

STORY BOOK

2024

The Way of
Creating Social Value
at SMBC Group



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Message from Group CEO

As part of our current Medium-Term Management Plan, *Plan for Fulfilled Growth*, launched in April 2023, SMBC Group has positioned "Create Social Value" as one of our core management pillars. We have been working well together as a unified group to tackle a wide variety of social challenges.

Since I became Group CEO, I've often been asked by employees, "*What exactly should we do to create social value?*" My answer is simple: "*Anything that you believe is good for society is okay.*" There's no need to overthink it. Just follow your natural instincts as a human being to make society better, to bring joy to those around you, and to preserve a clean environment for future generations.

Currently, many employees—including those featured in this book—are thinking independently, making plans, and taking action, which has led to various initiatives being implemented both in Japan and overseas. It seems that every day, someone somewhere is actively working on creating social value. Through this spirit of *All-hands participation*, it has become clearer to us all, myself included, what we should focus on most.

As we approach the final year of our current Medium-Term Management Plan in FY2025, I aim for this to be a year where we refine our strengths in creating social value. Our goal is to make this a year in which both employees and external stakeholders can truly experience the transformation toward *fulfilled growth*. As SMBC Group, we are committed to creating mechanisms that foster virtuous cycles of social value creation, in collaboration with various stakeholders, leading the way in achieving economic growth and solving social issues.

We invite you to follow SMBC Group's ongoing endeavors to create social value.



Toru Nakashima
President and Group CEO



What is "Creating Social Value"?

Currently, the economic and financial status quo is undergoing significant transformation, including some reversal of social and economic globalization, as well as rising inflation and interest rates, especially in Europe and the United States. Moreover, digital transformation is accelerating in all fields, while corporate activities and individual consumer behavior are undergoing major changes, and the issues facing the planet are becoming more diverse and serious. As a consequence, the values of investors, customers, and employees are steadily changing, and expectations are growing for companies to make concrete efforts to help solve social issues.

In light of these changes in the business environment and in stakeholder expectations, SMBC Group has adopted the creation of social value as one of its basic policies under the current Medium-Term Management Plan.

Given this decision, we are often asked, "What does creating social value actually mean?" Based on the knowledge that solutions for social issues represent a growth market for the future, SMBC Group believes that creating social value means "providing added value that helps promote the medium- and long-term development of customers and society by addressing social issues as part of our core businesses and social contribution activities."

For example, support for startups is an initiative related to one of our priority issues (materiality), Japan's Regrowth. Since there is a shortage of venture capital for startups to grow, we can create social value by not only providing startups with debt equity financing but also developing digital banking services and creating an ecosystem specifically designed for startups. Creating social value in this way can be described as helping to turn Japan into a vibrant society that encourages entrepreneurship.

SMBC Group has identified five priority issues (materiality), namely the Environment, DE&I and Human Rights, Poverty & Inequality, Declining Birthrate & Aging Population, and Japan's Regrowth. This Story Book features interviews with our employees who are working to create social value, along with details of their projects. As each of you works to create more social value than ever before, we hope that this Book will be helpful in improving your understanding of the activities involved, while also helping you to devise specific initiatives as part of your daily work.

01 Achieving “Fulfilled Growth”

In the “Plan for Fulfilled Growth”, our Medium-Term Management Plan starting from fiscal year 2023, we have positioned Creating Social Value as a core management principle. For SMBC Group, Fulfilled Growth means building a world where social issues are resolved as the global economy grows, and where everyone can experience more fulfillment in life. Moreover, creating social value is the key to helping society achieve its own fulfilled growth.

Global issues such as climate change, violations of human rights, poverty and inequality are becoming ever more critical. With the worldwide prioritization of economic activities in recent decades, the creation of social value has been neglected, increasing the severity of these social issues. Decades ago, our home market of Japan experienced a period of high economic growth, which ended with the bursting of the bubble economy in the early 1990s. This was followed by decades of low growth, sometimes referred to as “the lost 30 years.” Japan has also had to deal with a declining birthrate, aging population, and population reduction, which further accelerated during this period.

Given these circumstances, creating social value has gained even more importance as an objective alongside economic value. It is clear that companies that are unable to create social value going forward will also lose their eligibility to pursue economic value.

Since society is the environment in which we operate, we cannot achieve sustainable growth without supporting continued social development. As responsible corporate citizens, we must proactively work to resolve social issues while creating social value, even in areas that do not directly lead to economic value in the short term.

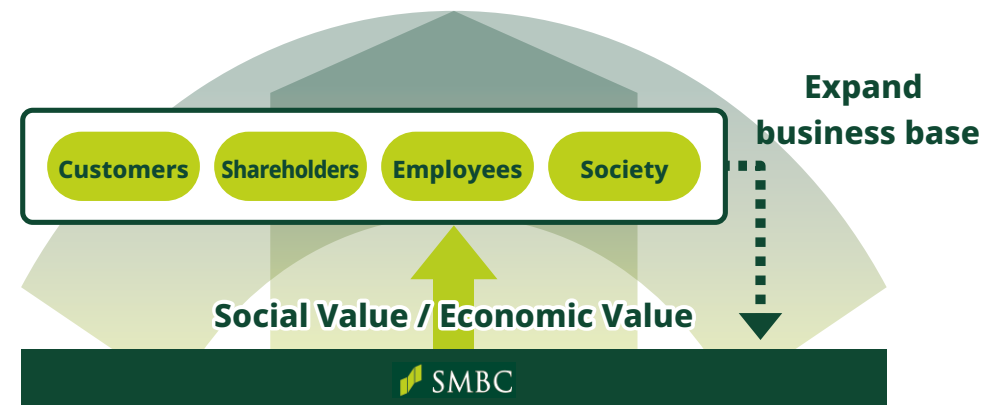
From a long-term perspective, creating value for society will ultimately grow our economic value by expanding our business base, enabling us to give even more value back to society. This becomes a virtuous cycle that leads to the creation of even greater social value.

Leveraging this approach as a good corporate citizen of the world, SMBC Group is determined to take the lead in solving social issues and promoting Fulfilled Growth all around the world.



Era of “Fulfilled Growth”

An era where people feel fulfilled as economic growth accompanies the resolution of social issues



02 Anticipate Changes in “Metrics”

As creating social value becomes more important, the metrics used to measure a company's value will change. Going forward, measuring only economic value will no longer be enough, and creating social value will become a new additional indicator for measuring corporate value. Accordingly, companies that fail to create social value will provide less corporate value, and the world will transition to one where all companies strive to create social value.

The priorities of our stakeholders such as customers, employees, and investors, are also steadily changing. According to an internal survey conducted in July 2023, approximately 97% of employees across SMBC Group agreed with including the strategy of creating social value in the current Medium-Term Management Plan.

Also, companies known for their sustainability management such as UK-based Unilever and US-based Patagonia attract talented employees from across the globe. They have built brands with strong customer loyalty, which ensures their

products are in demand even when they are priced significantly higher than competing products.

We are aiming to achieve consolidated net profit of over 1 trillion yen during the next Medium-Term Management Plan period. While pursuing economic value, we will also work to create social value as part of our core business activities.

These efforts should help ensure that our customers will continue to utilize our services for many years to come, while instilling even greater pride in more than 120,000 SMBC Group employees and their families. We also aim to earn the trust and praise by stakeholders such as shareholders, NGOs, and business partners, while contributing to the local communities in which we operate.

Furthermore, the importance of creating social value also extends to our customers. In recent years, impact finance and impact investment activities have begun to spread worldwide. As a financial institution, we will properly assess the impact our customers have on society and create a major flow of funds toward solving social issues in addition to the traditional financial-based evaluation.

Going forward, when it comes to disclosure of our own initiatives, in addition to conventional financial results data and output-based KPIs, we will also adopt KPIs to measure our impact on society. We will show stakeholders in a quantitative and objective way on how we are creating social value.

While anticipating changes associated with these new “metrics,” we will strive to expand our solutions linked to social impact and improve the effectiveness of our disclosure. This will allow us to open up new financial markets for the creation of more social value.



03 SMBC Group’s Priority Issues (Materialities)

SMBC Group aims to create new social value over the medium and long term. In order to promote “Fulfilled Growth” worldwide, we reviewed our priority issues for the first time in about 10 years.

While there are many social issues facing the world, we selected those that are most relevant to our business. This was done over roughly a year of discussions conducted at Management Committee meetings and by the Board of Directors, as well as dialogue sessions and questionnaires involving employees worldwide. We have established five new priority issues, urgent matters on which we want to focus our efforts: (1) Environment; (2) Diversity, Equity, and Inclusion (DE&I) and Human Rights; (3) Poverty and Inequality; (4) Declining Birthrate and Aging Population; and (5) Japan's Regrowth.

Driving Business Growth and Corporate Transformation Through Sustainable Finance

Implementing a Sustainability-Linked Syndication Loan for a Subsidiary of a Leading Chinese Auto Company

The need for sustainability-driven management has increased across corporate activities in recent years. Stakeholders, including investors and business partners, are placing greater emphasis on sustainability, prompting many companies to accelerate toward sustainable value creation.

Amid this trend, sustainable finance is gaining traction in global financial markets. Sumitomo Mitsui Banking Corporation (China) Ltd. (SMBCCN) has provided a Sustainability-Linked Syndication Loan (SLL) to Chery Huiyin Motor Finance Service Co., Ltd. (Chery Huiyin), an auto finance solution provider jointly established by Chery Group and regional banks.

01

Identifying Financial Needs and Proposing an SLL

Chery Automobile, a reputable automaker in China, is a globally leading passenger vehicle company headquartered in Wuhu, China. According to the data from the first three quarters of 2024, Chery Automobile is the second-largest independent brand passenger vehicle company in China and the eleventh-largest passenger vehicle company in the world. The company expanded into the electric vehicle (EV) sector in 2009 and has been actively growing its new energy vehicle (NEV) business, including the construction of a dedicated EV manufacturing plant in Qingdao, Shandong Province.

As the financial services arm of Chery Automobile Group, Chery Huiyin provides auto loans, leasing, and dealer financing solutions, playing a key role in supporting the group's overall sales strategy.

SMBCCN assessed Chery Huiyin's financing needs to support its efforts in enhancing both environmental and social value.

Leveraging its expertise in sustainable finance, SMBCCN proposed an SLL syndication to support the NEV business. This project extended beyond financial support, contributing to both business growth and social value creation.

Qu Lingxiu from SMBCCN's Investment Banking Dept. / Sustainability Solutions Dept., highlighted the significance of this initiative. *"This was Chery Huiyin's first SLL and also the first case where SMBCCN independently acted as the sole lead arranger and sustainability coordinator for an auto finance company. For us, this project marks an important step in setting new standards in sustainable finance."*



02

Ambitious Target Setting: Key to Supporting the NEV Market and Local Communities

The key aspect of this project was the establishment of targets. For sustainability-linked finance, SPTs (Sustainability Performance Targets, specific improvement goals tied to key performance indicators) must be ambitious. Setting goals that are too easy may give the impression that the company's sustainability efforts are superficial, leading to claims of "greenwashing."

This project focused on three key themes: environmental protection, reducing social inequality, and consumer rights protection. Specific targets were set for each.

First, a challenging SPT was set for the annual growth rate of NEV-related loans, using past figures as a benchmark. This target aligns with China's environmental policies aimed at promoting NEV adoption and directly supports Chery Huiyin's

business expansion in the sector.

In line with the theme of reducing social inequality, another SPT was set to increase lending to rural areas, promoting financial inclusion. By supporting the purchase of agricultural vehicles and equipment, Chery Huiyin is contributing to regional economic development.

Additionally, an SPT was introduced to promote financial literacy to protect consumer rights. Through seminars held in regional cities and rural areas, Chery Huiyin educates consumers on safe financial service usage, fraud prevention, and consumer rights protection. These also strengthen trust in financial services. Candy Huixian Lin from SMBCCN's Corporate Banking Dept. II, who worked alongside Qu to support the client in setting SPTs, emphasized their significance and impact. *"These SPTs serve as concrete guidelines that connect the client's business growth with social value creation. By setting targets across three themes, the initiative not only expands financing for the NEV sector but also promotes rural lending and financial literacy efforts. This framework enables the company to pursue business growth while simultaneously contributing to local communities."*



Qu Lingxiu

Group Head, Investment Banking Dept. / Sustainability Solutions Dept., Sumitomo Mitsui Banking Corporation (China) Ltd.

My Shaka-kachi spirit: **Even small actions have meaning if they bring warmth and strength to others.**

03

Building Trust Through Dialogue to Gain Insight into the Client's Business

The project faced several challenges, particularly regarding Chery Huiyin's corporate information. As a non-listed company, Chery Huiyin's business model was difficult to fully understand through external sources. Lin reflected on overcoming this challenge, saying, *"To deepen our understanding of the business, we carried out extensive on-site visits, conducted industry research, and analyzed competitors. Through ongoing discussions with the client, we were able to build a stronger foundation of trust."*

Setting SPTs required ambitious benchmarks, needing extensive discussions with Chery Huiyin over several months. After more than four months of negotiations, the contract terms and transaction structure were carefully refined, finally leading to a consensus among all parties.

To enhance understanding of sustainable finance, the SMBCCN team provided sustainability and SLL-related insights to Chery Huiyin from the early stages of the project. Additionally, obtaining a Second Party Opinion from the Hong Kong Quality Assurance Agency further strengthened the project's credibility.



Candy Huixian Lin

Vice President, Corporate Banking Dept. II, Sumitomo Mitsui Banking Corporation (China) Ltd.

My Shaka-kachi spirit: **Corporate giving back to the community after gaining market recognition and profits through the support from the community.**

04

SLL as a Catalyst for Transformation Toward a Sustainable Business Model

Chery Huiyin established its own sustainability governance framework through this project, bringing tangible benefits to both the local community and the environment. Building on the above initiatives, the company is further advancing its sustainable business model by issuing Green Asset-Backed Securities and pursuing additional sustainability-related financing to support environmentally responsible operations.

Lin noted, *"One of the key achievements of this project was that the SLL structure served as a catalyst for internal discussions within the client's organization, encouraging them to formally integrate social responsibility and driving their transformation toward a sustainable business model. Moving forward, SMBCCN will continue to strengthen efforts that promote social value creation and extend this momentum to a broader range of companies."* Qu emphasized the value of sustainable finance and expressed her determination, saying, *"Our role is to create opportunities for companies to reassess their direction and initiate transformative changes. Sustainable finance is an essential element for the future of society. Building on the experience gained from this project, we are fully committed to taking on new challenges ahead."*

Arrangement of the Group's First ESG Private Placement Bond for a Multi-Development Bank

A Path to Mutual Prosperity from the Amazon Region of South America

As climate change and biodiversity loss accelerate globally, the Amazon region of South America, which harbors some of the world's largest forests and rich biodiversity, faces severe impacts. Extreme weather and worsening droughts have led to frequent wildfires, causing rapid deforestation and further biodiversity loss. Additionally, slash-and-burn agriculture by impoverished local communities, illegal logging, and a lack of environmental education and inadequate infrastructure worsen these challenges. To tackle these issues, the Inter-American Development Bank (IADB) launched the "Amazon Initiative."

This program is structured around five key pillars: forest conservation, low-carbon agriculture, biodiversity protection, human capital development, and sustainable infrastructure. To provide financial support for these initiatives, the Inter-American Development Bank (IADB) issued a Sustainable Development Bond in 2024. The bond, denominated in Australian dollars, has a 15-year maturity and a total issuance volume of AUD 65 million (approximately JPY 6.8 billion).

SMBC Nikko Securities arranged the bond and sold it to a Japanese life insurance company. This initiative promotes ESG investment from Japan into the Amazon region, fostering its sustainable development.

Kaoru Adachi from the Debt Syndicate, who led the project, commented,

"Since late 2022, the need for funding to support Amazon biodiversity has grown significantly, attracting attention globally. This ESG bond directly supports biodiversity conservation, which made it a project I was particularly eager to be involved in."

01

Providing Comprehensive Support Through Cross-Departmental Cooperation

Adachi previously worked at a different securities firm, where he was involved in ESG bond arrangement as well from 2018 to 2023. He actively provided Japanese institutional investors with information on the importance of tackling biodiversity challenges and ongoing global discussions on the issue. Additionally, he secured a leading market share in ESG private placements issued by

Multi-Development Banks.

Recognizing his expertise and experience, the Inter-American Development Bank (IADB), with whom he had developed a close relationship in his previous role, approached him with a proposal. They inquired whether there were any Japanese investors who might have an interest in supporting a Sustainable Development Bond to fund the Amazon Initiative. The request ultimately led to this project.

Adachi recalled his initial impressions about the project, stating, *"This marked the world's first case of IADB issuing a Sustainable Development Bond following the announcement of the Amazon Initiative. I strongly wanted our firm to arrange this inaugural issuance."*

He engaged investors in Japan who were

actively investing in ESG bonds. One investor, who ultimately decided to participate, showed strong interest, which led to detailed negotiations. However, several challenges had to be overcome before the bond could be successfully placed.

