

# SMBC GROUP ANNUAL REPORT

# 2023

YEAR ENDED MARCH 31, 2023



SUMITOMO MITSUI FINANCIAL GROUP



**Editorial Policy**

SMBC GROUP ANNUAL REPORT 2023 is designed to convey financial and non-financial information about the overall picture, business strategy, and corporate infrastructure of SMBC Group. It has been compiled with reference to the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) in December 2013. The appendix in the back of this report contains more detailed information on the Group. Additional information on Sustainability activities can be found on the Company's corporate website.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This document contains "forward-looking statements" (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our management with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "probability," "risk," "project," "should," "seek," "target," "will" and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward looking statements.

Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial condition and our operating results, and investors' decisions.

**Scope of Report**

***Period covered:***

FY2022 (April 2022 to March 2023)

Some subsequent information is also included.

***Organizations covered:***

Sumitomo Mitsui Financial Group and its subsidiaries and affiliates

***Published:***

August 2023



"SMBC" has been designated as the corporate group's master brand. All Group companies use the SMBC logo and promote the SMBC brand in order to enhance the brand power of the entire SMBC Group.

***Rising Mark***

The Rising Mark is the upward curving strip seen beside the letters "SMBC." This mark indicates our desire for the Group to grow together with our customers, shareholders, and society by providing high-value-added, cutting-edge, and revolutionary services.

***Corporate Colors***

The fresh green color (color of young grass) of the Rising Mark symbolizes youthfulness, intellect, and gentleness while the trad green (deep, dark green) background presents tradition, reliability, and stability.

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Value Creation at  
SMBC Group



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Business Strategies for  
Creating Value

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Corporate Infrastructure  
Supporting Value Creation

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# A History of Standing Side-by-Side with Customers and Society

SMBC Group has inherited the business spirit of Mitsui and Sumitomo, creating social value while standing side-by-side with customers and society. With this spirit, we will continue to take initiative in economic growth and resolution of social issues to contribute to “Fulfilled Growth” where people feel fulfilled.

## MITSUI

### Innovation of Business Practices

Achieved better life for people in the city of Edo by anticipating potential needs

## SUMITOMO

### Revitalization of Land Damaged by Copper Mines

Put efforts into reforestation under the spirit, “benefit self and benefit others, private and public interests are one and the same”

### Supporting economic growth through proactive financing

The cabinet of Hayato Ikeda, inaugurated in July 1960, launched the “Income Doubling Plan” with the goal of doubling per-capita national income in 10 years, and Japan entered an era of rapid economic growth, with an average GDP growth rate of 10%. Mitsui Bank and Sumitomo Bank, the predecessors of SMBC, supported this growth through the proactive supply of financing.	1967	Sumitomo Credit Service (now Sumitomo Mitsui Card Company) established
	1968	Sogo Lease (now Sumitomo Mitsui Finance and Leasing) established
	1969	Japan Information Services (now the Japan Research Institute) established

↑ 1960’s

## ● An Era of Economic Growth

↓ 1980’s

### Expanding high-risk/high-return loans with the arrival of the Bubble Economy

Starting in 1983, stock and land prices consistently rose, ushering in the Bubble Economy era. Corporate earnings increased, and low interest rates and low-cost financing from capital markets allowed firms to increase upfront capital expenditures and financial operations. At the same time, the competitive environment for banks intensified, as a result of interest rate liberalization, etc. Our predecessor banks increased high-risk, high-return lending in order to survive, such as real estate investment and financial engineering.	1985	Sumigin-Bankers Investment Management (now Sumitomo Mitsui DS Asset Management) established
	1985	Mitsui Investment Management (now Sumitomo Mitsui DS Asset Management) established



A History of Standing Side-by-Side with Customers and Society

The Bubble Economy bursts, bringing with it prolonged financial difficulties

Companies that had invested excessive amounts of money in asset transactions fell into financial difficulties with the bursting of the Bubble Economy, and for the banks that had provided funding, the disposal of bad loans became a major challenge to their business.

On the other hand, the “Japanese Big Bang” expanded the scope of banks’ operations in the 1990s. The financial industry began to draw up a growth strategy taking advantage of the expanded scope of business, while defending against financial instability. Sakura Bank and Sumitomo Bank also shifted toward a merger based on the principle of “together establishing a new financial business providing customers with higher value-added products and services.”

- 1990 Mitsui Taiyo-Kobe Bank established (renamed Sakura Bank in 1992)
- 1999 Sakura Leasing (now Sumitomo Mitsui Finance and Leasing) established

1990’s

An Era of Stagnation

2000’s

The Birth of a new, advanced financial institution for the 21st century

In 2001, Sakura Bank and Sumitomo Bank merged into Sumitomo Mitsui Banking Corporation. The business base was expanded in order to provide the most valuable services to customers by adding new functions such as consumer finance and securities, after the transition to a holding company structure in the following year. The non-performing loan ratio, which had weighed heavily on the business, was reduced by half after the merger, and public funds were fully repaid in 2006. Just when it at last appeared that SMBC Group had been put into an environment where we could achieve a more autonomous management strategy, the Global Financial Crisis struck. An international trend towards reviewing the financial system to prevent such a crisis accelerated, and we were forced to respond with increased capital when we had planned to proactively invest in key strategic areas.

- 2001 Sumitomo Mitsui Banking Corporation established
- 2002 Sumitomo Mitsui Financial Group established
- 2003 Reorganization to make Sumitomo Mitsui Card Company, SMBC Leasing (now Sumitomo Mitsui Finance and Leasing), and Japan Research Institute subsidiaries of Sumitomo Mitsui Financial Group
- 2004 Promise (now SMBC Consumer Finance) becomes an equity-method affiliate
- 2009 Nikko Cordial Securities (now SMBC Nikko Securities) becomes a subsidiary

Expanding and strengthening group and global management

In order to provide more valuable services to our customers, we strived for top-line growth by significantly expanding our operational and geographic wings in the first half of the 2010s. However, the business environment surrounding us changed dramatically with the China shock in 2015, the introduction of negative interest rates in 2016, and the resolution of Basel III finalization in 2017, and our strategy shifted from top-line growth to efficiency of capital, assets, and expenses.

As our business diversified and globalized, we focused on improving the quality of corporate infrastructure through the establishment of materialities (“Environment,” “Next Generation,” and “Community”) in 2014, the formation of Five Values in the same year, and the introduction of units and CxO system in 2017.

- 2012 Promise becomes a subsidiary
- SMBC Aviation Capital becomes a subsidiary
- 2013 Bank BTPN becomes an equity-method affiliate
- Societe Generale Private Banking (now SMBC Trust Bank) becomes a subsidiary
- 2015 The Bank of East Asia becomes an equity-method affiliate
- 2016 Sumitomo Mitsui Asset Management becomes a subsidiary
- 2018 Sumitomo Mitsui Finance and Leasing is deconsolidated, and becomes an equity-method affiliate
- 2019 Bank BTPN becomes a subsidiary
- Sumitomo Mitsui DS Asset Management launched

2010’s

An Era of Fulfilled Growth

2020’s

Realization of growth with quality

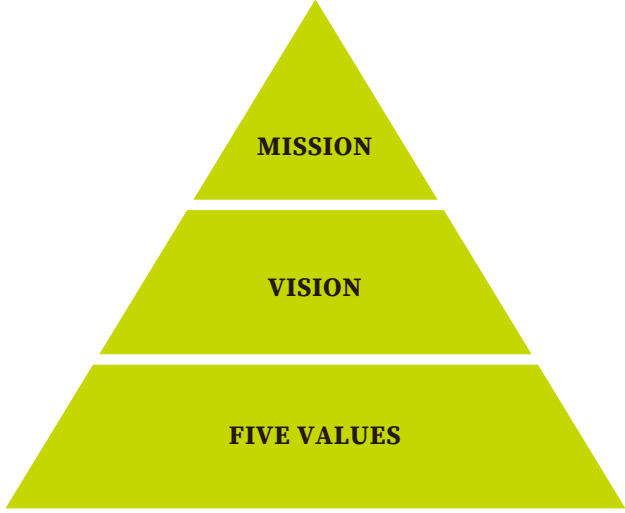
The Medium-Term Management Plan in FY2020-2022 was launched amid the COVID-19 pandemic. SMBC Group has taken various measures to achieve our vision of becoming “a trusted global solution provider committed to the growth of our customers and advancement of society.” In particular, after achieving the CET1 ratio target in 2019, as we entered a phase where we could utilize excess capital, we actively invested in priority areas such as our multi-franchise strategy in Asia and overseas securities business.

During this Medium-Term Management Plan, we revised our Mission and added “society” as one of stakeholders. Efforts on sustainability were also accelerated by the establishment of the Sustainability Committee and Group CSuO, as well as a Sustainability Division.

- 2021 Invested in ARA Asset Management
- Invested in RCBC
- Invested in Jefferies
- FE Credit becomes an equity-method affiliate
- Fullerton India (now SMFG India Credit Company) becomes a subsidiary
- 2022 Investment in SBI Holdings
- 2023 CCCMK Holdings becomes an equity-method affiliate



# MISSION & VISION & FIVE VALUES



## MISSION

We grow and prosper together with our customers,  
by providing services of greater value to them.

We aim to maximize our shareholders' value through the continuous  
growth of our business.

We create a work environment that encourages and  
rewards diligent and highly-motivated employees.

We contribute to a sustainable society by addressing environmental and  
social issues.

## VISION

A trusted global solution provider committed to the growth of our customers  
and advancement of society

## FIVE VALUES

### *Integrity*

As a professional, always act with sincerity and a high ethical standard.

### *Customer First*

Always look at it from the customer's point of view, and provide value based on their individual needs.

### *Proactive & Innovative*

Embrace new ideas and perspectives, don't be deterred by failure.

### *Speed & Quality*

Differentiate ourselves through the speed and quality of our decision-making and service delivery.

### *Team "SMBC Group"*

Respect and leverage the knowledge and diverse talent of our global organization, as a team.

## Practicing FIVE VALUES

Five Values have been established as  
the basis for all employees and  
executives' day-to-day decisions, and  
are practiced by our many employees as  
a source of strength for SMBC Group.

The stories of five employees  
practicing the Five Values are shown  
from P.098 onwards.

	<p>FIVE VALUES ①</p> <p><b><i>Integrity</i></b></p> <p><b>Natsuko Kugai</b> Customer Service Plaza SMBC Consumer Finance</p> <p> P.098</p>
<p>FIVE VALUES ②</p> <p><b><i>Customer First</i></b></p> <p><b>Maho Uchiyama</b> Elder Concierge Sumitomo Mitsui Banking Corporation</p> <p> P.100</p>	
	<p>FIVE VALUES ③</p> <p><b><i>Proactive &amp; Innovative</i></b></p> <p><b>Megumi Omae</b> Strategic Planning Department, The Americas Division Manufacturers Bank &amp; Sumitomo Mitsui Banking Corporation</p> <p> P.102</p>
<p>FIVE VALUES ④</p> <p><b><i>Speed &amp; Quality</i></b></p> <p><b>Takuya Kondo</b> Private Corporate Advisory III Dept. SMBC Nikko Securities</p> <p> P.104</p>	
	<p>FIVE VALUES ⑤</p> <p><b><i>Team "SMBC Group"</i></b></p> <p><b>Takuya Ogawa</b> Product Planning and Development Division Sumitomo Mitsui Card Company</p> <p> P.106</p>



MESSAGE FROM GROUP CEO

# Plan for Fulfilled Growth

Jun Ohta  
Director President and Group CEO

## Realizing Growth with Quality

Focusing on output that makes a lasting impression on one’s memory rather than on the record books. This was my response to a query I received during an internal seminar geared towards the preparation of the new Medium-Term Management Plan (“new Plan”). An employee wanted to know about the specific actions we needed to take for SMBC Group to realize “Growth with Quality.” A financial institution’s business is built upon customers’ trust. Trust is not won simply because of compliance. Trust is built and maintained as the result of our daily efforts, for example reliable operations and IT systems, and proposals that accurately address customers’ needs. The desired results will naturally come if we look beyond growing our financial results and focus on engaging in frank communications with customers and putting forth optimal solutions. What do we need to do in order to realize such “Growth with Quality?” I shared this question with SMBC Group employees, and we have put our heads together to come up with the answer.

In the previous Medium-Term Management Plan (“previous Plan”), we operated under a challenging and uncertain business environment, starting with COVID-19’s rapid spread throughout the world, and followed by Russia’s invasion of Ukraine, the sharp depreciation of the Japanese yen, the transition from deflation to inflation, and the failure of several western financial institutions. However,

regardless of the business environment, we steadily carried out our various initiatives and succeeded in exceeding our original targets for consolidated net business profit and bottom-line profit by significant amounts. In addition, we laid down the cornerstones for sustainable future growth in our Asia Multi-Franchise Strategy and overseas securities business.

Having said this, challenges also became clear. Businesses which we had viewed as being part of our strength suffered a significant downturn during the pandemic, and we were faced with the need to transform our business portfolio into an even more resilient one. Furthermore, the enhancement of corporate infrastructure is our top priority given that compliance issues occurred as we were in the process of building a Group-based governance framework.

Our business environment continues to undergo significant change. Deglobalization and decoupling, the end of monetary easing overseas, the further acceleration of digitalization, and the mitigation of climate change are just some examples. Individual values are becoming increasingly diverse, and more people want consumption to include a story of resolving social issues. Technology continues to evolve at a remarkable speed, and AI can now be used to create complex and natural sentences. We, the users, must make sure that we are aware of the various risks when we use such technology.

MESSAGE FROM GROUP CEO

No Change to Our Strategy. Ascertain the Circumstances and Revise Our Tactics

As you can see, we are in the midst of a paradigm shift. However, there is no change in the path we must follow. Our Vision, “A trusted global solution provider committed to the growth of our customers and advancement of society,” was designed to illustrate SMBC Group’s path to sustainable growth. Not only must we further develop our capabilities in the financial sector, but we must also enhance our ability to provide high-quality solutions in non-financial areas on a global basis, regardless of the changing business environment. We will take concrete steps towards the realization of our Vision.

