



SMFG SUMITOMO MITSUI
FINANCIAL GROUP

CSR REPORT 2014



SUMITOMO MITSUI FINANCIAL GROUP

Contents

1 Contents / Company profile

2 Editorial policy / CSR communication tools

Management

3 Commitment from the Top

5 CSR at SMFG

- 5 Basic views
- 6 Integral implementation of CSR and business activities
- 6 Support for initiatives in Japan and overseas and CSR guidelines used as references
- 6 CSR: In our DNA for 400 years
- 7 CSR management
- 7 CSR training tailored to employee grades

8 Stakeholder Engagement

- 8 The SMFG Group contributes to the sustainable development of society through its stakeholders
- 8 Our four major groups of stakeholders
- 8 Taking on a PDCA function in a bid to resolve priority issues

9 Priority Issues (Materiality) that SMFG should address

- 9 Review of priority issues (Materiality)
- 9 Identifying the issues
- 12 Priority issues that SMFG should address

13 Report about three priority issues

15 Environment

- 16 Reducing environmental impact
- 17 Managing environmental risks
- 17 Promotion of environmental businesses
- 19 Addressing newly-emerging environmental issues
- 20 Environment-related social contribution activities

21 Next Generation

- 22 Support for next generation asset inheritance and business succession
- 22 Contributing to the development of financial markets in developing countries
- 23 Raising the level of financial literacy
- 24 Global HR development and future generations
- 24 Work-life balance and workplace with diversity

25 Community

- 26 Reconstruction for the Great East Japan Earthquake
- 27 Contribute to achieving and developing safe and secure communities
- 27 Community-based activities led by officers and employees
- 28 Support for efforts to solve serious social issues

Management Base

29 Key issues to be addressed on a solid management base

- 29 Corporate governance
- 29 Rigorous information management
- 29 Risk management system
- 29 Fair business practices and competition
- 30 Severing any relations with anti-social forces
- 30 Customer satisfaction
- 31 Pleasant workplace and work environment

32 Third party opinion / Recognition for SMFG CSR initiatives

33 SMFG Group policies and framework / SMFG data

Company profile

(March 31, 2014)

Company Name	Sumitomo Mitsui Financial Group, Inc.
Business Description	Management of banking subsidiaries (under the stipulations of Japan's Banking Act) and of non-bank subsidiaries, as well as the performance of ancillary functions
Establishment	December 2, 2002
Head Office	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Chairman of the Board	Masayuki Oku
President	Koichi Miyata (Concurrent Director at Sumitomo Mitsui Banking Corporation)
Consolidated Total Income	¥4,647.1 billion
Consolidated Net Income	¥835.3 billion
Consolidated Total Assets	¥161,534.3 billion
Consolidated Total Net Assets	¥9,005 billion
Capital	¥2,337.8 billion
Stock Exchange Listings	Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section) Note: American Depositary Receipts (ADRs) are listed on the New York Stock Exchange.

Editorial policy

SMFG has put in place this CSR report in an effort to convey to its stakeholders the wide range of initiatives undertaken and the role played by the Group to help create a sustainable society. In order to ensure that readers fully understand that our activities are based on the underlying principle that the fulfillment of CSR is the essence of business itself, and the measures we have taken to realize this conviction, we here report on the full range of CSR initiatives undertaken by the Group.

This CSR report aims to cover characteristic initiatives, with descriptions of our latest measures, and to include broader disclosure categories. We have also provided links to examples of initiatives at individual Group companies, making effective use of disclosure reports on the websites of the companies in question.

Scope of this report

- Sumitomo Mitsui Financial Group, Inc.
- Sumitomo Mitsui Banking Corporation
- Sumitomo Mitsui Finance and Leasing Company, Limited
- SMBC Nikko Securities Inc.
- SMBC Friend Securities Co., Ltd.
- Sumitomo Mitsui Card Company, Limited
- Cedyna Financial Corporation
- SMBC Consumer Finance Co., Ltd.
- The Japan Research Institute, Limited
- Other Group Companies
(THE MINATO BANK, LTD., Kansai Urban Banking Corporation)

Reporting period and other information

● Reporting Period

The fiscal 2013 period, the 12-months from April 1, 2013 to March 31, 2014

Note: The Report contains additional information including certain up-to-date data as well as future prospects where considered September 2014.

● Month of Issue

December 2014

● Contact Information

100-0005 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Sumitomo Mitsui Financial Group, Inc.
TEL: +81-3-3282-8111

Reference guidelines

We refer to GRI "Sustainability Reporting Guideline (G3.1)." We apply the G4 Framework with respect to SMFG's priority issues (Materiality).

Note: GRI (Global Reporting Initiative): Established as an international standard for sustainability reporting, compliers set up an international organization GRI in 1997 to encourage its adoption worldwide.

CSR communication tools

At the SMFG Group we regard communication with our stakeholders as vital to the success of our CSR initiatives, and for this reason we engage in information disclosure targeted at specialists as well as our business partners and customers via the five communication interfaces described below.

CSR Report 2014 (PDF version = the present report)

In addition to explaining our approach to corporate social responsibility and to dialog with our stakeholders, in the CSR Report 2014 we have provided an overview of measures taken in fiscal 2013 in line with our review of priority issues (Materiality).



- ▶ **Web** <http://www.smfg.co.jp/english/responsibility/report/report2014.html>

CSR Report 2014 Performance Data version

This is a numerical data report for analysts and other specialists detailing the results and plans of all the SMFG Group companies in the CSR sphere as well as performance data on the environment and with respect to the companies' workforces.



- ▶ **Web** <http://www.smfg.co.jp/english/responsibility/report/report2014.html>

SMFG CSR website

This is a website for data from each SMFG company. It enables us to ensure the completeness of our information disclosure relating to CSR activities as portal site of the whole SMFG Group.



- ▶ **Web** <http://www.smfg.co.jp/english/responsibility/>

CSR Communication Book

We use this booklet as a tool for communication with our customers, providing them with an easy-to-understand introduction to CSR initiatives undertaken by each SMFG company, with a prime focus on our priority issues (Materiality).



- ▶ **Web** <http://www.smfg.co.jp/responsibility/report/book/> (Japanese only)

"SAFE"

Corporate environmental magazine

This is a magazine on environmental business-related information distributed to our business partners and corporate customers and devoted to the theme of information relating to daily life and the global environment, as well as to the role played in environmental preservation by financial services.



- ▶ **Web** <http://www.smfg.co.jp/english/responsibility/magazine/>

Commitment from the Top

Contributing to the sustainable growth of society as a global financial services group

The global economy and CSR

The global economy continued to recover in fiscal 2013 driven by developed countries as economies in certain emerging markets slowed down. The Japanese economy continued to recover, although slowly, due to strong corporate earnings and an accompanying expansion in capital spending. Consumer spending was also firm, supported by higher employment and household income. Overseas, the U.S. economy remained on the recovery track, and the European economy recovered in most EU countries.

Under such an economic environment, Japanese corporations with global operations are increasingly faced with the need to effectively address numerous social issues such as environmental degradation, depletion of energy and other natural resources, human rights and labor issues that affect their overseas operations, including their supply chains.

At the same time, financial institutions, such as the SMFG Group, play an important role in social and business activities and are increasingly required to contribute more actively to the sustainable development of society as members of communities in which they operate.

The SMFG Group's management philosophy is summed up in the following three statements of our business mission: "To found our own prosperity on providing valuable services which help our clients to build their prosperity," "To create sustainable value for our shareholders founded on growth in our business," and "To provide a challenging and professionally rewarding work environment for our dedicated employees." In line with these principles, we, the management of the Group, believe that the fulfillment of our corporate social responsibilities lies at the very core of our management task. Going forward, through the performance of our core businesses we will seek to create value for all our stakeholders, not just for our clients and shareholders.

Fiscal 2013 initiatives

In fiscal 2013, our goal was to achieve growth by proactively contributing to the recovery of the Japanese economy, and creating new business models and innovations for our next dynamic growth stage. We took proactive steps to contribute to the recovery of the Japanese economy through the smooth supply of funds, as well as measures to adapt our services to changes in both client needs and the environment in order to achieve growth over the medium to long term. Specifically, Sumitomo Mitsui Banking Corporation



Koichi Miyata

President
Sumitomo Mitsui Financial Group, Inc.



(SMBC) and SMBC Nikko Securities worked together to create a framework enabling us to meet the diverse financial needs of our clients — both individuals and business corporations — and also provided support for growth industries by financing enterprises in medical care, agriculture and solar power generation. In our overseas operations, SMBC and other SMFG group companies expanded their overseas office networks. We also significantly advanced our “multi-franchise” strategy. We acquired a stake in an Indonesian bank as part of our strategy to establish full-scale commercial banking operations in emerging markets in Asia and other regions with strong economic growth.

Our CSR initiatives have four priority issues that we must tackle as a financial institution. They are support for post-disaster reconstruction, environment protection, declining birthrate and aging of population, and globalization. All the companies in the Group are working to address these issues in line with the nature of their businesses.

This CSR report provides a detailed explanation of these initiatives.

Identifying new priority issues

We recently launched a medium-term management plan for the SMFG Group covering the three years from fiscal 2014 to 2016 to enable us to achieve growth over the medium to long term amid dynamically changing economic, financial and regulatory environment and realize our visions for the next decade — “We will become a global financial services group that, by earning the highest

trust of our customers, leads the growth of Japan and the Asian region.”

To enable us to adapt our CSR activities effectively to these changes in our operating environment, we conducted a CSR materiality analysis and newly identified as three priority issues — environment, next generation, and community — as pillars of our CSR initiatives.

We examined a wide range of issues using the “Sustainability Reporting Guidelines” developed by Global Reporting Initiative (GRI) and from the perspective of our stakeholders and SMFG Group companies, and with inputs from experts.

We also held intense discussions on how to address these priority issues with a wide range of stakeholders, including our clients, investors, relevant community representatives, and our own employees. And we are pursuing a number of initiatives that fully leverage the operational base and specific business characteristics of each Group company, enabling us to respond more precisely to our stakeholders’ expectations.

We are also working to expand the scope of our CSR reports to reflect the global trend toward integrated reports that show both financial and non-financial information, as well as to incorporate new sustainability reporting guidelines.

Moving forward, we believe that we can earn the highest trust of society, our clients and other stakeholders by fulfilling our function as a global financial services group and contributing to the sustainable growth of society with all employees of the SMFG Group sharing a common set of values and code of conduct. We request the continued support and encouragement of all our stakeholders in our endeavors.

September 2014

CSR at SMFG

Basic views

Contributing to the sustainable development of society

Today, mankind is faced with diverse issues such as global warming, rapid population growth, and declining birthrate and aging of the population in the advanced countries. How can we, as a provider of comprehensive financial services, contribute to resolving such social issues for the sustainable development of the society. We believe that it would be our corporate social responsibility to practice by asking ourselves what we could and should do.

Basic CSR policies

SMFG has set forth the definition and common principles for “business ethics” for CSR in order to clearly describe and effectively promote CSR activities in the Group.

● SMFG’s definition of CSR

In the conduct of its business activities, SMFG fulfills its social responsibilities by contributing to the sustainable development of society as a whole through offering higher added value to (1) customers, (2) shareholders and the market, (3) the environment and society, and (4) employees.

● SMFG’s Group-wide CSR philosophy: “business ethics”

1. Satisfactory customer services

We intend to be a financial services group that has the complete trust and support of our customers. For this purpose, we will always provide services that meet the true needs of our customers to assure their satisfaction and earn confidence in the Group.