One key challenge was that SMBC Nikko Securities had not previously arranged



or distributed ESG bonds issued by Multi-Development Banks in Japan. Therefore, it was crucial to clearly and carefully explain to investors that the firm was capable of structuring such bonds, building their confidence in the process. Moreover, Adachi recognized the importance of not only establishing trust with frontline representatives but also gaining the trust of management and executives as well.

Adachi placed particular emphasis on close collaboration across departments, ensuring a coordinated team approach when engaging with clients. By working closely with the Fixed-income Sales Department, which was responsible for bond sales to investors, and the Financial Institutions Department, which provided a broad range of financial products and daily support, the team was able to accurately identify investor needs and provide tailored solutions.

Furthermore, as discussions progressed within investor organizations from frontline representatives to senior management, the team supported clear communication of complex financial details. To strengthen the proposal, Adachi also visited investor executives alongside senior members of the Financial Institutions Department.

Based on past experience, Adachi understood that frontline employees at life insurance companies place great importance on how the funds they manage are used. He also recognized that accountability to stakeholders, including policyholders, was a key concern.

To address this issue, he worked closely with investors to align their understanding of the bond's use of proceeds and investment significance. Also, in collaboration with IADB, the issuer, he provided investors with concrete examples of how the funds would be allocated, ensuring clear and detailed explanations.

These efforts proved successful, leading to SMBC Nikko Securities' first-ever arrangement of an ESG bond issued by a Multi-Development Bank. Investors also expressed appreciation for the firm's attentive and thorough guidance and commitment.

02

Outcomes of the Initiative and Path to Expanding the ESG Bond Market

Funds from this bond support a variety of projects throughout the Amazon region. In Ecuador, funding supports sustainable bio-businesses, improving local livelihoods while preserving forests. In Suriname, a financing program enhances the productivity of small and medium-sized enterprises. Meanwhile, in Peru, efforts are underway to expand water and sewage facilities, improving sanitation for local communities.

Through these initiatives, the Amazon region



is making progress in both ecosystem conservation and the steady enhancement of residents' living conditions.

This project received widespread media coverage, including features in major outlets such as Nikkei. It generated strong responses from investors and stakeholders.

Adachi reflected on the impact, stating, *"The publicity surrounding this case has led to increased inquiries from other investors and related parties. It has also clarified our role in collaborating with Multi-Development Banks and enhanced our visibility in the ESG bond market."*

Looking ahead, Adachi noted the high interest and demand for ESG bonds in Japan. He expressed confidence that ESG bonds will play an increasingly vital role in tackling climate change and preserving biodiversity. He emphasized the need to enhance investor awareness and foster overall market growth, reaffirming his commitment to strengthening the domestic ESG bond market and maintaining active involvement with ESG bonds issued by Multi-Development Banks.

Finally, Adachi referred to one of the company's core principles, "Co-existence and Co-prosperity," stating, *"Climate change and biodiversity loss disproportionately affect emerging countries, despite being largely driven by developed nations. To achieve true mutual prosperity on a global scale, we must correct this imbalance and work together with people in emerging economies to build a truly sustainable and thriving world. This requires proactive support from developed nations, including ESG bonds, ensuring that the benefits are truly felt by local communities."*

His statement emphasized his strong commitment to building a more sustainable future and equitable world.



Kaoru Adachi Director, Debt Syndicate, SMBC Nikko Securities Inc.

My Shaka-kachi spirit: **Initiatives to enrich the world.**

Key to Adopting Renewable Energy: Japan's First-Ever* Loan for Grid-Scale Battery Storage

How to Approach an Unprecedented Venture?

To achieve carbon neutrality, renewable energy has become more important than ever. However, renewable energy faces a significant challenge: its heavy reliance on weather conditions. This dependency can cause power generation and supply to become unstable, making it less reliable.

Electricity supply and demand must always be balanced in real-time. If they are not, the risk of blackouts or equipment failures increases. Traditionally, large power companies managed this balance by using thermal power plants to adjust for excess electricity or compensate for shortages. But in April 2020, Japan introduced a legal change to separate power generation from transmission. This change was made to promote greater neutrality within the power system, and now, supply-demand balancing is handled through market-based mechanisms.

One potential solution to these challenges is "grid-scale battery storage." These batteries are directly connected to power grids, storing extra electricity during times when demand is low and releasing it when demand is high. This stabilizes the fluctuating power output of renewable energy and improves the reliability of the power grid.

Although grid-scale batteries are expected to promote the use of renewable energy, they also face significant challenges. The technology is new, and there are very few examples of such projects. This makes it difficult for investors and banks to assess the risks, leading to challenges in securing funding. In response to this, in August 2023, SMFL MIRAI Partners Co., Ltd. (SMFL MIRAI Partners) became the first company in Japan to successfully structure project financing for a grid-scale battery storage project.

01

Challenges and Background of the Grid-Scale Battery Storage Project

This project began with a request from RENOVA, Inc. (Renova), a company with a strong track record in renewable energy. In Japan, there were no prior examples of project financing for grid-scale battery storage businesses. Within a consortium of companies (including Idemitsu Kosan Co., Ltd., Renova, and Nagase & Co., Ltd.) working together on this large-scale project, Renova, which was responsible for securing funding, approached SMFL MIRAI Partners. They asked for help,

recognizing SMFL MIRAI Partners' ability to understand and act from the perspective of project operators. In response, Shigenobu Maeda from the Environmental and Energy Business Development Dept. took charge of the project. Maeda has been involved in renewable energy-related projects for nearly 10 years, gaining experience working with a diverse range of clients, including those in solar power, biomass, and wind energy. Through his work, he understood how grid-scale battery storage plays a key role in expanding the use of renewable energy.

"The more I learned about grid-scale battery storage, the more I understood its incredible value in helping achieve carbon neutrality by 2050. That's why we were determined to make this the first-ever financing case in this field," Maeda explained.

However, he acknowledged that the journey was far from easy.

Grid-scale battery storage requires a large initial investment. At the same time, revenue generation depends on participation in several markets. These include the supply-demand adjustment market, which helps regulate frequency and balance power, the capacity market, which ensures stable electricity supply, and the wholesale electricity market, where surplus power is traded. Securing contracts or



winning bids in these markets is essential, as revenues can fluctuate daily. This variability makes it challenging to secure project financing with stable income streams, such as those provided by the Feed-in Tariff (FIT) system. Additionally, because this business is a new and emerging field, business valuations and contract terms had to be created entirely from scratch.

02

The Journey to Structuring Japan's First-Ever Loan for Grid-Scale Battery Storage

Although there were no previous examples of financing for grid-scale battery storage, there was already a long track record in power balancing auctions and the wholesale electricity market before the supply-demand adjustment market was established.

The team began by carefully analyzing data from these markets and predicting future trends in the electricity market. Using this information, they created a business plan focused on operations within the supply-demand adjustment market. They also performed detailed stress tests to assess potential risks and determine appropriate loan amounts.

To ensure reliable loan recovery, the team developed a flexible repayment schedule. This plan took into account the large income fluctuations that are common in this type of business.

In addition, they carefully evaluated the terms and reward structures for electricity supply in

the supply-demand adjustment market. They also analyzed factors such as pricing, quantity, duration, and conditions in the wholesale electricity market. Each contract was carefully structured to serve as reliable collateral.

Throughout this process, the company's risk management division gave clear and helpful feedback on risk assessments. At the same time, the department responsible for promoting new business areas shared valuable insights about the framework of the battery storage business. Thanks to these efforts, the team was able to swiftly evaluate risks and refine the business model for the grid-scale battery storage project.

The contractual terms for the grid-scale battery storage business presented unique challenges. However, the team diligently collaborated with stakeholders and financing clients, including Renova, to reach an agreement that would ensure the feasibility of loan repayments.

As a result, the project financing was finalized in August 2023, and installation work is now underway. The battery storage facility will have a system capacity of 15 MW and a storage capacity of 48 MWh, sufficient to power approximately 30,000 to 40,000 households for several hours. The facility is slated to begin operations in October 2025.

This project was recognized by IJGlobal, an international project finance magazine, at the *IJGlobal Awards 2023*, which honor outstanding energy, renewable energy, and infrastructure projects worldwide. It was awarded the *Renewable Energy Deal of the Year BESS APAC award*. As Japan's first project financing case in this field, it has received high praise and attracted significant attention both in Japan and internationally.



Shigenobu Maeda Deputy General Manager, Environmental and Energy Business Development Dept., SMFL MIRAI Partners Co., Ltd.

My Shaka-kachi spirit: **Proactive actions to create new markets.**



A grid-scale battery storage system is being installed on unused land at the former Idemitsu Kosan Co., Ltd. Hyogo Refinery site in Himeji City, Hyogo Prefecture.

03

How to Approach Unprecedented Projects and Ventures

Building on this success, the company plans to further expand its battery storage business. Alongside advancing a second project finance initiative, it is also exploring the potential to develop its own grid-scale battery storage business. To support this growth, the company, which is also active in power generation, is actively working to secure land and grid capacity for these projects.

Furthermore, the company aims to collaborate with its partners to broaden the energy supply value chain. This includes initiatives spanning upstream power generation, midstream supply-demand balancing, and downstream retail operations. Maeda reflected on the project and shared his thoughts, *"Grid-scale battery storage is a highly innovative field, and as the first financing case, I have to admit there were moments of uncertainty. However, even unprecedented projects don't emerge entirely from nothing. Each part builds on existing businesses. By carefully observing the current industries and markets, thinking about future possibilities, and working closely with our clients to solve their challenges, I believe we can create 'Shaka-kachi' (SMBC Group's slogan meaning 'creating social value')."*

*Based on research by Sumitomo Mitsui Finance and Leasing Co., Ltd.

Gojo & Company, Inc.

Shaping the Future of Financial Inclusion Together

Creating Impact through Collaboration with Gojo & Company

According to the World Bank's "The Global Findex Database 2021," as many as 1.4 billion people globally did not have a bank account in 2021, most of whom in developing countries. For example, 20% of adults in India (about 220 million people) and nearly 50% of adults in Indonesia (about 97 million people) were unbanked.

Without a bank account or the ability to use one effectively, people struggle to save and may be unable to handle unexpected expenses from illness, injury, or disasters. Limited household finances also make it difficult to secure loans for housing or education, and self-employed individuals miss opportunities to expand their businesses.

To solve these problems, "financial inclusion" focuses on making basic financial services available to everyone and helping them utilize these services effectively and sustainably.

This discussion features Taejun Shin, Founder, Managing Partner & CEO of Gojo & Company, which provides financial services such as microfinance in emerging markets with the mission of "delivering financial inclusion worldwide," and Masayuki Takanashi, Group CSuO of Sumitomo Mitsui Financial Group, Inc. They discussed the global state and challenges of financial inclusion, their initiatives, and the future of their collaboration.

01 The state of poverty issues and efforts toward financial inclusion

To start, Shin shared his perspective on the current state of financial inclusion, focusing on global poverty reduction and economic development from a macro perspective. "Data shows that global economic development has slowed down since 2015. Key reasons include supply chain disruptions caused by tariff wars and the Ukraine conflict, weaker market economies due to the rise of authoritarian regimes, job losses in manufacturing because of technological advances like AI, and a shift in investment toward climate change. This shift has reduced funding for poverty reduction and economic development."

Takanashi focused on the multifaceted connections between social issues, including poverty. "There is a growing recognition that social issues such as climate change, human rights, poverty & inequality, and health and welfare are all interconnected. We believe that addressing poverty can also contribute to solving other social challenges."

One approach to addressing global poverty is financial inclusion. By providing financial products and services to individuals without bank accounts and businesses with limited access to finance, we can encourage participation in economic activities. This leads to more stable incomes and improved livelihoods. But what specific efforts are needed to achieve financial inclusion?

Takanashi explained SMBC Group's initiatives in Asia. "SMBC Group supports financial inclusion through various initiatives. In India, SMFG India Credit Company (SMICC) and in Indonesia, PT Bank Sumitomo Mitsui Indonesia (SMBCI) and its subsidiary BTPN

Sharia, provide microloans to low-income individuals and women, enabling savings and starting their business. They also promote mobile banking to deliver financial services without the need for physical branches.

SMICC provides financial products such as group loans for women in rural areas to support daily livelihoods, unsecured loans for small business owners, and real estate-backed loans. Additionally, a portion of the Social Green Bond issued by SMBCI in 2023 is allocated to loans for women-led micro and small enterprises, further expanding access to financial services."



On the other hand, Shin pointed out the role and impact of microfinance in emerging economies. "Microfinance, which is accessible without collateral, is highly beneficial for low-income individuals and small-scale rural entrepreneurs in emerging economies. It supports new business startups and expansions, promotes economic independence, and stimulates consumption, contributing to the overall development of local economies."

Financial inclusion requires more than providing financial services; non-financial support is equally essential.

On this point, Takanashi highlighted the significance of financial institutions focusing on non-financial areas while incorporating local examples.

"For example, at SMICC, we conduct health checks for dairy cows owned by our loan recipients. A decline in milk production can destabilize dairy businesses and increase credit costs for us as a financial institution. This initiative supports both the stability of

our customers' income and our operations. We also run entrepreneurship support programs and provide financial literacy education."

02

The impact spreading through collaboration and the provision of social loans

In November 2023, SMBC Group signed a memorandum of understanding with Gojo & Company to collaborate on financial inclusion in emerging markets. Since then, SMBC has invested in an Indian fintech fund established by Gojo and its founding members.

Recognizing the importance of supporting small and micro-entrepreneurs for economic development in emerging markets, SMBC also provided a social loan to SATYA MicroCapital Limited, Gojo Group's Indian subsidiary, in August 2024. This loan incorporates SMBC's "Social Deposits," sourced from Japanese companies and individuals.

The execution of this social loan has generated a significant impact for both companies.

Regarding the impact, Shin emphasized, "Following SMBC Group's provision of the

social loan, other Japanese financial institutions have intensified their focus in this area. This trend has had a profound impact. While lending for financial inclusion is well-established in Europe and the U.S., Japanese banks have had little experience in this field. I believe this initiative not only helps bridge the poverty gap within the industry but also contributes to closing the gap globally."

Takanashi reflected on the impact that the provision of social loans had within the company, stating, "Initially, we faced challenges in gaining internal understanding, as we had little experience with financing microfinance. However, since addressing issues like poverty and inequality, we've established connections with new partners and seen more in-depth discussions within the company, creating a positive cycle."

Achieving financial inclusion requires a comprehensive approach to multiple social issues, such as poverty, education, health, and gender inequality. Tackling these complex challenges depends on partnerships and collaboration between companies with shared goals and expertise.

Access to basic financial services is a crucial tool for individuals to shape their own future. Advancing financial inclusion can reduce social exclusion and division, helping to create a society where everyone can live securely and contribute in their own way.



Taejun Shin Founder & CEO, Gojo & Company, Inc.

Masayuki Takanashi Executive Officer, Group CSuO, Sumitomo Mitsui Financial Group, Inc.

My Shaka-kachi spirit : A source of growth for individuals, organizations, communities, and businesses

Clean Water Access for Rural Families in India

Enhancing Living Standards and Empowering Women Through Blue Loan

Rajasthan, a state in northwestern India, faces severe water scarcity due to its arid climate and depleted groundwater. Many rural households struggle to access safe drinking water, forcing women to walk long distances daily to collect water for the family. This issue limits women's education and economic opportunities, hindering the region's development.

To address this challenge, the Indian government launched the policy initiative 'Jal Jeevan Mission' in 2019 to provide clean water to all rural households. As part of this effort, the Housing and Urban Development Corporation Limited (HUDCO), which supports housing and infrastructure development, raised funds to build water supply infrastructure in Rajasthan. Sumitomo Mitsui Banking Corporation (SMBC) provided approximately USD 440 million in loans, including a "Blue Loan" specifically designated for water-related projects.

Abhishek Gupta from SMBC Singapore Branch's Global Financial Institutions Group highlighted the importance of this initiative:

"Providing households with access to clean water enables women to use the time and energy previously spent collecting water for self-improvement, spending more time with the family and income generating activities. This also allows them to engage in small time business activities and generate additional income for the household. This project will not only improve living standards but also empower the women in the rural part of India."

01

Developing the Blue Loan Framework

A blue loan provides financing for initiatives including, but not limited to, improvement of water resource management and marine conservation. In HUDCO's case, there were several challenges in establishing the blue loan framework for the water supply project. Compared to green loans, which address broader environmental initiatives, blue loans have fewer precedents. As a result, there is also a more limited library of international standards offering guidance

on structuring blue loans, alongside a smaller selection of case studies. To ensure the alignment with the selected international standards, HUDCO has developed an internal framework that outlines the underlying transaction use of proceeds. The framework demonstrates how they correspond to the use-of-proceeds categories specified by reference international standards. SMBC Singapore Branch's Sustainability Solution Group (SSG) referred to the Blue Bond Principles published by the International Finance Corporation (IFC) in January 2022. They explored using this as a guide to develop HUDCO's own framework to align the blue loan with international standards.