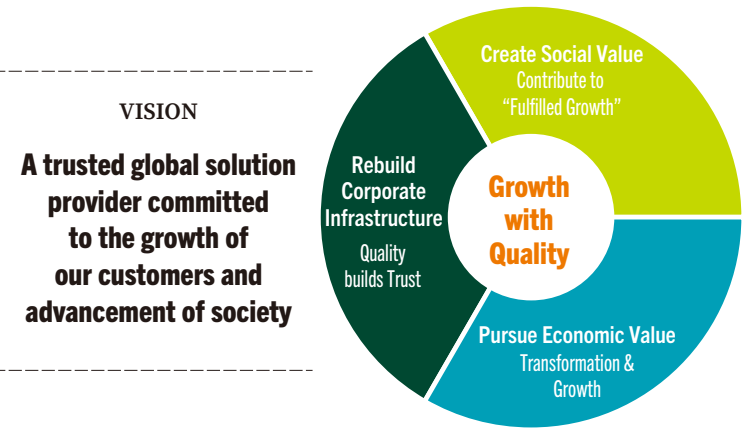
On the other hand, the paradigm shift also offers us a chance to break free of traditional restraints and unlock a new future. Even though we are at a major turning point in history, we will continue to strongly push forward in the right direction while revising our tactics in a timely manner

when required. I believe that the tenacious repetition of such efforts will allow us to realize “Growth with Quality.”

It is with this goal that SMBC Group established the new Plan: “Plan for Fulfilled Growth.” I first used the term “Fulfilled Growth” in Annual Report 2022. I believe that “Fulfilled Growth” refers to a state in which people feel happiness and fulfillment by being part of a society where we experience economic growth while also working together to address social issues. We desire to contribute to an age of “Fulfilled Growth” by fulfilling our responsibilities as a corporation and meeting our stakeholders’ expectations. “Plan for Fulfilled Growth” is a reflection of this desire.

The new Plan has three basic policies: “Create Social Value,” “Pursue Economic Value,” and “Rebuild Corporate Infrastructure.” I will go into detail regarding each basic policy.

 See **page 020** for details.  
Core Policies of the Medium-Term Management Plan (FY2023 - FY2025)



Placing the Creation of Social Value as a Cornerstone of Our Actions

“Building an Era of Fulfilled Growth.”

In Annual Report 2022, I used this phrase to describe my aspiration for the next 30 years of my life, a period which follows the first 30 years represented by “growth” as it overlapped with an era of high economic growth in Japan and the following 30 years which was represented by “stagnation” as this was a period in which Japan battled with deflation in the post-bubble economy era.

SMBC Group has established “We contribute to a sustainable society by addressing environmental and social issues” as part of our Mission, and we strive to realize our sustainability vision of “Creating a society in which today’s generation can enjoy economic prosperity and well-being and pass it on to future generations.” Based on this mindset, we have contributed to advancing the resolution of a wide range of social issues while adapting to the changing times.


However, the social issues that humanity faces keep growing, with global warming, violation of human rights, and the spread of poverty and inequality being some examples. Japan is no exception, as we have fallen into a period of extended economic stagnation, also referred to as the “Lost Three Decades,” leading to the further acceleration of falling birthrates, an aging population, and population decline.

Going forward, I believe that in addition to the pursuit of economic value, the generation of social value will gain even greater importance. Corporations that are unable to create social value will be viewed as no longer having the right to pursue economic value. Corporations that create social value are corporations that contribute to the fulfilled growth of humanity. As such, over the past year we gathered the views and opinions of our employees and engaged

in repeated discussions at Management Committee meetings and Board of Director meetings regarding the actions SMBC Group must take.

We received some opinions stating that it was sufficient to create social value within the boundaries of our core businesses. However, society is what makes our business possible, and it is impossible for a corporation to realize sustainable growth if the society in which it operates does not also grow. This is why we established “Create Social Value” as a pillar of our business strategy. This reflects our commitment to anticipating future trends and to even proactively undertake activities that do not immediately lead to economic value. We established “Environment,” “DE&I/Human Rights,” “Poverty & Inequality,” “Declining Birthrate & Declining Population,” and “Japan’s Regrowth” as our new priority issues (materiality). We have set goals by which we can measure our success in resolving the priority issues and have integrated them into our business strategy.

Going forward, we will implement concrete action plans that are aimed at resolving social issues, and will create a framework in which employees that want to contribute to the improvement of society can freely take part. This will allow us to create an environment in which each and every one of our employees can enjoy high levels of job satisfaction while working towards the resolution of social issues. SMBC Group will contribute to the realization of “Fulfilled Growth” in our society by leading the resolution of social issues and the creation of economic growth based on the philosophy of creating social value that has been passed on from our forebears at Mitsui and Sumitomo.

 See **page 080** for details.  
Creating Social Value to Achieve Sustainability



MESSAGE FROM GROUP CEO

**SMBC Group will contribute to the realization of “Fulfilled Growth” in our society by leading the resolution of social issues and the creation of economic growth based on the philosophy of creating social value that has been passed on from our forebears at Mitsui and Sumitomo.**

Environment

To pass on a green earth to future generations. This is the mission and responsibility of the present generation.

SMBC Group has positioned climate change and other sustainability-related efforts as key initiatives in its business strategy. We are engaging in Group-wide efforts to support the smooth transition to a decarbonized society. In FY2023, we will establish 2030 medium-term GHG reduction targets for high GHG emitting sectors and strengthen our phase-out strategy for the coal sector. However, there is no simple, straightforward method of achieving carbon neutrality. In order to ensure a fair, orderly transition, the establishment of next-generation technology is indispensable, and we must engage in thorough discussions with customers to determine the realistic route and pace up to 2050 while paying careful attention to each country’s unique circumstances. As a proud member of the financial sector, SMBC Group will do its best to contribute to the securing of stable energy supplies and long-term decarbonization by supporting customers’ efforts to transition to a carbon neutral business model and develop new technologies.

Poverty & Inequality

Many of you may have felt that something was out of place when a financial institution such as SMBC Group established “Poverty & Inequality” as a priority issue (materiality). However, “Poverty & Inequality” is not an issue that is limited to developing countries. According to the Ministry of Health, Labour and Welfare, one in seven children in Japan are considered to be living in relative poverty. The so called “Chain of Poverty” in which the parents’ income disparity leads to their children’s income disparity is a serious problem. We must break this negative cycle. It is with this strong belief that I decided SMBC Group needed to go beyond the boundaries of our core businesses and tackle social issues, even though they do not immediately lead to economic value. SMBC Group will collaborate with Non-Profit Organizations and non-financial institutions to provide children with educational opportunities and opportunities to challenge themselves. Furthermore, in the Asian developing nations where SMBC has a presence, we will focus on promoting financial inclusion and the social independence of the poor through microfinance and consulting.

Strive to Realize Growth That Is Not Possible Via Existing Methods

While pursuing a bottom-line profit in excess of ¥1 trillion by the end of the next Medium-Term Management Plan (FY2028), we will target bottom-line profit of ¥900 billion in the new Plan as an interim goal in order to assert our standing as an international financial institution with a global network. As the first step, we will even more dynamically reduce our exposure to labor intensive, inefficient businesses; low growth/unprofitable assets; and assets for which the holding rationale has decreased due to changes in the business environment. We will realize resilient business operations and enhanced capital efficiency by optimizing our business portfolio as a result of proactively reallocating the management resources we have secured through the aforesaid efforts to investments for growth and strengthening corporate infrastructure. We will also pave the way to reaping the benefits of our Multi-Franchise Strategy and other investments for growth. In regard to cost control, we will focus on reducing base expense by transforming our domestic business model, consolidating domestic Group functions, and enhancing the efficiency of overseas operations.

However, this profit target does not reflect rising interest rates in Japan. If we see a material positive change in the domestic interest rate environment, we will make sure to capture the upside opportunities that arise and give serious thought to raising our target.

In order to reach challenging targets that would not be possible only through existing methods, we will further evolve “Transformation & Growth” and pursue initiatives in the key strategic areas focusing on three perspectives. First, in our domestic mass retail and small and medium-sized enterprise wholesale businesses we will expand our customer base in a more effective manner and establish a stable, efficient business model through comprehensive digitalization and the enhancement of our payment business. Second, we will transform the business model of our wholesale business targeting large foreign and domestic corporations to one that is not dependent on the expansion of balance sheet, strengthen our fee business by leveraging the capabilities of Group companies, and diversify our risk solutions line-up so that we can add value to customers while also enhancing asset efficiency.

Third, in our overseas businesses we will continue efforts to optimize our portfolio and drive the growth of SMBC Group through our Multi-Franchise Strategy and the U.S. market, which is not only the largest in the world but also is expected to enjoy stable growth.

While the respective heads of our Business Units will provide details regarding individual strategies, I would like to take this opportunity to touch upon four key initiatives.



MESSAGE FROM GROUP CEO

A Digital-Centric Mass Retail Strategy

We will carry-out comprehensive efforts to digitalize our mass retail business. We launched a new service called Olive in March 2023, and the application seamlessly brings together various functions, such as customers’ bank accounts, credit card settlement, loan, and securities. Olive offers users one-stop services regarding payment, receipt of salary, loan, and asset building. If customers use Olive as their main account to manage their household finances, not only will they enjoy greatly enhanced convenience, SMBC Group can hope for increased volume in deposits and usage of credit cards. Furthermore, we will strive to establish a dominant platform by growing our customer base through the merger of SMBC Group’s V Point reward program with Culture Convenience Club’s T Point reward program, which has more than 70 million members, and by expanding services through collaborations with SBI Securities, an online securities firm.



See **page 070** for details.  
Olive

See **page 106** for details.  
People who Embody Our Five Values  
Team “SMBC Group”

Enhancing the Global CIB Business

As the Global Corporate and Investment Banking (CIB) business remains a critical pillar of our wholesale operations, which targets large corporations, enhancing our overseas securities capabilities has been a significant challenge. The strategic solution to this was our alliance with Jefferies, a leading U.S.-based full-service investment bank and capital markets firm. In April 2023, we unveiled plans to enhance our strategic capital and business alliance with Jefferies. This partnership, initiated in July 2021, has now expanded into U.S. investment banking, home to the world’s largest capital markets and M&A businesses. As part of this expansion, we will integrate functions that overlap, allowing SMBC Group to focus on lending and debt capital markets, while Jefferies will focus on M&A and equity capital markets. In addition, SMBC Group and Jefferies will conduct joint marketing activities targeted at SMBC Group’s clients. Furthermore, we plan to increase our economic ownership in Jefferies to up to 15%. I am confident that both SMBC Group and Jefferies can experience growth by providing advanced financial services on a global scale and generating new business opportunities. This will be achieved by leveraging each other’s strengths in a symbiotic relationship. As true allies, we will deepen our partnership and build upon our track record of successful collaborations, standing by each other in both prosperous and challenging times, supporting one another on our shared journey towards success.



See **page 069** for details.  
Strengthening Our Overseas Securities Business

***In order to reach challenging targets that would not be possible only through existing methods, we will further evolve “Transformation & Growth” and pursue initiatives in the key strategic areas focusing on three perspectives.***

Jenius Bank™

The launch of a U.S. digital banking unit was a strategy that came into being due to expatriates seconded to the U.S. directly approaching me regarding the matter during a business trip to New York. Employees who were passionately committed to seeing the project succeed joined together and the project team has now grown to 270 members. I am delighted that we were able to launch Jenius Bank™ this year.

While there are many digital bank offerings/competitors globally, our focus is not on becoming a top player in a short period of time but on methodically implementing a flexible strategy and leverage cutting edge technology to provide a new financial experience. We will first focus on expanding our business infrastructure by developing a high-quality customer base and accumulating assets. The expansion of our business infrastructure will be accompanied by the expansion of our product line-up. We will carefully grow Jenius Bank over a ten-year period and develop it into a pillar that supports SMBC Group’s sustainable growth.



See **page 076** for details.  
U.S. Digital Bank

See **page 102** for details.  
People who Embody Our Five Values  
Proactive & Innovative

Multi-Franchise Strategy

Almost ten years have passed since we announced the Multi-Franchise Strategy in the Medium-Term Management Plan we launched in FY2014. During this time, we have undertaken concrete steps towards building a second and third SMBC Group in the four Asian countries which we expect to experience high economic growth. In the previous Plan, we made investments in India, Vietnam, and the Philippines. Combined with Bank BTPN, our consolidated subsidiary in Indonesia, we now have established the foundations of future growth in the four target countries. We are reconfirming the high potential of each respective country through the discussions we are holding with the investee companies regarding collaborations in a wide range of businesses. Going forward, we will not limit ourselves to realizing synergies with investee companies. Rather, we will also focus on realizing synergies within SMBC Group by having investee companies share their expertise with each other. The new Plan sets the stage to further enhance the results produced by past initiatives. We will strive to expand our businesses on a scale that exceeds the growth of the respective countries by working together with our trusted partners to maximize the results of collaborations.



See **page 066** for details.  
Efforts to Achieve the Multi-Franchise Strategy



With John Rosenfeld, President of Jenius Bank

MESSAGE FROM GROUP CEO

Quality builds Trust

“Rebuild Corporate Infrastructure” has even more importance than in the past. We established “Quality builds Trust” as a keyword of this third pillar to reflect our commitment to enhancing the quality of our operations to a level that will allow us to win back the trust of stakeholders we lost as a result of the Administrative Disposition that was issued last year. First, we will make a Group-wide effort to improve compliance with our governance and compliance frameworks, which are the foundations of our business. We will also strive to realize resilient business operations by enhancing our ability to proactively address the risks that arise in the uncertain business environment by aggressively investing in IT infrastructure.

