

Our Position on Corporate Governance

SMFG and its Group companies follow the SMFG management philosophy set forth as the universal guide for the Group management and consider this philosophy as the foundation for any corporate activities. We believe that the strengthening and enhancement of corporate governance is one of the top prioritized issues in order to achieve the management philosophy.

The SMFG Corporate Governance System

SMFG implements the corporate auditor system, whereby six corporate auditors are appointed, out of which three are outside auditors. The said appointed corporate auditors audit business operations conducted by SMFG directors by attending important meetings including the Board of Directors meetings and receiving reports from directors on the business operations and reviewing material documents for major business decisions while reading reports on interviews conducted by the internal audit department, subsidiaries and external accounting auditors.

As for the Board, the chairman of SMFG serves as the chairman of the Board of Directors for SMFG. The role of the chairman is clearly separated from responsibilities of the president who oversees the overall business operations.

Furthermore, the establishment of internal governance committees under the Board and appointment of outside directors enhance the effectiveness of the Board.

The Board set up four internal committees: the Auditing Committee, the Risk Management Committee, the Compensation Committee, and the Nominating Committee. All three outside directors have been appointed for these committees in order to objectively oversee corporate governance.

As the objectivity is explicitly required for both Accounting Committee and Compensation Committee, the outside directors are appointed to further enhance such required objectivity.

The outside directors, who are expert professionals (certified public accountants, attorneys, business management consultants), are selected to ensure the execution of the Group's business operations in conformity with both legal regulations and generally accepted practices.

The Group Management Committee is set up under the Board to serve as the top decision-making body. The Group Management Committee is chaired by the president of SMFG and the directors are appointed by the president.

The committee members consider important management issues based on policies set by the Board of Directors, and the president has the authority to make the final decision after considering the committee's recommendations. The Group Strategy Committee is set up for matters related to business plans of each Group company and to exchange opinions, discuss and report on the management of SMFG and each of the Group companies. Furthermore, nine directors (out of which three directors are outside directors) out of twelve directors

(out of which three directors are outside directors) of SMFG also serve as the directors for SMBC to oversee its business execution. As for the four major Group companies of Sumitomo Mitsui Finance and Leasing Company, Limited, SMFG Card & Credit, Inc., SMBC Consumer Finance Co., Ltd, and The Japan Research Institute, Limited the SMFG directors also serve as the directors for each of these subsidiaries to oversee their business. Furthermore, in order to maintain the sound management, SMFG sets forth a system, which firmly maintains the appropriateness of SMFG's business operations, as the internal control regulations, pursuant to the Japanese Company Law; and SMFG considers that the development of a solid management system is an important management issue by further improving the internal control system.

The SMBC Corporate Governance System

SMBC implements the corporate auditor system by appointing six corporate auditors, out of which three corporate auditors are outside auditors. SMBC implements the executive officer system by dividing functions of "business execution" and "overseeing function" in order to increase the transparency and soundness of management. The executive officers execute business operations and the Board serves mainly as the overseeing function.

The chairman of the bank also serves as the chairman of the Board; segregates his functions and duties from the president of the bank who controls the overall business operations; does not concurrently hold the position of executive officer; and mainly oversees the business execution. Furthermore, SMBC further strengthens the overseeing function by appointing three outside directors out of sixteen directors for the bank. The executive officers, who manage business operations, are appointed by the Board. There are a total of seventy executive officers, including the president, as of June 30, 2013 (out of seventy executive officers, eleven executive officers concurrently serve as directors).

The Management Committee is set up under the Board to serve as the highest decision-making body for the bank. The Management Committee is chaired by the president of the bank, and the executive officers are appointed by the president.

The committee members consider important management issues based on policies set by the Board of Directors, and the president has the authority to make the final decision after considering the committee's recommendations.

Furthermore, pursuant to the decisions made by the Board, the president designates certain members of the Management Committee to be Authorized Management Committee members in charge of particular Head Office departments or units. All of these designated individuals are in charge of implementing the directives of the Management Committee within the businesses they oversee.