Giuseppe Dell'Edera from SSG, who led this effort, explained:

"Many stakeholders in the region initially

underestimated the wider range of assets and projects eligible for blue labeling, which extends beyond ocean-focused projects to include investments in the research,



design, development, and implementation of efficient and clean water supply and sanitation."

02

Implementation and Outcomes of the Blue Loan for HUDCO

Through this process, the loan to HUDCO was finalized as its first blue loan. This will provide many rural residents in Rajasthan with access to piped water. Abhinav Kalra from SMBC New Delhi Branch's Global Financial Institutions Group emphasized the impact of this loan:

"As of October 2024, approximately 78% of India's 152 million rural households have access to piped water. This project will help bring that percentage closer to 100%. Additionally, this project will help resolve the issue of water leaking or spilling as women travel long distances to get water from wells which will significantly reduce water wastage." Dell'Edera added, *"Having examples of such important initiatives is a significant strength when expanding into other markets. For instance, in Indonesia, where access to clean*

water and sanitation is a serious issue, we have shared this example with government agencies, clients, and stakeholders at our subsidiary, PT Bank SMBC Indonesia Tbk." This demonstrates the potential for expanding such efforts to other regions.

Regarding the relationship with HUDCO, Kalra reaffirmed their commitment to expand their support, saying, *"We seek to explore providing additional funding support to HUDCO in blue, green and social sectors and advance initiatives that can impact the lives of many families in India."*

Reflecting on this project and his learnings, Gupta shared,

"As a banker, we tend to see transactions as simple funding activities. However, it is essential to consider the broader societal impact of these loans. This project demonstrates how financing can transform lives, significantly improving the daily experiences of hundreds of thousands of women. For me, it was a valuable learning experience. We must broaden our perspective and focus on the intangible impact we can create in people's lives."

Dell'Edera echoed this sentiment of impact. *"We often spend a significant amount of time debating whether a project is classified as 'blue' or 'social.' However, the real question is, 'What is the impact?' The development and labeling of international standards are crucial*



as the market evolves, helping to prevent greenwashing and mitigate reputational risks. However, we must ensure that the focus remains on the core issue: understanding the actual impact of our actions and the projects we help realize. For example, in this project, the true value is not in the blue loan amount but in the fact that millions of people are now given a chance to access clean water, significantly improving their standard of living."



Abhishek Gupta

Executive Director & Head of Banks & NBFC Coverage – South and Southeast Asia, Global Financial Institution Group, Sumitomo Mitsui Banking Corporation, Singapore Branch

My Shaka-kachi spirit : **Positively impacting the community.**

Giuseppe Dell'Edera

Assistant Vice President, Sustainability Solutions Group, Sumitomo Mitsui Banking Corporation, Singapore Branch

My Shaka-kachi spirit : **Empowering individuals and communities facing inequality and poverty.**

Abhinav Kalra

Director, Global Financial Institutions Group, Sumitomo Mitsui Banking Corporation, New Delhi Branch

My Shaka-kachi spirit : **Creating positive impact on society.**



Empowering Women in Rural Areas with Digital Innovation

Driving Sustainable Change Through Digital and Community Support

Indonesia is the most populous country in Southeast Asia, with a promising emerging economy and significant potential for future growth. However, beneath this growth, Indonesia continues to struggle with poverty and pronounced disparities across genders and regions. These challenges are especially pronounced in rural areas, where many people remain trapped in cycles of poverty.

To address this situation, it is essential to support women, who play a crucial role in sustaining local economies. Women living in rural areas possess significant potential to revitalize regional economies, yet their ability to fully realize this potential is constrained by limited access to education and financial services.

Saenah Farida, Financing Business Division at PT Bank BTPN Syariah Tbk, a subsidiary of PT Bank SMBC Indonesia Tbk, highlights the challenges faced by the Bank's primary customer base which are women living in rural areas. *"Over 70% of our customers have completed only elementary or junior high school as their highest level of education. While they often show strong motivation to start their own businesses, they typically have limited financial literacy and entrepreneurial skills, so they have difficulty expanding or making their business sustain,"* she explains.

Furthermore, The COVID-19 pandemic has severely impacted rural communities. Many of the Bank's customers faced significant financial difficulties as their business revenues declined. With their business at risk, they were compelled to either improve their operations, shifting the business or start a new business. However, not only financial assistance was required to overcome these challenges, but also practical knowledge and skills to start and improve the business were needed. In response to these circumstances, the Bank launched the *BESTEE Program* in 2021, a comprehensive support initiative designed to address these needs.

01

"BESTEE Program": Promoting Women's Empowerment in Rural Areas Through Digital Technology and Community Support

equipping women in rural areas with the skills and knowledge needed to earn income through their businesses. This includes guidance on sales techniques, marketing strategies, financial management, and other essential business practices to help ensure their success.

The *BESTEE program* integrates a digital platform to connect customers and facilitators, enabling access to essential information and training resources. Customers can use the mobile app to learn at their own pace, while facilitators input activity records into the platform to monitor progress. This approach not only streamlines

the training process but also improves transparency and efficiency. Facilitators participating as mentors in this program include students from 323 universities across 26 provinces in Indonesia. As part of the initiative, these students visit women entrepreneurs in rural areas, providing practical guidance on business improvement topics such as branding strategies, marketing and social media utilization. Additionally, students leverage the digital platform to record and manage training sessions and track the progress of business improvements. This enables them to analyze customers' business conditions and



propose tailored improvement strategies. Saenah emphasizes the program's value, stating, *"The experience of engaging with the needs of local communities on the ground is a valuable opportunity for nurturing the next generation of leaders."*

Program participants learn to develop sales strategies in promoting their own product through social media, enhance product branding, and improve packaging, resulting in increased business revenue. As of June 2024, a total of 83,296 customers have participated in the training, with 57% demonstrating positive changes in their business operations. For example, one participant, who produces traditional textiles called *tenun*, significantly increased the sales by promoting products on Facebook and Instagram with the help of student facilitators. Another participant successfully attracted customers from urban areas by improving their online visibility through Google, capitalizing on growing demand from tourists.

02

From Individual Achievements to Collective Improvement of the Community

The impact of the *BESTEE* program goes beyond the success of individual customers.

By fostering mutual support among customers as a community, the program builds a foundation for overcoming poverty and inequality across the entire region. *"Achieving sustainable growth requires customers to maintain discipline and work together as a community to pursue collective progress,"* Saenah emphasizes. The success of each participant creates a ripple effect, spreading to others within the community and driving positive change. This, in turn, strengthens the community and establishes a foundation for sustained economic and social growth.

However, increasing participation in the *BESTEE program* comes with its challenges. First, building customer interest and understanding of this empowering program is essential for developing their business, as customer must be willing to invest time and focus in order to participate effectively. Additionally, many customers are unfamiliar with using digital platforms, requiring guidance to use the application effectively. Moreover, since most rural customers primarily speak local languages, facilitators need to be fluent in these languages to effectively communicate and provide guidance.

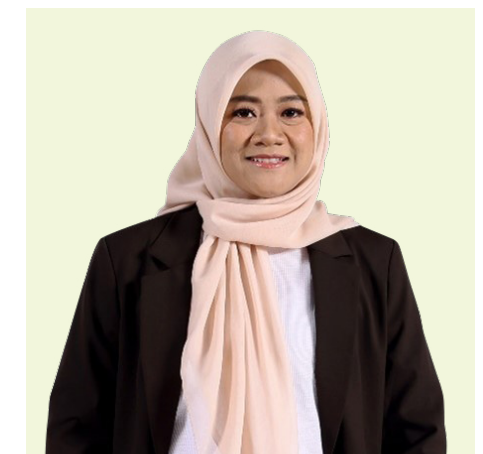
To address these challenges, the Bank has been promoting the program in customer routine meetings, and increasing awareness of local communities through socialization and social media campaigns. Additionally, the company is working to deploy facilitators with



strong local ties and language skills to better support customers in their native languages.

Looking ahead, the company plans to expand the *BESTEE program's* support to areas beyond rural regions. It also aims to further strengthen collaboration with universities, educational institutions, startups, and government entities by creating a framework that encourages broader participation in the program. These efforts are designed to foster empowerment community throughout Indonesia.

Saenah concluded by sharing her vision of the *BESTEE program*: *"Our goal is to create social value by empowering communities, particularly women in rural areas who face economic and social challenges. The BESTEE program serves as a flagship initiative, striving to enable individuals and communities to achieve sustainable growth and pass on their success to the next generation."*



Saenah Farida

Distribution Head, Financing Business Division,
PT Bank BTPN Syariah Tbk

My Shaka-kachi spirit : **BESTEE: Promoting Women's Empowerment in Rural Areas Through Digital Technology and Community Support.**

Atelier Banrai-ITABASHI-

Creating a New Space for Children's opportunities to experience

After school at a facility in Itabashi, children engage in various activities at their own pace. Some quietly enjoy reading their favorite books in a reading corner, while others focus on their homework in a study area. During programming sessions, these future creators work intently on coding. At a local children's cafeteria regularly run by local residents, adults and children share meals and conversations in a lively atmosphere.

To create such an environment, *Atelier Banrai-ITABASHI* will open in April 2025. This space is designed to be "a place of belonging" outside of school and home, where children can explore their potential through creative ideas, new challenges, and interaction with local communities and businesses.

01 Providing Diverse Learning Experiences to Spark Children's Curiosity

management plan launched in May 2023, SMBC Group has focused on addressing one of the key social challenges: eliminating poverty and inequality. Last year, efforts were concentrated on reducing educational disparities, and this year, the focus has expanded to eliminate experience inequality.

In Japan, there are children who lack adequate opportunities for enriching experiences due to various circumstances. These experiences, often referred to as fostering "non-cognitive skills," are essential for leading fulfilling lives. By nurturing curiosity, motivation, and self-esteem, children can work toward achieving their dreams, pursuing education, and building meaningful careers. Providing diverse experiences is crucial to support these developments.

"Experiences are vital for shaping children's futures. It is important to ensure that children have access to these opportunities close to their community if they wish," says Okaya.

At *Banrai*, a variety of programs are offered to nurture children's curiosity and independence through the process of

choosing and deciding for themselves. For example, the hall on the first floor hosts classical music concerts, movie shows, and programs by companies. On the second floor, the kitchen facilities are utilized for activities such as noodle-making workshops and vegetable classes organized by companies, barista training for coffee, and chocolate-making sessions run by NPOs. Additionally, the space will host local children's cafeterias. These programs will provide diverse learning opportunities and hands-on experiences.

The facility will house a collection of approximately 4,000 books, categorized into themed sections designed to spark curiosity, such as "About Yourself," "The Future," and "Learning and Mastering." There will also be a relaxing manga corner under the theme "Unwind." Moreover, the facility plans to



integrate its workshops with the library. For example, during a food-related workshop, books on food will be featured in a special display, encouraging children to deepen their understanding and explore topics from multiple perspectives through reading after their hands-on experience.

02

Building a System Where the Community Supports Children's Growth

As a "place of belonging" outside of school and home, *Atelier Banrai-ITABASHI* places great importance on creating a safe and comfortable space where children can spend time freely. Okaya explains, *"It's important to have a place where children can visit without any specific purpose and just relax. Whether they choose to do nothing, read a book, or work on their homework, it's entirely up to them. The facility also serves as a space for relaxation."* These words reflect the strong desire for *Atelier Banrai-ITABASHI* to become a sanctuary for children, deeply rooted in the community, and cherished for



years to come.

Banrai aims to create a positive impact not only for children but for the entire community. The children's cafeteria provides a space where local residents can participate, fostering new connections with children. In addition, employees from companies volunteer at the facility, strengthening ties with the community and a sense of unity with society.

"We believe that by increasing opportunities for children to learn and experience, and by building a system where businesses, NPOs, and the local community work together to support children's growth, we can bring positive change to society as a whole," explains Okaya, highlighting the significance of the facility.

Looking ahead, *Atelier Banrai-ITABASHI* plans to further expand the diversity of its programs, aiming to balance learning and hands-on experiences. The facility also intends to evaluate and measure the positive impacts (social impact) on society and children who use the programs, analyzing these outcomes to inform future program design. Furthermore, by sharing the evaluation results with partner companies, local governments, and other stakeholders, it will encourage broader understanding of its initiatives' value and foster further collaboration and support.

"We hope that the Atelier Banrai-ITABASHI project will serve as a model, inspiring similar initiatives in other regions and companies. We aim to extend such efforts, encouraging society to consider creating spaces where children can feel they belong," says Okaya, sharing the project's vision.

Atelier Banrai-ITABASHI was born from the desire to provide every child with experiences and spaces where they can discover their potential. It aspires to become a central hub where many children gather, supported by various stakeholders, and contribute to revitalizing the community.



Ryoko Okaya Senior Vice President, Senior Sustainability Expert, Sustainability Development Dept., Sumitomo Mitsui Financial Group, Inc.
My Shaka-kachi spirit : **Initiatives to make a better tomorrow for future generations.**

Reducing Educational Disparities with Study Coupons

A New Support Model through Collaboration with NPOs and Local Governments

Poverty has a profound impact on children. In economically disadvantaged households, basic needs such as food, clothing, and housing are often unmet, restricting the necessary environment and opportunities for healthy growth and development.

Children from these families also have limited access to learning and extracurricular experiences outside of school. This can influence their future career prospects and income, leading to an intergenerational cycle of poverty. Additionally, social factors such as the COVID-19 pandemic and rising living costs have further widened educational disparities, making the issue increasingly severe.

Since 2023, SMBC Group has been partnering with the public interest incorporated association, Chance for Children (CFC), to break the cycle of poverty by addressing educational disparities. Through financial support and employee participation, SMBC Group actively supports CFC's activities to provide children with access to learning opportunities and valuable life experiences.

As part of this collaboration, SMBC Group, CFC, and Kamakura City launched the *Kamakura City After-School Empowerment Project* in October 2024, further enhancing efforts to support children.

01

Seconding employees helps foster a partnership beyond financial support

CFC provides *Study Coupons* (vouchers), which cover tutoring, extracurricular activities (sports and cultural programs), and camps to address educational disparities. Rather than providing cash payments, the coupon system ensures that funds are used specifically for learning and experiences, guaranteeing children access to educational opportunities. This initiative offers diverse learning and growth experiences.

In cooperation with Chance for Children, SMBC Group plans to provide 300 million yen over three years to support the "SMBC Group

Study Coupon" project. In addition to financial support, SMBC Group also provides personnel assistance through employee secondments, launching a collaborative initiative with CFC.

Yusuke Imai, Representative Director of CFC, recalled, "SMBC Group's proposal included not only financial support but also employee secondments, showing their strong commitment to this initiative. I also felt a significant shift in the times, seeing a major bank actively engaged in such efforts."

Kanako Mishima from SMBC Group's Sustainability Development Dept. had a strong interest in poverty and inequality since her student years and voluntarily applied for a secondment to CFC. She then gained a much deeper understanding of poverty through hands-on experience at CFC. "By interacting with beneficiaries and their families and observing CFC staff's efforts up close, I gained a much clearer understanding of

relative poverty and household circumstances. I initially believed that offering support alone would be sufficient. However, I came to realize that assistance alone is not always utilized effectively. It is crucial to consider how to ensure proper use of support. Learning about challenges beyond just providing aid allowed me to see this issue with greater clarity and depth."

Imai emphasized that Mishima's secondment to CFC was a key factor in the collaboration with SMBC Group.

"At first, we were concerned that SMBC's large financial contribution might establish a power



imbalance. However, thanks to Mishima seamlessly integrating into CFC and serving as a bridge between us and SMBC Group, we have now built an equal partnership. She actively shares daily updates and information, while facilitating study sessions and joint learning opportunities with SMBC Group. This dynamic, two-way communication has strengthened our relationship even further."

02

Expanding the Corporate-NPO-Government Collaboration Model Nationwide

To achieve CFC's mission of "Providing diverse educational opportunities for children in poverty to help them reach their full potential," a comprehensive social framework, including public support systems, is essential. To tackle this issue, the *Kamakura City After-School Empowerment Project* was launched to support municipalities in their efforts to eliminate educational and experiential disparities and promote policy development.

Kamakura City has a strong history of education and child support initiatives, such as subsidies for free schools and the establishment of alternative schools for non-attending students. This project, in collaboration with Kamakura City, CFC, and SMBC Group, seeks to establish a new support model by utilizing private funding. By leveraging each partner's strengths, the

project seeks to increase the adaptability of private sector initiatives and improve information dissemination and impact assessment through municipal networks. This project also serves as a model for cross-sector collaboration, encouraging other municipalities and companies to implement similar initiatives.