2. Sound management

We intend to be a financial services group that maintains fair, transparent, and sound management based on the principle of self-responsibility. For this purpose, along with earning the firm confidence of our shareholders, our customers, and the general public, we take a long-term view of our business and operate it efficiently, and actively disclose accurate business information about the Group. Through these activities, we work to maintain continued growth based on a sound financial position.

3. Contributing to social development

We intend to be a financial services group that contributes to the healthy development of society. For this purpose, we recognize the importance of our mission to serve as a crucial part of the public infrastructure and also our social responsibilities. With such recognition, we undertake business operations that contribute to the steady development of Japan and the rest of the world, and endeavor, as a good corporate citizen, to make a positive contribution to society.

4. Free and active business environment

We intend to be a financial services group for which all officers and employees work with pride and commitment. For this purpose, we respect people and develop employees with extensive professional knowledge and capabilities, thereby creating a free and active business environment.

5. Compliance

We intend to be a financial services group that always keeps in mind the importance of compliance. For this purpose, we reflect our awareness of Business Ethics in our business activities at all times. In addition, we respond promptly to directives from auditors and inspectors. Through these actions, we observe all laws and regulations, and uphold moral standards in our business practices.

Integral implementation of CSR and business activities

CSR activities are the foundation for SMFG Group's business strategies, and are pursued as an integral part of those strategies in order to attain our management policies and goals.

In other words, we constantly check whether the direction of the Group's business strategies is consistent with our vision for the next decade of becoming "a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region." This process of checking is performed by comparing our business strategies with our basic CSR policies. At the same time, we aim to ensure that the needs of our customers and of society as a whole are appropriately reflected in our CSR activities.

Completely and fully achieving CSR is truly the "management itself," and we also believe that seriously committing to the implementation of CSR is thought to be the shortest path for achieving our management policies and goals.

Support for initiatives in Japan and overseas and CSR guidelines used as references

Support for initiatives in Japan and overseas

As a corporate citizen of the global society, SMFG is fully aware of the social impact of the financial institution, and it shall support the following initiatives in Japan and overseas (the action guidelines for the corporate activities and principles).

1. United Nations Global Compact
2. UNEP Finance Initiative (UNEP FI)
3. CDP (Carbon Disclosure Project)
4. Equator Principles
5. Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century)

Guidelines used for reference

The Group refers to the following guidelines in its promotion development, and information disclosure for CSR.

1. ISO26000
2. GRI Guidelines
3. United Nations Global Compact, COP (Communication on Progress), Advanced Level Criteria

For further details, please see the following website

▶ **Web** Support for Initiatives in Japan and Overseas and CSR Guidelines Used as References
<http://www.smfg.co.jp/english/responsibility/smfgcsr/structure.html>

COLUMN

CSR: In our DNA for 400 years

Over its long history, mankind has made astonishing strides in the arenas of politics, economics and culture. At present, humanity is facing new and serious challenges, which pose major threats to the sustainable development of society. What kind of contribution can we make as a comprehensive financial group to resolve the various issues facing humanity? We believe that continually asking ourselves this question and acting upon the answers is the essence of our corporate social responsibility (CSR) as a group. Similar thoughts were running through our mind 400 years ago. From that time, the Sumitomo and Mitsui conglomerates have remained true to their original business spirit. In the past, the Sumitomo Group undertook large-scale afforestation programs to solve the problem of pollution

around the Besshi copper mine, the Group's starting venture on Shikoku Island. In order to return devastated mountainsides around the mine complex to their natural state, they invited experts to compile an afforestation plan with annual planting of over one million saplings. Meanwhile, the Mitsui Group established the Mitsui Charity Hospital in Tokyo in the Meiji era (late 1800s) to provide basic medical services for those too poor to be covered by the health insurance system. Since then, the institution has evolved over the generations into today's Mitsui Memorial Hospital.

SMFG has carried this DNA down to the present. We believe that we have further roles to play in resolving social issues through our core financial services business.



Besshi copper mine in the Meiji era and today



Mitsui Charity Hospital at its establishment

CSR at SMFG

CSR management

Management approach for target achievement

We have established the Group CSR Committee, administered by the Group CSR Department, to assess the CSR implementation plans of the whole Group, and manage progress.

Specifically, departments are assigned responsibility for each target, and the Group CSR Department and assigned departments jointly conduct annual reviews of progress made in these initiatives. The results of these reviews are reported to the Group CSR Committee. The Group CSR Department and assigned departments also conduct a joint examination of plans for the following financial year, the findings of which are subsequently assessed by the Group CSR Committee. In this way, we use the PDCA cycle in our CSR initiatives. Additionally, there are cases where initiatives are handled by individual CSR category.

For example, the customer satisfaction (CS) policies of each SMFG company are pursued jointly, and the successful measures are rolled out horizontally across the Group organization, with the Group CS Committee as the main body engaged in improvement of CS and quality.

In measures to reduce environmental impact, the SMFG and six principal SMFG companies have obtained the international environmental management standard ISO14001, and follow the procedures of Plan, Do, Check, and Act (PDCA) cycle for

such environmental activities.

To further strengthen promotion of CSR activities across the Group, SMFG established CSR Liaison Committee in fiscal 2010. This Committee regularly engages in discussion and consultation to encourage Group-wide implementation of policies and successful initiatives of individual Group companies.

For details regarding information on the Group's CSR goals and performance, please refer to SMFG's website

- Web CSR Performance and Goals
<http://www.smfg.co.jp/english/responsibility/smfgrcsr/goal/>
- Web CSR Report 2014 Performance Data version
http://www.smfg.co.jp/english/responsibility/report/pdf/2014/2014csrweb_all.pdf#page=34

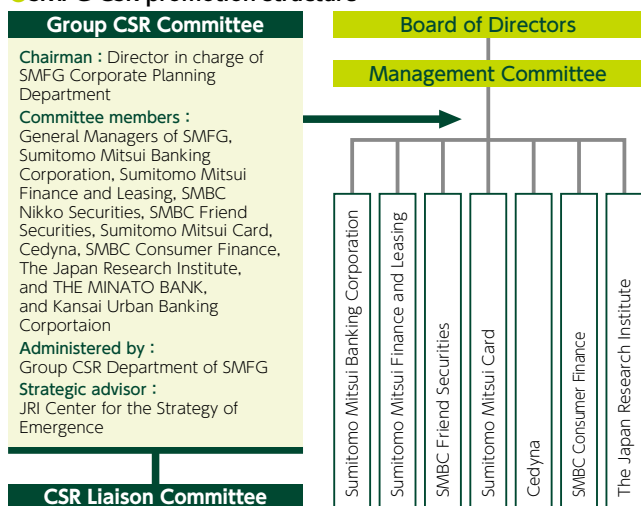
Improvement in CSR activities incorporating stakeholder input

The Group enhances CSR activities after incorporating input from third party opinions, questionnaires and other sources inside and outside SMFG about its CSR reports.

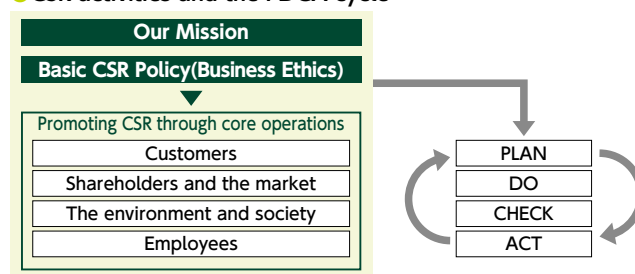
To read more about progress in improvement of CSR activities, please refer to SMFG's website

- Web Information on CSR Initiative Improvements
<http://www.smfg.co.jp/english/responsibility/smfgrcsr/opinion.html>

SMFG CSR promotion structure



CSR activities and the PDCA cycle



Groupwide CSR-related organizations

Group CSR Committee	Conducts consultation, etc. on CSR-related matters affecting the whole Group.
Group CS Committee	Conducts consultation, etc. on progress in improving customer satisfaction on a Groupwide basis.
CSR Liaison Committee	The CSR Liaison Committee exchanges information regarding progress in CSR promotion at individual Group companies, and closely studies particularly progressive measures.

CSR training tailored to employee grades

SMBC organizes training courses tailored to employee grade, including new hires and newly appointed management employees. When such training is given, CSR is included to ensure full employee familiarization. In fiscal 2013, a total of 1,676 employees took part in these training programs. In addition, training and other support are also given under the full range of CSR themes, including human rights, putting the customer first, compliance, anti-money laundering, and diversity.

CSR training tailored to employee grades

(Training recipients)

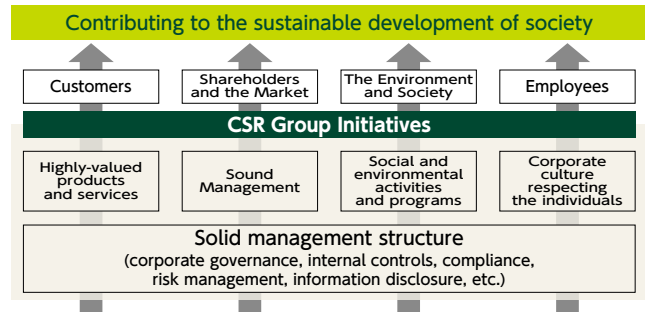
Fiscal year	Training for new hires	Training for newly appointed management employees	Training for newly appointed branch managers	Training for mid-career hires on joining SMFG	Total
2007	1,421	354	150	410	2,335
2008	1,816	482	154	148	2,600
2009	2,090	431	165	13	2,699
2010	978	410	167	0	1,555
2011	709	407	126	0	1,242
2012	833	417	189	8	1,447
2013	1,151	349	170	6	1,676

Stakeholder Engagement

The SMFG Group contributes to the sustainable development of society through its stakeholders

Drawing on the strengths of a solid management structure, SMFG strives to fulfill its corporate social responsibilities with the aim of actively contributing to the sustainable development of society. To this end, SMFG works diligently to provide greater value to its four major groups of stakeholders.

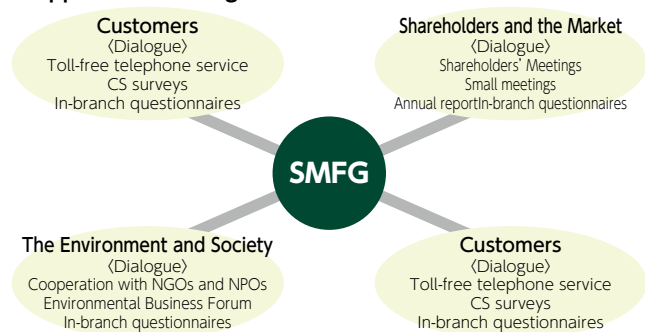
CSR values for SMFG



Our four major groups of stakeholders

- **Customers** : We shall advance together with our clients by providing highly valued products and services.
- **Shareholders and the market** : We shall strive to maintain a sound management and maximize shareholder value by having appropriate disclosure of information and improving the internal control system.
- **The environment and society** : We shall strive to contribute to the society and preserve the earth's environment by consistently and proactively involving and participating in the social and environmental activities and programs.
- **Employees** : We shall promote free-spirited and open-minded business culture under which individual employees are respected and allowed to exercise each individual's full potential.