Creating a workplace in which employees can pursue their hopes and dreams with positivity and confidence is a key point in enhancing our corporate infrastructure. Regardless of how much our business environment changes, there will be no change to the fact that our people form the basis of SMBC Group’s competitiveness and are our most important management resource. Ever since I was appointed Group CEO, under the slogan “Break the Mold” I have endeavored to develop a corporate culture in which employees can transform themselves without being caught up in fixed ideas and preconceptions. I believe that an important responsibility of a business leader is to support employees proactively pursuing their hopes and aspirations and to prepare optimal conditions so that employees can reach their full potential.

“Producing new CEOs” is an initiative I started in which in-house start-ups are launched by leveraging the ideas of junior and mid-tier staff. In FY2022, the project saw the launch of Family Network Service, a business which offers family watching services through a smartphone application. A female employee in her 30s was named as CEO of the new company. I have no doubt that an era of “Fulfilled Growth” can be reached if each and every one of our employees can make a positive impact on society as a result of them breaking the mold by thinking outside of the box and pursuing their aspirations.

In addition, “DE&I (Diversity, Equity and Inclusion),” which was added as a priority issue (materiality), is a reflection of our growth strategy. SMBC Group is powered by a diverse talent pool of more than 110,000 employees spread across Japan and 38 countries and territories. Carrying out our duties based on a mindset of mutual respect leads to the competitiveness of SMBC Group, and the interaction of various values and ideas leads to innovation. In April 2023, we established the SMBC Group Talent Policy as part of efforts to realize a workplace where diverse professional talents can continue to pursue challenging goals and enjoy high levels of job satisfaction. We will enhance both our global and Group-based talent pool by creating a framework in which SMBC Group and its employees share a common mission, vision, and values while at the same time committing to each other.



Internal seminar for formulating the new Medium-Term Management Plan

Sustainable Growth of Corporate Value

Under the previous Plan, we increased our annual dividend by ¥50, achieving our dividend payout ratio target of 40%. We also carried out share buybacks totaling ¥200 billion while making inorganic investments of ¥510 billion for our future growth. I am well aware that this has led to some investors raising concerns that we were allocating a disproportionate amount of assets to investments for growth.

However, there is no change to our policy of allocating capital in a balanced manner between investments for growth and shareholder returns over the medium- to long-term based on a foundation of financial soundness. In the new Plan, dividends will continue to be our principal approach to shareholder returns. We will maintain a progressive dividend policy and a dividend payout ratio of 40%. We aim to increase dividend payouts through bottom-line profit growth. Although we postponed committing to a share buyback in May 2023, we will actively consider the matter

while paying careful attention to the external environment.

Our share price continues to fall below a PBR (Price to Book Ratio) of one. This may be unavoidable as investors view Japan’s financial sector with pessimism given the long-standing economic stagnation and the ongoing negative interest rate environment. However, even against such a backdrop, it is important to clearly communicate a growth strategy and to execute that strategy. We have placed even greater focus on capital efficiency in the new Plan and will enhance our ROE by optimizing our business portfolio to improve profitability and increasing revenue by executing the Key Strategies. Furthermore, we will attempt to limit the capital cost of investors by minimizing the asymmetry of information as a result of proactively disclosing both financial and non-financial information and engaging in close communications with our stakeholders. Through such consistent efforts, we will strive to realize the sustainable growth of SMBC Group’s corporate value.

Dreams Make Our Future

“There is nothing like a dream to create the future.” These are the famous words of the French writer, Victor Hugo, and I feel that they make a particularly strong impression as our world suffers from increasing uncertainty.

As I stated at the start of my message, we continue to experience great volatility. In my New Year message to SMBC Group, I said I wanted each and every one of our employees to strive to realize their dreams and hopes based on a clear understanding that they are responsible for shaping the future. I do not want our employees to adopt a passive attitude because of the current business environment. Bigger dreams may very well lead to bigger

challenges or more complex issues. Even when faced with such challenges, not giving up on one’s dreams and working with colleagues to overcome those challenges will allow SMBC Group to become even bigger and even stronger. I strongly believe that the future that lies at the end of this process will be one of “Fulfilled Growth.”

To transform SMBC Group into such an organization is both my dream and responsibility as Group CEO. I will fulfill this responsibility by standing at the forefront of SMBC Group’s 110,000 employees as we carry out our “Plan for Fulfilled Growth.” I would like to ask for the continued support and understanding of our stakeholders.



# SMBC Group's Value Creation Process

SMBC Group is committed to providing solutions that meet customer needs and solve social issues by leveraging our strengths developed over many years and maximizing the power of industry-leading subsidiaries. We will return economic and social value created through business activities to stakeholders and contribute to the realization of “Fulfilled Growth.”

(FY2022 Results)

Financial Infrastructure

Disciplined capital management and high-quality asset portfolio

Net income: ¥805.8 billion

ROCE1: 9.4%

CET1 ratio: 10.1%

NPL ratio: 0.80%

Human Resources

Diverse, professional employees who work as a team and continue to challenge themselves

Headcount: 116,000

Annual training cost: ¥3.95 billion

Network

A network of offices in Japan and 38 countries/regions

Brand

Trust and performance since the foundation of Mitsui and Sumitomo

Corporate Culture

Culture that allows for the expression of individuality, and an attitude of contribution to customers and society

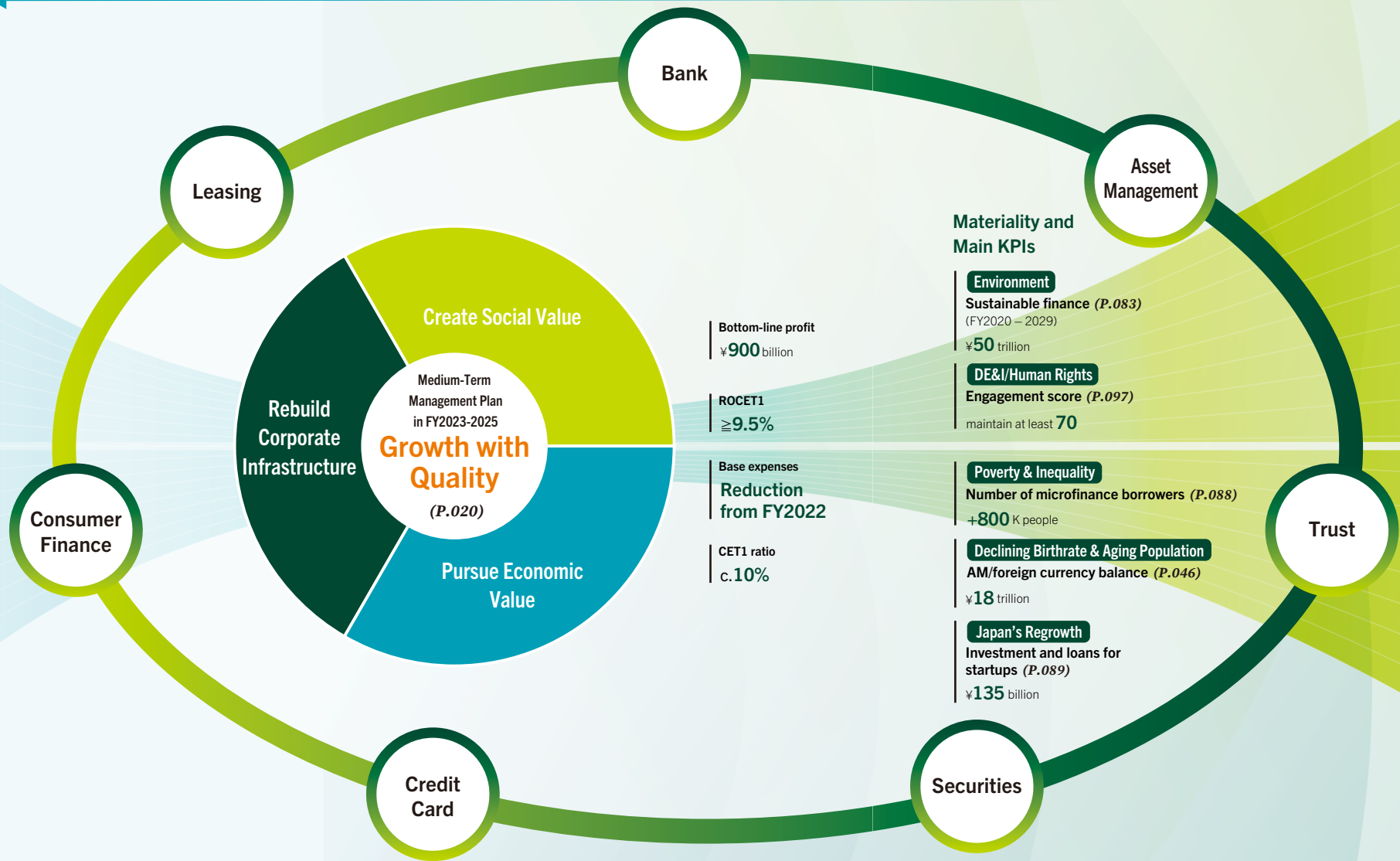
Customer Base

A robust customer base grounded in longstanding relationships of trust

Number of corporate accounts: 1 million

Number of personal accounts: 28 million

Credit card members: 54 million



Bottom-line profit  
¥900 billion

ROCE1  
≥9.5%

Base expenses  
Reduction from FY2022

CET1 ratio  
c.10%

Materiality and Main KPIs

- Environment
- Sustainable finance (P.083)  
(FY2020 – 2029)  
¥50 trillion
- DE&I/Human Rights
- Engagement score (P.097)  
maintain at least 70
- Poverty & Inequality
- Number of microfinance borrowers (P.088)  
+800 K people
- Declining Birthrate & Aging Population
- AM/foreign currency balance (P.046)  
¥18 trillion
- Japan's Regrowth
- Investment and loans for startups (P.089)  
¥135 billion

Value provided to stakeholders

Customers

More valuable services

Shareholders

Permanently increase shareholder value

Employees

A workplace where employees can demonstrate their abilities to the fullest

Society

Realization of a sustainable society



“Fulfilled Growth”

People feel fulfilled as economic growth accompanies the resolution of social issues



Core Policies of the Medium-Term Management Plan (FY2023 - FY2025)

The new Medium-Term Management Plan, covering the three-year period from FY2023, aims to achieve “Growth with Quality” strongly and proactively by further advancing existing initiatives that leverage the Group’s collective strengths to respond to major environmental changes that could be called a paradigm shift, including the current reversal of social and economic globalization, inflation and rising interest rates in regions such as the U.S. and Europe, progress in digital transformation, and the expansion and worsening of social issues faced around the world.

Core Policies

The new Medium-Term Management Plan is titled the “Plan for Fulfilled Growth,” expressing our strong desire to achieve “Growth with Quality” while fulfilling our three core policies of “Create Social Value,” “Pursue Economic Value,” and “Rebuild Corporate Infrastructure” toward the Vision of becoming a “a trusted global solution provider committed to the growth of our customers and advancement of society,” which we defined in 2020.

Plan for Fulfilled Growth



Core Policies of the Medium-Term Management Plan (FY2023 - FY2025)

Create Social Value

Contributing to “Fulfilled Growth”

In the new Medium-Term Management Plan, SMBC Group has selected five key issues (materialities) to be proactively addressed: “Environment,” “DE&I/Human Rights,” “Poverty & Inequality,” “Declining Birthrate & Aging Population,” and “Japan’s Regrowth,” and has set ten goals for resolving these materialities. With a business spirit that aims at creating social value as corporate citizens long passed down through Mitsui and Sumitomo, we will further expand our existing activities. Furthermore, we will contribute to “Fulfilled Growth” where society and people can enjoy sustainable prosperity by creating social value and returning to society.

Environment	Support the transition to achieve a decarbonized society	Sustainable finance ¥50 trillion (FY3/21-30)
	Contribute to the conservation and restoration of natural capital	
DE&I/Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement score maintain at least 70
	Respect human rights throughout the supply chain	
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	Number of microfinance borrowers +800K people
	Contribute to financial inclusion in developing countries	
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM / foreign currency balance ¥18 trillion
	Build user-friendly infrastructure to support a society with a declining population	
Japan's Regrowth	Support customers' business model transformation	Investment and loans for startups ¥135 billion
	Create innovation and foster new industries	

Establishment more specific action plans

Materiality identification process

In light of the ever-growing and increasingly serious social issues facing the world, it has become even more important to proactively address a wide range of social issues, and aim to create social value as a corporate citizen. Based on this recognition, we have reviewed the materialities identified in 2014.

1	<b>Identification of social issues to be addressed</b> We identify social issues with the potential to have a significant impact on SMBC Group and society, based on our top risks and past efforts to resolve social issues, in addition to global issues such as the SDGs and efforts by Japanese government.
2	<b>Discussion and examination</b> Approximately 20,000 employees in Japan and overseas responded to a questionnaire survey conducted on “Social issues that SMBC Group should focus on.” In addition to discussions at Management Committee, Diversity Committee, and other meetings on the executive side, discussions are also held at meetings of the Board of Directors and Sustainability Committee on the supervisory side. Five materialities and ten goals have been selected based on the results of the employee survey and opinions from both the supervisory and executive sides (including opinions of external committee members).
3	<b>Institutional decisions</b> KPIs associated with materiality and targets are also added and decided by the Board of Directors following deliberation by Management Committee.

Pursue Economic Value

Transformation & Growth

We will engage in continuous business model reform that reflects major changes in the environment and carry out efforts to establish franchises in strategic overseas areas while steadily realizing the benefits of existing growth investments and initiatives with the key phrase “Transformation & Growth” in continuation from the previous Medium-Term Management Plan. Through these efforts, SMBC Group will transform our business portfolio and realize robust growth in profitability that is accompanied by enhanced capital efficiency.