The project places great importance on establishing an equal partnership among the three parties. Responding to Kamakura City's requests, the support is not limited to tutoring but extends to cultural activities and nature experiences, taking advantage of the city's natural environment, including the ocean, mountains, and historical sites. To make this possible, the project offers coupons that can be used for a variety of activities. In FY2025, it is planned to distribute 80,000 to 100,000 yen worth of coupons per student annually.

Parents and children have expressed their gratitude, sharing that they had felt frustrated about not being able to support their children's interests, and were deeply appreciative of this opportunity. Some felt a strong sense of support from society, while others expressed a newfound desire to help others in the same way someday.

Moving forward, the plan is to use the three-party collaboration with Kamakura City as a model to expand the initiative nationwide.

Imai emphasized, "A key innovative aspect of this project lies in its collaboration between

private companies, specialized non-profit organizations, and local governments, with businesses providing financial resources. This business model offers a potential solution to the crucial question: 'Who will be responsible for delivering public services in addressing poverty?' Beyond poverty and inequality, this approach could inspire various initiatives in other fields, potentially have a significant impact on Japanese society."

Mishima expressed her enthusiasm for the future, saying, "There are limits to what a single company or organization can achieve. That is why it is crucial for diverse businesses and groups to collaborate for a bigger impact. To make this a reality, our first priority is to enhance the project itself, and actively communicate its effects and the changes it brings."

Mishima also shared her thoughts on the value of CFC's overall support activities: "What stands out to me is that it's not just the children using the coupons who benefit. Everyone involved, including the supporters and those around them, becomes brighter and more joyful. We've received positive feedback from both families and local organizations. I truly feel that this initiative brings a sense of hope and positivity to everyone involved."



Yusuke Imai Representative Director, Chance for Children, Inc.

Kanako Mishima Vice President, Sustainability Development Dept., Sumitomo Mitsui Financial Group, Inc., Chance for Children, Inc.

My Shaka-kachi spirit : A light that brightens people and society.

Fun and Engaging Financial and Economics Education for Children

New Value Created by Finance × Edutainment

The widespread use of cashless payments has made it easier to pay with smartphones. However, this convenience has brought a new challenge: the reduced sense of spending compared to using cash. For children, in particular, there is a risk of misunderstanding that "anything can be bought with a smartphone," which may lead to a shallow understanding of money as they grow up.

In addition, with the lowering of the legal adulthood age in 2022, high school students who turn 18 can now enter into credit card and loan agreements. While responsible and planned usage is essential, a lack of awareness could result in financial difficulties.

Given these circumstances, it has become increasingly important to acquire financial literacy at an early age and provide financial and economics education to children.

01

Developing Educational Materials to Teach Children About Finance in an Enjoyable Way

Responding to the social challenges mentioned earlier, SMBC Group is actively promoting financial and economics education. Among these efforts, SMBC Consumer Finance has been conducting financial and economics education seminars since 2011. Through these initiatives, the company aims to improve consumers' financial literacy, avoid financial troubles, and design life plans that align with their dreams and goals.

The company has taken a multifaceted approach, including organizing seminars tailored to different age groups and knowledge levels, developing educational materials, and implementing financial

literacy certifications. The number of seminar participants has grown significantly, from 130,000 in FY2013 to over 280,000 annually a decade later. This increase has also expanded the participant demographic, with more university students and young professionals joining in addition to the original target audience of high school students.

On the other hand, financial and economics education presents challenges, particularly for elementary school children, as they often struggle to understand financial terminology. Explaining the meaning of these terms is a common hurdle. Shingo Kouta from the Tokyo Customer Service Plaza, who promotes the importance of financial literacy through exhibitions and educational programs, notes, "While children show interest when we engage with them directly, they generally have little initial interest in financial concepts or risks." This is a key challenge in introducing financial and economics education to younger audiences. To address this challenge, the company

collaborated with Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation to introduce an edutainment approach—blending education and entertainment—to make financial and economics education enjoyable and accessible for children. In March 2024, they launched the game-based learning tool *Quest of Finance: The Hero's Weapon is Financial Knowledge*.

In *Quest of Finance*, players complete various quests to collect 100 coins and pull the legendary sword to defeat the Dark Lord. Through this storyline, children learn the basics of earning, saving, and spending money. Designed using Minecraft, a game popular among children, the tool helps



them naturally develop financial literacy and an understanding of money management. This game-based learning tool incorporates scenarios such as being offered a "guaranteed way to make money," allowing children to experience simulated scenarios of scams and financial troubles while playing. Speaking about lessons using this tool, Kouta explains, "When we reflect on in-game challenges—like saying, 'Remember the trouble we faced in the last quest?'—and relate them to real-world news and examples, it makes the learning experience more realistic."

To ensure an engaging and educational game design, the development team carefully balanced learning elements with gameplay, consulting with supervisors throughout the process. Mai Shimomura from the Sustainability Development Dept. notes, "We designed the game with a difficulty level that isn't easy to clear, encouraging players to try again. This repetition helps deepen their learning." As intended, many children who played the game expressed enthusiasm, frequently saying, "I want to play it again!". *Quest of Finance* has been introduced into high school classes. Kouta shares that during



a seminar at a home economics teachers' meeting, many teachers expressed concerns about teaching financial and economics education, saying, "We know it's necessary, but we lack the knowledge and don't know how to teach it." In response, *Quest of Finance* was proposed as a fun and engaging learning tool, leading to its adoption in classrooms.

Shimomura points out that parents also face

challenges with financial and economics education for their children. "Many parents feel pressured to teach asset management, which can seem overwhelming. However, what children need to learn first is not asset management but the fundamental value and purpose of money. Money is a tool to achieve future goals, and it's important to teach children how to plan and save strategically for those goals. We hope to expand opportunities for children to learn about money in a fun and engaging way through *Quest of Finance*," Shimomura explains.

02

Expanding Financial and Economics Education to Reach More Children

Looking ahead, a key focus is to provide financial and economics education to children who are harder to reach, such as those who are not attending school or have disabilities. This is an important challenge in ensuring financial and economics education reaches a broader audience.

Kouta, who conducts financial and economics education seminars at schools, shared his experience from a seminar for children not attending school, saying, "I was really touched when a student sent me a message saying 'thank you' in the chat at the end."

In another seminar for children at a school

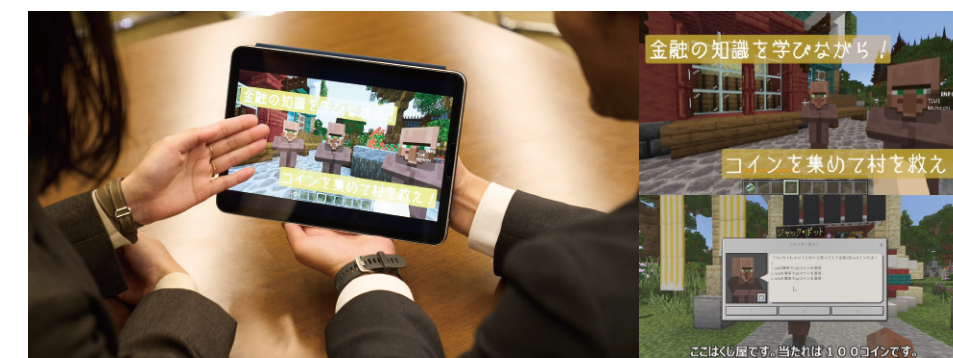
for the deaf, he noted, "I felt they were highly engaged and interested. Teaching financial literacy to individuals who are deaf or hard of hearing is extremely important, and I deeply felt its significance." These reflections highlight the importance of expanding financial and economics education to include all children, regardless of their circumstances.

Minecraft's large user base in English-speaking regions has led to requests for *Quest of Finance* to support multiple languages, including English. With this in mind, there are plans to use the tool as a starting point for promoting financial and economics education on a global scale in the future.

Reflecting on the initiative, Shimomura shared, "By connecting with groups we hadn't previously engaged with allowed us to listen to needs we hadn't noticed before and create new relationships. Through *Quest of Finance*, I've strongly felt the importance of financial and economics education and its potential for expansion."

She added, "Learning about finance not only helps alleviate anxiety about money but is also essential for living a fulfilling and authentic life. It empowers individuals to enrich their lives. Moreover, I believe that financial institutions' efforts in financial and economics education contribute to their own sustainable growth and enhance corporate value in the medium- to long-term perspective."

Additional Information: Minecraft is a trademark of Microsoft Corporation. This educational tool is not endorsed by Microsoft or Mojang Studios, the developers of Minecraft, nor is it provided as an official product.



Shingo Kouta Manager, Tokyo Customer Service Plaza, SMBC Consumer Finance Co., Ltd.

My Shaka-kachi spirit: **Activities to turn ideas into reality.**

Mai Shimomura Manager, Sustainability Development Dept., SMBC Consumer Finance Co., Ltd.

My Shaka-kachi spirit: **A means to enrich life.**

A New Perspective: Student Art Enriching Bank Spaces

Continuity in Action: Art as a Tool for Branding and Dialogue

The combination of “student art and banking” may seem unconventional at first glance. However, at SMBC Trust Bank, it has become common to see student artworks showcased in branches across Japan. This initiative is the result of over a decade of consistent effort and dedication.

01

Launching Student Art Exhibitions Triggered by Headquarters Relocation

The beginning of this initiative dates back to 2013 when Societe Generale Private Banking (Japan) Ltd. joined SMBC Group, rebranded as SMBC Trust Bank Ltd., and relocated its headquarters to Nishishimbashi, Tokyo. Initially, there was an intention to enhance the ambiance of reception areas, frequented by high-net-worth clients, with carefully selected artworks. While professional art pieces are often showcased in such spaces, this approach presented certain challenges. It offered limited opportunities for creating unique customer experiences and acquiring artworks as bank assets introduced additional management complexities.

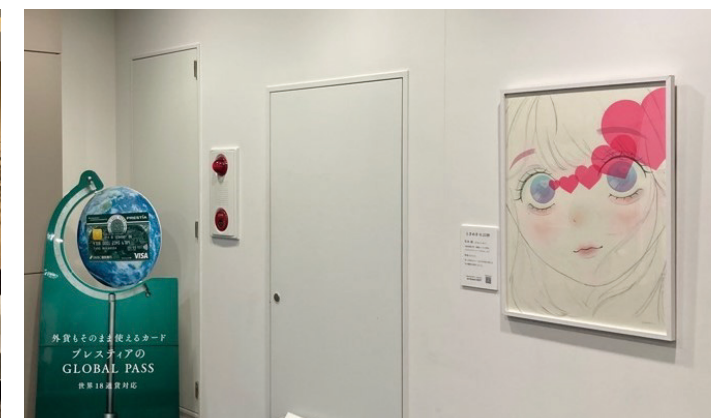
At the time, Hiroko Kato, then a member of the Corporate Planning Dept. (now with the Consumer Business Development Dept.), consulted with the company's president, who had a strong appreciation for the arts. Together, they decided to support young artists by displaying works by art university students. Kato, who had spent many years working at a French financial institution, explained, *"In Europe, there was already a strong culture of supporting young artists, and I felt it was important to integrate a similar approach in Japan. Additionally, I wanted to provide students with the opportunity to showcase their works to the public, offering them valuable experience as they prepared to enter society."* The student artworks displayed in the reception areas, showcasing fresh and unique perspectives, offered a novel experience even for art-savvy clients. These pieces often initiated natural conversations between clients and employees, centered on the themes or intentions behind the exhibits. The artworks were also available for purchase

through arrangements with the universities. Whenever a client decided to buy a piece, the university would provide feedback, often noting that *"The artist was very happy."* Reflecting on a memorable moment, Kato shared, *"There was an occasion when we facilitated the first handover of a student's artwork to a buyer. I still vividly recall the client's heartfelt expression and how the student's hands trembled with emotion. Seeing clients recognize the value of these students' creations and express hopes for their future gives us a profound sense of fulfillment."*

02

Expanding Student Art Exhibitions to Branches Nationwide

Building on this initiative, SMBC Trust Bank has strengthened its efforts to promote art not only as a service for clients but also as support for future artists. Between 2019 and 2020, the Nihombashi branch hosted *Art Branch*, an exhibition featuring works by globally recognized Japanese contemporary artists. This event was designed to sustain Japanese culture and provide "refined client experiences." Following this initiative, strong internal



demand emerged for the continued display of artwork. In response, the program was expanded into *PRESTIA Art Branch NEXT*, where paintings and sculptures by art students are now exhibited at branches nationwide. Regular artwork rotations have been introduced to offer greater exposure to a diverse range of artistic expressions.

PRESTIA Art Branch NEXT customizes its exhibitions to suit the unique character of each branch. For example, branches in business districts, such as the Nihombashi branch at the time, feature abstract art or works with subdued tones to create a refined and sophisticated atmosphere. In contrast, suburban branches that frequently welcome families display animal-themed or brightly colored, soft-toned artworks to create a friendly and warm environment. At the Hiroo branch, which serves many international clients, anime-style pieces reflecting Japanese culture are carefully curated to engage conversations through cultural themes. Mondo Uchida from the Consumer Business Development Dept., who oversaw this project, shared his thoughts, *"Before working on this project, I had little awareness of branch interiors. However, looking back from my current position, I've come to realize that the sophisticated color schemes, furnishings, and the overall organized space are key features that set our branches apart. By using artworks to enhance the beauty of our branches and offering visitors moments of inspiration and discovery, we want to provide a one-of-a-kind experience that goes beyond the traditional role of a bank branch."*

03

Redefining Banking Through Art

The success of this decade-long project is sustained by a strong commitment to continuity, thoughtful planning, and the support of many individuals. *"The most important aspect of this project is to commit to 'continuing' it,"* Kato explained. *"I believe it would be disrespectful to both the beneficiaries and society at large if meaningful initiatives were to end prematurely. That's why we've focused on creating a framework that is sustainable not only for us but also for our partners, including university professors, students, and the people around them."* During the annual rotation of exhibited works, the process is carefully managed in collaboration with university professors to ensure it does not place undue burdens on the students. In addition, replacement events occasionally include inviting not only the students but also their families to viewing sessions. These moments often bring joy and gratitude from the families, further reinforcing the significance and impact of this initiative for everyone involved. *"We hope to continue this initiative as long as the bank exists,"* they shared. *"In 2025, as we mark the 10th anniversary of this project, we plan to organize a special exhibition of student artworks, providing an opportunity to reflect*

on the achievements made so far." Looking ahead, the team expressed their aspirations. *"We want to enhance branch branding and customer experiences while further expanding the scope of activities to include public exhibitions and displays in commercial hubs such as Shibuya and Marunouchi."* Regarding future plans, Uchida shared, *"Art offers 100 different interpretations for 100 people, and each viewer interprets art differently. By expanding the spaces for such conversations, we believe we can create a broader and more meaningful social impact."* Displaying student artworks in the unique setting of a trust bank offers a unique value that extends beyond mere visual appeal. It provides clients with fresh experiences and opportunities for dialogue while offering invaluable experiences for students and universities alike. The dedication and efforts of those involved, as well as the strong trust established with partner universities, have sustained this decade-long initiative. Student artworks will continue to brighten the landscape of the bank, fostering meaningful conversations and enriching experiences for all.



Mondo Uchida Consumer Business Development Dept., SMBC Trust Bank Ltd.

My Shaka-kachi spirit : **Expanding new interests, perspectives, and conversations.**

Hiroko Kato Senior Vice President, Consumer Business Development Dept., SMBC Trust Bank Ltd.

My Shaka-kachi spirit : **Awareness, dialogue, and continuity.**

How *stera transit* is Shaping the Future of Japan's Transportation

Addressing Tourism and Regional Challenges Through Contactless Payment Solutions

The *stera transit* project, led by Sumitomo Mitsui Card Co., Ltd., aims to revolutionize public transportation through its contactless payment solution. Since its launch in Japan in 2020, the system has gained widespread adoption both domestically and internationally, quickly establishing itself as a new standard in transit payment technology.

This project enhances the passenger experience by enabling stress-free travel. Sumitomo Mitsui Card envisions a future where daily public transportation is made easier through the simple tap of a contactless payment.

Through *stera transit*, the company collaborates with transportation operators across Japan to provide a more convenient, comfortable, and accessible way to travel, while working to improve the country's transportation infrastructure and create a more efficient future for public transit.

01

stera transit's Vision of a Transportation Innovation and Japan's New Everyday Life

stera transit plays a key role in Japan's growth strategy, particularly in promoting the country as a top tourist destination and driving regional revitalization. Masatoshi Ishizuka from the Transit Business Promotion Dept. once observed the challenges faced by tourists in Japan.