Approach to dialogue with stakeholders



For details regarding various activities, please refer to SMFG's website

- ▶ **Web** Initiatives for Enhancing Customer Satisfaction (CS) and Quality (Customers)
<http://www.smfg.co.jp/english/responsibility/cs/>
- ▶ **Web** Communication with Shareholders and Investors (Shareholders and the Market)
<http://www.smfg.co.jp/english/responsibility/smfgcsr/disclosure/>
- ▶ **Web** IR Information (Shareholders and the Market)
<http://www.smfg.co.jp/english/investor/>
- ▶ **Web** Environmental Preservation Initiatives (The Environment and Society)
<http://www.smfg.co.jp/english/responsibility/environment/>
- ▶ **Web** Social Contribution Activities (The Environment and Society)
<http://www.smfg.co.jp/english/responsibility/community/>
- ▶ **Web** Human Resources (Employees)
<http://www.smfg.co.jp/english/responsibility/employee/>

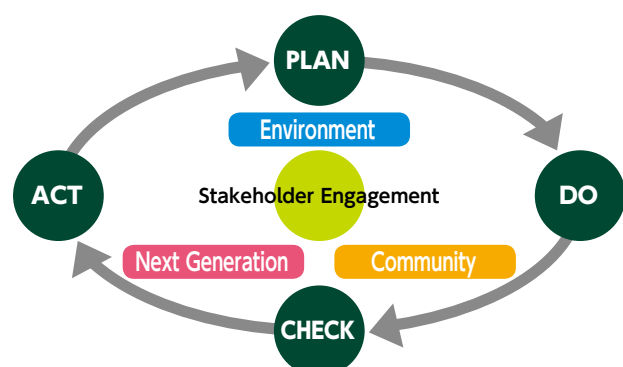
Taking on a PDCA function in a bid to resolve priority issues

The SMFG Group has moved forward on its four priority issues that we have set until fiscal 2013 — support for reconstruction for the Great East Japan Earthquake, the environment, declining birthrate and aging of population, and globalization through dialog with all of its stakeholders. In fiscal 2014 and after, we plan to intensify dialog with our stakeholders as a means of moving forward in addressing our recently-defined three priority issues themes, "Environment," "Next Generation," and "Community."

For details, please refer to SMFG's website

- ▶ **Web** Dialogue with Stakeholders
http://www.smfg.co.jp/english/responsibility/csrfinance/dialog_index.html

PDCA cycle in a bid to address three priority issues



Priority Issues (Materiality) that SMFG should address

In light of constantly changing social trends and a reassessment of the relative importance of the Group's priority issues among its stakeholders, and in order to adapt our CSR activities to these developments, we have reviewed our priority issues and have derived three new themes — “Environment,” “Next Generation,” and “Community” — as our medium- to long-term priority issues that form the core of the SMFG Group's CSR activities.

Review of priority issues (Materiality)

Since fiscal 2011 the SMFG Group has positioned four themes that have a significant impact on society as issues to be tackled as a financial institution on a priority basis, and has been addressing these issues energetically. The four issues are: 1) Support for reconstruction for the Great East Japan Earthquake, 2) Environment, 3) Declining birthrate and aging of population, and 4) Globalization. However, as the corporate operating environment is constantly changing, and in particular social problems such as the declining birthrate and rising average age of the population are becoming ever more serious, this has had an effect on the focus of concern of our stakeholders and the relative importance they assign to each particular issue.

To adapt to this change in circumstances, we reviewed our existing four priority issues and newly identified the priority issues (Materiality) that will form the core of the Group's CSR activities.

In carrying out the CSR initiatives, we made use of the G4 sustainability reporting guidelines by Global Reporting Initiative (GRI), and with the participation of all Group companies, took into account the magnitude of the social impact of business activities and the management policies and goals of the SMFG Group to derive an order of priority for the various social issues. We also engaged in dialog with a number of experts to assess the relative importance assigned by our stakeholders to the various issues.

Identifying the issues

Step 1: Selection and prioritization of issues

- 1 We first selected candidate issues in line with the Global Reporting Initiative (GRI) Guidelines, the ISO 26000, and other international standards, and then further selected issues that were deemed to be important now or likely to become important in the foreseeable future from ten Group companies.

- 2 We then assigned an order of priority to approximately 150 issues selected from among issues reported by Group companies, by assessing them from the standpoint of our stakeholders. They were first placed into two categories — “issues thought likely to be important over the medium-to-long term,” and “issues that must be effectively addressed in order to construct a solid management system.”

Standards used for reference in prioritization

Importance to Stakeholders

- International frameworks such as the GRI Guidelines
- Items to be researched or pointed by the Socially Responsible Investing (SRI) -related institutions
- Suggestions from the strategy advisor to the SMFG Group CSR Committee

Importance to SMFG

- Priority issues from 10 Group companies
- Conformity with SMFG's Business Mission, business ethics, and medium-term management plan
- Assessment of risks and possible business opportunities (potential for enhancing enterprise value) in line with pursuit of sustainability

- 3 After discussions among Group companies and CSR consulting companies, the issues thought likely to be important over the medium- to long-term were categorized into three themes. These were “Environment,” “Next generation,” and “Community.”

Step 2: Reexamination and identification through dialog with experts

- 1** We conducted a dialog with a selected group of experts to check, from the perspective of social nature, environment and global issues, whether sufficient consideration and recognition had been given to all the issues that should be put forward as candidate priority issues, and to ensure that no important issues had slipped through the net (February 2014).



Experts

Sachiko Kishimoto, Executive Director, Secretary General, Public Resources Foundation

Yoshihiro Fujii, Professor, Graduate School of Global Environmental Studies, Sophia University

Toshiya Nishigori, Public Affairs and Civil Society Liaison Officer, United Nations Development Programme (UNDP)

Sumitomo Mitsui Financial Group

Nobuaki Kurumatani, Director

Kenichi Nakamura, General Manager, Group CSR Department

Moderator

Eiichiro Adachi, Counselor, Head of ESG Research Center, The Japan Research Institute, Ltd.

Note: Posts held by participants and their affiliations are those at the time of the dialog.

Selection of opinions (points requiring examination, requests, etc.)

- Financial function is essential to add non-financial domains, not only limited to environment, into the society and economy.
- It is important for SMFG that seeks global development to have a view of "inclusive finance," in which ways are found to develop financial services for those people who have hitherto been excluded from the financial markets.
- When SMFG approaches the whole of Asia as its business foundation, it must give separate consideration to each region within Asia in terms of the impact of its business operations on societies, economies, and the environment.
- As SMFG contains diverse business categories, it may set out priority issues (Materiality) for each industry in common for individual group companies, in addition to those common throughout the SMFG Group.
- As a yardstick for determining the purpose of particular CSR activities that are tend to be all-around style and why they are conducted, the application of international frameworks is effective.
- No matter how intrinsically excellent a CSR activity may be, it is meaningless if its worth is not communicated outside the Group. It is important to conduct information disclosure not only in Japan but globally.
- As the SMFG Group is a business enterprise, it is vital that the message by communicated that CSR serves as a way of enhancing the Group's enterprise value.
- If SMFG can communicate its traditional views and set of values in its capacity as a Japanese megabank to the Asian markets, it may be able to successfully realize its global strategy.

Summary of opinions

- Differing issues are met by Group companies in different lines of business or operating in different regions. It is desirable that these differences be communicated.
- It is desirable that communications should be coordinated with the conscious of to which stakeholders they are communicated.
- It is desirable that CSR activities be consistent with international requirements.
- The SMFG Group's vision of itself by the year 2020 should be expressed as a goal within the context of its CSR activities.

- 2** After implementation of the step 2, we conducted revisions in line with the opinions expressed, and identified the priority issues to be addressed by the Group after receiving the approval of the experts.

Identification of priority issues and themes

- Reduce environmental impact
- Address environmental risks
- Promote environmental businesses

Environment

- Support for customers' assets inheritance, business succession
- Contribute to improving financial literacy
- Global HR development, future generations and develop corporate culture having strength in diversity

Next Generation

- The Great East Japan Earthquake reconstruction support
- Contribute to achieving and developing safe and secure communities
- Community-based activities led by Group officers and employees

Community

Priority Issues (Materiality) that SMFG should address

Step 3: Reporting to Group top management, and receiving approval

- 1 March 2014: Approval received from Group CSR Committee after examination by CSR Liaison Committee.
- 2 March 2014: The SMFG Group's Management Committee gave approval for the identification of priority issues (Materiality) that SMFG should address.
- 3 Approval was received for the examination of specific methods of priority issues identification from fiscal 2014 onward, after discussion and review with stakeholders both within and outside the Group and each Group company.

Step 4: Conduct PDCA cycle activities



Conduct materiality workshops for each theme in preparation for drafting an action plan

In fiscal 2014 each of the Group companies came together to hold materiality workshops on the dates shown below. At these workshops, discussions were held regarding current priority issues shared by Group companies and specific methods of tackling these issues ahead of the drafting of future action plans.

1 Environment: Workshop held on April 10, 2014

Workshop Theme: Toward the Realization of a Sustainable World that All Can Share

- The focus of discussion was on how to take the lead in measures to achieve improvement in global-scale environmental issues that straddle industrial sectors and transcend national borders.
- As the SMFG Group is a financial conglomerate that comprises units of differing functions and with different bases, the Group's companies will collaborate with one another in leveraging their respective strengths to conduct CSR activities toward the realization of a sustainable world.
- It is also important to work together with local communities, NGOs and NPOs, but also with a wider circle of stakeholders including national governments and the United Nations.

2 Next Generation: Workshop held on May 28, 2014

Workshop Theme: Toward the Realization of a Vibrant Society that Balances Maturity and Growth

- A large number of issues come to the fore in a discussion of the shape that society will take in the next generation. These include how to train young people, how to empower women to compensate for the overall decline in the nation's working population, the need to provide support for elderly persons in passing on businesses and assets to the next generation, the need to build social and economic infrastructure for the next generation, and the provision of support for newly emerging nations that will be the principal drivers of the future global economy.
- Under "Inclusion," it is important to widen access to the Group's financial services to include those who have hitherto not been able to use the services of banks or other financial companies, and at the same time to provide education in financial matters to minimize the possibility of financial damage.
- Provision of training for staff from all over the world is an essential element in creating workforce diversity.

3 Community: Workshop held on July 2, 2014

Workshop Theme: Toward the Development of Healthy and Distinctive Community in which Everyone Can Participate

- The aim is to contribute to the creation of safe and peace of mind communities that will form the bedrock of Japanese society as a whole. Support for reconstruction of the region devastated by the Great East Japan Earthquake of 2011 comprises the most important theme in realizing such communities.
- In addition to community-based volunteer activities, it is vital that the Group helps local companies through its core banking business operations.
- It is important that rather than being satisfied with individual measures taken separately by Group companies, these companies be able to take part in projects organized on a large scale so as to allow the Group's collective strength to be brought to bear, enabling issues of greater scope and complexity to be tackled.

Priority issues that SMFG should address

After passing through the process described above, the priority issues were determined as shown in the chart below.

< Priority issues that SMFG should address >

As a Financial Group, be a Bridge to the Future

Environment

Toward a sustainable world that all can share



Where we want to be ten years from now

A financial services group that takes the lead in tackling global environmental issues

Issues we should address

- Reducing environmental impact and managing environmental risks
- Promoting environmental businesses and addressing newly-emerging environmental issues
- Social contribution activities environment-related, etc.

Next Generation

Toward a vibrant society that balances maturity and growth



Where we want to be ten years from now

A financial services group that helps create a society where the next generation can also play an active part vigorously

Issues we should address

- Support for inheritance of assets and businesses by the next generation
- Contribute to Improve financial literacy and developing financial markets in developing countries
- Global HR development, future generations and enhancing workforce diversity, etc.