Transformation Continuous reform of our business model	
I	Reform domestic business for possible interest rate hike
	Improve capital efficiency with B/S discipline
	Build global portfolio based on growth potential
Growth Establish franchises in key strategic areas	
1 Build digital-based retail business	
2 Strengthen payment business	
3 Enhance wholesale business utilizing digital technology	
4 Expand institutional investor business	
5 Strengthen global CIB and S&T	
6 Deepen and expand U.S. business	
7 Realize growth through our Multi-Franchise Strategy	

Rebuild Corporate Infrastructure

Quality builds Trust

In the previous Medium-Term Management Plan, we carried out various initiatives aimed at enhancing SMBC Group’s corporate infrastructure with “Quality” as a keyword. In the new Medium-term Management Plan, we will engage in tireless efforts to enhance SMBC Group’s corporate infrastructure and win the trust of our customers and other stakeholders with “Quality builds Trust” as a key phrase.

I	Improve the quality of governance and compliance
II	Sophisticate human capital management
III	Reinforce IT infrastructure
IV	Improve risk analysis and risk control capabilities



# Communication with Stakeholders

## Basic Approach

SMBC Group aims to contribute to the sustainable development of society by building relationships and providing greater value to various stakeholders: “Customers,” “Shareholders and the markets,” “Employees,” and “Society and the environment.”

## Engagement with Customers

**Value We Provide: More valuable services**

“Customer First,” thinking from the customer’s perspective and providing value that meets the needs of each individual, is one of our Five Values, which are shared by all our employees. In addition to daily communication with our sales staff, we have also established points of contact to receive feedback and requests, and to listen to feedback from our customers. We strive to continuously improve our products and services based on the feedback we receive. For example, Sumitomo Mitsui Card Company released a V-point investment service in July 2022, in response to a request that it be possible to use V-points to purchase mutual funds at SBI Securities.

See page 132 for more information on our customer-oriented initiatives.

## Engagement with Shareholders and the Markets

**Value We Provide: Continuous growth of shareholder value**

We recognize that appropriate disclosure of corporate and management information must form the foundation of our efforts to realize shareholder value management, and strive to provide accurate understanding of our management strategies and financial situation through investor meetings after announcement of financial results, conferences and one-on-one meetings, large meetings for individual investors and other activities.

### Parties engaging in dialogue

Group CEO, Group CFO, Outside Directors, Heads of Business Units, Director in charge of Corporate Planning Department, Investor Relations Dept, etc.

### Activities in FY2022

General meeting of shareholders	Participants: 990*
IR meetings for institutional investors and analysts	13 meetings
One-on-one meetings with institutional investors and analysts	470 meetings
Of which, implemented by managements	118 meetings
Of which foreign investors	289 meetings
Of which SR interviews	36 meetings
Conferences held by securities companies	5 conferences
Large meetings for individual investors	2 meetings

\* Including 603 viewers of simultaneous Internet broadcast

### Investor interests

Financial performance and management strategy	The path toward achieving the profit targets set forth in Medium-Term Management Plan
Capital policy	Shareholder returns policy, target of growth investment, balance between growth investment and shareholder returns
Financial and economic environment	Outlook on domestic and foreign interest rates and view toward financial instability abroad
ESG	Climate change initiatives, reduction of equity holdings, and measures to prevent recurrence of misconduct

### Feedback to management

Quarterly reports are presented the Board of Directors and Management Committee meetings, and information is also shared regularly via e-mail.

#### Feedback incorporated into management and disclosure

- Improving of business management by business unit
- Disclosing of ROE including OCI
- Disclosing of future profit contributions from growth investments
- Accelerating the reduction pace of equity holdings

## Engagement with Employees

**Value We Provide: A workplace where employees realize full potential**

Various initiatives, such as town hall meetings, are being implemented to foster mutual understanding between employees and management. For example, Group CEO luncheons in which employees from various Group companies participated were held six times in FY2022. A lively exchange of ideas took place during the luncheon, with various new ideas and concepts being generated as employees talked about their own dreams and goals.

We also conduct monthly engagement surveys to visualize and analyze the state of employee engagement. Results are returned to each individual and organization to encourage independent improvement. The KPI for engagement score is set to be maintained at 70 or higher.

See page 090 for more information on our human resource strategies.



Employee-organized meetings with the Group CEO to exchange opinions



“Huddle Fukutome” (an exchange event with the president of Sumitomo Mitsui Banking Corporation)

## Engagement with Society

**Value We Provide: Contribution to a sustainable society**

SMBC Group has positioned “Create Social Value” as a pillar of its management strategy and intends to engage in a wide range of initiatives that go beyond our core business. We emphasize dialogue with society by proactively disclosing our efforts to resolve our five materialities selected in April 2023.

Moreover, a sustainable society cannot be achieved without cooperative relationships with the various stakeholders active in society. To this end, we are actively involved with external parties through participation and involvement in various domestic and international initiatives, as well as through implementing “GREEN x GLOBE Partners,” a community of businesses that transcends organizational barriers to address environmental and social issues.

See page 080 for more information on our sustainability initiatives.



2023 IIF Sustainable Finance Summit



GREEN x GLOBE Partners Events

MESSAGE FROM GROUP CFO

We will realize the sustainable growth of SMBC Group’s corporate value by enhancing capital efficiency through the prompt execution of initiatives aimed at delivering “Growth with Quality.”

In April 2023, I was appointed Group CFO and Group CSO. As Group CSO, I will supervise the execution of our initiatives in key strategic areas while maintaining a view of the overall strategy. At the same time, as Group CFO I will continue to oversee the optimal allocation of our management resources to ensure sound financial and capital management. I will take great care to communicate to investors information regarding SMBC Group’s strategies and businesses from both standpoints in a comprehensible manner.



Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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Review of the Previous Medium-Term Management Plan

In the previous Medium-Term Management Plan (“previous Plan”) we operated in a challenging and uncertain business environment due to the COVID-19 pandemic, Russia’s invasion of Ukraine, and various other unforeseen factors. However, regardless of such an environment, we steadily carried out the Seven Key Strategies established under “Transformation & Growth.” We also proactively addressed major global trends, such as “Digital” and “Green.” Recently, in the domestic market we are seeing an increase in demand for solutions to address the post-COVID-19 business environment as the corporate sector recovers from the global health crisis and becomes more active in capital investment and business reorganization. In overseas markets, we are facing an increase in capital demand from customers followed by an increase in cross-selling opportunities including securities business. Not only were we able to capture significant opportunities resulting from the growth of the cashless payment market by issuing next-generation credit cards (numberless/ cardless, etc.), we also succeeded in laying down the cornerstones of our future growth. For example, we made investments in our Asia Multi-Franchise Strategy and in our overseas securities business.

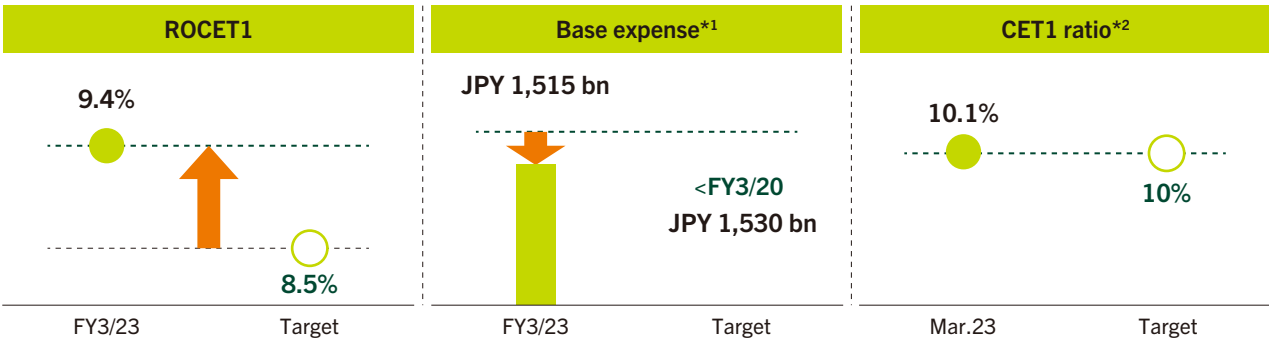
Due to the balanced increase in profits across the key businesses of each Business Unit, for the first time in

SMBC Group’s history consolidated gross profit exceeded ¥3 trillion in FY2022. Even after booking the negative impact of items, such as additional impairment losses stemming from our aircraft leasing business and taking proactive measures for the future (forward-looking provisions due to uncertainties in the business environment, impairment losses stemming for our retail branches, etc.), we were able to generate profit attributable to owners of parent of ¥805.8 billion. This represents a year-on-year increase of ¥99.2 billion and is the first time to exceed ¥800 billion since FY2013. It goes without saying that we exceeded our original targets by a substantial amount.

(JPY bn)	Results FY2022	YoY
Consolidated net business profit	1,276.4	+123.6
Total credit cost	210.2	(64.2)
Ordinary profit	1,160.9	+120.3
Profit attributable to owners of parent	805.8	+99.2

We also achieved our original financial targets for Return on Common Equity Tier1 (ROCET1), base expenses, and Common Equity Tier1(CET1) ratio. For ROCET1 we exceeded our target by close to 1%, a significant amount.

Financial Targets of the Previous Plan



\*1 G&A expenses excluding cost related to investment for future growth, revenue linked variable cost and others  
Fixed Exchange rate at USD1=JPY105  
\*2 Post Basel III reforms basis, excludes net unrealized gains on other securities



MESSAGE FROM GROUP CFO

New Medium-Term Management Plan Plan for Fulfilled Growth

Financial Targets

There is no change in our policy of pursuing “Growth with Quality” in the new Medium-Term Management Plan (“new Plan”). In terms of revenue, we will target bottom-line profit in excess of ¥1 trillion in the next Medium-Term Management Plan (“next Plan”) while targeting bottom-line profit of ¥900 billion in the new Plan as an interim goal. In our business operations we will continue to focus on profitability, efficiency, and financial soundness through the three financial metrics: ROCET1, base expenses, and CET1 ratio.

We will pay particularly careful attention to capital efficiency and aim to achieve a ROCET1 as close as possible to 10%, with the minimum level being 9.5%, by the end of the three years covered by the new Plan. At the same time, we will strive to achieve ROE including other comprehensive income (OCI) of 8% at the earliest possible date. My colleagues and I are aware that this is a matter in which many investors have expressed interest.

ROCET1	Base expenses	CET1 ratio
≥9.5%	<FY3/23	c.10%

Specifically speaking, we will review our existing business portfolio and dynamically shift management resources. Continuous reduction of our exposure to low growth/unprofitable assets and assets for which the holding rationale has decreased due to changes in the business environment will take place so that we are able to allocate the required management resources to the key strategic areas established under the new Plan.

Furthermore, profit/loss and capital that had been traditionally managed by head office were allocated to our Business Units. Through such efforts, we will enhance business management on a Business Unit basis while also using the new framework to optimize our business portfolio and better verify the effectiveness of growth strategies. This will allow us to better imbed a capital efficiency focused mindset throughout SMBC Group.

Cost Control and Resilient Business Operations

In the previous Plan, we succeeded in reducing base expenses by ¥145 billion, exceeding the initial target of ¥100 billion, by executing three key initiatives: “Reform of domestic businesses,” “Retail branch reorganization,” and “Integration of Group operations.”

In the new Plan, we will continue with efforts that are of a similar level to that of the previous Plan. In other words, a reduction of base expenses of ¥130 billion and the workload equivalent to that of 7,000 full-time staff. Enhancing the efficiency of our domestic business model will particularly be focused on as we continue efforts from the previous Plan to downsize retail bank branches to establish “STORE” model branches that can be operated by fewer staff and pursue a hybrid strategy in which we combine digital services with physical bank branches.

We will realize resilient business operations by proactively reallocating the management resources we have secured through such efforts to not only the key strategic areas, but also to the strengthening of corporate infrastructure. Specifically speaking, in the new Plan more than ¥100 billion will be allocated to IT investments with the focus being on corporate infrastructure so that we are able to establish highly dependable core banking systems and governance frameworks.

Financial Targets for FY2023

We announced targets of ¥1,340 billion for consolidated net business profit and ¥820 billion for profit attributable to owners of parent. These targets have taken into account uncertainties in the market arising from the bank failures in the U.S., concerns regarding a slowdown in the global economy, and geopolitical risks. In other words, they represent the minimum figures we should achieve, even in the event these downside risks come to rise. Of course, we will pursue higher figures through the recovery of our securities business and growth of our credit card and consumer finance businesses that capture the recovery in domestic consumption.

Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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Capital Policy

Basic Capital Policy

In the new Plan, there is no change to our basic capital policy which is to secure financial soundness and take a balanced approach to enhancing shareholder returns and investments for growth. Our CET1 ratio target, a metric we use to measure financial soundness, has been set at 10%. Please note that this figure is calculated taking into account the full implementation of Basel III reforms and excludes net unrealized gains on other securities. Achieving a 10% CET1 ratio would provide us with a buffer of 2%, a level that allows us to maintain the required 8% ratio under a variety of stress scenarios. We will maintain our CET1 ratio in the 10% (± 0.5%) range.

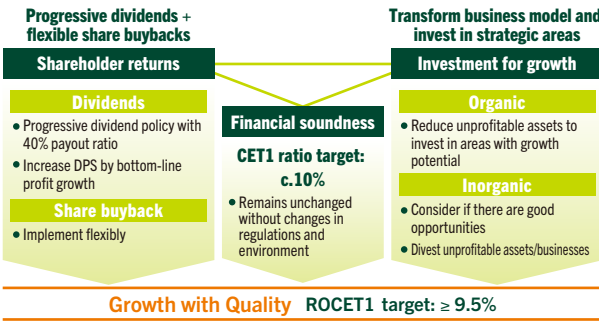
We have maintained sufficient capital level with a 10.1% CET1 ratio as of the end of March 2023. On the other hand, there is the possibility that the criteria for financial soundness may become more conservative due to the further tightening of financial regulations and changes

in market conditions. We will focus on the macro-environment and discussions with financial regulators and accumulate capital when required in order to maintain financial soundness.