"At a local railway station, I witnessed a foreign family struggling to buy tickets from a vending machine. They first had to switch the display from Japanese to English, which took a lot of time. In the end, it took them about six minutes to complete the purchase, causing local passengers waiting behind them to miss their train."

stera transit eliminates the hassle of using public transportation in tourist areas, providing a smooth and convenient travel experience. With this system in place, tourists no longer need to purchase new

transportation IC cards or buy tickets from vending machines. Instead, they can simply tap their credit cards or smartphones for payment. By removing language barriers and simplifying processes, *stera transit* creates an easy, user-friendly public transportation experience for everyone.

Furthermore, *stera transit* technology excels in both flexibility and cost efficiency. Its cloud-based system provides seamless nationwide service while significantly reducing implementation and operational costs for transportation operators.

In Japan, transportation IC cards have been widely used nationwide since 2001. These cards operate on a system that requires users to pre-load funds, with balance and usage information stored directly on the IC chip embedded in the card. This setup necessitates specialized equipment for writing data to the chip and facilities for customer service, leading to additional implementation and operational costs for transportation operators.

In contrast, *stera transit* utilizes a unified, cloud-based system that spans the entire country, with user information managed in the cloud. This allows transportation operators to

make full use of their existing infrastructure while significantly reducing the costs associated with adopting new technologies.

02

Building Partnerships with Operators and Technology Partners Amid the Pandemic

The promotion of *stera transit* came with numerous challenges. During the planning phase from late 2018 to the first half of 2019, it was particularly difficult to gain understanding and support for contactless payments from transportation operators.



Ishizuka reflected, *"One of the biggest challenges in promoting the stera transit project was helping people understand the concept, as contactless payments using credit cards were not yet widely adopted in Japan's transportation systems."*

While persistently engaging in discussions with transportation operators, bus equipment manufacturers, and the Ministry of Land, Infrastructure, Transport and Tourism, the project also established a key partnership on the technical front. The encounter with QUADRAC Co., Ltd., a company with specialized technology for enabling contactless payments in transportation, laid the foundation for providing a seamless user experience and facilitated an early entry into the market.

Although the project successfully reached its launch, another major challenge quickly emerged: the outbreak of the COVID-19 pandemic. At the time, ongoing implementation plans had to be temporarily paused. However, with the understanding and support of many transportation operators, the project continued to move forward. Operators who had been engaged since the market research phase expressed strong commitment, saying, *"Things are challenging right now, but please be patient. We will make this happen."* Thanks to this support, they successfully launched the inaugural *stera transit* project in July 2020.



Collaborating Within the Department to Tackle Daily Challenges.

Masatoshi Ishizuka General Manager, Transit Business Promotion Dept., Sumitomo Mitsui Card Co., Ltd.

My Shaka-kachi spirit : Creating everyday life in the future society.

03

Revitalizing Local Economies and Communities Through *stera transit*

One of the key roles of *stera transit* is solving regional challenges by using public transportation data. Ishizuka highlights its significance through the example of Kagoshima City.

"Kagoshima City is facing the issue of a declining population. To sustain and strengthen its economic foundation, it's essential to make the most of limited resources and enhance the region's overall appeal. The tourism industry, in particular, serves as a key pillar for the city, requiring strategic and efficient management. The introduction of stera transit and a data dashboard makes it possible to analyze detailed data, including the number of travelers, the time of day, and even the purpose of their trips. The city can guide tourists to other attractive locations when certain areas become overcrowded by using this data. This helps disperse economic activity, promoting revitalization across the entire region."

Furthermore, Ishizuka highlights *stera transit's* potential applications stating, *"For example, offering fare discounts to those using public transportation for medical check-ups could help extend healthy life expectancy. This is more than just offering fare discounts. It demonstrates how public transportation can play a direct role in supporting community health initiatives."*



Through these efforts, *stera transit* goes beyond simply transforming transportation systems, holding the potential to solve a wide range of challenges faced by local communities.

04

The Future of Large-Scale Expansion for *stera transit*

stera transit plans to expand its services in collaboration with major operators in the Kansai and Tokyo metropolitan areas from 2024 to 2025. Specifically, the goal is to reach around 180 operators by the end of fiscal 2024, approximately 230 operators by the end of fiscal 2025, and to further expand to major railway and bus companies nationwide by around 2026. The vision is for *stera transit* to seamlessly integrate into everyday life across Japan.

At the heart of the *stera transit* project is Ishizuka's strong belief in "making everyday life better" and "creating new ways of living." He shares his thoughts on this important concept.

"I believe that the feeling of 'this could be better' in our daily lives or work is the seed of creating social value. By nurturing these seeds and turning them into business opportunities, we not only generate new value but also create a more fulfilling life for ourselves."

Looking ahead, *stera transit* seeks to evolve from newsworthy innovation to an integral part of daily life. This project will enhance the quality of public transportation across Japan, providing more convenient and comfortable mobility options for many people.

Project Finance for Land-Based Aquaculture in Mie Prefecture

Advancing Japan's Food Self-Sufficiency Through Sustainable Aquaculture

The global food supply faces significant challenges due to increasing demand, frequent extreme weather events, and rising geopolitical risks. Japan, which relies heavily on food imports, is particularly exposed to global supply shortages and price volatility. Enhancing food self-sufficiency and building a resilient supply chain are urgent priorities.

Seafood, a vital protein source in Japanese cuisine, has experienced a significant decline in domestic catch and self-sufficiency over the past decades due to marine environmental degradation and overfishing. The aquaculture industry, an essential pillar of the fisheries sector, also faces challenges. In particular, conventional offshore aquaculture raises concerns about water pollution and ecosystem damage caused by excess feed and fish waste. Addressing these issues and advancing sustainable fisheries are essential steps to ensure that fish remain a cornerstone of Japanese dining in the future. In response to these challenges, a large-scale land-based Atlantic salmon aquaculture project was launched in Tsu City, Mie Prefecture. To support this initiative, Sumitomo Mitsui Banking Corporation (SMBC) arranged project financing of 33 billion yen in May 2024. The facility will produce approximately 10,000 tons of Atlantic salmon annually in Japan, aiming to reduce reliance on imports.

Raku Hayamizu from SMBC's Structured Finance Dept. emphasized the importance of the project: *"Norway, a leading salmon producer with advanced aquaculture technology, is tightening regulations on offshore aquaculture due to environmental concerns. Land-based aquaculture presents a promising solution to many challenges facing the fisheries industry. If this project—one of the world's largest land-based aquaculture facilities—proves successful, it could serve as a key example of sustainable solutions for the industry."*

01

Land-Based Aquaculture: Sustainable Production of Safe, Fresh Fish with Minimal Environmental Impact

The facility employs a completely closed Recirculating Aquaculture System (RAS), where salmon are gradually transferred from smaller to larger tanks as they grow. Water continuously circulates within the tanks, creating a natural flow that minimizes stress and provides an optimal growing environment. Used water is filtered through biofilters and

recirculated, reducing wastewater discharge. Additionally, feed and waste are meticulously managed within the facility, preventing marine pollution and enabling environmentally sustainable aquaculture.

Compared to offshore farming, land-based aquaculture significantly reduces the risk of pathogen and parasite contamination, enabling antibiotic-free farming. This results in safer, higher-value seafood for consumers. Moreover, domestic production of Atlantic salmon reduces dependence on imports and enhances the local supply chain, ensuring that fresher products are delivered directly to demand centers. This project will create new jobs in Tsu City, Mie Prefecture, reduce CO2 emissions from air transport, and contribute to Japan's food self-sufficiency.

Hayamizu underscored the diverse benefits of this project, stating, *"I firmly believe that this land-based aquaculture business addresses various social challenges and will remain essential in the long run. That is why I felt it was crucial for the bank to take an active role in supporting this project."*

However, securing project financing and finalizing the loan agreement required overcoming significant challenges.



02

The Challenges of Project Finance for Livestock and Aquaculture

Project finance is a method of lending where loan repayment depends on the cash flow generated by a specific project, with the project's assets serving as collateral. It is commonly used for infrastructure development. However, this land-based aquaculture project posed unique challenges, as it involves live salmon, introducing risks not typically encountered in conventional projects. *"This project financing was unprecedented in our experience,"* Hayamizu explained. *"The process required a comprehensive analysis and validation of various risks unique to aquaculture. Key concerns included the risk of fish mortality during farming, disease outbreaks, ensuring a stable supply of feed*

and eggs, as well as managing fluctuations in domestic salmon demand and prices. If any of these risks materialize, the project's viability could be severely impacted."

The financing review for this project began around 2020. Since project financing in this sector was both unprecedented and highly complex, a cautious approach was necessary. However, the Structured Finance Department had experience in developing innovative financing solutions for new infrastructure projects that promote socio-economic development. This project marked the start of a new challenge beyond traditional financing methods.

As the project review progressed, Hayamizu took the lead in conducting extensive discussions with experts and relevant departments to assess industry-specific risks. He gathered detailed information on salmon price trends, distribution costs, and large-scale facilities production capacity. In addition to identifying risks and formulating countermeasures, he focused on internal communication to ensure alignment with the bank's approach.

Since this was an unprecedented financing case, considerable time was required for contract negotiations and formation of a syndicate of banks to provide the financing. However, with the support of clients and key stakeholders, the loan agreement was successfully finalized.



Raku Hayamizu Vice President, Structured Finance Dept., Sumitomo Mitsui Banking Corporation.

My Shaka-kachi spirit: **Investment in the future.**

03

Growing Expectations for Project Financing in Sustainability

Since the signing of the loan agreement, there has been a surge of inquiries from businesses interested in land-based aquaculture, reflecting the growing demand for project financing in this sector.

This facility is expected to commence operations in 2027, bringing domestically farmed Atlantic salmon to the retail market. Looking ahead, Hayamizu remarked, *"Signing the loan agreement is merely the starting point. We must remain deeply involved until the project succeeds. Through this project, I have gained valuable insights into land-based aquaculture and hope to extend project financing to other sectors that promote sustainable social development. Financing new, unproven technologies and businesses present challenges, but in the long run, it holds the potential to bring substantial benefits to society. I am committed to supporting such 'future investments' through impactful initiatives like this."*

Comprehensive Partnership Driving Decarbonization in Kikai Town

Building a Resilient Island with Local Microgrids and Renewable Energy

Kikai Town, located in Kagoshima Prefecture, is part of the Amami Islands. The island is formed by the uplift of coral reefs, and is blessed with rich natural surroundings. However, climate change poses a significant threat to the town. Typhoons have become larger and more frequent, causing prolonged blackouts due to the increase of damage to the power lines. Due to the situation, strengthening disaster resilience has become an urgent priority for the island. Additionally, there are concerns about landslides, road disruptions, and water supply interruptions due to the intensification of disasters. Moreover, the rise of sea temperatures caused by global warming poses a threat of coral reef bleaching and death, which could broadly impact both daily lives of the people and tourism resources.

To address these challenges, Kikai Town formulated the Regional Decarbonization Vision in April 2024, aiming for carbon neutrality. The plan focuses on three pillars: energy, lifestyle, and human resource development. Beyond achieving carbon neutrality, the plan focuses on regional revitalization through decarbonization, including the development of clean energy-based transportation networks. In this context, Sumitomo Mitsui Banking Corporation (SMBC), Chiyoda Corporation, and Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL) signed a partnership agreement with the town. Various initiatives are being implemented to establish a model for other remote islands facing similar challenges.

01

Public-Private Collaboration for Regional Challenges and Decarbonization

The Regional Decarbonization Vision prioritizes the use of renewable energy and strengthening disaster resilience. In August 2024, Typhoon No. 10 caused a week-long power outage, leaving evacuation centers without electricity. After signing the comprehensive partnership agreement, Remi Onishi from SMBC's Public & Financial Institutions Banking Dept. visited Kikai Town to assess the impact. Reflecting on the situation, she noted, "Witnessing the reality

of power outages and communication disruptions caused by the typhoons placing a heavy burden on the lives and industries, I strongly felt the need to tackle these challenges as a stakeholder through this project."

Additionally, due to its coral reef-based terrain, Kikai Town has low water retention capacity and depends on underground dams for agricultural water. However, extracting water from these dams requires a significant amount of electricity, making a stable power supply crucial for the town's industrial foundation.

Given this situation, the town is working to establish a local microgrid, capable of supplying independent power during disasters. By incorporating renewable energy into this system, the town seeks to improve disaster resilience while promoting decarbonization.

However, incorporating renewable energy into a local microgrid poses significant challenges. So Ishii, Head of Decentralized Business Development, Strategic Solution & Incubation Dept. of Chiyoda Corporation, explains, "To prevent blackouts, balancing power supply and demand across the island is crucial. However, since renewable energy generation is weather-dependent, maintaining this balance is a hurdle. As a result, many island regions have prioritized thermal power generation for stability."



Overcoming these constraints and integrating renewable energy requires significant investment and a long-term perspective. Therefore, stakeholders in the comprehensive partnership agreement are leveraging their expertise and coordinating closely. SMBC's Sustainable Solutions Dept. dedicated to supporting client's sustainability initiatives, has advised Kikai Town to leverage the subsidy program offered by the Ministry of Internal Affairs and Communications. This program is designed to assist in developing actionable plans to achieve Kikai Town's decarbonization vision. Kikai Town is collaborating with The Japan Research Institute Ltd., an official advisor, to formulate policies for its decarbonization strategy. Meanwhile, SMFL is serving as an asset holder, facilitating the early adoption of renewable and energy-efficient solutions to address regional challenges.

"The local microgrid system developed in this project is designed for economic sustainability. If successful, it could become a model for remote islands worldwide that face similar challenges," says Shunpei Hemmi from SMBC's Tokyo Corporate Banking Dept. 3, emphasizing the project's broader impact.

The Ministry of the Environment's Minister's Secretariat, Regional Policy Division, Office for Circular and Ecological Economy hosted a networking event connecting companies and local governments working on decarbonization. This event ultimately led to this comprehensive partnership agreement. The office shared the following comment on Kikai Town's initiatives:

"Achieving carbon neutrality by 2050 requires maximizing the use of renewable energy adapted to regional characteristics. Therefore, advancing community-based decarbonization is essential. As the importance of public-private collaboration grows, we are encouraged to see Kikai Town establish a comprehensive partnership agreement, fostering decarbonization and regional revitalization through dialogue and cooperation. We hope that Kikai Town, with its rich natural and

cultural heritage, will become a model for decarbonization and local development for island regions."

02

Transforming Kikai Town into a Recognized "Decarbonization Island"

Efforts are underway to decarbonize the town's electricity supply alongside various initiatives. These include promoting electric vehicles (EVs), introducing new transportation systems, composting organic waste, establishing a local plastic recycling system, exploring lifestyles that incorporate coral reef culture, and visualizing Kikai Town's CO₂ emissions. These measures also aim to revitalize the town and attract more tourists. Masanori Nagai, Director for Policy Coordination, General Affairs Division of Kikai Town Office, stated, "We hope SMBC will continue supporting initiatives in lifestyle development and human resource training to increase the town's interaction with



tourists. Furthermore, we welcome the use of Kikai Town as a testing ground, with the goal to scale successful outcomes across the entire Amami Islands."

Ishii added, "By utilizing SMBC's extensive network in logistics and tourism, which are sectors outside our expertise, we can drive the project forward more effectively."

Discussing the project's direction, Onishi noted, "It is crucial to measure the reduction in CO₂ emissions and showcase the tangible impact of our efforts. This will objectively highlight the value created and help garner further support."

Reflecting on the initiative, Hemmi shared, "In 10 to 20 years, I hope Kikai Town will emerge as a 'Decarbonization Island,' gaining recognition both in Japan and globally. If that happens, I would be proud to tell my child, 'I played a role in this island's decarbonization.'"



Masanori Nagai

Director for Policy Coordination, General Affairs Division, Kikai Town Office

Remi Onishi

Vice President, Public & Financial Institutions Banking Dept., Sumitomo Mitsui Banking Corporation.

My Shaka-kachi spirit : Turning future uncertainty into hope.

So Ishii

Head of Decentralized Business Development, Strategic Solution & Incubation Dept., Chiyoda Corporation

Shumpei Hemmi

Vice President, Tokyo Corporate Banking Dept. 3, Sumitomo Mitsui Banking Corporation.

My Shaka-kachi spirit : Actions and initiatives that create a positive future for children.

Asset-Based Lending Secured by Japanese Whisky

Unlocking Value Through Passion for Whisky and Trusted Conversations

Japanese whisky is globally renowned for its traditional production methods, inspired by Scottish craftsmanship and its rich flavors. In recent years, it has grown into a key export product, drawing global attention from whisky enthusiasts, while new distilleries continue to emerge across Japan. Some brands have received prestigious awards at global competitions, cementing the brand value of Japanese whisky.

Despite its success, the Japanese whisky industry faces major challenges in ensuring long-term sustainability and growth. Because whisky requires a long aging process before it can be sold, this extended maturation period strains cash flow, making it especially challenging for new distilleries to secure funding. Moreover, while aged whisky holds significant asset value, conventional financial products have struggled to fully utilize this potential.