Community

Toward a healthy and distinctive community in which everyone can participate



Where we want to be ten years from now

A financial services group that contributes to the creation and further development of safe communities, which are the bedrock of Japanese society as a whole

Issues we should address

- Help reconstruct for the Great East Japan Earthquake
- Contribute to achieve and develop safe and secure communities
- Conduct community-based activities, led by officers and employees of the SMFG Group, etc.

Key issues to be addressed on a solid management base

Corporate governance

Interaction with stakeholders

Pleasant workplace and work environment

Rigorous information management

Fair business practices and competition

Severing any relations with anti-social forces

Risk management

Customer satisfaction

Report about three priority issues

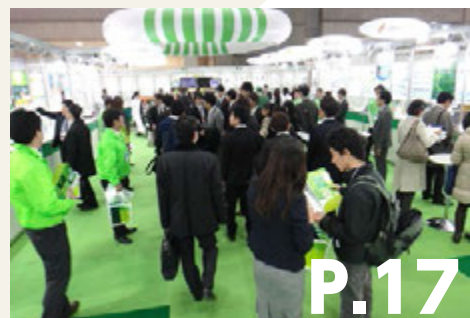
Environment



P.16

Reducing environmental impact

Managing environmental risks



P.17

Promotion of environmental businesses

Addressing newly-emerging environmental issues



P.20

Environment-related social contribution activities



P.17



P.19

Next Generation



P.22

Contributing to the development of financial markets in developing countries



P.23

Global HR development and future generations



P.24

Support for next generation
asset inheritance
and business succession

P.22



Raising the level of
financial literacy



P.24

Work-life balance and
workplace with diversity

Community



P.26

Contribute to achieving
and developing safe
and secure communities

Reconstruction for the
Great East Japan Earthquake



P.27



P.27

Community-based activities led
by officers and employees

Support for efforts to
solve serious social issues



P.28

Measures to address three priority issues

From the medium- to long-term issues that form the core of the SMFG Group's CSR activities, we have derived three new themes — Environment, Next Generation, and Community.

From here onward we plan to report on the significant initiatives taken by the Group's member companies in line with these three themes.

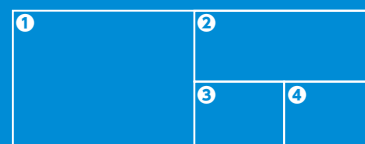


Environment

Toward the realization of a sustainable world that all can share

We are currently faced with numerous environmental issues, from global warming through energy shortages to the worldwide food problem. The SMFG Group views such environmental problems as serious management issues, and in line with the Group Environmental Policies we are working to strike a good balance between our corporate activities and the preservation of the natural environment.

Specifically, we are taking steps to reduce the environmental impact of our business activities and are using our core financial operations to promote the establishment and expansion of environmental businesses, as well as addressing various newly-emergent environmental problems in collaboration with a wide range of organizations.



- ① Financing for London Array offshore wind farm in the UK
- ② Holding of "hands-on environmental learning" session at Lake Biwa in Shiga Prefecture
- ③ Participation in Eco-Products International Fair in Taipei
- ④ Collaboration with Bogor Agricultural University in Indonesia

Reducing environmental impact

Reducing impact through environment-friendly SMBC model branches

At the environment-friendly SMBC model branches in Shimo-Takaido (Tokyo) and Konan (Hyogo), we are working to reduce the electricity used for lighting of the branch by combining the solar concentrating equipment and LED lighting, and to reduce electricity used for air-conditioning and other equipment by using solar panels and wall greening. We are proactively proceeding to install LED lighting and energy-saving air-conditioning facilities at other branches taking into account the fact that the approximately 40% reduction in of CO₂ emissions was achieved after renovation.

The Minato Bank, too, has installed eco-friendly equipment at the four branches detailed below, taking advantage of new branch construction and relocation.

●Eco-friendly model branches of Minato Bank

Amagasaki Branch	April 2011	Photovoltaic power generation equipment, LED lighting, insulated glass, wall greening
Ono Branch	April 2011	Photovoltaic power generation equipment, LED lighting, insulated glass, wall greening
Nishiakashi Branch	April 2012	Photovoltaic power generation equipment, LED lighting, wall greening
Motoyama Branch	May 2013	Photovoltaic power generation equipment, LED lighting

Reducing environment impact through products and services

Sumitomo Mitsui Card Company and Cedyna Financial Corporation are offering a "Web Account Statement Service" as a way of enabling customers to get involved in environment preservation. This service involves informing users of monthly statements of charges for use of credit cards over the Internet in place of sending them by post. At Cedyna, the use of this service has demonstrated enhanced security of information provision to customers and improved convenience in card-use management. The environmental effect of this changeover has resulted in reduction of CO₂ emissions by approximately 500 grams* of carbon equivalent for each account statement that is no longer sent by post.

From December 2013 to February 2014, as part of its environmental activities, Sumitomo Mitsui Card conducted a campaign involving planting trees dependent on the number of registrations of the "Merchant Sales Web Account Statement Service." SMFG plants a tree for every three member stores registering to change over to the "Merchant Sales Web Account Statement Service." A total of 108 trees were planted in the municipality of Miyako in Iwate Prefecture through a tree planting project named "Present Tree," organized by an NPO.

* Calculation in line with the Eco Action Point examples of CO₂ reduction amount calculations set forth by the Ministry of the Environment.

Switchover to eco-friendly vehicles

SMBC Friend Securities has introduced eco-friendly cars for use by staff of its marketing division and branches. In addition to pursuing a gradual switchover to eco-friendly cars since fiscal 2009, the company has been purchasing carbon emission credits equivalent to the emissions of its



Solar thermal collector equipment and wall greening at SMBC's Konan Branch (Hyogo)

non-compliant cars (carbon offset), and the initially-planned switchover to eco-friendly cars was completed in fiscal 2013. SMBC Friend Securities plans to continue taking steps to lessen the environmental impact of its business activities.

Computer-controlled energy management

At Minato Bank, building energy management systems (BEMS) are being installed. The use of an easy-to-visualize control system enables staff to monitor electric power usage for each 30-minute period, allowing them to save energy and reduce maximum power consumed. (The effect of reduction of maximum power consumed achieved 10%.) The bank is also diversifying its power sources. It has contracted with the new power producer and supplier (PPS) Ennet Corporation. While mainly using LNG, whose environmental impact is small, the bank has also capitalized on renewable energy such as photovoltaic power generation, water-powered and wind-powered generation, and biomass-fueled generation, as much as possible. The bank has reduced its annual CO₂ emissions by 39 tons.

●Installation of BEMS

July 2012	at head office and 8 branches
April 2013	at a further 17 branches

●Use of PPS

April 2013	at head office and 65 branches
April 2014	at Itomachi Bldg.
Sept. 2014	at Motoyama Branch

For details, please refer to SMFG's website

▶ **Web** Reducing Environmental Impact
<http://www.smfg.co.jp/english/responsibility/environment/reduction/>

Managing environmental risks

SMBC believes it is important to take into account the environmental risks for conducting credit assessment. Factoring environmental risks in the credit assessment (environmental credit risks) is stipulated in SMBC's Credit Policy, which sets forth the universal and basic philosophies, guidelines and rules for credit operations taking into consideration the management principle and the rules of conduct.

The Credit Policy also stipulates SMBC will not extend any credit which may have a negative impact on the environment. SMBC has adopted the Equator Principles, a set of principles for assessing environmental and social impacts when making loans toward a large-scale project. And the Environment Analysis Department (EAD) assesses the environmental and social risks in accordance with the principles. In line with the third revision of the Equator Principles, SMBC also revised its internal procedures to expand its scope and strengthened the assessment standard in October 2013.

Additionally, in September 2013 we held a seminar for our customers entitled "New Developments in Environmental Risk Management," bringing experts in this field.



Environmental seminar for customers

For further details, please see the following website

▶ **Web** Managing Environmental Risks
<http://www.smfg.co.jp/english/responsibility/environment/risk/>



Promotion of environmental businesses

At SMFG we are working to develop financial products and services that promise to lead to better solutions to environmental problems. In this, we are greatly aided by the various opinions and requests we receive from many of our stakeholders, including our customers, experts in the environmental field, and others.

Addressing environmental issues through financing

At SMBC, we are developing financial solutions to support to work of a wide range of customers engaged in tackling various social issues such as of environmental problems for resource and energy conservation or, global warming; countermeasures for natural disasters; or ensuring food safety.

In 2006 we began offering the SMBC-ECO Loan, a form of financing for small and medium-sized enterprises that have acquired the certification for environment management system. Soon after this the Japan Research Institute, Limited began assigning ratings to the environmental efforts of our

corporate customers, allowing SMBC to offer the SMBC Environmental Assessment Loans and Private Placement Bonds, in which the loan terms depend on each customer's rating.

Subsequently, we derived from various similar assessment-linked financing products aimed at assisting client companies attempting to address social issues. In March 2014 the total value of such assessment-linked loans surpassed ¥1 trillion. SMBC has also been expanding its services in this field overseas. In December 2012 it began offering the "SMBC Environmental Assessment Loans and Private Placement Bonds: Malaysian Version" to support companies' environmental-conscious activities in Malaysia, and in November 2013 it similarly launched the "SMBC Environmental Assessment Loans and Private Placement Bonds: Thailand Version" to support companies' environmental-conscious activities in Thailand. From here onward, we will continue to support the further expansion of our customers' activities on a global scale through the development of similar solutions.



Ads in the morning edition of the *Nihon Keizai Shimbun* to announce the effect that the value of assessment-linked loans had surpassed ¥1 trillion

Various assessment-type loans

Fiscal 2008	SMBC Environmental Assessment Loan/Private Placement Bond	Assessing and supporting the environmental activities of companies and the corporate sector
Fiscal 2009	SMBC Environmental Assessment Loan/Private Placement Bond, eco Value-Up	
Fiscal 2010	SMBC Food and Agriculture Assessment Loan/Private Placement Bond	Assessing and supporting measures aimed at promoting food safety and security as well as a food culture
	SMBC Sustainable Building Assessment Loan/Private Placement Bond	Assessing and supporting the environmental and aseismic performance of buildings
	SMBC Business Sustainability Assessment Loan/Private Placement Bond	Assessing and supporting clients' efforts to ensure business continuity in the event of emergencies such as earthquakes or floods
Fiscal 2013	SMBC Sustainability Assessment Loan/Private Placement Bond	Assessing and supporting ESG activities as well as the appropriateness of information disclosure

Environmental preservation through socially responsible investment (SRI)

SMBC Nikko Securities was one of the first Japanese financial service companies to engage in socially responsible investment (SRI), in which investments are approved on the basis of whether or not the business activities or the target enterprise contribute to addressing social or environmental issues. In 1999 it began offering the Nikko Eco-Fund, an SRI fund that was Japan's first investment trust incorporating a pro-environmental perspective. Since then, SMBC Nikko Securities has developed and marketed a wide range of environment-linked investment trusts to its customers. In 2010 SMBC Nikko Securities began marketing the SMBC-Nikko-World Bank Bond Fund, known informally as the "World Bank Green Fund," an investment trust developed in cooperation with the World Bank as well as the World Bank Green Bonds, a kind of bonds developed by the World Bank for the purpose of supporting environmental preservation efforts. The SMBC-Nikko-World Bank Bond Fund was the first fund in the world aimed at investing in green bonds, and a portion of the earnings from this fund are donated to the Japan Committee for UNICEF and the Japan Red Cross to

VOICE



Working together with our investors to preserve the environment through SRI initiatives

Tomoko Goi
Associate, Product Strategy Dept.,
SMBC Friend Securities

Through "Uridashi" offerings of Eurobonds issued by supranationals, we play the role of financial intermediary between issuers, which need funds for supporting developing countries' economy and people, and Japanese retail investors who are looking for better investment opportunities.