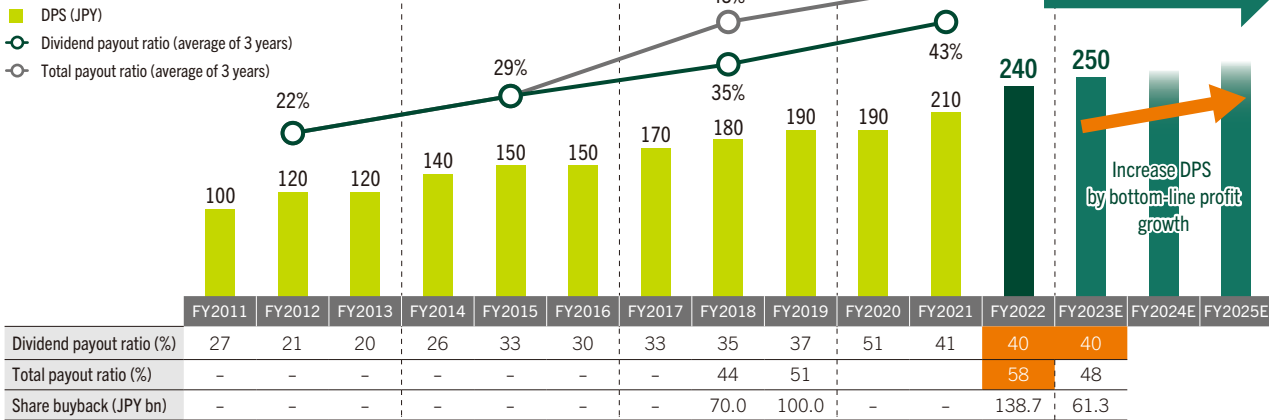
Enhancing Shareholder Returns

Dividends are our principal approach to shareholder returns, and we will continue to pursue a progressive dividend policy, which is to at least maintain, if not increase, dividend payments. In the previous Plan, we increased our annual dividend by ¥50, from ¥190 in FY2019 to ¥240 in FY2022, achieving our dividend payout ratio target of 40%. In the new Plan, we will maintain a dividend payout ratio of 40% and increase our dividend payout by growing our bottom-line profit while, to the extent possible, enhancing stronger resistance to economic volatility. Based on this approach, we announced ¥250 as our FY2023 dividend forecast.

Share buybacks totaling ¥200 billion were announced during the course of the previous Plan. For FY2023, given that uncertainty continues to cloud the environment surrounding financial institutions, we held off making our final decision regarding share buybacks until the announcement of our 1H FY2023 financial results, and we will continue to carefully assess the situation. In the new Plan we will pay even greater attention to achieving the optimal balance between shareholder returns and investment for growth.



Shareholder returns





MESSAGE FROM GROUP CFO

Investment for Growth

Given that we had accumulated the necessary capital in preparation for the full implementation of Basel III reforms, in the previous Plan we revised our capital policy to enhance shareholder returns and investment for growth and pursued growth by allocating ample capital to both organic and inorganic growth opportunities.

Regarding our inorganic investments in Asia, we invested in local financial institutions in India, Vietnam, and the Philippines. Coupled with our existing investments in Indonesia, we were able to build the foundations of our future growth in the four target countries of our Multi-Franchise Strategy. In our overseas securities business, we entered into a strategic capital and business alliance with Jefferies, a major full-line U.S. securities firm. In April 2023, we announced the further deepening of this partnership and expanded our collaborations to include the U.S. ECM and M&A markets. In our aircraft leasing business, SMBC Aviation Capital acquired Goshawk Management (Ireland), making our fleet size the second largest in the industry. On the domestic front, we concluded capital and business partnerships with SBI Holdings and CCC Group as part of efforts to strengthen retail digital financial services.

As we executed various inorganic transactions in the previous Plan, in the new Plan we will first focus on con-

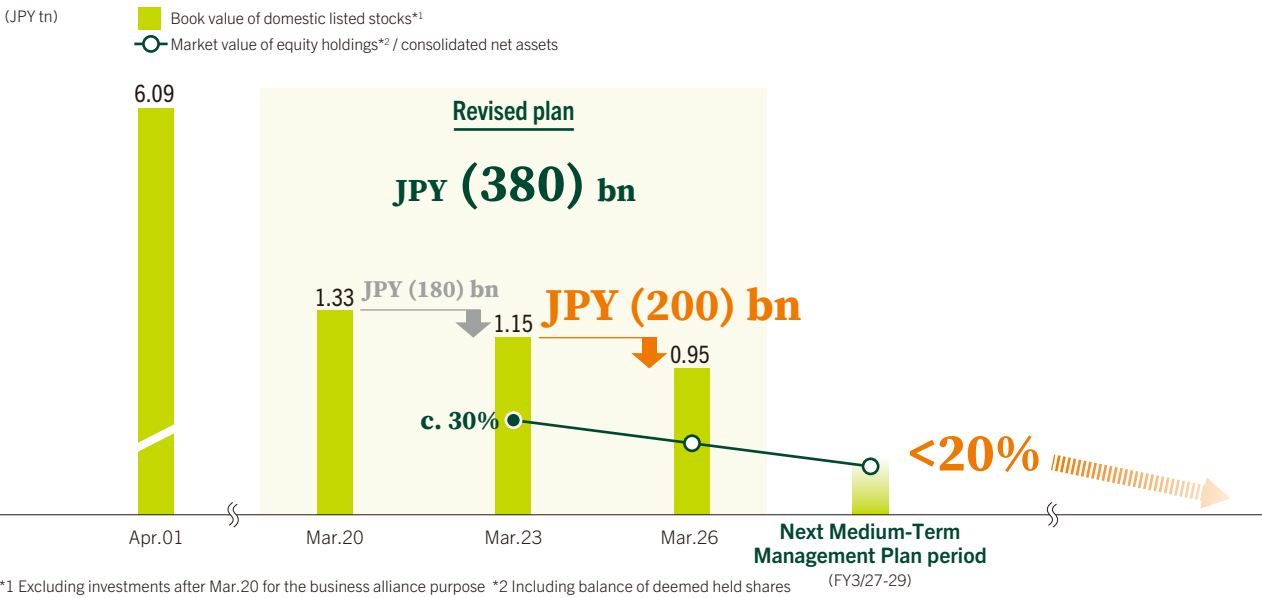
cluding the post-merger integration of those acquisitions so that they can become new drivers of growth for SMBC Group. We will make sure that the new value generated by this growth is shared with our investors.

Reducing Equity Holdings

In FY2020, we established a goal to reduce our equity holdings by ¥300 billion (book value) over five years and over the past three years we succeeded in reducing them by ¥180 billion. The reduction was proceeding according to schedule, but in the three-year new Plan we accelerated the speed to ¥200 billion. Combined with the first three years of our plan, the six-year total reduction target will be ¥380 billion. Furthermore, we will aim to earn a good prospect of reducing the market value to consolidated net assets ratio to below 20% during the next Medium-Term Management Plan which covers FY2026-FY2028.

The reduction of equity holdings is a very important component of our efforts to enhance corporate governance in Japan. Furthermore, we will strive to achieve this goal ahead of schedule while ensuring that we continue to engage in close communications with clients. This will act as a tailwind to our efforts to reach our target of 8% for ROE including OCI (incorporates unrealized gains/losses of strategic shareholdings in the denominator) at the earliest possible date.

Reduction Plan of Equity Holdings



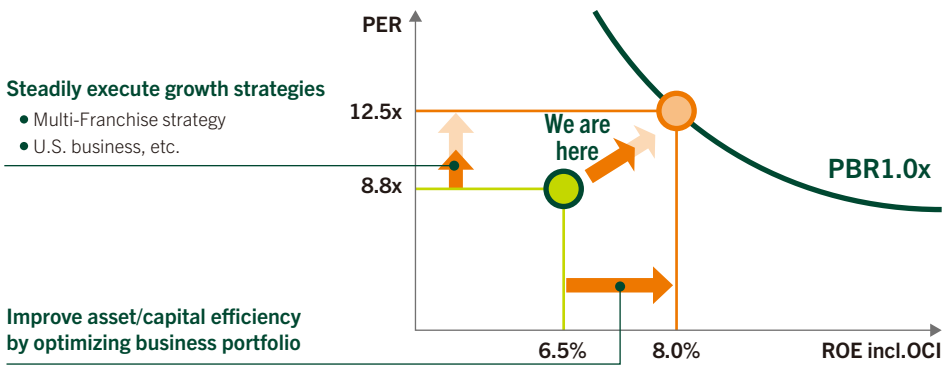
Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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Enhancing Corporate Value

Enhancing corporate value is our most important business topic. In the new Plan, in order to reach our target of 8% for ROE including OCI at the earliest possible date, we will improve our PBR by optimizing our business portfolio and enhancing our asset and capital efficiencies. In regard to our Price Earnings Ratio (PER), we will increase our anticipated growth rate by successfully executing our Multi-Franchise Strategy, growing our U.S. business, and other growth strategies while also minimizing volatility by constructing a stable business portfolio. It is vital when operating in an

uncertain business environment that we disclose information regarding areas of shareholders' interest in a proactive and timely manner. We must also expand the information that is disclosed regarding our investments for growth and medium- to long-term initiatives to generate social value in a comprehensible manner. Through such efforts to enhance our disclosure, capital cost should be reduced by strengthening foreseeability as a result of minimizing the asymmetry of financial and non-financial information available to investors.

To improve PBR



Communicating with Investors and Analysts

Discussions with investors and analysts provide a very important opportunity to learn and to recognize matters that are of concern to our stakeholders'. The feedback we received through our regular meetings and IR events were shared with the Board of Directors and senior management team, and were integrated in the management of our daily operations and disclosures. Some examples are the disclosure of profit contribution forecasts of past investments for growth and ROE target, enhancing Busi-

ness Unit-based business management, and the acceleration of our plan to reduce equity shareholdings. As you can see, the feedback has played an important part in the formulation of the new Plan.

We will realize the sustainable growth of SMBC Group's corporate value by delivering "Growth with Quality" as a result of engaging in regular, constructive communications with investors and analysts and leveraging the feedback we receive in our initiatives.

Response to Administrative Actions and Efforts to Prevent Recurrence

In response to the market manipulation cases in which former executive officers and employees of SMBC Nikko Securities (“SMBC Nikko”) violated Article 159, Paragraph 3 of the Financial Instruments and Exchange Act (i.e., illegal stabilization transactions) as well as the cases of exchanging non-public information between executive officers and employees of SMBC Nikko and Sumitomo Mitsui Banking Corporation (“SMBC”) (violations of regulations on the firewall

between banking and securities operations ), the Company has established a project team under the Board of Directors and has been discussing on issues of business management systems and improvement measures. In addition, the Board of Directors has strengthened its involvement on management execution by supervising the progress of each improvement measure and engaging in discussions about the effectiveness of these measures.

	Market manipulation cases	Violation of Regulations on the Firewall between Banking and Securities Operations
Outline of the case	SMBC Nikko conducted a series of limit price bids and offers to buy for ten listed stocks with the purpose of stabilizing the market price of those stocks to avoid a significant decline in their closing price on the execution date (the basis for the trading price in block offer transactions), compared to the closing price on the previous day, and thereby maintain the stock price at a certain level.	SMBC Nikko and SMBC had exchanged non-public information concerning corporate customers, despite being aware that these clients had requested a halt to such information sharing, or that consent for these exchanges had not been obtained.

In November 2022, the Company, SMBC Nikko, and SMBC each formulated and announced the improvement plans to prevent a similar incident from occurring again. Since then, we have been working to strengthen our business management system and internal control system and foster a sound corporate culture through the steady implementation of measures based on the improvement plans.

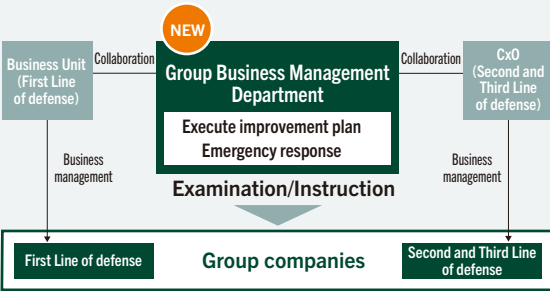
We have made progress in the formulation and implementation of each improvement measure as planned, six months since the submission of the Improvement Report. We will continue to implement improvement measures, verify the effectiveness of each improvement measure, and ensure dissemination and firm establishment of them.