To tackle these challenges, Sumitomo Mitsui Finance and Leasing Co., Ltd. launched an Asset-Based Lending (ABL) scheme, assessing whisky as a movable asset and offering loans accordingly. This approach has enabled financing for whisky producers facing cash flow issues.

01

The Whisky Industry's Urgent Challenges and the Proven Effectiveness of ABL Through Producer Dialogue

In the late 2010s, some businesses in Japan started producing whisky with inadequate facilities, straying from traditional production methods. Others imported whisky from abroad, bottled it in Japan, and marketed it misleadingly as “Japanese-made”. Kazuma Onodera, a whisky enthusiast from the Financial Advisory & Solution Promotion Dept., recalls, *“Without a system to support producers truly dedicated to craftsmanship, I was concerned about the future of Japanese whisky.”*

Onodera promoted the introduction of ABL alongside Hiroshi Tomioka from the Agrifood

Business Promotion Dept., who was well-known within the company as a whisky enthusiast. Leveraging their respective networks, the two conducted interviews with whisky producers. Through ongoing dialogue with these businesses, they became increasingly convinced that ABL is an effective tool for securing the time needed for long-term aging.

Tomioka reflects on his experience working with whisky producers: *“If we had approached them solely as a financial institution seeking to assess funding needs, it would have been*

difficult to gain their trust. Instead, we shifted our focus to exploring how we could create a system that contributes to the Japanese whisky industry as a whole. This approach allowed us to have meaningful dialogues with internationally recognized whisky producers.”

As a result, they gained more opportunities for meetings through referrals, enabling deeper information exchanges.

Several obstacles had to be overcome to make this project a reality. First, whisky casks are typically traded in closed transactions, making it difficult to analyze market sales



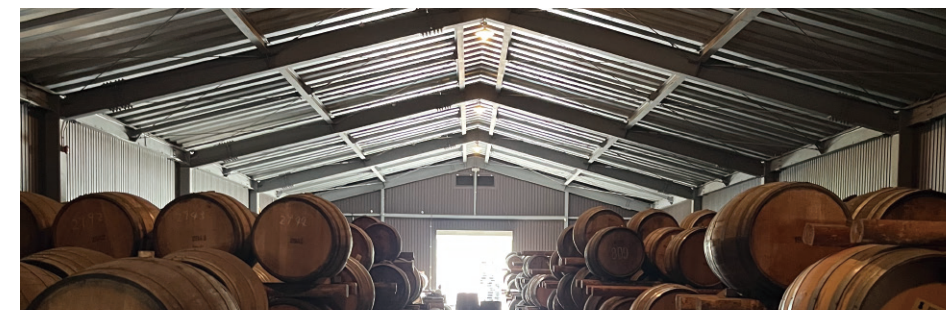
records. Regarding this, Onodera and Tomioka, both whisky experts, carefully explained internally the value of whisky casks, their potential for long-term appreciation, and their storability with minimal risk of deterioration as collateral. They also compiled a list of potential risks during the loan period and engaged in continuous discussions with the Credit Dept. to develop measures to mitigate these risks. Furthermore, several issues had to be clarified regarding the treatment of whisky as collateral under the Liquor Tax Act of Japan, including the applicability of liquor tax and the specific conditions that trigger taxation. To resolve these concerns, they held multiple discussions with the tax authorities in Japan.

02

Regional Development Sparked by the Whisky Industry

Through this process, ABL using whisky casks as collateral was successfully implemented. This initiative not only provides financial support to whisky producers but also has the potential to evolve into a broader approach that generates economic and social benefits for local communities and related industries. Tomioka emphasized the potential for regional development driven by distilleries, stating, *“The ability of local distilleries to attract new investment is highly significant, as it can positively impact the regional economy. Such investments can create new jobs, promote the use of local resources, and ultimately revitalize entire communities.”*

Onodera highlighted the potential of the whisky industry as a tourism driver and its broader economic impact. *“For example, in Scotland, the heartland of whisky, entire towns have developed around distilleries. On Islay, in particular, distilleries attract hundreds of thousands of tourists annually, keeping the unemployment rate as low as 0.6%, effectively achieving full employment. In Japan, Yoichi*



Visited distilleries across Japan to gain knowledge.

Distillery in Hokkaido reportedly attracts around 800,000 visitors per year, generating significant tourism revenue for the region. I hope to see similar initiatives take root in other regions of Japan, following these successful examples.”

03

The Potential of ABL for Broader Applications and the Creation of Further Social Value

The whisky cask ABL initiative is expected to continue, with potential application for other products. ABL is particularly well-suited for items that require a time lag between production and sale, during which their value increases. Examples include juvenile tuna, whole legs of cured ham, fermented foods, aged sake, and grapevines for winemaking. In Italy, there are even cases where 36-month-aged Parmesan cheese was used as collateral for loans.

Looking ahead, Onodera expressed his

enthusiasm, saying, *“By successfully using whisky, a movable asset, as collateral instead of real estate, I believe we have challenged conventional financial practices in Japan. There are still many assets and businesses in Japan that have yet to receive financial support. I hope to actively identify these opportunities and contribute to the country's economic growth.”*

Tomioka also discussed the challenges of ABL and shared his outlook, stating, *“Through this project, we encountered various issues with ABL, including the difficulty of establishing valuation standards for assets like whisky casks, which lack market data. By tackling these challenges one by one and refining the system, we aim to develop a framework that continues to support.”*

Onodera shared his deep passion and vision for the whisky industry, stating, *“Over the past 100 years, Japanese whisky has grown to become one of the world's top five major whiskies. By carefully nurturing this industry over the next 100 years, I believe it has the potential to mature even further and evolve into a thriving sector that continues to bring lasting prosperity to Japan, despite an increasingly competitive global market.”*



Kazuma Onodera

Senior Vice President, Financial Advisory & Solution Promotion Dept., Sumitomo Mitsui Finance and Leasing Co., Ltd.

My Shaka-kachi spirit : **Passing the baton on to the next generation.**

Hiroshi Tomioka

Vice President, Agrifood Business Promotion Dept., Sumitomo Mitsui Finance and Leasing Co., Ltd.

My Shaka-kachi spirit : **Contributing to the company's reputation and value.**

Exploring and Solving Social Issues Through Collaboration with Kyoto University

An Innovation Lab for Creating Social Value: SMBC Kyoto University Studio

In July 2024, Sumitomo Mitsui Financial Group Inc. and The Japan Research Institute Ltd., in collaboration with Kyoto University, established the *SMBC Kyoto University Studio* on the university campus. This studio serves as a platform for addressing various social issues through open dialogue among Kyoto University, SMBC Group, citizens, businesses, and government entities. Its concept aligns with Kyoto University's vision of "harmonious coexistence within the human and ecological community on this planet" and SMBC Group's goal of "Fulfilled Growth," (where people feel fulfilled as economic growth accompanies the resolution of social issues), and serves as a hub for innovation and social impact.

The studio launches projects for each social issue, focusing on research, business creation, and talent development. Specifically, it collaborates with Kyoto University researchers and Japan Research Institute staff to conduct research, translate findings into practical solutions, and implement them in society.

Yosuke Kimura, from Sumitomo Mitsui Banking Corporation, Inc.'s Sustainability Development Dept., and currently seconded to Kyoto University's Institutional Advancement and Communications, emphasizes the studio's uniqueness. "SMBC Group will invest ¥1.5 billion over 10 years to advance research on social issues through collaboration with academia. This goes beyond traditional industry-academia partnerships and represents a serious commitment from SMBC Group."

01

Challenges of "life planning in old age" in an Aging Society

One of the social issues studied at the studio is "life planning in old age" in the final stage of life. In Japan, as the population ages and the number of elderly people living alone increases, more individuals face challenges in end-of-life decision-making. To address this, the studio has set up a project on "Dignified End of Life for All: Building a sustainable support system for life planning in old age"

Decision-making in the final stage of life involves various issues, including housing

arrangements, care decisions, and asset management. Satoshi Kodama, a professor at Kyoto University's Graduate School of Letters specializing in end-of-life medical ethics and project lead, highlights the complexity of these decisions. "Personal values and the reliability of service providers are deeply intertwined when it comes to end-of-life decisions. For example, there is currently no system to ensure that pre-arranged end-of-life services are carried out as intended. Also,

conversations about end-of-life matters are often difficult, making it challenging to understand individuals' true intentions."

Kanae Sawamura, a project lead from the Japan Research Institute's Center for the Strategy of Emergence, notes, "In addition to the burden of making end-of-life decisions alone, many people face the challenge to find someone they can completely trust to make decision for them."



Professor Kodama emphasizes the importance of corporate involvement in addressing these issues. "This project cannot be solved by academia alone; corporate participation is essential. Partnering with SMBC Group, which holds significant influence in the business sector, helps integration of our research with society. In addition, the direct support from SMBC Group through personnel seconded to the university demonstrates their strong dedication."

02

Visualizing Diverse Values as a Step Toward Support Systems

This project seeks to visualize our values on end-of-life planning through dialogue with various stakeholders and use these insights to develop support systems. Sawamura notes, "Discussions with citizens have revealed a coexistence of two perspectives: the desire to avoid burdening family members while simultaneously wanting to entrust important matters to loved ones." Collecting a range of perspectives and incorporating them into a structured decision-making support system is one of the project's key objectives.

The project also seeks to gather and verbalize societal perspectives on life and death through collaboration between citizens, academia, and businesses,

fostering broader social discussion.

Risako Tada, from The Japan Research Institute, Ltd., Center for the Strategy of Emergence and currently seconded to Kyoto University's Institutional Advancement and Communications, explains, "Discussions about death tend to be considered socially taboo, but they are important topics that should be addressed. By verbalizing and gathering diverse perspectives through dialogue and sharing them widely, we hope to create a movement of discussions."

Financial matters are an essential part of discussions on end-of-life planning and decision-making. Kimura explains, "Many elderly individuals face difficulties managing their finances and making financial decisions due to cognitive decline. Supporting them in these situations is a key role for financial institutions. Furthermore, protecting their assets is a critical responsibility for financial institutions, especially with financial fraud targeting the elderly on the rise."



Kanae Sawamura

Senior Specialist, Center for the Strategy of Emergence, The Japan Research Institute, Ltd

My Shaka-kachi spirit : **Gaining new insights by visualizing different values.**

Risako Tada

Innovation Producer, Institutional Advancement and Communications Kyoto University
Center for the Strategy of Emergence, The Japan Research Institute, Ltd.

My Shaka-kachi spirit : **Using your strengths to contribute to society.**

Satoshi Kodama

Professor, Graduate School of Letters, Kyoto University

Yosuke Kimura

Innovation Producer, Institutional Advancement and Communications Kyoto University
Sustainability Development Dept., Sumitomo Mitsui Banking Corporation.

My Shaka-kachi spirit : **Bridging academic inventions to industrial innovation.**

Creating New Forms of Mutual Support to Shape Japan's Future

Regarding the project's future direction, Sawamura states, "Our first step is to clearly verbalize existing issues and values, making them visually recognizable. Through this process, we ultimately seek to develop a structured system for decision-making support."

Professor Kodama highlights the importance of mutual support, adding, "The saying 'self-help, mutual assistance, and public support' is well-known, but 'mutual support' has been declining in recent years. It plays a crucial role in shaping a new society. Through this project, we hope to explore and establish new forms of mutual support, creating social value in the process."

Tada, who oversees the studio's overall operations, outlines its direction. "We are considering how to connect the insights gained from our projects with society. The studio will focus on selecting themes with social value and make sure they are put into action."

Kimura concludes, "I see my role as bridging academia and industry by bringing research-driven ideas into real-world applications. As opportunities for dialogue and collaboration with SMBC Group and the public increase, I hope to amplify the impact of these research findings in society."

Japan's Regrowth Through Collaboration with University of Tsukuba

Advanced Research Commercialization and Development of Entrepreneurial Talent

Recent years have seen the rise of decarbonization efforts, remote work, and advancements in generative AI. These rapid changes are evolving simultaneously, reshaping the way businesses operate and increasing competition among companies.

As such, many sectors have growing needs for new business creation. This contrasts with Europe and the U.S., where disruptive innovations are reshaping markets and driving economic growth. Japanese companies are also focusing on incremental improvements for efficiency. As a result, mechanisms for fostering disruptive innovation within companies remain underdeveloped.

In order to overcome this, Japanese companies must expand their focus beyond internal development and engage external innovation. One of the key approaches is to utilize university-generated intellectual property and collaborate with innovative university startups. Bridging academic research and advanced technologies to practical applications would help create new markets and pave the way further for Japanese economic growth.

01

A Comprehensive Partnership for Industry-Academia Collaboration and Startup Support

The University of Tsukuba and Sumitomo Mitsui Financial Group (SMFG) entered into a comprehensive partnership agreement in August 2024. The goal of this agreement is to establish a new collaboration model between universities and financial institutions, contributing to advancements in science, technology, and social transformation. Takeshi Muto from Sumitomo Mitsui Banking Corporation (SMBC)'s Corporate Strategy Dept. highlights the significance of this partnership. *"Research and education are fundamental in addressing social issues and are essential for creating social value. Effectively implementing University of Tsukuba's knowledge and technology into*

society could lead to significant breakthroughs in creating social value." Yasushi Nakauchi, Vice President for Industry-University Collaboration, University of Tsukuba, also expresses high expectations for the agreement with SMFG, emphasizing, *"The University of Tsukuba promotes the practical application of research based on our university's founding principles. Our goals align with SMBC Group's efforts to create social value. Strengthening industry-academia collaboration by integrating financial expertise from SMBC is a highly meaningful partnership."*

Under this agreement, a new framework will be established to support joint research and business development, along with optimal matching between academic research seeds and corporate needs. Nakauchi suggests, *"International Industry-University Collaboration serves as a bridge between approximately 1,800 researchers in our university and companies. Collaborating with SMBC, which has a strong network in the business sector, will lead to*

further acceleration." Muto also emphasizes the importance of mutual benefits in the matching process. *"It is essential that this agreement not only supports researchers but also provides value to our partner companies by creating new opportunities for innovation."* Although this is a good practice in ensuring effective collaboration between researchers and companies, one issue is the complexity of deep technical information, which is provided by top researchers. Research findings are often described with specialized terminology and academic language and making it difficult for companies to understand and connect



them to market or product needs. To address this, technical information must be translated into business-friendly language. As one of the approaches, University of Tsukuba will develop a database of researchers' seed technologies by taking into account what each researcher can address in terms of presumed company needs using simple words. Furthermore, corporate needs and challenges are often difficult to identify from publicly available information. Companies tend to avoid disclosing issues that may be perceived as vulnerabilities of the companies. Additionally, while businesses are inclined to seek short-term profitability, researchers typically take a long-term approach, leading to a misalignment in expectations. To resolve these issues, coordinators play a key role in aligning both sides' expectations during the matching process. Facilitating direct dialogue between researchers and companies is also essential. As part of this effort, SMBC Group is considering hosting an event in spring 2025 to facilitate the matching of research seeds and corporate needs. Another initiative under the agreement is a support program for university startups. This fiscal year, the program leveraged an acceleration program at SMBC Group's Mirai Cross to assist researchers and students in launching businesses. The training helps participants improve their business skills, develop business plans, and connect with corporate partners and venture capital firms, supporting them in taking the first steps

toward commercialization. For university startups to succeed, they require not only technical and research expertise but also strong management support. Nakauchi points out, *"By 2023, the number of startups from the University of Tsukuba had reached 236, showing growing momentum. However, many researchers struggle to secure executives such as CEOs or CFOs, preventing promising ideas from evolving into viable businesses."* Muto emphasizes the importance of financial leadership, stating, *"In a startup, the CFO plays a critical role in supporting the business through financial strategy and fundraising. Securing such talent is a key challenge."* There are plans to provide financial education and support for potential CFO candidates.

02

Expanding the Partnership Model Nationwide to Japan's Regrowth

SMBC Group has been strengthening its support framework by integrating its Strategic Corporate Business Dept., which focuses on university collaboration and matchmaking, with the Growth Business Development Dept., which specializes in startup support. This structure will provide end-to-end support, this



support will cover the entire process, from research commercialization to product and service development. For university startups, funding support will be considered at various stages, including the seed and angel investment phases, based on individual financial needs. Nakauchi shared his vision for the agreement. *"The comprehensive partnership model with University of Tsukuba can be applied to other universities and financial institutions. Expanding this approach nationwide could drive industrial revitalization and strengthen Japan's global competitiveness."* Reflecting on his own experience as a graduate student, Muto shared the kind of society he hopes to achieve through this partnership. *"Ph.D holders have the ability to identify and solve complex problems, making their skills valuable across industries. However, during my time as a master's student, I struggled to see a clear future in research and felt uncertain about my career path. I hope to support entrepreneurship and create an environment where students can confidently pursue research careers through this initiative."*



Yasushi Nakauchi

Director General of Headquarters for International Industry-University Collaboration and Vice President (Industry-University Collaboration), University of Tsukuba

Takeshi Muto

Joint General Manager, Medical, Educational & Nonprofit Corporations Group, Strategic Corporate Business Dept., Sumitomo Mitsui Banking Corporation.