"Environmental Sustainability Bonds" issued by EBRD, in particular, enable our investors to realize their social contribution through purchasing the bonds, as the proceeds of the bonds are only used for environmental sustainability projects EBRD approves and the actual projects funded by these bonds are publicly disclosed on their website.

Continuous "Uridashi" offerings of "Environmental Sustainability Bonds" will make it possible for us to propose means to improve our investors' quality of life not only financially but also environmental-friendly.

contribute to the search for solutions to global social issues. One of the features of the green bonds is that investment targets for the funds raised through its issuance are limited to projects that contribute to environmental preservation, and thus through its sale of green bonds SMBC Nikko Securities aims to work together with the investors who purchase these bonds to help realize sustainable development for the whole world.

At SMBC Friend Securities, it develops and sells financial products that enable its customers — through the purchase of bonds — to support businesses and projects that promise to solve environmental and/or social problems.

This is particularly so with respect to the "Environmental Sustainability Bonds," which are the core product in this category. SMBC Friend Securities is expanding its handling of these bonds, whose purpose is to finance environmental projects such as the development of renewable energy or afforestation programs. Investment in these bonds is a way for customers to take a direct hand in supporting projects that lead to solve environmental problems. SMBC Friend Securities will continue to develop and market financial products that enable its customers to help solve social problems through investment.

Support for global environmental preservation initiatives through time deposits

Since fiscal 2003 Kansai Urban Banking Corporation has been offering deposit products in which a specified percentage of the outstanding balance can be donated to funds set up to support environmental preservation activities. Many of our customers have expressed approval of such arrangements in which — simply by depositing funds with the bank — they can indirectly help preserve the regional environment, and the accumulated total of donations now exceeds ¥50 million.

Minato Bank has also commenced offering a carbon offset time deposit under the name of "Minato Eco-Story." This is based on a "forest carbon offset" project conducted by the Hyogo Prefectural Federations of Forest Owners' Cooperative Associations using the federations' members' forests as carbon sinks. In March 2010 Minato Bank became the first financial institution to offer a deposit product utilizing a forest carbon offset service (a service providing indirect support for reductions in atmospheric CO₂). Funds contributed by Minato Bank for use in forest carbon offset services are employed to maintain forests within Hyogo Prefecture via the Hyogo Prefectural Federations of Forest Owners' Cooperative Associations.

Donations by Kansai Urban Banking Corporation in fiscal 2013

"Mother Lake Biwa" Shiga Support Fund	¥3.1 mn (Date of donation: April 24, 2014)
Osaka Pref. Environmental Preservation Fund	¥1.55 mn (Date of donation: April 30, 2014)
Osaka City Environmental Creation Fund	¥1.55 mn (Date of donation: April 30, 2014)



Presentation ceremony for donations to Osaka Prefecture and Osaka City, April 2014

Involvement in British Wind Farm project

For many years now SMBC has been providing support through project finance arrangements and loans for a wide range of renewable energy projects, including wind power and photovoltaic power generation. Such projects have been numerous in Europe, where interest in renewable energy is particularly high. In fiscal 2013 the bank handled financing for 7 projects in the United Kingdom (4 wind power-related projects, 3 waste-to-energy-related projects) and 3 in France (2 photovoltaic power generation-related projects, 1 waste-to-energy-related projects). Of these, the London Array, an offshore wind farm project, was a 175-turbine project that was the largest in the world at the time, with a 630MW output, sufficient to meet the electricity needs of roughly 500,000 households in UK. SMBC acted as Mandated Lead Arranger for the financing of this project, as well as for the related power transmission line project, which was selected by Infrastructure Journal as the Deal of the Year for 2013.



VOICE



Helping promote the use of renewable energy around the world

David Benguigui

Structured Finance Marketing Division,
SMBC Europe Limited

At SMBC, we leverage our excellent track record and know-how in the arrangement of structured finance deals to support the increased use of renewable energy sources all over the world. I am involved principally in arranging financing for wind power and photovoltaic power generation projects in Europe. SMBC was Mandated Lead Arranger for the financing of the London Array project. The greatest appeal of this kind of work is being able to get involved right from the start in projects that will help reduce greenhouse gases and provide clean energy for the next generation.

For further details, please see the following website

▶ **Web** Environmental Businesses
<http://www.smfg.co.jp/english/responsibility/environment/business/>



Addressing newly-emerging environmental issues

Introducing Japanese agricultural technology to Indonesia

In March 2014 SMBC formed a tie-up in the agricultural field with Indonesia's Bogor Agricultural University. Indonesia is the largest member of ASEAN, and with a population of 240 million its market for foodstuffs is growing along with the expansion of its middle class. At the same time, eating habits are becoming increasingly Westernized, and against the background of a high level of dependence on imports of some agricultural commodities, livestock produce, and seafood, the country is looking for ways to improve its food self-sufficiency ratio. In these circumstances, much hope is being pinned by concerned Indonesians on investment and technology transfer by foreign companies possessing cutting-edge production and processing technologies and extensive know-how in these fields.

Bogor Agricultural University is Indonesia's largest agricultural college, and in pursuit of its missions of helping realize the government's policies and addressing critical issues in the nation's farming sector, the university authorities actively seek projects in which they can collaborate with companies in

advanced countries and conduct joint field testing. Additionally, as Indonesia is the world's largest country with a mainly Muslim population, it offers advice to Muslim groups around the world on certification for correct food-preparation practices in line with the principles of halal. In the coming years, through collaboration with Bogor Agricultural University, SMBC aims to introduce Japanese companies that seek to enter into Indonesian or Islamic markets, while for its part the university will provide these companies with what they need in the way of information, introductions to local farmers and corporations, joint field testing opportunities, and the necessary local staff.

VOICE



Contributing to growth and recovery of healthcare, nursing care and agricultural sectors, through collaboration among companies, government agencies, and academia

Hideyuki Kuribayashi

Assistant General Manager,
Growth Industry Cluster Department, SMBC

In April 2014 a new group was set up within the Growth Industry Cluster Department to handle healthcare, nursing care, and agriculture, and this has now been operative for more than a year. During this period the group has been involved mainly with support for Japanese corporations' expansion in overseas markets, as well as facilitating collaboration with government agencies and academia both in Japan and overseas. Within the "Japan Recovery Strategy" being pursued by the Japanese government, particular focus is being placed on healthcare and agriculture policies, and in keeping with its status as a megabank, the SMFG Group aims during the present fiscal year to make a significant contribution to the success of these policies.



Signing of memorandum with Bogor Agricultural University

Environment-related social contribution activities

Participation in environmental preservation activities

We have designated one day each year as “SMFG Clean-Up Day,” and in fiscal 2013 about 1,500 Group employees and family members took part in voluntary clean-up activities along the banks of the Arakawa River in Tokyo and the Yodo River in Osaka Prefecture, as well as at Suma Beach in Hyogo Prefecture and the Fujimae-higata tidal flats in Aichi Prefecture.

Similar activities are carried out overseas. For example, the staff of SMBC (China) Limited also conduct a wide range of voluntary activities and other environmental activities. In fiscal 2013 the staff of three branches participated in tree-planting initiatives to contribute to the greening of their local areas (Shenyang Branch in April 2013, Shanghai Head Office in November 2013, and Tianjin Branch in March 2014). We will continue to contribute to the sustainable development of society through tree planting, the holding of kids’ seminars, environmental beautification activities, and donations, including voluntary donations by Group employees.



Greening work being carried out at the Sanyang Green Space in Pudong New Area, Shanghai

VOICE

Environmental preservation activities — helping in local greening campaign



Chuchu Shen

Corporate Planning Department,
SMBC (China) Limited

I participated in tree-planting initiatives organized by the Regional Greening Committee in Shanghai. Planting trees turned out to be much harder work than I had expected. But after the event, we received a lot of favorable comments from the participants. Many people expressed the opinion that it had been a very meaningful event, as not only had they been able to contribute to regional eco activities, but they also had the opportunity to spend an enjoyable time with their family and to communicate with other colleagues from different divisions of the company. In the future, we will continue to participate in such kind of activities in order to contribute to the development of the local community.

Promoting environmental literacy

Kansai Urban Banking Corporation held a “hands on” environmental learning sessions for children accompanied by parents on the theme of Lake Biwa (Japan’s largest lake and known as “Mother Lake Biwa” in the Kansai region). These sessions are intended to reach children — who will be responsible for the direction Japan takes in the next generation — about the importance of nature. On the day of the session, 74 parents and children from both Shiga Prefecture itself (Lake Biwa is in the center of the prefecture) and other parts of Japan boarded a specially chartered vessel and observed sampling for water quality and plankton life in Lake Biwa, followed by a tour of the Lake Biwa Museum. At Sumitomo Mitsui Finance and Leasing Company, in an effort to communicate the importance of environmental problems and stimulate people to take action, it has been holding an Environment Photo Contest since 2008 in cooperation with other companies, with the Sumitomo Mitsui Finance and Leasing Prize awarded to particularly good entries. In this contest, the participating companies stipulate certain environment-related themes, and members of the general public submit photographs appropriate to these various themes, with awards going to those judged the best in each category. Finally, the entry judged to be the overall best receives the Minister of the Environment’s “Environmental Photo Grand Prize.”



The Lake Biwa hands-on environmental learning experience session held in the summer vacation in Shiga Prefecture



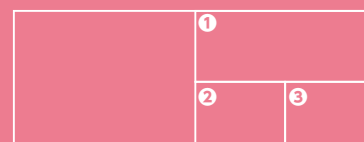
The entry that received the Sumitomo Mitsui Finance and Leasing Prize at the Environment Photo Contest



Next Generation

Toward a vibrant society that balances maturity and growth

A large number of issues affecting both Japanese society and other countries need to be solved before we can achieve a vibrant and sustainable society. These problems particularly affecting Japan include the declining birthrate and the rising average age of the population and the widening gap between rich and poor accompanied by the progress of globalization. Our aim is to educate and nurture the sort of young people we need to take charge of society in the next generation, to establish true diversity as the social norm, in which there is no discrimination on the grounds of gender or nationality, and to realize a society in the next generation where everybody has a chance to succeed. For this we are working to raise the level of financial literacy both in Japan and overseas, to train staff from who can adapt foreign countries, and to help nurture a healthy financial market. The SMFG Group has dedicated itself to being a financial group that helps create a society where the next generation can also play an active part vigorously.



- ① Cooperation with economic and financial educational institution for junior high-schoolers in Iwaki City, Fukushima Prefecture
- ② Holding educational tours of banks where elementary school children can see actual banking work in progress
- ③ Inviting children and family members up to the office to see the place where their parents work

Support for next generation asset inheritance and business succession

Passing on assets to the next generation

Since June 2013 SMBC has been offering a deposit product under the name of “tax-free educational fund donation-type ordinary savings account” designed to help individuals donate money toward their grandchildren’s education. This product was created to take advantage of a provision in the fiscal 2013 tax system revision that exempts from taxation lump-sum donations of funds for educational purposes. SMBC was the first commercial bank to develop and launch a product in response to this tax exemption system.

Inheritance-related support that meets customer needs

Minato Bank offers a menu of individually-tailored services to support the managements of companies facing the crucial issue of business succession.