Progress of Improvement Plan

November 2022: Formulate an improvement plan			
Formulation and Establishment of a Framework to Prevent Recurrence		Present	Dissemination and Establishment
Market manipulation cases	(1) Strengthen the Business Management System <SMBC Nikko> <ul style="list-style-type: none"><li>Strengthen supervision of management execution<ul style="list-style-type: none"><li>Appoint a new outside director</li></ul></li><li>Implement compliance training for executives</li><li>Prioritize the allocation of resources on “defense”<ul style="list-style-type: none"><li>Increase personnel in the Second and Third Line, and make IT investment of over ¥10 billion to strengthen internal control systems</li></ul></li><li>Strengthen expertise in the First and Second Line of defense<ul style="list-style-type: none"><li>Promote to hire outside specialists</li></ul></li><li>Establish the Product and Services Council<ul style="list-style-type: none"><li>Discuss risks, issues and measures regarding products and services among the First and Second Line of defense</li></ul></li></ul> <the Company> <ul style="list-style-type: none"><li>Increase involvement in SMBC Nikko’s executive personnel and resource allocation plan, and verify its sufficiency</li></ul>	(2) Strengthen the Internal Control System <ul style="list-style-type: none"><li>Improve the effectiveness of the Three Lines of Defense system<ul style="list-style-type: none"><li>Formulate and implement a target operating model by utilizing external knowledge</li></ul></li><li>Reorganize compliance division<ul style="list-style-type: none"><li>Strengthen supervisory functions, and clarify roles and responsibilities</li></ul></li><li>Establish the Fraudulent Trade Prevention Committee<ul style="list-style-type: none"><li>Strengthening the trade control system by discussing the risk of unfair trading among the First and Second Line</li></ul></li></ul>	(3) Foster a Sound Corporate Culture <ul style="list-style-type: none"><li>Formulate new corporate philosophy systems<ul style="list-style-type: none"><li>Restructure the existing philosophy systems to incorporate SMBC Group’s “Five Values”</li></ul></li><li>Dialogue between management and employees<ul style="list-style-type: none"><li>Establish a forum for discussion on improvement measures, company direction, etc. (held at 271 locations in total)</li></ul></li></ul>
	(4) Strengthen the Business Management System <ul style="list-style-type: none"><li>Implement whistle-blowing training</li><li>Reinforce the Company’s Compliance Department structure</li></ul>	(5) Strengthen the Customer Information Management System <ul style="list-style-type: none"><li>Establish and enforce information management rules</li><li>Enhance post-event monitoring by utilizing artificial intelligence, etc.</li></ul>	(6) Foster Awareness of Compliance <ul style="list-style-type: none"><li>Establish a new rule for compliance training management and increase training opportunities</li></ul>
Violation of regulations on the firewall between banking and securities operations			

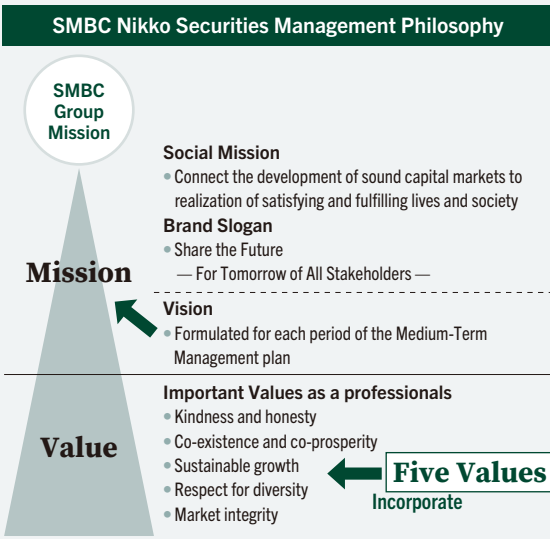
The Company: Establish the Group Business Management Department

The Company has established the Group Business Management Department with the aim of strengthening the capability for emergency issues as a group. We will continue to strengthen capability for emergency issues of the eight major subsidiaries (including SMBC Nikko) by enhancing communication with them.



SMBC Nikko: Formulate new corporate philosophy systems

In order to ensure that the philosophy fully permeates the entire company, SMBC Nikko has restructured the existing philosophy which includes five new SMBC Nikko’s core values that encapsulate the SMBC group’s common five values.



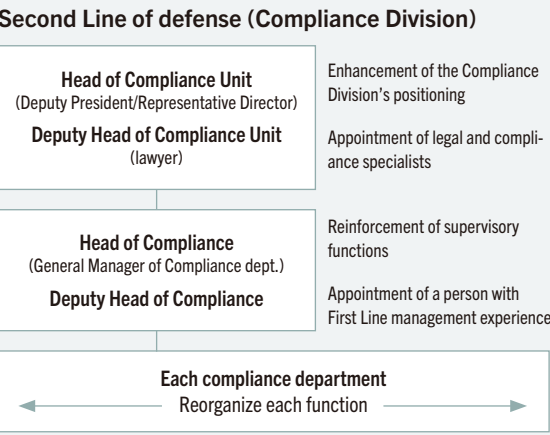
SMBC Nikko: Dialogue between Management and Employees

The management of SMBC Nikko has declared a strong commitment to compliance and risk management, and has enhanced bidirectional communication with sales staff, conducting town hall meetings at a total of 271 locations. Members of the Management Committee will discuss opinions and suggestions from employees during bidirectional communication and will incorporate these into various measures going forward.



SMBC Nikko: Reorganize compliance division

The organization and operation of the compliance department have been reviewed with the aim of strengthening the internal control system. By appointing vice president to oversee compliance, we have reinforced the compliance department. Furthermore, we have reorganized the compliance departments by function, aiming to clarify roles and responsibilities.







Round-Table Discussion with Outside Directors

# The Values SMBC Group Must Embody as it Strives to Realize Sustainability

**Ito** Today, I will ask Ms. Eriko Sakurai and Mr. Masayuki Matsumoto, both outside directors of Sumitomo Mitsui Financial Group, to share their expectations for SMBC Group taking into consideration the new Medium-Term Management Plan (“new Plan”) that we publicly announced in May 2023. Ms. Sakurai and Mr. Matsumoto were deeply involved in the preparation of the new Plan as repeated discussions took place during Board of Directors (“BOD”) meetings and BOD internal committee meetings over a period of approximately one year.

**Matsumoto** I feel that the new Plan significantly differs from past Medium-Term Management Plans in three key areas. First, a large number of SMBC Group employees of various seniority levels devoted significant time and effort to the preparation of the new Plan. As a result, the new Plan not only takes into consideration the issues and results of past Plans, it also reflects current changes in the business environment. Second, the new Plan has established “Create Social Value” as a new pillar on top of “Pursue Economic Value” and “Rebuild Corporate Infrastructure”. Third, the new Plan clearly stipulates the social issues SMBC Group will address in order to create the aforementioned social value, and its commitment to resolving those issues. As “Create Social Value” has been established as a key pillar of the new Plan, I hope to see SMBC Group tackle these social issues with a strong sense of responsibility and determination.

The new Plan has already started, and I feel that everyone in SMBC Group is pursuing the new Plan’s strategies and initiatives with much enthusiasm. I believe that SMBC Group’s organizational strengths will further increase if the new Plan is carried out with this level of enthusiasm.

**Sakurai** As Mr. Matsumoto shared his thoughts regarding the new Plan in general, I would like to first share my thoughts from my position as Chairperson of the Sustainability Committee given that it was this role which allowed me to take part in the preparation of the new Plan from the draft stage. Frankly speaking, the early drafts struck me as trying to cover too many issues. It is easy to talk about wanting to solve social issues, actually reflecting this in your corporate activities via concrete initiatives is a different matter. As such, I advised that SMBC Group should narrow down and focus on selecting key issues so that each and every one of its employees must have a sense of ownership if the Group is to make concrete contributions to the resolution of social issues.

SMBC Group was already contributing to “Creating Social Value” via various initiatives, for example holding financial education seminars that have been attended by hundreds of thousands of high school students. It was under such circumstances that we engaged in repeated discussions about how SMBC Group employees could more consciously contribute to the resolution of social issues.



Round-Table Discussion with Outside Directors

For example, when the key phrase “Fulfilled Growth” was brought up, detailed discussions took place regarding the meaning of fulfillment and the actions that we needed to take within society in order to achieve growth. It was the first-time detailed discussions regarding such topics had taken place within SMBC Group.

In addition, as I am a member of the Compensation Committee and Nomination Committee, I took part in discussions regarding how “Creating Social Value” should be reflected in determining compensation and in the selection of leaders. I provided various suggestions with the mindset that I am speaking on behalf of SMBC Group’s numerous stakeholders so that it is able realize the theme “Create Social Value” in its many business activities.

**Ito** As Ms. Sakurai just said, the Sustainability Committee was deeply involved in the preparation of the strategies established under the new Plan. This itself is proof that SMBC Group places great importance on “Creating Social Value” and embodies its commitment to placing this mindset at the center of its actions.

On the other hand, as Mr. Matsumoto stated, it is vital that SMBC Group executes and brings to a successful conclusion its initiatives with a strong sense of responsibility and determination. I want to further elaborate on the new

Plan’s various initiatives while making sure that employees remain engaged.

**Matsumoto** I personally believe that a megabank has four key responsibilities. The first is to contribute to and take responsibility for people’s livelihoods and the Japanese economy. The second is to establish trust and credibility as the basis of all its activities. The third is to practice sound business management, including in regard to revenue and governance. The fourth is to fairly contribute to all stakeholders. All four of these responsibilities must be fulfilled. The three basic policies established under the new Plan “Create Social Value,” “Pursue Economic Value,” and “Re-build Corporate Infrastructure” serve as the basis of SMBC Group’s unwavering commitment to pursue “Growth with Quality” by fulfilling these roles.

**Ito** In regard to the third responsibility of sound business management that Mr. Matsumoto spoke about, in response to the request from the Tokyo Stock Exchange to improve our PBR, SMBC Group has publicly announced that we will pursue ROE including OCI of 8%. As a first step, we will pursue a PBR of one by focusing on asset and capital efficiencies. In addition, this will be achieved from both ROE and PER standpoints by increasing our anticipated growth

**Fumihiko Ito**  
Group CFO & Group CSO,  
Sumitomo Mitsui Financial Group



**Masayuki Matsumoto**  
Outside Director,  
Sumitomo Mitsui Financial Group

rate through our Multi-Franchise Strategy, growing our U.S. business, and the transformation of our domestic retail and wholesale business models.

**Matsumoto** A PBR of one is a minimum goal that all corporates should strive to attain, and I believe that the actions of the companies are consistent with this. However, given the regulatory requirements applicable to the financial sector, financial companies must improve PBR while also accumulating capital. As ROE including OCI of 8% is a challenging target, SMBC Group will be required to focus on improving profitability via portfolio optimization and other concrete measures.

**Sakurai** How to incorporate the Tokyo Stock Exchange’s request in the new Plan was the subject of much discussion during BOD meetings. As a financial institution, SMBC Group must operate in a highly regulated business environment, and one key point is for SMBC Group to carefully determine in which businesses it is able to grow. SMBC Group’s business operations have undergone substantial change since I became an Outside Director in 2015, and I will continue to pay close attention to how SMBC Group can successfully execute its initiatives

targeting growth areas as it strives to achieve the goals set under the new Plan.

**Ito** Thank you. Next, I would like to move on to SMBC Group’s efforts aimed at combating climate change, a theme that is of great interest to our stakeholders.

**Matsumoto** When the Sustainability Committee provides reports regarding climate change at BOD meetings, I am always impressed with the level of detail the reports provide and that the reports are the result of very thorough discussions. A long-term action plan is established for the entire SMBC Group that adheres to global standards based on a clear and accurate understanding of the discussions that have taken place in the Sustainability Committee and the current status of climate change issues. While current efforts are based on this process, I believe that SMBC Group was able to reiterate its unwavering focus on resolving sustainability-related issues by adding “Support the transition to achieve a decarbonized society” as a goal for “Environment,” a priority issue (materiality) in the new Plan. I understand that detailed action plans are being prepared by sorting out issues that arise from daily changes in the business environment while engaging in

Round-Table Discussion with Outside Directors

communications with clients. I feel that this reflects SMBC Group’s commitment to steadily carry out its sustainability-related plans.

**Sakurai** I provided very in-depth suggestions focusing on whether SMBC Group’s internal implementation framework for addressing climate change is adequate. I have spent many years at a global chemical manufacturer and it was necessary to build or upgrade factories if they were to become compatible with GHG reduction technology. A timeframe of several years is necessary to acquire the land for the factory, build the factory on that land, and then for production to finally start. I will pay close attention to whether SMBC Group is facing head-on the needs of each business sector based on a clear understanding of their issues, including issues such as the one which I just shared, which are difficult to see from the outside. Against such a backdrop, I am seeing various improvements that are being made to reflect feedback from onsite staff. For instance, in addition to communicating with clients in key sectors, SMBC Group is hiring staff who have actual experience working in those sectors. Furthermore, large corporations possess internal frameworks aimed at GHG reduction. For example, they are able to internally calculate climate change-related data. However, many SMEs do not possess the know-how required to calculate such data. SMBC Group is paying close attention to a wide variety of such needs and launched “Sustana” and other GHG reduction services to assist clients.

I am also focusing on how committed top management is to addressing climate change, and I believe that incorporating “Creating Social Value” as a non-financial indicator in determining executive compensation is a large step forward. As an Outside Director, when SMBC Group acquires a company through M&A, I also place particular importance on its vision regarding social value and whether it is consistently implementing initiatives aimed at addressing climate change.

**Ito** The final topic I would like to discuss today is compliance issues such as the market manipulation incident

by SMBC Nikko Securities (“SMBC Nikko”) in FY2022. In response to this incident, measures were prepared and implemented for the purpose of ensuring that such an incident would never occur again. These measures were prepared based on feedback from various parties, including from the BOD. Could you please share with us your forthright opinions regarding the incident and the progress we are making in the implementation of the preventive measures?

**Matsumoto** All companies, regardless of their industry or size, have essential values that must not be lost in order for them to exist. For a securities company, protecting the fairness of the financial market is an essential value, and this incident is extremely regrettable. As part of efforts to ensure that such an incident never occurs again, in my role as Chairperson of the Audit Committee, not only did I receive reports regarding the causes of the incident and the preventative measures, I also physically went to SMBC Nikko’s head office and met face to face with their executive officers.

My involvement in the railroad sector spans many years, and in that sector the highest priority is placed on safety. As such, a “fail safe” culture, where when in doubt the safe option is selected, is firmly embedded throughout the industry. I have actually experienced situations where onsite staff protected customers’ safety and prevented major accidents by taking the appropriate actions based on this mindset.

Patience and perseverance are required to successfully instill a culture in which individuals uphold the values that are essential to the existence of their organization. I have witnessed the employees of SMBC Nikko take to heart their CEO’s message and work together to ensure that such an incident will never occur again. If such efforts continue, I believe it is possible for the required culture to take root. I have high hopes for SMBC Nikko as it is not uncommon for a better result to be produced due to pausing and thinking about matters in the process of overcoming a crisis.