My Shaka-kachi spirit : **Future Investment - Banks Fueling University Innovation.**

Global New Era Equity Fund: Driving Social Change Through Investment

"Dual Value Creation": How Investment Trusts and Philanthropy Work Together to Drive Positive Social Impact

University research and education form the foundation of innovation and play a vital role in sustaining societal development. In particular, basic research differs from short-term profit-driven studies, as it generates knowledge and technologies that pave the way for the future from a long-term perspective. Supporting such university research and education is essential for Japan's Regrowth.

Maintaining and developing this environment for basic research requires a stable financial base. One increasingly important funding source is university endowments, which rely on donations and other contributions. While universities primarily depend on operating grants from the government, these funds must be used within a specified period, making it difficult to allocate resources to long-term research projects that may take decades to yield results. Moreover, these government grants have been steadily declining each year.

To address these challenges, Sumitomo Mitsui DS Asset Management Co., Ltd. has introduced an initiative through the *Global New Era Equity Fund**. This fund is an investment trust that focuses on industries expected to grow due to structural changes, investing in companies worldwide. A portion of the fund's profits is donated to organizations tackling social issues such as education and healthcare.

*"Global New Era Equity Fund" is a fund managed by Sumitomo Mitsui DS Asset Management (details can be found at the end of the article).

01

Expanding Support Through the Integration of Investment and Philanthropy

The *Global New Era Equity Fund* was launched in July 2020 in response to the major societal transformations brought about by the COVID-19 pandemic. The fund focuses on four promising themes expected to grow due to structural changes: lifestyle, corporate strategy, healthcare & wellness, and green technology. Initiatives driving societal change are not confined to publicly traded companies. However, a key challenge for investment trusts is their inability to directly support

organizations addressing social issues. To overcome this, the fund has implemented a system where a portion of the fund management fees (trustee fees) received by Sumitomo Mitsui DS Asset Management is donated to organizations that are creating social value in areas such as healthcare and education.

A considerable amount of time was dedicated to selecting suitable donation recipients. Kaori Takao, Chief of the Product Administration Team, Product Planning Dept., Sumitomo Mitsui DS Asset Management, explains the selection process:

"Many organizations engage in socially valuable activities. We carefully researched each one, prioritizing transparency and credibility, to ensure alignment with the fund's concept and identify the most suitable recipients."

One of the chosen donation recipients is the UTokyo NEXT150, an initiative by The University

of Tokyo. Established to enhance basic research and creative educational activities, this fund plays a crucial role in financing new social value creation at The University of Tokyo.

One of the key challenges facing The University of Tokyo is its relatively small endowment, which makes it difficult to allocate funds swiftly to research and education. Furthermore, with the reduction



Certificate of Appreciation from the University of Tokyo.

in operational grants from the government, how to manage its financial resources has become an urgent issue.

"The University of Tokyo endowment stands at approximately 29.9 billion yen, whereas top U.S. universities manage funds exceeding trillions of yen, using investment returns to support research. This overwhelming difference in scale, along with a lack of expertise in fund management, is a major challenge for Japanese universities as a whole," points out Takeru Inoue, General Manager, Corporate Sustainability, Sumitomo Mitsui DS Asset Management.

To overcome these challenges, it is essential to strengthen the financial foundation of university endowments. As part of this effort, the *Global New Era Equity Fund* donated approximately 4 million yen to the UTokyo Foundation in September 2024. Representatives of the fund meet annually with The University of Tokyo to discuss how donations are allocated and to plan future initiatives. Takao explains, *"The UTokyo Foundation is not just receiving donations but is also enhancing fund management, growing its assets, and building a system that enables timely allocation of funds to research and education. The university is actively working to improve organizational structure and strengthen endowment management."* She expressed deep appreciation for this proactive approach. The UTokyo Foundation Office, which received the donation, also recognized its significance, stating,



"This contribution plays a vital role in strengthening the foundation of basic research and educational activities. The funds are allocated to a wide range of initiatives, including scholarships and emergency financial aid for unexpected situations."

02

"Dual Value Creation" Through Investment and Philanthropy

Since the launch of the fund with a donation scheme, many organizations have expressed interest in becoming recipients. Takao reflects on this response:

"When managing an investment trust, the focus is often on financial markets. However, through this fund's management, we have recognized the large number of organizations working to create social value."

Moving forward, the primary focus remains

on improving fund performance. At the same time, expanding the number of donation recipients will be considered in line with the fund's growth. In addition, efforts to share information on the social value generated through donations are being explored to foster broader understanding and support.

Through these initiatives, the fund seeks to enhance the appeal of investment trusts while fostering "dual value creation": generating economic value through fund management and social value through donations.

With the *Global New Era Equity Fund*, Sumitomo Mitsui DS Asset Management also envisions a path for Japan's Regrowth. Inoue explains, *"By improving fund performance and raising awareness of our active management approach, we aim to expand the fund's scale, thereby increasing donation amounts. This creates a mutually beneficial relationship among investors, universities, and our firm. Furthermore, as we strengthen collaboration with universities through donations, our role extends beyond funding research and development. By contributing to the advancement of university endowment management, we can create a stable environment for sustaining basic research. Supporting this long-term academic foundation is essential for the continued growth of universities and, ultimately, for Japan's Regrowth."*



For more information on the funds mentioned in this document, please refer to the links below:

- | | |
|--|---|
| [1] Global New Era Equity Fund (Property Growth Type)
Fund Overview ▶ https://www.smd-am.co.jp/fund/183102/ | Investment Risks and Costs (Prospectus) ▶ https://www.smd-am.co.jp/fund/pdf/183102k.pdf |
| [2] Global New Era Equity Fund (Monthly Dividend Type)
Fund Overview ▶ https://www.smd-am.co.jp/fund/183002/ | Investment Risks and Costs (Prospectus) ▶ https://www.smd-am.co.jp/fund/pdf/183002k.pdf |

Kaori Takao Chief, Product Administration Team, Product Planning Department, Sumitomo Mitsui DS Asset Management Co., Ltd.
My Shaka-kachi spirit : **Achieving a sustainable future.**

Takeru Inoue General Manager, Corporate Sustainability, Sumitomo Mitsui DS Asset Management Co., Ltd.
My Shaka-kachi spirit : **Core values for living.**

SMBC Women's Basketball Team Joins *the W League*

United in the Challenge: Pioneering Work-Sports Balance

In Japan, the number of basketball players totals approximately 340,000 for men and 230,000 for women. While gender disparities are common in most sports, basketball has a relatively smaller gap, making it a sport enjoyed widely irrespective of gender.

At the Tokyo Olympics, Japan's women's basketball team won the silver medal, a remarkable achievement that remains fresh in many people's minds. However, few female athletes continue their professional careers, with their participation dropping significantly upon entering the workforce. One major reason for this is the dilemma many female athletes face: choosing between continuing their sport and building a career. Unfortunately, many opt to prioritize their careers and retire as athletes during their student years due to the lack of support for second careers after retirement. Even those who choose to balance sports with work face challenges such as time constraints and the difficulty managing both commitments.

In response to this situation, Sumitomo Mitsui Banking Corporation (SMBC) established a career model that enables female athletes to balance work and sports. This decision was based on the achievements of its SMBC women's basketball team, and the *W League*'s efforts to advance women's basketball by welcoming new teams.

In April 2024, SMBC announced that its women's basketball team would join the *W League* in October 2025.

01

Reviving Corporate Sports After 24 Years – Building a Stronger Team Together

Ayano Hirata, a member of the Sustainability Development Dept. at Sumitomo Mitsui Banking Corporation and an active player on the women's basketball team, is leading this project. She shares her thoughts on the current state of women's basketball and the project's goals: *"Many players are forced to give up basketball due to career considerations. Through this project, we aim to establish an environment where athletes can focus on basketball while also building a stable second career and securing their future,*

presenting a reliable career model."

Kakeru Konno, who has been appointed as the head coach of the SMBC women's basketball team for its *W League* entry, shares, *"For male athletes, strong performances can lead to professional careers. However, despite their hard work, many female athletes see their athletic careers end after university. Some athletes who once captured media attention quietly fade from the spotlight, something I've always felt is a great loss. Learning about this project, I was truly impressed by its vision: allowing athletes to continue basketball while working, inspiring those around them, and receiving support in return."*

For SMBC, owning a corporate sports team for the first time in 24 years meant there was little internal knowledge or reference material available. As a result, the *W League* entry project had to start almost entirely

from scratch.

Challenges arose at every stage, from determining the responsible department to securing budgets, setting expense categories, designing the team name and logo, recruiting staff and players, and establishing a personnel framework that covered both athletic and employment aspects.

While tackling these challenges, enhancing the training environment was also crucial to improve the team's performance. Competing



in the higher competition standards of *W League* required more practice time, which required securing training facilities and coordinating work hours and travel schedules with relevant departments.

To maximize each player's health and performance, the team carefully monitors physical data, sleep duration, fatigue levels, and previous training sessions. This data is used to adjust training intensity, manage fatigue, and plan meals, and nutritional supplements.

Konno explains, *"We prioritize the players' well-being while ensuring they train as much as possible to improve performance. By maintaining close communication with Hirata and the players, we continuously develop effective training programs."*

Hirata emphasizes that self-management skills are crucial for balancing work and sports: *"Effective time management is essential for players to juggle training and job responsibilities. In addition to work and team practices, they must also plan independent training and ensure they get enough rest. Managing this balance independently is crucial."*

After joining the W League in 2025, their schedules will become even more demanding, making self-discipline even more critical. I believe this skill will also be invaluable for their second careers after retirement."

Beyond athletic performance, it is equally important that players have a positive impact on their workplace and gain support from those around them.

Hirata shares, *"I always remind the players to appreciate many people who support their activities. I also encourage them to bring the same level of dedication to their jobs as they do to their sport. By demonstrating their ability to balance both, they can inspire those around them with a spirit of courage and determination."*

Supporting player development and fostering a unified team effort among players, staff, and the broader community is at the core of this project.

02

Towards a Society Where Balancing Work and Sports Becomes the Norm

The *W League* introduced a two-division system in 2024. When SMBC's team joins in October 2025, it will start in Division 2, which consists of the seven lower-ranked teams. The team aims to be promoted to Division 1—



where the top eight teams compete—by 2030 and to win the league championship by 2035. Hirata expresses her strong determination: *"To convey the significance and value of this initiative beyond just core fans, we are committed to winning and achieving results."* Konno outlines the team's roadmap, *"Our first step is to be qualified for a promotion match within three years of joining. We need to strengthen our performance and establish ourselves as a Division 1 team."*

Hirata sees how this project can impact society, sharing, *"We hope that establishing a new work style that balances sports and careers will be recognized as a viable option not only in women's basketball but across all women's sports. Just as balancing work and parenting is becoming more common, we aspire to create a society where balancing work and sports is equally natural, contributing to the overall growth of women's sports."*



Kakeru Konno Head Coach, SMBC Women's Basketball Team

Ayano Hirata Vice President, Sustainability Development Dept., Sumitomo Mitsui Banking Corporation.

My Shaka-kachi spirit : Happiness and challenges of people.

Empowering University Athletics and Sports Teams with 1 Million Yen

An Application Process Designed to Cultivate Strategic Thinking

As the birthrate declines in Japan, young people are finding it increasingly difficult to participate in sports. University athletics and sports teams face various challenges, such as the suspension of activities due to declining club membership and the transition of school-led club activities to community-led activities.

University athletics and sports teams are often regarded as extracurricular activities, and increasing academic demands make it harder for students to fully commit themselves to sports.

However, participating in university athletics and sports offers more than just athletic improvement. It allows students to gain valuable life skills, such as fundraising, data analysis, and team building, which can greatly benefit their future professional careers.

That said, joining a university athletics and sports team often comes with significant financial burdens, including expenses for equipment, transportation, and meals during training and competitions. Many students take on part-time jobs to cover these costs, but balancing academics, sports, and work severely strains their time and energy. Additionally, rising living costs have heightened the financial challenges for students dedicated to sports.

To address these issues, The “*Shaka-kachi** *BOONBOON PROJECT*” was launched. Its goal is to support students as they navigate these challenges, while providing students with opportunities for personal growth and once-in-a-lifetime experiences during their university years.

* *Shaka-kachi* is SMBC Group's slogan, meaning “creating social value” and it inspires SMBC employees to drive social change.

01

Providing University Athletics and Sports Teams 1 Million Yen in Flexible Funding

CEO of Deportare Partners, serve as project ambassadors. Tamesue not only collaborated with SMBC Group in designing the project's framework but also played a crucial role in communicating its significance to students and promoting its core values. Speaking about the project's importance, Tamesue shared his thoughts, “A central theme

for me has always been how experiences gained through sports can be applied in society. I deeply resonate with the educational value this project offers to students. I believe that addressing societal challenges requires initiatives such as education, which is one of the most fundamental and valuable solutions.”



This project is led by Chihiro Tateishi from Sumitomo Mitsui Banking Corporation's Sustainability Development Dept. Having dedicated herself to rowing during her university years, she sought to give back to university athletics and sports, which had played a pivotal role in her personal growth, by supporting student-athletes. Additionally, four athletes, including Dai Tamesue, former track and field athlete and



The project offers 1 million yen in unrestricted funding to university athletics and sports teams that apply through a special website and successfully pass the selection process. Tateishi designed the application process that fosters strategic thinking, ensuring that students naturally develop essential real-world skills such as problem analysis, logical thinking, and presentation skills.

“I structured the selection process to serve as a growth opportunity for students,” Tateishi explained. “The questions are designed to guide them through critical thinking; What is your team's goal? What challenges stand in the way? How do you plan to overcome them? How will you use the 1 million yen to address these challenges? By framing the application process in this way, we aim to help applicants understand the intent behind our questions.”

On this point, Tamesue emphasizes, “The process of deciding how to use the funds should be driven by a clear vision of what kind of team they want to build. I hope student-athletes will embrace strategic thinking. Strategy is closely linked to budgeting and goal-setting, and carefully considering these aspects is essential.”

Ensuring a fair selection process was a key challenge in bringing the project to fruition. Preventing funds from being misused was especially important. Tateishi, drawing on her extensive experience in branch operations and loan screening at SMBC, worked alongside various departments within the bank to leverage their expertise. Together, they tackled each challenge, bringing this unprecedented initiative into reality.

As part of outreach efforts, a webinar featuring Tamesue was held to highlight the value of university athletics and sports and the learning opportunities embedded in the application process. Despite initial uncertainty about how the project would be received, approximately 500 students participated, engaging actively with questions throughout the session. The overwhelming response reaffirmed that SMBC Group's message had clearly resonated with the students.

02

Toward a Society That Recognizes Student Sports as a Platform for Talent Development

The number of applicant organizations reached 270. Some focused on community



activities in their area to engage fans, while others prioritized coaching high school students to support the sport's development. Many were mindful of how their activities connect to society.

As Tateishi reviewed the applications, she was struck by the diverse challenges students face, including information gaps between urban and rural areas and differences in training environments.

“Applicants from Hokkaido applied for funding to improve winter training conditions. Teams from other regions sought support for travel expenses to Tokyo, seeking opportunities to train and compete with top-level teams to gain valuable experience. What stood out was the applicants' deep understanding of their own challenges and their strong commitment to overcoming them.”

Looking ahead, the project aims to reach more students through new engagement strategies. Discussions are also underway with partner companies to expand the initiative's impact, with a long-term vision of involving more businesses and local governments.

“I hope student sports will be widely recognized as a valuable platform for talent development. I would also like to see more initiatives like this across the sports industry. I'm excited to see how SMBC Group continues to develop this project.”

Chihiro Tateishi Senior Vice President, Sustainability Development Dept., Sumitomo Mitsui Banking Corporation.

My Shaka-kachi spirit : **Connector for Creating Unprecedented Engagement.**

Dai Tamesue CEO, Deportare Partners



Supporting Noto Earthquake Relief Through NPO Collaboration

Building Strong Ties for Rapid Support in Times of Crisis

On January 1, 2024, a major earthquake struck the Noto Peninsula in Ishikawa Prefecture. The affected area, already facing depopulation and an aging population, has been facing slow and ongoing difficulties in recovery and reconstruction.

In response, the SMBC Group promptly launched assistance. Focusing on its long-term commitment to "supporting children's education and experiences," the group provided financial aid for learning, supported setting up child-friendly spaces, and dispatched employees to volunteer centers. These efforts were carried out in collaboration with partner organizations.

