headquarters responsible for strategic planning and product development); and the Private Banking Business Offices I and II (marketing channels in Tokyo and Osaka).

(3) SMBC established the Defined Contribution Dept. within the Life Planning Service Dept. The new department is responsible for the management of defined contribution pension plans under the Defined Contribution Pension Plan Act, a new business which SMBC entered into in April 2006.

4. Enhancing customer satisfaction and strengthening compliance capabilities

(1) To actively reflect customer views in its operations and management policies, SMBC established the Quality Management Dept. (QMD), which acts as a central contact point where all customer opinions and requests are directed. Accordingly, the Customer Relations Dept., hitherto responsible for handling customer complaints and requests, was reorganized as an internal department of the QMD. The QMD checks products and services from the customer’s perspective from the development stage, and utilizes customer opinions and requests to improve existing products and services, thereby enhancing products, services and customer satisfaction.

(2) To strengthen its compliance capabilities, SMBC positioned the General Affairs Dept. and the Legal Dept. within the newly established Compliance Unit. The General Affairs Dept. is composed of four departments, as listed below:

- **Operational Risk Management Dept.**
  - Supervises operational risk management

- **Antimonopoly Law Monitoring Dept.**
  - Manages compliance issues with regard to the Antimonopoly Law

- **Financial Products Compliance Dept.**
  - The former Securities Compliance Dept. (renamed and given more responsibilities)

- **Financial Crime Prevention Dept.**
  - Handles matters related to the Depositor Protection Law

(3) To promote collaboration among audit departments and to conduct consistent and accurate audits, SMBC established an Internal Audit Planning Dept. within the Internal Audit Dept.