- ① Business succession consulting
- ② M&A advisory service
- ③ Support for corporate capital measures
- ④ Fostering of business successors and supporting to cross-industrial association

VOICE



Individually tailored business succession support

Takeaki Ashimori

Manager, Business Support Department,
Branch Support Division
Minato Bank

Business succession is an extraordinarily delicate subject which must take into account complex human relationships, although all the objective conditions such as the assets involved or composition of persons have not changed. For this reason, each case must be individually customized. Today, when the aging of the Japanese population is reaching critical levels, providing support for the orderly succession of businesses to the next generation of managers has become an important duty for financial institutions. As one of those responsible for handling such matters, I am doing my best to further improve my knowledge of the legal and taxation issues involved. I also take care to listen carefully to the wishes and worries of everyone concerned, with the aim of offering our customers the best possible solutions.

Contributing to the development of financial markets in developing countries

Initiative to develop human resources in the financial sector in Myanmar

In December 2013, SMBC signed a memorandum of understanding with the Myanmar Banks Association, a local banking industry group, in order to jointly develop human resources in the banking and financial sector. In Myanmar, economic reform is currently underway and the development of human resources in the financial sector is a pressing need. To help address this issue, SMBC has held a total of 12 training seminars so far as of September 2014 for the local banking staff, in line with the memorandum. In the seminars, SMBC’s employees and external experts

gave courses to more than 500 local banking staff in a wide range of subjects including trade finance, management, credit analysis, internal auditing, accounting, internet banking, micro-finance, project finance, and inter-bank transactions. We hope that this initiative has helped and will help develop Myanmar’s banking sector, contributing to the development of Myanmar’s economy.

VOICE



Supporting the development of Myanmar’s economy by nurturing the financial sector staff

Yoshiyuki Morii

Chief Representative, Yangon
Representative Office, SMBC

Myanmar is currently making progress toward true democratic rule and a free-market economy, and major social changes are taking place. Amid this situation, the banking industry, which underpins the economy, has been developing dramatically with an increase in the opening of local bank branches and the modernization of their services. Nevertheless, the development of financial staff is not keeping up with rapid advances on all fronts, so this joint initiative by SMBC and the Myanmar Banks Association has been well received by the Myanmar business circles, with appreciation and high hopes.



SMBC provides training courses for banking staff in Myanmar

Raising the level of financial literacy

Cooperation with educational facility in Iwaki City to provide financial education for junior high school students

SMBC organizes and supports a number of financial and economic educational activities. In addition to inviting students of elementary school up to high school to visit the office as well as having a special tour program of "Natsuyasumi Kodomo Ginko Tankentai" participated by elementary school students, the bank supports diverse financial and economic educational activities, including publishing a book titled "What Does a Bank Do?," cosponsoring Kidzania (a vocational experience theme park for children) and supporting Shinagawa Financial Park* (economic training programs for junior high school students). In June 2014 we followed up our association with the facility in Shinagawa (Tokyo) by opening a booth at a facility that had been opened in the city of Iwaki in Fukushima Prefecture. The construction of this facility was financed from a fund set up by the government of the Gulf state of Qatar to assist in the reconstruction of the region devastated by the Great East Japan Earthquake. It serves as a place where children from communities hit by the disaster can study the structure of society and the workings of the economy, and learn decision-making skills. This will help them become socially self-reliant and open up the way to their future contribution to the recovery of their own home communities.

* Shinagawa Finance Park is a facility dedicated to experience-based economics learning for junior high school students. The courses offer the students the opportunity for simulated decision-making with respect to daily life-planning, adjusted for various scenarios such as different ages, annual incomes, and family makeup. The facility is run by Junior Achievement Japan, a public interest incorporated association whose parent organization is the US-based organization Junior Achievement Worldwide.



A class at the Iwaki Finance Park

Spreading knowledge about securities to several generations

Making good use of the financial know-how it has built up over the years, SMBC Nikko Securities actively conducts financial and economic educational programs for young people and children, who will be the leaders and movers of society in the next generation. These include an experience-based social learning program for elementary school students and members of their families, held in the summer vacation period, called the Nikko "Exciting Family Experience Day." Since 2006 this course has been offered at the company's head office and branches all over Japan, and 1,912 people (1,089 children and 823 adults) took part in fiscal 2013. For university students, in collaboration with Nikko Financial Intelligence which is the Group member of SMBC Nikko Securities, they have held classes at universities and graduate schools on the role of finance in the economy, including on securities investment, and dispatched employees to serve as lecturers. We have been providing this kind of assistance to

universities since 2001 with the aim of passing on basic knowledge about securities to students as a "liberal arts" subject. In fiscal 2013 we conducted 21 courses at 21 universities.

To encourage students and members of the general public to learn more about financial and economic matters, we have been conducting corporate educational tours and training courses since 1998. Through these programs we aim to provide clear explanations about the functions played by money in our lives, and about the roles of financial institutions, as well as a broad range of knowledge relating to financial transactions.

Working toward the formation of a sound consumer finance market

At SMBC Consumer Finance, we engage in educational initiatives of financial and economic matters so as to discourage excessive indebtedness and prevent the occurrence of loan-related legal problems. Our goal is to maintain and expand the role of a sound consumer finance market by enhancing the safety of consumer finance so that people can make use of this market without undue worry. Mainly our Customer Service Plaza staff teaches elementary school children about the origins and purpose of money via a card game called "the Role of Money." We also hold seminars on economic and financial subjects for students and members of the general work force. In fiscal 2013, a total of 2,740 seminars were held, with the attendance of 126,270 members of the public.



Seminars for students and members of the general public, held by SMBC Consumer Finance

VOICE



Meeting the needs of our customers and society as a whole

Juri Taike

Umeda Customer Service Plaza
SMBC Consumer Finance

At our 18 Customer Service Plazas located all across Japan, the staff get a feel for the financing needs of our customers and the society, and conduct community-based activities so as to respond to those needs. Services we offer include consultations on household budgets. Through these services and support for the acquisition by students who will be the leader in the future and local community members of knowledge about monetary matters, and cultivation of the ability to make wise decisions about money, we hope to simultaneously achieve sustainable development for both our company and Japanese society at large. Each day, I try to exercise my creativity by coming up with new ways to make these educational efforts a meaningful experience for both our customers and the students.

Global HR development and future generations

Global HR Development for employees

SMBC is excited to introduce our newly established "Global Human Resources Department" and "Global Training Group," for purpose of improving and promoting our human resources system toward "true globalization."

As for implementation, we have been promoting initiatives focused on HR development by increasing the number of employees working in Japan having work experience abroad, enhancing their foreign language skills, and developing training seminars initiated by the Head Office for national staff. As for employees working in overseas, our Head Office has been expanding the training programs by having various departments such as "Asia Pacific Training Department" collaborate with one another, focusing on topics specific to their respective regions, and offering extensive seminars to employees hired not only in Japan but also in our Asian Pacific region.

SMBC will continue heading toward "true globalization" by HR training and development efforts throughout our global network. At Sumitomo Mitsui Finance and Leasing Company, "global mindset" training courses are provided to staff who are stationed in Japan but handle work with our overseas branches and business partners. The goal of these courses is to ensure that employees have the necessary understanding of the different approaches and ways of thinking of their counterparts overseas.

We also put effort into training the local staff of the various countries in which we operate. We invite groups of several employees from each of our overseas offices and subsidiaries to come to Japan, where they meet with other groups and undergo a training course all together. We also provide forums where business discussions are held with the participation of head office staff from divisions involved, so as to pave the way



Leadership training course for overseas local staff at Sumitomo Mitsui Finance and Leasing

for the smooth promotion of business in the future. In this way, we also facilitate communication between our head office divisions and our overseas bases.

In addition, to help foster a global mindset among our employees right from the start, in this fiscal year we have established a month-long training course for newly-hired employees which include their stay in a facility designed to replicate the traditional British style way of life where the only language allowed was English. In addition, they took the training course alongside local staff from various countries. With respect to enhancing foreign-language skills, the Company is each year expanding the scope of assistance system it provides for studying at foreign language schools.

Social contribution activities of in-house foundations

SMBC Global Foundation, based in the United States, has provided scholarships to more than 6,000 university students in Asian countries since its establishment in 1994. In the United States, it supports educational trips to Japan organized by a high school located in Harlem, New York City, and the participation in school beautification programs by volunteers from SMBC. The foundation also provides matching gifts for SMBC employees.

SMBC Foundation for International Cooperation assists in developing human resources required to achieve sustainable growth in developing economies as well as to promote international exchange activities. Since its establishment in 1990, the foundation has provided financial support for 7-8 students from Asian countries every year, enabling them to attend graduate schools in Japan. The foundation also offers subsidies to research institutes and researchers undertaking projects which result in economic development of underdeveloped countries.



Scholarship support for Vietnamese students via the SMBC Global Foundation

Work-life balance and workplace with diversity

The Group is committed to providing workplace with diversity in gender, nationality, and other areas. In April 2008, SMBC established the "Diversity and Inclusion Department" in the Human Resources Department in order to develop corporate culture having strength in diversity.

In response to the inclusion in February 2013 of the stock of the SMFG Group in the "Nadeshiko List" (a list of stocks drawn up by the Tokyo Stock Exchange in recognition of the companies' efforts to raise the profile of women in the workforce), in November of the same year the SMFG Group held a forum for young female employees from all group member companies. The forum featured the participation of some 700 employees from all over Japan, who listened to a talk by SMFG President Koichi Miyata and a keynote lecture delivered by Ms. Yukako Uchinaga, Board Chairman of the NPO J-Win. This was followed

by a panel discussion on ways of pursuing a successful career, in which the panel members were female employees who are playing an active role in various SMFG companies. We plan to repeat this forum format in the coming years.



SMFG Groupwide forum for female employees



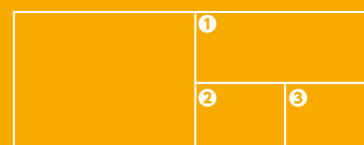
Community

Toward a healthy and distinctive community in which everyone can participate

The very survival of many local communities both in Japan and other countries is currently under threat due to a number of factors, including the impact of natural disasters of unprecedented severity and the outflow of young people from the countryside to urban areas.

The SMFG Group believes that its duty as a good corporate citizen is to help people take adequate steps to mitigate the impact of natural disasters and build communities that can bounce back from such disasters through mutual help and support, as well as to contribute to the creation of a society where elderly people and people with disabilities can live in safety and security.

We aim to become known as a financial services group that contributes to the creation and further development of safe communities, which are the bedrock of the society as a whole.



- ① Support for the Kids Earth Fund, an NPO that works to promote peace and environmental preservation through the medium of children's art
- ② Volunteers from SMFG help organize the Kyoto Marathon
- ③ Support for organizations that help children in Singapore

Reconstruction for the Great East Japan Earthquake

Three-and-a-half years have now elapsed since the Great East Japan Earthquake on March 11, 2011, and the communities devastated by this disaster are facing a number of serious issues that the society not only in the Tohoku region, but in the rest of Japan, too, has potentially had, including a population decline and the need of revitalization of local industries. The SMFG Group has been and is working to effect post-disaster reconstruction and recovery, both via its core financial business and through social contributions. We will continue to closely monitor the ever-changing needs of the disaster-hit communities and do our best to help them achieve recovery.