**Eriko Sakurai**  
Outside Director,  
Sumitomo Mitsui Financial Group

**Sakurai** I was very grateful when I learned that Mr. Matsumoto and other members of the Audit Committee had actually met and talked with both executives and employees of SMBC Nikko. I felt that they represented the BOD very strongly in dealing with this issue. I agree that a corporate culture such as the one Mr. Matsumoto just touched upon will play a key role in ensuring that such an incident does not repeat itself. I will continue to pay close attention to the progress being made regarding this issue by putting forward very specific questions regarding important topics such as the method used to conduct employee surveys and how communications are conducted between staff and their supervisors. I will continue to monitor the situation with both warmth and strictness as, looking from within SMBC Group, I feel that SMBC Nikko is definitely changing for the better.

**Matsumoto** At the start of today’s round-table discussion, I mentioned that contributing to its stakeholders is one of the key responsibilities of a megabank. As the Chairperson of the Audit Committee, I pay close attention to whether sound business management is being promoted/preserved and to various facets of SMBC Group’s governance frame-

work, including risk management. I make sure to voice my concerns and obtain an answer if I have any doubts regarding these matters. Going forward, I will continue to put forth my opinions and suggestions aimed at ensuring the sound business management of SMBC Group so that it can meet stakeholders’ expectations.

**Sakurai** I directly speak with business leaders from around the world and third-party experts to keep myself informed so that I am able to reflect what I have learned in the running of SMBC Group as one of its outside directors. I will continue to devote myself to expanding my knowledge so that I can provide input that will help SMBC Group develop from the standpoints of sustainability and governance at a level that adheres to global standards.

**Ito** As both Ms. Sakurai and Mr. Matsumoto pointed out, each and every one of SMBC Nikko’s employees must work to spread and embed a healthy risk culture in order for the preventive measures to succeed. We will continue to reflect the opinions we receive in our business strategies as we carry out the new Plan and strive to realize a sustainable society. Thank you for your time.





# BUSINESS STRATEGIES for CREATING VALUE

## Business Strategies for Creating Value

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- 090 Human Resource Strategies to Support Value Creation
- 098 People who Embody Our Five Values





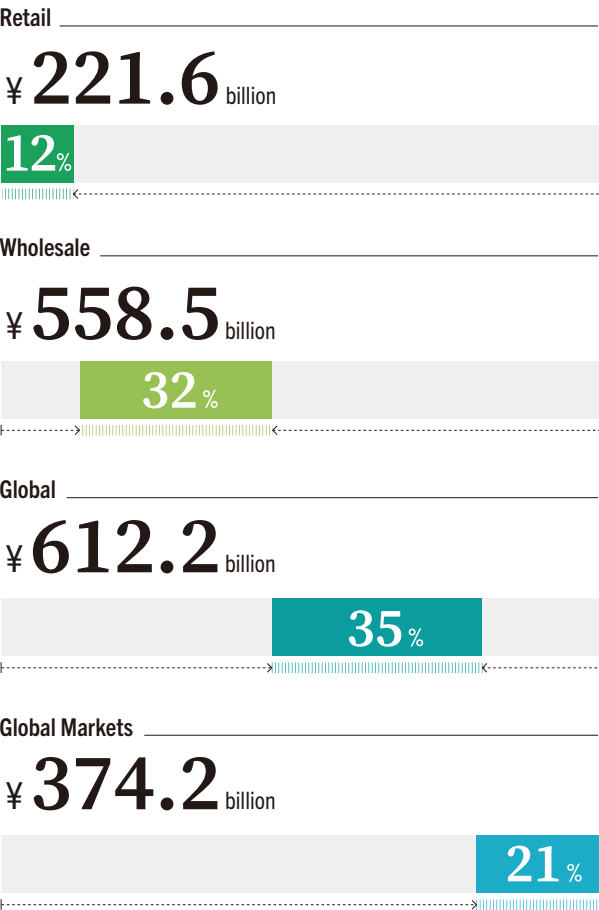
# Group Structure

SMBC Group is a global financial group that develops operations in a wide range of fields, including banking, leasing, securities, credit cards, and consumer finance.

Under the holding company, Sumitomo Mitsui Financial Group, we have established four business units that draft and implement Group strategies based on customer segments.

For head office functions, we have clarified the managers responsible for specific areas of group-wide management and planning under the CxO system. In addition, we are taking steps to share management resources and optimize the allocation of resources.

## Net Business Profit by Business Unit in FY2022



Group-Wide Business Units and CxO System		Banking		Leasing		Securities		Credit Cards and Consumer Finance		Other Business	
		Sumitomo Mitsui Banking Corporation	SMBC Trust Bank	Sumitomo Mitsui Finance and Leasing		SMBC Nikko Securities	Sumitomo Mitsui Card Company	SMBC Consumer Finance		Japan Research Institute	Sumitomo Mitsui DS Asset Management
Business Units	Retail	●	●			●	●	●			
	Wholesale	●	●	●		●	●				
	Global	●	●	●		●	●	●			
	Global Markets	●				●					
Head Office (CxO System)		CFO Chief Financial Officer	CSO Chief Strategy Officer	CRO Chief Risk Officer	CCO Chief Compliance Officer	CHRO Chief Human Resources Officer	CIO Chief Information Officer	CDIO Chief Digital Innovation Officer	CSuO Chief Sustainability Officer	CAE Chief Audit Executive	

# Retail Business Unit

The Retail Business Unit consists of the top-class companies in the banking, securities, credit card, and consumer finance industries. We are addressing the financial needs of all individual customers through services capitalizing on the Group’s comprehensive strength, striving to develop the No. 1 Japanese retail finance business chosen by customers.



**Takashi Yamashita**

Senior Managing Executive Officer  
Head of Retail Business Unit

Contribution to Consolidated Net Business Profit (FY2022)

¥ **221.6** billion

**12%**

	FY2022 Results	YoY*1
Gross profit (JPY bn)	1,150.2	(14.0)
Expenses (JPY bn)	933.3	+0.7
Base expenses (JPY bn)	702.2	(38.1)
Net business profit (JPY bn)	221.6	(13.5)
ROCET1*2	11.0%	+0.8%
RwA (JPY tn)	13.3	+0.6

\*1 Figures are after adjustments for interest rate and exchange rate impacts.  
\*2 Figures exclude provision for losses on interest repayments, etc.

The Retail Business Unit possesses the leading business foundation in Japan in its principal business areas, including wealth management, payment service, and consumer finance, backed by high-quality in-person consulting capabilities and advanced payment and finance products and services.

Although each business was affected by the COVID-19 pandemic and other factors during the previous medium-term management plan, the asset management business saw the balance of fee-based AUM increase by ¥4 trillion more than planned, and the settlement and finance business caught up with the plan with a ¥10 trillion increase in purchase transaction volume. Card loan balances, which had declined with the effects of the COVID-19 pandemic, began to increase year-on-year in FY2022.

The retail business environment has also changed dramatically with the acceleration of cashless and digitalization, the shift from savings to investment, and the increasing need to prepare for the era of the 100-year lifespan.

In this context, we have been quick to implement measures to respond to changes in the business environment, such as expanding the functions of SMBC Direct, developing branches exclusively for retail customers, and introducing the SMBC Elder Program.

Under the new medium-term management plan, we will differentiate our wealth management business by building a group-based asset management business model to strengthen our competitiveness and increase our presence in the market. Moreover, by transforming our retail business to a digital model based on Olive, we will expand our customer base nationwide and provide products and services on a group basis. We aim to become “Japan’s No. 1 retail financial group with a sustainable operating foundation” by expanding our market share in each business, and improving convenience and reducing costs through digitalization, through the development of hybrid strategies that leverage “digital” and “the human touch.”



Retail Business Unit

PRIORITY STRATEGY  
1

Building a group-wide business for high-net-worth individuals in order to become the market leader in high-net-worth individual transactions

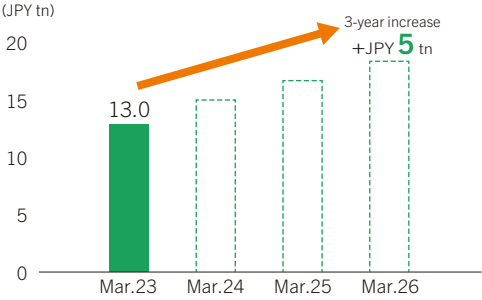
We will provide total consulting services leveraging the combined strength of the group through collaboration between banks, securities firms, and trust companies in order to meet diverse needs such as advanced portfolio proposals, inheritance and succession, and business loans.

For affluent customers such as corporate owners, we will enhance our responsiveness and approach to customer needs and expand our market share by strengthening cooperation between corporate and retail sales and group companies.

In the inheritance business, SMBC Nikko Securities is strengthening its ability to respond to testamentary trust and estate planning needs by similarly strengthening cooperation, and the Company is moving forward with asset consolidation and acquiring transactions among the next generation.

SMBC and SMBC Trust & Banking are also advancing proposals for currency diversification by utilizing the “PRESTIA” brand to address the risk of customers’ assets declining in value due to inflation, currency depreciation, and other factors.

AM\* & Foreign Currency Balances



\* Mutual funds, fund wraps, etc.

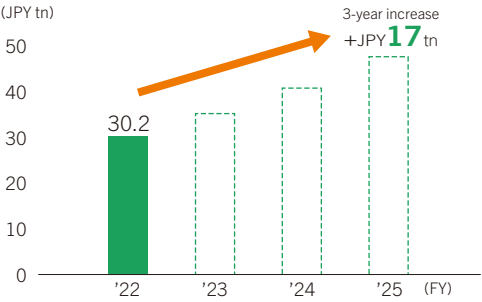
PRIORITY STRATEGY  
2

Expanding market share in the payments business

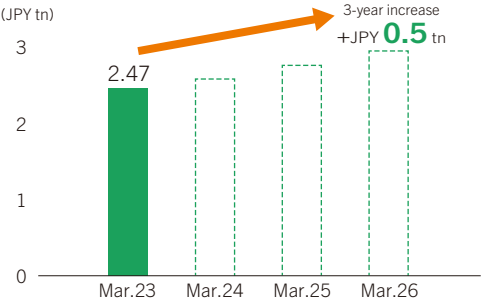
In light of the acceleration of cashless and digitalization during the COVID-19 pandemic, we are promoting the standardization of mobile payment, where payments, procedures, and services are completed on mobile devices. We are also aiming to attract users through convenience and benefits by enhancing added value through partnerships with non-financial services. For our business customers, we are promoting the introduce of multi-device “stera terminals” and “stera transit” for public transportation in order to respond to a variety of usage scenarios. We will also be improving convenience and benefit through the use of V-points, SMBC Group’s shared point system, including through external partnerships.

In consumer finance, we are responding to a greater range of customer needs, such as financial needs spurred by the recovery of consumer spending and use of payment solutions and the digitalization of processes.

Sales Handled



Finance Balance



PRIORITY STRATEGY  
3

Transformation into a digital model centered on “Olive”

As cashless and digital transactions grow more pervasive, we are developing a new business model, one based on mobile-app transactions rather than in-store transactions. Through Olive, which seamlessly integrates bank account, card settlement, finance, securities, insurance, and other functions digitally, we will provide new integrated financial services to retail customers nationwide.

While day-to-day procedures will be handled digitally at the customer’s convenience, the digital channel will be complemented by brick-and-mortar stores operated by a small number of staff in easily accessible business locations. We will pursue a hybrid model of digital and physical services through an “integrated group channels” approach that brings together consultants from the banking, securities, and trust sectors for high net-worth customers.

For more information about Olive, see pages 070 and 106.



Store (Aeon Mall Atsuta)

Initiatives to Create Social Value

By solving various issues related to our customers’ money, we are supporting abundant and safe lifestyles for all generations.

In order to provide our customers with peace of mind and comfort in the era of 100-year lifespan, we are offering the “SMBC Elder Program” and “SMBC Digital Safety Box,” in which concierges respond to customers’ non-monetary concerns and requests, and the “Family Network Service,” an information sharing application facilitating preparation against various family risks. In addition to financial services, we will continue to expand our service lineup in non-financial fields to support health, security, and a life worth living.

We are also focusing on financial and economic education activities on a group basis, leveraging the knowledge and expertise of each group company. Based on the SMBC Group Statement on Sustainability, SMBC Group has set a KPI of providing financial and economic education to a total of 1.5 million people between FY2020 and FY2029. We will continue to expand the scope of the program to include schools, workplaces, and facilities for the elderly, while contributing to achieving a society in which everyone can obtain correct knowledge about money and live with peace of mind.



Joint Seminar by SMBC and SMBC Consumer Finance at a High School in Ehime Prefecture

# Wholesale Business Unit

The Wholesale Business Unit contributes to the development of the Japanese economy by providing financial solutions that respond to the diverse needs of domestic companies in relation to financing, investment management, payments, M&A advisory, leasing and real estate brokerage services through a Group-wide effort.



Left

**Toru Nakashima**

Deputy President and  
Executive Officer  
Co-Head of Wholesale  
Business Unit

Right

**Muneo Kanamaru**

Senior Managing  
Executive Officer  
Co-Head of Wholesale  
Business Unit

## Contribution to Consolidated Net Business Profit (FY2022)

¥ **558.5** billion



	FY2022 Results	YoY*1
Gross profit (JPY bn)	773.7	+22.3
Expenses (JPY bn)	293.3	(9.3)
Base expenses (JPY bn)	290.0	(4.3)
Net business profit (JPY bn)	558.5	+43.6
ROCET1*2	14.6%	+3.4%
RwA (JPY tn)	31.2	+0.8

\*1 Figures are after adjustments for interest rate and exchange rate impacts.  
\*2 Figures exclude medium- to long-term foreign currency funding costs.

During the previous Medium-term Management Plan, amid accelerating moves toward business restructuring by customers due to the prolonged impact of the COVID-19 pandemic and heightened geopolitical risks in Russia and Ukraine, the Group as a whole aptly seized business opportunities for restructuring, etc. by proposing seasonal solutions, while taking exhaustive control of expenses, resulting in a significant increase in net business profit. Furthermore, ROCET1 also landed higher than planned due to the promotion of high value-added and highly profitable businesses such as real estate business and LBOs, as well as a year-on-year decrease in credit costs.