The Sustainability Development Dept., which led the disaster relief efforts, shared details on the support initiatives, the current situation in the affected areas, and future perspectives.

01

Swift Support Enabled by Ongoing NPO Partnerships

When the disaster struck, many companies, including SMBC Group, had no business location in Noto due to the geographic factors, making it difficult to assess the latest conditions. The first step in providing support was taken through the Chance for Children (CFC), a public interest incorporated association with which SMBC Group had an ongoing partnership. This collaboration was largely driven by the group's focus on Poverty & Inequality, one of SMBC Group's Materiality. Since 2023, SMBC Group has been seconding employees to CFC for three years to help address disparities in children's education and experiences.

Local government officials informed that immediately after the earthquake, accepting on-site assistance was challenging. As a result,

the initial response prioritized monetary donations and essential supplies. In March 2024, SMBC Group and CFC launched an emergency support initiative for children in Noto affected by the disaster.

Study coupons for Noto worth approximately 10 million yen were distributed to children in affected households. These coupons were designed to cover expenses such as tutoring fees, replacement of damaged musical instruments, and sports equipment, ensuring they can be used flexibly based on individual needs.

In May 2024, several SMBC Group employees

participated in a volunteer program organized by Japan Business Federation, supporting the operation of local volunteer centers during Japan's Golden Week holidays. In August, members of the Sustainability Development Dept. visited the affected areas, meeting with local organizations and businesses to discuss support initiatives.

"We saw firsthand that even after six months, debris removal and infrastructure restoration were progressing sluggishly," the members recalled. "Issues present before the earthquake, like depopulation and limited public transportation, made recovery even



more challenging."

The earthquake caused severe damage to schools. In some cases, middle and elementary school students were relocated to high school buildings with less damage so that they could continue their classes. Students unable to attend nearby schools had to commute by bus, which significantly increased travel time and limited after-school activities and free time.

To address these challenges, SMBC Group partnered with the NPO Chance for All (CFA) to support weekend programs providing safe spaces and play areas for children. Employees volunteered by accompanying the Play Car, a small truck converted into a mobile play area, engaging with children and ensuring their safety.

In addition to supporting children, SMBC Group is engaged in disaster recovery efforts through online-based pro bono activities, focusing on community rebuilding. This project is carried out in collaboration with ETIC., an NPO that connects pro bono professionals with local organizations, and the Noto Reconstruction Network. By assisting in managing volunteer intake from outside the region, the project reduces the administrative burden on local organizations. As a result, tasks that had been previously delayed are now progressing more efficiently. A representative noted, "We were able to quickly launch initiatives such as providing safe spaces and educational support for children, as well as pro bono assistance for recovery. This was possible because of the strong relationships we had built through ongoing collaboration with NPOs, allowing us to respond immediately when needed."



02

Volunteering as an Opportunity to Understand Social Issues

Collaboration between businesses and NPOs can sometimes face challenges due to differences in perspectives and approaches. However, these challenges were overcome through open communication and a shared goal of tackling social issues. Employees who participated in volunteer activities in the affected areas gained a deeper understanding of local issues and realized ways they could contribute. Some continued their involvement by returning to the area on their own. One participant noted, "We have seen cases where employees, after joining the initial activities, take independent action to continue their support."

Moving forward, SMBC Group will continue working closely with NPOs while creating opportunities for employees to engage in volunteer activities. The group aims to facilitate direct connections between employees and organizations, supporting

more direct and active participation in social initiatives.

"The ideal scenario is for employees to take initiative in volunteering, even without company support. We hope that participation in volunteer activities will inspire individuals to gather peers and start new initiatives on their own."

Support for the affected areas in Noto will continue beyond spring 2025. SMBC Group plans to work closely with NPOs to provide flexible assistance based on the progress of reconstruction efforts.

Through disaster relief and regular volunteer activities, employees are engaging with social issues and fostering a corporate culture of proactive involvement. These efforts not only contribute to community recovery but also nurture employees' sense of initiative. Such efforts are expected to continue expanding in the future.

Special thanks for the interview cooperation

Ryoko Okaya Senior Vice President, Senior Sustainability Expert, Sustainability Development Dept., Sumitomo Mitsui Financial Group, Inc.

My Shaka-kachi spirit: **Initiatives to make a better tomorrow for future generations.**

シャカカチDAY



よりよい社会のため、動こうよ、全員で。

COLUMN

Nurturing New Connections Through *Shaka-kachi DAY*

A Day to Expand the Circle of Creating Social Value Through Action

SMBC Group launched *Shaka-kachi DAY* as part of its focus to generate social value. *Shaka-kachi* is SMBC Group's slogan, meaning "creating social value," and encourages SMBC employees to drive social change. The purpose of this initiative is to encourage each employee to engage with social issues and cultivate a mindset that sees these challenges as personal responsibilities.

The idea was sparked by employee survey results. Many respondents expressed uncertainty about how to contribute to creating social value or noted that their regular work duties left little time for such efforts. In response, SMBC group established a dedicated day for all employees to work together to tackle social issues and find ways to make a positive difference in society. The project encourages employees to step outside their daily routines and gain new insights through new perspectives.

This project stands out by going beyond CSR, working closely with local communities and customers, engaging in tangible actions to address social issues. To learn more about the progress of *Shaka-kachi DAY* and its future direction, we spoke with members of the Sustainability Development Dept. who oversee the program.

01

Diverse Initiatives and Employee Roles in Tackling Regional Challenges through *Shaka-kachi DAY*

"*Shaka-kachi DAY* focuses on engaging with local communities and customers," explains the program team. At its core, this initiative encourages employees to identify and address regional issues as active members of communities. Employees' direct involvement also fosters deeper connections with local stakeholders. The foundation of *Shaka-kachi DAY* lies in employee-led initiatives. Each office independently identifies challenges faced by their region or customers and develops

projects to address them. This approach helps employees understand the importance of these activities and builds stronger trust with local communities and customers. For example, one project organized Career Experience field trip for local elementary school students. A team member reflected, "*We wanted to address the issue of regional talent outflow by providing students with an opportunity to appreciate the appeal of local businesses through collaboration between academia, industry, and financial institutions.*" Through these activities, employees engage in ongoing dialogue with local communities and businesses to tackle challenges and find solutions. Other initiatives include events where international students propose solutions to management challenges faced by small and medium-sized enterprises, as well as programs aimed at passing on traditional local culture to children. Employees have expressed that these

activities not only bring them closer to local residents and customers but also expand their own perspectives. They believe that these experiences and new connections that are not gained through regular work can contribute to their personal growth. The activities of *Shaka-kachi DAY* extend beyond Japan. Internationally, initiatives include health education programs in partnership with monasteries and support for food banks. One notable project focuses



Career Experience Field Trip for Elementary School Students in Collaboration with Local Universities and Businesses.

on teaching children in underserved regions the basics of hygiene and health. This effort has a direct and positive impact on the future of those communities. "*Since the challenges faced by each region and customer are different, the resulting activities naturally become diverse,*" a team member explained.

Additionally, the initiative featured symbolic, company-wide events led by Sustainability Development Dept. One example is an interactive event centered on the natural environment, where children learned the importance of environmental conservation through sensory engagement with nature. "*Experiencing and enjoying nature through play can help enhance environmental awareness,*" noted a team member. These activities involve not only employees but also local stakeholders.

02

Challenges and Future Prospects of Connecting Employees and Communities

As *Shaka-kachi DAY* initiatives progressed, employees voiced concerns about balancing time and resources, given the difficulty of seeing short-term results. In addition, certain proposals exceeded the scope of regular workflows, requiring flexible decision-making involving multiple departments.

In response, Sustainability Development Dept. emphasized the purpose of *Shaka-kachi DAY* as an opportunity to experience and engage in creating social value. They encouraged each office to carefully deliberate and plan activities, while also providing support to streamline proposals by leveraging existing operational frameworks. To further empower offices, a dedicated website was launched to share examples of successful initiatives. This allowed different



At a *Shaka-kachi DAY* Symbolic Event: Children sharpened their senses while experiencing nature barefoot.

locations to learn from each other's experiences, fostering company-wide knowledge-sharing and expanding the scope of activities. "*Even taking small steps for just one day can make creating social value feel more attainable,*" shared a team member. Employees have reported that these efforts provide tangible successes, helping them realize new possibilities. "*I gained a broader perspective by seeing what we, as a bank, can do for the community and our customers from a different angle rather than my usual work,*" one employee noted.

Some offices went further by exploring regional challenges in depth. In doing so, they deepened mutual understanding with local residents and customers. In certain cases, initiatives were implemented collaboratively with the community, further strengthening these relationships.



A Beach Cleanup Event was held with 135 participants, including employees and their families.

Special thanks for the interview cooperation

Mina Kaito Vice President, Sustainability Development Dept., Sumitomo Mitsui Financial Group, Inc.

My *Shaka-kachi* spirit : **The colors that make the world's happiness more vivid.**

The Current State Indicated by the Impact Report

How Far Has Social Value Creation Progressed?

How much progress have we made in creating social value, and how should efforts continue? In August 2024, SMBC Group published the “Impact Report 2024 – Social Value Creation of SMBC Group,” detailing its current progress. This report is distinctive in that, as a major Japanese financial group, it is the first to visualize the impact of its own business activities, rather than focusing solely on the impact of its client businesses. It examines how the company's actions and resources create changes in society and the environment.

While few companies have undertaken the publication of such reports, this initiative represents a significant and challenging effort. Member of The Sustainability Planning Dept., responsible for the report, shared insights into its purpose, the challenges faced during its creation, and future goals.

01

Impact as a New Metric for Measuring Corporate Value

SMBC Group's medium-term management plan from FY2023 positioned “Create Social Value” as a core business strategy. Alongside traditional financial indicators, the Group recognized impact as a new metric for measuring corporate value and began exploring impact-based information disclosure to stay ahead of these changes. While employees supported the idea of creating social value, many felt unsure about how to approach it. This highlighted the need to present concrete initiatives and their effects on society and the environment. Investors also requested clarity on how social value creation contributes to enhancing corporate value.

In response to growing stakeholder expectations, the Impact Report was developed to disclose SMBC Group's social value creation efforts and their achievements.

To clearly present the Group's impact, the report highlights initiatives across five priority issues (materialities): “Environment,” “DE&I / Human Rights,” “Poverty & Inequality,” “Declining Birthrate & Aging Population,” and “Japan's Regrowth.” It outlined how these efforts impact the environment and society, offering a structured view of SMBC Group's initiatives.

A significant challenge was identifying and

quantifying appropriate indicators to measure the impact of the company's activities. Reflecting on the process, team members shared, “We were starting from scratch, unsure of which indicators to use or how to collect the necessary data.”

To address these difficulties, the team used a logic model to clearly represent the impact. Developing the model involved extensive discussions with various internal



Executive Summary

Through our initiatives in creating social value and visualizing their results, we aim to expand the circle of engagement across society and strive towards the realization of an era of “Fulfilled Growth.” In this endeavor, we approach “impact” from three aspects to advance our initiatives.

Pg. 5~ Expansion of SMBC Group's Circle of Initiatives for Social Value Creation	The Three Aspects of “Impact” in SMBC Group					
	1 Efforts for Social Value Creation Pg. 13~ - Focusing on five priority issues (materiality) to create social value and generate impact.	Environment Efforts Toward Achieving Net Zero	DE&I / Human Rights Human Capital Management	Poverty & Inequality Providing Opportunities for Education and Trying Out	Declining Birthrate & Aging Population Addressing the Needs of the Elderly	Japan's Regrowth Support for Startups
	2 Visualization of Created Social Value Pg. 20~ - Visualizing impact generated from social value creation and anticipating changes in “metrics.”	Contribution to Reducing GHG Emissions	Enhancing Employees' Job Satisfaction	Supporting Customers' Social Independence	Improving Financial Literacy	Enhancing Customers' Productivity
Pg. 29~ Expansion of Financial Solutions	3 Expansion of Financial Solutions Pg. 29~ - Utilizing impact as “metrics” to assess customers' social value creation within the financial solutions provided by SMBC Group.	Positive Impact Finance • Impact IPO Support • Social Impact Bond • Impact Investments				

departments to understand their initiatives and focus areas, while gathering and organizing data on their environmental and social effects.

02

A Report That Encourages Dialogue and Engagement

On August 5, 2024, SMBC Group published its Impact Report, focusing on three key aspects of its initiatives: “Efforts for Social Value Creation,” “Visualization of Created Social Value,” and “Expansion of Financial Solutions.”

The visualization of SMBC Group's impact is still in its early stages. This report highlights the steps and progress in measuring and disclosing impact, providing a candid view of the current situation. “By sharing our current efforts, we aim to gather feedback from stakeholders and contribute to advancing impact initiatives across society,” explained a team member.

The publication of the Impact Report has prompted internal discussions, with some employees expressing interest in using the



Masayuki Takanashi, Executive Officer and Group CSuO of Sumitomo Mitsui Financial Group, speaking at an external seminar.

logic model to visualize their own initiatives. Externally, business and financial institution representatives involved in impact-related activities have found the report helpful, stating that it offers encouragement for those facing similar challenges. The report has also fostered active dialogue with external stakeholders, including investors and analysts. Additionally, opportunities to present at external seminars have increased, expanding platforms to share SMBC Group's efforts in

creating social value. The project team reflected on the initiative, emphasizing the importance of integrating impact measurement into the Group's overall strategy and enhancing corporate value. They also highlighted the need to engage more employees in efforts to create social value. “Our goal is to expand the reach of social value creation through impact disclosure and achieve ‘Fulfilled Growth’ where people feel fulfilled as economic growth accompanies the resolution of social issues,” the team stated. From 2025 onward, the team plans to expand the themes covered in the Impact Report based on feedback. “The 2024 report includes several areas marked as ‘gray’ where impact is not yet visualized. We aim to increase the ‘green’ areas with measurable results,” they explained. Moving forward, SMBC Group will focus on linking impact initiatives to corporate value, strengthening the foundation for value creation, and fostering a positive cycle of growth.



Highlights

Visualization areas in this report	Efforts for Social Value Creation in SMBC Group				
Environment P.23	Efforts Toward Achieving Net Zero	Support for Customer's Transition Impact: Contribution to GHG reduction	Conservation and Restoration of Natural Capital	Contribute to Circular Economy	
DE&I / Human Rights P.25	Human Capital Management Impact: Enhancement of Job Satisfaction	Support Customers in Human Capital Management Impact: Enhancement of Management Capability	Initiatives in Respecting Human Rights	Assist Customers in Respecting Human Rights	
Poverty & Inequality P.26	Provide Education and Opportunities to Break Negative Cycles	Engage in “Poverty Eradication Projects”	Financial Inclusion through Microfinance, etc.	Accelerate Social Independence Support in Emerging Asian Countries Impact: Supporting Customers' Social Independence	
Declining Birthrate & Aging Population P.27	Asset Formation Support Tailored to Customer Needs	Address the Diverse Needs of the Elderly	Efficient Infrastructure Provision Using Digital Technology	Contribute to the Enhancement of Financial Literacy Impact: Enhancement of Financial Literacy	
Japan's Regrowth P.28	Support Customers' Business Model Transformation for Companies	Create Innovation and Foster New Industries	Enhance Efficiency through Financial Digital Services Impact: Enhancement of Customers' Productivity	Revitalize Regional Economies	

Special thanks for the interview cooperation

Satoshi Osato

Vice President, Sustainability Planning Dept., Sumitomo Mitsui Financial Group, Inc.

My Shaka-kachi spirit : Steadily improving the world by creating social value.

Erika Matsuda

Sustainability Planning Dept., Sumitomo Mitsui Financial Group, Inc.

My Shaka-kachi spirit : Not something new or special, but something that should be natural.

Editorial Note

We hope you've enjoyed reading SMBC Group's Storybook on Creating Social Value. Unlike the initial version created last year for internal use, this edition has been prepared for both employees and external stakeholders.

In FY2024, the second year of the current medium-term management plan, we have focused on "All-hands participation". Initiatives such as "*Shaka-kachi DAY*" where branches develop projects and activities to create social value, and the "*Shaka-kachi AWARD*" which honors projects and initiatives addressing social issues, have significantly increased engagement. Additionally, awareness within the organization has grown, reinforcing the alignment between economic and social value and that creating social value is a key long-term growth strategy.

However, achieving All-hands participation remains a challenge. To gain broader recognition and support, and have people say, "SMBC Group is evolving," it is essential for each and every employee to act positively for society and the future. Acting on what we genuinely believe is right is a principle we value. Moving forward, we will launch initiatives that create meaningful social impact and drive real change.

As we approach the final year of the current medium-term management plan in FY2025, we will push our efforts in creating social value as far as possible before transitioning to the next plan. We appreciate your continued interest and support for SMBC Group's initiatives in this area.

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*The content of STORY BOOK 2024 is based on information available as of March 2025.