Continuous support for the recovery after the Great East Japan Earthquake by volunteers

In April 2011, SMBC established the “special leave of absence for disaster relief volunteer activities,” and it began allowing executives and employees to regularly go to the disaster affected areas for volunteering activities in May that year. Volunteer activities are still ongoing at Ishinomaki, Watari-cho and Higashi-Matsushima in Miyagi Prefecture. Approximately 420 employees participated in total between fiscal years of 2011 and 2013. In August 2012 and 2013, approximately 45 families or 120 people in total participated in the programs. SMBC established the system of “Great East Japan Earthquake Support Fund” for making donations to the disaster affected areas by deducting ¥400 from employee’s monthly salaries. In fiscal 2013, we made donations collected from our employees and the matching donations made by the bank to NPO, with which executives and employees cooperated for volunteer activities in the disaster-affected areas. In July 2013 a group of new recruits to SMBC Nikko Securities for fiscal 2013, led by some of our senior executives and employees, carried out support activities for communities hit by the Great East Japan Earthquake in 2011. SMBC Nikko Securities



Activities in support of disaster-hit communities by SMBC Nikko Securities

has continued such activities since fiscal 2011 and this was the third straight year in which such activities had been conducted. In fiscal 2013, specifically, they gave a helping hand to farmers in the town of Minamisanriku Town, in Miyagi Prefecture, and conducted clean-up work on the coast there. This not only helped our new hires to understand the significance and importance of social contribution activities, but also fostered a sense of togetherness among them.

Community-based recovery support project

In November 2013 SMBC held the first Tohoku Recovery Seminar in cooperation with Kahoku Shimpō Publishing Corporation (publisher of a newspaper based in Sendai) and the Regional Innovation Research Center of Tohoku University. The theme of this first seminar in a planned series was “A Message from Kobe: Lessons from the Great Hanshin Earthquake.” A panel discussion was held on this theme with the goal of examining post-disaster recovery options from multiple perspectives. In the same month, SMBC also co-sponsored a cycling event — the “Tour de Tohoku 2013 in Sanriku, Miyagi” — which was held to enable the participants to see the current state of recovery for themselves by cycling through the area, in the hope that this will stimulate greater interest in support for the recovery of the whole Tohoku region.

The Japan Research Institute is pursuing a community-based project in support of regional recovery, called SOMAX* in which it has established a think tank and consulting unit that provide free-of-charge services in support of the region centered on city of Soma on the coast of Fukushima Prefecture, which not only suffered enormous damage from the earthquake and tsunami of March 11, 2011, but also from the consequent Fukushima Daiichi nuclear disaster. Specifically, the unit has helped plan the “Residents Dialog” events in the community of Minamisoma, and is providing support for the recovery of strawberry-growing farms and tourism in the Soma area.

* The name SOMAX is a portmanteau of Soma and “maximize,” indicating its intent to give support to maximizing the potential capabilities of the communities of Soma and Minamisoma.



Tohoku Recovery Seminar

VOICE



Creating an attractive community that will keep surviving in the next era

Kosuke Matsushima / Yukie Hosoda
Flatohoku
(general incorporated association)

In the Watari Green Belt Project,* rather than trying to restore tsunami-devastated areas to their former condition, we are motivated by the grander ambition of creating an attractive community that will keep surviving in the next era. We are very grateful for the SMFG Group’s continued support such as providing volunteers and monetary donations.

Our activities are expected to last another two years, until the local community becomes self-reliant in this respect, including the creation of new organizations. We hope that our stakeholders will continue to support us, and we look forward to leverage our financial know-how in providing advice aimed at the drafting of a sustainable project plan.

* This is a project being pursued principally by the residents of Watari, a town in Miyagi Prefecture that was hard hit by the Great East Japan Earthquake, to replant a tidal breakwater belt of trees.

Contribute to achieving and developing safe and secure communities

Implementation of universal design and universal service at branches

The following initiatives were undertaken to assist clients at branches of SMBC, Minato Bank and KUBC. All ATMs in domestic branches and ATMs located outside of SMBC branches can appropriately respond to vision- and hearing-impaired clients. Additionally, personnel trained in the knowledge and the means to



● Examples of universal design and universal service implementation

- Installation of ATMs for the visually-impaired
- Installation of communication boards and similar devices for writing messages for those clients having difficulties hearing
- Installation of Automated External Defibrillators (AEDs)*
- Installation of hearing aids at branches (Minato Bank)
- Installation of walking-stick holding brackets (SMBC and Minato Bank), the board with ear-mark logo, and writing tables for sofa (SMBC)
- Establishment of priority seating for senior citizens and mobility-impaired people (Minato Bank)

* AEDs are also installed at SMBC Nikko Securities and SMBC Friend Securities.

support senior citizens and physically-challenged clients are allocated to all branches of SMBC and Minato Bank.

Establishment of consortium with an aim to create local-community transportation service for individuals

In October 2013 the Japan Research Institute established the Community Oriented Stand-by Mobility Service (COSMOS) with the objective of developing a new local transportation service for individual users utilizing network technologies and "driverless vehicle" technologies. This is a completely new-concept local community transportation service for individuals that seeks to help people who suffer from infirmities due to age or disability, and who consequently find it difficult to use public transport or to drive their own cars. To help such people get out and about more, and thereby revitalize local community life, the service will harness driverless vehicle technology to electric cars seating one or two passengers. In the planning stage, the consortium comprises private-sector companies including vehicle equipment makers and public transportation companies, as well as local governments and local community bodies that are considering adopting the COSMOS service.

Community-based activities led by officers and employees

In fiscal 2013, SMFG presented to its officers and employees with volunteer activities of organizations, which work to resolve social issues, of mostly recipients of volunteer funds, and conducted the program for supporting activities of the organizations. The total of 31 programs were developed during summer (of June to August) and fall and winter (of October to December), participated by the total of 270 people.

Overseas offices of the Group support projects, tailored to specific issues and cultures of individual countries and regions.

Sale of goods to raise funds to support disadvantaged children all over the world (Japan)



Participation in charity marathon (United States)



Scholarship grant project started in 2008, targeting universities all over the country (China)



Activities in support of school-age children living in low-income urban households (United Kingdom)



Support for organizations that help local children (Singapore)

Support for efforts to solve serious social issues

Efforts to address social issues through voluntary fund

SMBC has a fund in place under which ¥100 is deducted from monthly salaries of volunteering officers and employees and donated to volunteer organizations. Approximately 11,000 employees participated in the fund as of June 2014. Organizations to whom we make donations are selected from among those recommended by volunteer employees or specialist institutions, and the final decision is made by a selection committee composed of outside experts and SMBC employees. In fiscal 2013 donations were made to organizations supported by our employees on a voluntary basis, and other organizations based in Japan and overseas that are tackling social problems stemming from economic causes, numbering a total of 38.

After the funds have been donated, representatives of the organization concerned are invited to our head office to present a report on the way in which the donations have been and will be used, giving us direct feedback. Additionally, in fiscal 2013 we commenced a system enabling officers and employees of the SMFG Group to join the volunteer activities held at the organizations receiving our donations on a voluntary basis.

Pro bono activities

In fiscal 2012 SMBC became the first Japanese bank to undertake pro bono activities for which volunteers offer their business and professional expertise and skills for the public. In fiscal 2013 SMBC voluntary employees formed a team that worked pro bono for NPOs for about three months, putting their skills and experience to good use in providing tools for the



Pro bono workers presenting a report at SMBC

management of controlling donated moneys, expenses, and office work procedures. Our aim in providing such advice is to strengthen the internal structures of these NPOs. In this initiative, we

VOICE



Comments on receiving the help of pro bono workers

Kana Kawaguchi

Founder
Homedoor (specified non-profit organization)

I have learned from pro bono workers — whose usual working environment is well equipped and secured — what needs to be done to get an organization up and running. We originally got together with the idea of constructing a system for organizing the collection of donations, but once these financial professionals laid eyes on our organization's cash flow situation, they soon had numerous suggestions to make. Through this program, our management base is becoming sounder — little-by-little — and we are coming closer to realizing our mission of creating a Japanese social structure that does not cause people to become homeless.



Assistance in providing meals at nursery schools in rural area in Cambodia, courtesy of the NPO "Caring for Young Refugees"

gave support to the total of four NPOs. Two NPOs working on child-related problems in Tokyo, one NPO that tackles international health issues in Tokyo, and one that addresses the problem of homeless people in the Kansai region.

Social contribution through products and services

Through their credit card operations, Sumitomo Mitsui Card Company and Cedyna Financial Corporation provide their cardholders with opportunities to make contributions to society without inconvenience.

Sumitomo Mitsui Card Company uses its World Presents lineup of marketing promotion gifts to encourage VJA cardholders to make donations to organizations including UNICEF, UNESCO, WWF Japan, and the World Food Programme (WFP), and the company itself makes direct donations to UNICEF. In the field of donations via the credit cards themselves, the company solicits contributions over the Internet and issues a variety of "social contribution type of credit cards," with a fixed percentage of the card usage amount going to donations or giving back to cardholders. At Cedyna Financial Corporation, cardholders can select an option in which the points they accumulate through use of the company's credit cards are directed into donations to organizations tackling various social problems in Japan and overseas. Donors can select the recipients of their donations from among 11 organizations, and the total amount of donations made in fiscal 2013 came to roughly ¥10 million.



Presenting a donation to the United Nations World Food Programme, which is dedicated to the elimination of hunger and poverty ©Mayumi.R

Key issues to be addressed on a solid management base

SMFG is steadily developing its corporate governance, internal audit, compliance, and risk management systems in a bid to build a solid management structure as a part of efforts to consistently engage in sound management.

Corporate governance

SMFG and its Group companies follow the SMFG management philosophy (▶ **Web** <http://www.smfg.co.jp/english/aboutus/principles.html>) 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.

For further details, please see the following website

▶ **Web** Corporate Governance
http://www.smfg.co.jp/english/investor/library/annual/h2603annu_pdf/h2603_e_17.pdf

Rigorous information management

At Sumitomo Mitsui Financial Group and all the companies in the SMFG Group, we practice appropriate safekeeping and utilization of our customers' personal data in accordance with the SMFG Privacy Policy that stipulates our policy to protect and to adequately use personal information. With regard to system for the management of our customers' personal information, the Board of Directors has made important resolutions regarding the protection of customer data. The Board regularly monitors the progress being made in measures to ensure such protection, and orders action to be taken when deemed necessary. We also work constantly to keep abreast of developments in the field of informatization through improvements to SMFG's personal information protection management system and measures taken to enhance information protection.

Risk management system

Basic policies for risk management

As risks in the financial services increase in diversity and complexity, risk management — identifying, measuring, and controlling risk — has never been more important in the management of a financial holding company. SMFG has established the basic principles of Group-wide risk management in the "Regulations on Integrated Risk Management." In the regulations, we identify the location and the type of risk to be managed in accordance with strategic goals and business structures, and then manage each risk appropriately according to its characteristics.

Risk management system

SMFG has established the "Principal Policy for Group Risk Management", which is determined by the Management Committee before being authorized by the Board of Directors. The Management Committee, the designated Board members, and the relevant risk management departments perform risk management according to the basic policies. Risk management systems are in place at individual Group companies in accordance with SMFG's Group-wide basic policies for risk management. The Corporate Risk Management Department comprehensively and systematically manages all categories of risk in cooperation with the Corporate Planning Department, by monitoring the conduct of risk management at Group companies and providing guidance when necessary.

For further details, please see the following website

▶ **Web** Risk management (Basic Approach, Risk Management System) Annual Report 2014
http://www.smfg.co.jp/english/investor/library/annual/h2603annu_pdf/h2603_e_14.pdf

Fair business practices and competition

The Compliance Manual of the Sumitomo Mitsui Financial Group stipulates that the Group must conduct competitive activities in the market in a fair manner. In addition, each Group company lays down rules to facilitate and encourage the observance of all legislation relating to that company's line of business, including laws relating to the prevention of monopolies, truth-in-advertising, subcontracting, and unfair competition prevention, and the managements of all the companies work in various ways to ensure that their operations are in accord with the principles of fair trading and fair competition. For example, SMBC has published an "Antimonopoly Act Manual," and to prevent unfair trade practices, the bank's management takes steps to ensure that all staff are fully informed regarding such matters as cartels and the abuse of dominant bargaining positions.

Severing any relations with anti-social forces

Sumitomo Mitsui Financial Group has set down a basic policy stipulating that all Group companies must unite in establishing and maintaining a system that ensures that the Group allows no relationship whatsoever with anti-social forces or related individuals. Specifically, all companies must prevent damages from anti-social forces, so that no business transactions are made with anti-social forces or individuals. All contractual documents or terms and conditions must include contracts and terms of transactions clauses regarding the exclusion of anti-social forces from any business relationship, and in the event that it is discovered subsequent to the commencement of a deal or trading relationship that the opposite party belongs to or is affiliated with an anti-social force, we undertake appropriate remedial action by contacting an outside institution specializing in such matters.

Basic Policy for Anti-social Forces

1. Completely sever any connections or relations with anti-social forces.
2. Repudiate any unjustifiable claims, and do not engage in any "backroom" deals whatsoever. Further, promptly take legal actions as necessary.
3. Appropriately respond to any anti-social forces as an organization by cooperating with outside professional agencies.

For further details, please see the following website

▶ **Web** Compliance (Basic Approach, Compliance System) Annual Report 2014
http://www.smfg.co.jp/english/investor/library/annual/h2603annu.pdf/h2603_e_19.pdf

Customer satisfaction

Fundamental approach for CS and Quality

SMFG shall implement measures to improve CS and Quality while cooperating among group companies by setting forth as one of our management principles: "To found our own prosperity on providing valuable services which help our customers to build their prosperity."

Management to improve CS and Quality

SMFG regularly holds meetings for the "Group CS Committee" which is chaired by the senior management executive of the general affairs section of the Group for promoting cooperation among group companies. The committee discusses and exchanges opinions and ideas regarding opinions and suggestions received from our clients or CS promotion policies, and it strives to further improve CS and Quality of the entire Group.

For further details, please see the following website

▶ **Web** Communication with Customers
<http://www.smfg.co.jp/english/responsibility/cs/>

TOPICS

Responding to SMBC customers' opinions and requests

Major Initiatives

The customers' opinions and requests, which are received at branches or made through our toll-free telephone service, are collected and registered into the database for "Voice of the Customers" (VOC), along with data received from CS surveys and questionnaires conducted by our bank. The registered data are widely shared among all departments of SMBC. Based on such registered data for VOC, there may be cases in which the head office departments may advise branches, review individual products and services, or consider measures to be taken for the entire bank. The bank has set up the Quality Management Dept. which is responsible for developing plans and preparing systems for improvement of CS and Quality. Additionally, this department holds meetings for the "CS and Quality Improvement Committee," which is chaired by the President, to discuss appropriate crossdepartmental measures for the entire bank in order to achieve greater satisfaction by customers.

Specific examples ①

Money-changing machine

Money-changing machines at all our branches were replaced with new models by March 2014, allowing up to 200 banknotes at a time to be inserted into the machine (although the maximum allowable monetary value remains at ¥200,000). In addition, machines that can be used free-of-charge once per day is now accepting up to 500 banknotes at one go, and smart cards with a biometric authentication feature can now be used.

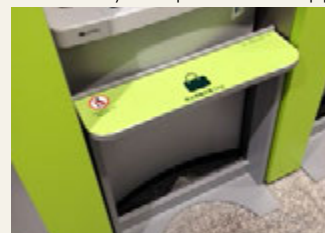


Money-changing machine

Specific examples ②

Installing stands for bags while using ATMs

To make it easier for customers to use our ATMs, we have provided stands just in front of ATM equipment on which they can put their shopping bags, briefcases, etc.



Installing stands for bags while using ATMs

Note: Excludes the following:

- Barrier-free ATMs in the ATM corners of attended branches.
- Unattended ATM corners (including in convenience stores).

Key issues to be addressed on a solid management base

Pleasant workplace and work environment

Training employees

To develop professional and specialized employees who can provide our clients with highly valued products and services, we are further strengthening the training systems in respective Group companies.

TOPICS

Joint training courses and get-togethers provided for SMFG employees at each promotional level

To improve understanding of the SMFG Group's overall image and its management policies and to strengthen the sense of unity and togetherness among the Group's staff as a part of "Team SMFG," we conduct joint training programs for employees from the Group's eight major companies*. We conduct jointly training seminars and sports events for newly-hired employees, while for our executive officers and management-level employees we provide the SMFG Joint Training Course.

* The eight major group companies are: SMBC, Sumitomo Mitsui Finance and Leasing, SMBC Nikko Securities, SMBC Friend Securities, Sumitomo Mitsui Card Company, Cedyne Financial Corporation, SMBC Consumer Finance, and the Japan Research Institute.



Joint SMFG sports festival for new recruits



Joint SMFG training

Initiatives on human rights

SMFG participates in the "United Nations Global Compact," and also endorses and supports its 10 Principles in the areas of human rights, labor standards, environment and anti-corruption measures.

Each Group company is implementing measures to further enhance awareness of individual human rights by organizing human rights awareness study sessions and inviting employees to reflect and come up with an individual human rights statement.

TOPICS

Human rights due diligence

Participation in the Human Rights Due Diligence Workshop

SMBC takes part in the Nippon CSR Consortium's Human Rights Due Diligence Workshop, held amid a business environment where it is becoming ever more important that companies extend consideration to international CSR guidelines on human rights issues prescribed under such directives as the UN Framework on Human Rights, ISO 26000, and the OECD Guidelines for Multinational Enterprises. Caux Round Table Japan hosts the workshop sessions with the aim of encouraging Japanese companies to pursue CSR practices that will bolster their competitiveness. SMBC's participation in the forum enables it to explore potential options and look into approaches that can be pursued in regard to human rights issues going forward.

Achieving healthy and fulfilling lifestyles

SMFG companies pursue numerous initiatives that give rise to safe and pleasant workplace environments, and furthermore help employees achieve healthier and more fulfilling lives. For instance, SMBC has set up two health support centers, one in Tokyo and the other in Osaka, tasked with overseeing employee health care. The centers are permanently staffed with occupational health physicians, nurses, public health nurses and other healthcare professionals, and even house health clinics. SMFG companies also forge sound management-worker relations through efforts that include holding regular discussions with respect to labor conditions and human resource practices.

For further details, please see the following website

▶ **Web** Human Resources: Annual Report 2014
http://www.smfg.co.jp/english/investor/library/annual/h2603annu_pdf/h2603_e_22.pdf



Third party opinion



Hiroshi Ishida

Visiting Professor, Graduate School of Economics, Kyushu University
Executive Director, Caux Round Table Japan

In June 2011 the “Guiding Principles on Business and Human Rights (UNGPs),” was endorsed by the United Nations Human Rights Council and in November of that year the

European Commission defined corporate social responsibility as “the responsibility of enterprises for their impacts on society.” Companies are being required to ask themselves how they should strengthen their engagement with their stakeholders, and what measures they should take to mitigate (or, if possible, prevent) negative impacts from their business operations. Against this backdrop, I would like to take this opportunity to evaluate the CSR activities of the SMFG Group in fiscal 2013.

- **Determination of “materiality”**

The SMFG Group has taken steps to determine materiality, and has identified three themes. In their CSR Report, Steps 1-4 have been accurately described in line with the GRI G4 Guidelines, and I believe this demonstrates the improved transparency of SMFG's CSR reporting.

- **Expanding the assessment-linked financing framework and nurturing an effective financial market in emerging countries**

In recent years SMBC has gradually been expanding its CSR activities to address social issues faced on a global scale. For example, the bank has offered “SMBC Environmental Assessment Loans and Private Placement Bonds” to raise funds for the support of companies in Thailand and Malaysia that are helping protect the environment, while in Myanmar it has collaborated with the Myanmar Banks Association in taking various steps to spread understanding as quickly as possible among the general public as to the importance of financial literacy in nurturing a healthy and effective financial market. All these steps are worthy of praise.

Secondly, to touch on a point regarding which hopes for the future are particularly high, I would like to make some comments on the determination of materiality, and I hope that these will lead to improvement in the future.

- During prioritization, by putting the “issues specific to the financial services industry”* to practical use, the company can identify the “negative impact.”
- In what way has the SMFG Group put the numerous valuable comments it received from outside experts to practical use? And has it selected priority issues for action? I believe that this process should be publicly disclosed.

Through its investment and loans and underwriting business, the SMFG Group comes into very close contact with a wide range of industrial sectors and business formats. For this reason, a financial company is inevitably involved - either directly or indirectly — in CSR issues in all business sectors. Even in the event that one's own company is not involved in a specific case, if a company or organization with which the financial company in question has a relationship is guilty of an infringement of human rights, there is always a risk that the financial company's profits or reputation will suffer an adverse impact.

To mitigate such risks, the management of a financial company must use an accepted method of materiality analysis, and must do all it can to understand risks in their sphere of influence. And dealing with such risks is, I believe, not only beneficial in respect of enabling one to assess the likelihood of materialization of risks within the financial sector, it can also lead to an improved awareness of the importance of CSR across the entire business spectrum.

* Issues specific to the financial services industry.

● Disclosure Topics for the Financial Sector: made by Sustainability Accounting Standards Board (SASB).

● For human rights issues in the financial sectors summarized by the Nippon CSR Consortium please see the URL below.

▶ **Web** [http://www.crt-japan.jp/files/documents/HR_DD\(2013\)_Report_E.pdf](http://www.crt-japan.jp/files/documents/HR_DD(2013)_Report_E.pdf)

Recognition for SMFG CSR initiatives

SRI Indexes SMFG has listed

SMFG's proactive corporate social responsibility activities have won plaudits from the markets. Socially responsible investment (SRI) is a standard for investment decisions that are based not only on financial perspectives, but also on important views including environmental considerations and social contributions. We believe that this is an endorsement by the market of the Group's future corporate social responsibility activities.

SRI Indexes on which SMFG is listed (as of August 31, 2014)

- Dow Jones Sustainability Asia/Pacific Index(DJSI Asia Pacific)
- Dow Jones Sustainability Asia/Pacific 40 Index(DJSI Asia Pacific 40)
- FTSE4Good Global Index
- FTSE4Good Global 100 Index
- ESI(Ethibel Sustainability Index)Excellence Global



CSR REPORT 2014

SMFG Group policies and framework

Solid Management Structure (Corporate Governance/Internal Audit System/ Compliance/Risk Management)

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/organization/index.html>

Management to Improve CS and Quality

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/cs/index.html>

The Group Environmental Policy/Environmental Management System Based on ISO14001 Certification

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/environment/>

Policy for Social Contribution Activities/The Backbone for Our Social Contribution Activities

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/community/index.html>

Five Goals of SMBC's Human Resources Development

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/employee/index.html>

SMFG data

CSR Activity Performance and Goals of SMFG Companies

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/smfgcsr/goal/group.html>

Performance Data and Goals of the Six Principal SMFG Companies

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/environment/achievement/>

SMFG Environmental Data

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/environment/reduction/data01.html>

Initiatives for Environmental Businesses by Group Companies

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/environment/business/data.html>

Employees

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/employee/personnel/>

Main Work-Life Balance Support Systems

▶ **WEB** <http://www.smfg.co.jp/english/responsibility/employee/life/>



<http://www.smfg.co.jp/english/responsibility/>