With the reversal of globalization, the end of global monetary easing, the acceleration of sustainability initiatives, and other paradigm-shift changes underway, it is necessary to move ahead with business transformation at an even faster pace. In the new Medium-term Management Plan, by (1) creating and honing a group edge by strengthening our expertise,

and (2) establishing a sales structure that fully utilizes digital technology, we aim to (3) construct a high ROE business portfolio.

We will focus on three business areas in particular: “growth support,” which aims to capture major financial events by supporting various growth opportunities in the corporate lifecycle, such as real estate business and startup support; “transformation support,” which supports corporate transformation, including sustainability and digital transformation; and “creation of new business,” which takes on the challenges of corporate payment services and supply chain businesses through the creation of digital channels in order to develop future pillars of business from new angles.

We will contribute to the development and re-growth of the Japanese economy by solving our customers’ ever-changing and sophisticated business challenges, growing sustainably in step with them.



Wholesale Business Unit

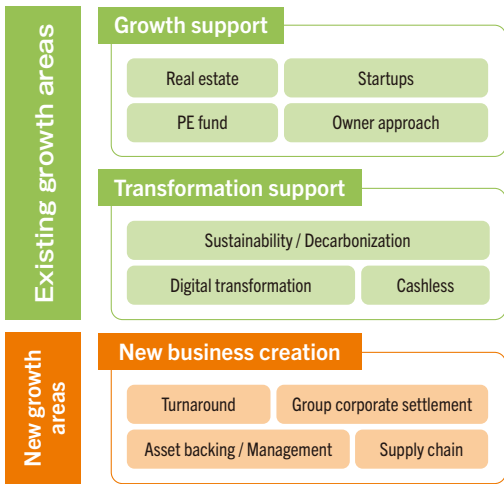
PRIORITY STRATEGY

1

### Creating and honing a group edge by strengthening expertise

Consulting and execution capabilities to understand and resolve increasingly complex and sophisticated customer needs while anticipating paradigm shifts will become even more important in the future.

In the new Medium-term Management Plan, we will take on the challenge of creating business in new growth areas and further enhance our consulting function by strengthening our expertise and creating new edges, while continuing to shift resources to existing growth areas such as growth support and transformation support, which were the subject of focus in the previous Medium-term Management Plan, and strengthening the group collaboration system to expand solution proposals.

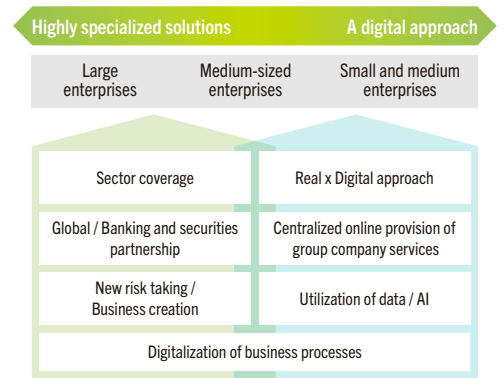


PRIORITY STRATEGY

2

### Establishing a sales structure that fully utilizes digital technology

We aim to establish a new sales structure in order to provide higher value-added solutions and further strengthen advanced risk-taking functions. Through the timely shift of resources to growth areas, we will be strengthening both the “strong front office” and the “highly specialized solutions unit.” We will unlock resources by expanding areas of business that can be completed digitally through the creation of digital channels, data utilization and the use of AI. We will use these resources to strengthen our ability to respond to global management issues in large corporate transactions and to provide highly specialized solutions and proposals tailored to business characteristics in medium-sized corporate transactions, thereby further enhancing our ability to respond to our customers.



# Global Business Unit

The Global Business Unit supports the global business operations of domestic and overseas customers by leveraging SMBC Group’s extensive global network and products and services in which we possess strengths.



Left

**Tetsuro Imaeda**

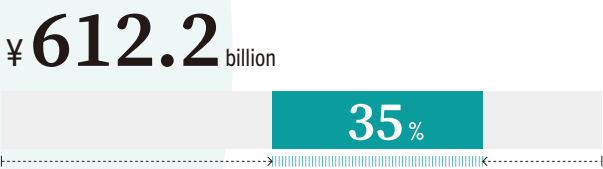
Deputy President and Executive Officer  
Co-Head of Global Business Unit

Right

**Keiichiro Nakamura**

Senior Managing Executive Officer  
Co-Head of Global Business Unit

Contribution to Consolidated Net Business Profit (FY2022)



	FY2022 Results	YoY*1
Gross profit (JPY bn)	1,205.2	+144.4
Expenses (JPY bn)	637.9	+71.0
Base expenses (JPY bn)	598.9	+57.2
Net business profit (JPY bn)	612.2	+114.9
ROCET1*2	10.4%	+2.2%
RwA (JPY tn)	46.3	+1.6

\*1 Figures are after adjustments for interest rate and exchange rate impacts.  
\*2 Figures exclude medium- to long-term foreign currency funding costs.

During the previous Medium-term Management Plan, despite the business environment remaining volatile due to the COVID-19 pandemic and the situation in Russia and Ukraine, we were able to significantly increase gross business profit through flexible resource management. As a result, we also significantly increased net business profit and served as a growth driver for the entire group, even as we invested to expand operations, such as strengthening our securities business and making upfront investments in our U.S. digital bank.

We are also making steady progress with initiatives aimed at mid- to long-term growth, such as strengthening our global CIB business by expanding our alliance with Jefferies, a U.S. securities firm, and increasing our investments in countries in Asia that fall within our multi-franchise strategy, and we feel that these efforts have been met with a positive response.

Under the new Medium-term Management Plan, we will enhance our systems for predicting and managing various risks, includ-

ing monitoring the growing impact of policy rate hikes in various countries on the real economy and the foreign currency funding environment. In addition, we will continue to focus on new high-growth, high profitability areas such as upgrading our global CIB business, including deepening collaboration with Jefferies, creating group synergies, strengthening the multi-franchise strategy through ecosystem development, and launching a digital bank in the U.S.

To achieve this business expansion and diversification, it is also essential to construct an operating structure that makes maximum use of the knowledge of the entire group, and to upgrade the governance system to meet our stakeholders’ high expectations. In addition, alongside addressing social issues in countries around the world, as a Japanese bank we also strive to provide value to Japanese society and businesses.

Every one of us will take ownership and strive to achieve quality growth by unflinchingly facing change.



Global Business Unit



Reinforcement of Global CIB and Global S&T

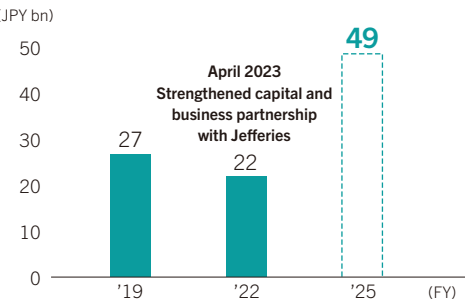
Leveraging the team that we built under the previous Medium-term Management Plan, we will further reinforce our cross-selling capabilities by strengthening sector collaboration in terms of coverage and enhancing our ability to offer cross-product solutions that integrate banking, securities, and derivatives. One example is the strengthening of the strategic capital and business alliance with Jefferies announced in April 2023. We will be expanding our collaboration to include M&A advisory and equity-related services, and will work with Jefferies to establish a joint coverage structure.

See page 069 for more information on how we are strengthening our partnership with Jefferies.

We will also create a flexible portfolio after articulating the strategy for each customer segment. With the aim of building a high-quality

client base, we will strive to acquire new clients and tier-up in the sectors on which we are focused, while at the same time reducing and recycling low-profit assets such as project and trade finance, as well as assets in regions with low growth and excess competition.

Net Business Profit from Overseas Securities



Expand and deepen the U.S. business

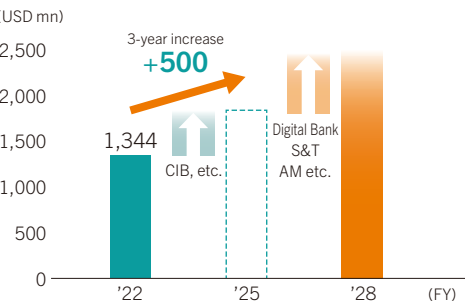
We have positioned the U.S., the world's largest and most stable market, as our biggest growth driver, and will continue to expand and diversify this business.

In the wholesale business, which is one area of focus, we will strengthen our global CIB business through initiatives including collaboration with Jefferies, etc., and also promote the use of investor funds based on our competitive edge in LBOs and infrastructure projects, etc., to expand our business efficiently.

In addition, in order to flexibly capture market revenues in response to changing market conditions, we will strengthen our sales and trading operations and enter the retail business through the launch of a digital bank.

See pages 076 and 102 for more information about our digital bank.

Net Business Profit from Americas Division



Building a resilient management foundation

Given the number of rapid environmental changes currently taking place, we will closely monitor warning signs and build a resilient management foundation. In order to respond to the diversification of our businesses, such as the implementation of our multi-franchise strategy and the opening of our digital bank in the U.S., we will visualize the profitability of each business in terms of ROE and net income, and will continue to build a strong business portfolio by dynamically reviewing asset allocation in response to changes throughout the term of the Medium-term Management Plan. Moreover, as our business expands and diversifies, it is essential to strengthen risk management and governance systems, and upgrade operations. We will work as a single global entity to build management infrastructure that meets the needs of an increasingly complex business environment.



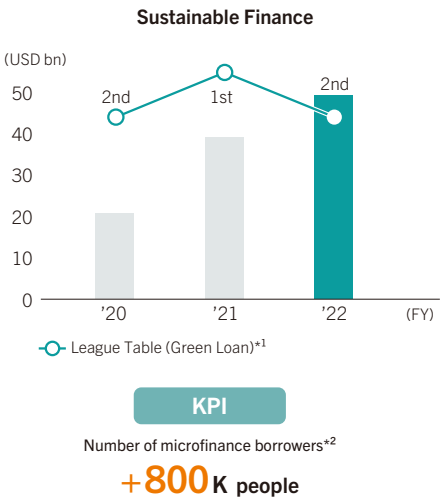
Proactive responses to market fluctuations and overseas regulatory requirements



Initiatives to Create Social Value

In the previous Medium-term Management Plan, we formed specialized sustainable finance teams in each region, and worked to strengthen the Group's overall pitching and solution capabilities through global collaboration. In February 2023, we structured US\$600 million/€700 million in multi-currency green bonds for a major U.S. chemical company to finance low-carbon hydrogen projects, including one of the world's largest green hydrogen projects. By implementing multiple initiatives that enhance and leverage our knowledge of these advanced technologies, we have continued to maintain a strong presence and ranked second globally for green loan initiatives by value in FY2022.

In the new Medium-term Management Plan, we will continue to address various key issues such as the Environment, Diversity, Equity & Inclusion (DE&I) and Human Rights, and Poverty & Inequality. In the sustainable finance field, we will establish a global task force to accelerate the consolidation of knowledge and expertise, and develop an accompanying framework. We will also continue to expand our financial services in countries that fall within our multi-franchise strategy, including financial and economic education at Bank BTPN and rural microfinance at Fullerton India (now SMFG India Credit Company). Furthermore, as our business grows more diverse and complex, we aim to create an environment in which our professional employees throughout the world can leverage their diverse skills and values to play an active role in our operations and feel fulfilled in their work.



\*1 Source: Dealogic  
\*2 Bank BTPN Syariah, SMFG India Credit Company

# Global Markets Business Unit

The Global Markets Business Unit offers solutions through foreign exchange, derivatives, bonds, stocks, and other marketable financial products and also undertakes asset liability management (“ALM”) operations that comprehensively control balance sheet liquidity risks and market risks.



**Masamichi Koike**

Senior Managing Executive Officer  
Head of Global Markets Business Unit

Contribution to Consolidated Net Business Profit (FY2022)



	FY2022 Results	YoY*1
Gross profit (JPY bn)	457.8	+49.2
Expenses (JPY bn)	112.5	+7.0
Base expenses (JPY bn)	110.0	+7.8
Net business profit (JPY bn)	374.2	+44.1
ROCET1*2	16.7%	+1.8%
RwA (JPY tn)	6.6	+0.1

\*1 Figures are after adjustments for interest rate and exchange rate impacts.  
\*2 Figures include internal risk capital related to IRRBB (Interest-Rate Risk in the Banking Book).

The Global Markets Business Unit is, as market risk professionals, committed to enhancing risk-taking skills for our investment portfolio while continuously supplying customers with high level of value.

To support these efforts, we are focused on analyzing the various phenomena that occur throughout the world based on the Three “I” s of Insight, Imagination, and Intelligence in order to forecast the market trends that will emerge in the future. In short, we emphasize the capacity to discern the underlying essence of world affairs.

Having risen since the second half of the previous fiscal year, inflation remained high in FY2022 against a backdrop of various factors, including global fragmentation. Interest rates in many developed countries rose sharply, particularly in the first half of FY2022, as central banks focused on curbing inflation, but temporarily fell sharply in the second half of the year due to credit concerns following the collapse of financial institutions in the U.S. It has been a year of not only high volatility, but also of

transition from a world of low inflation and low interest rates to an entirely different stage.

We achieved profitability through flexible rebalancing, in combination with controlling risk in both equities and bonds. At the same time, we maintained stable foreign currency funding to meet the funding needs of customers. Meanwhile, in sales & trading, we sought to develop a full understanding of customer needs so that we could address these needs by providing optimal solutions.

The current market environment features ongoing uncertainty about the future. In addition, customer needs continue to become more diverse, as indicated by the advancement of the digitalization trend and growing interest in social issues.

In order to continue to create solutions our customers will choose, even in such an environment, under the new Medium-term Management Plan, we will maintain and enhance our DNA, our strength, while striving to evolve through challenges in new fields and constant self-reformation.



Global Markets Business Unit

PRIORITY STRATEGY  
1

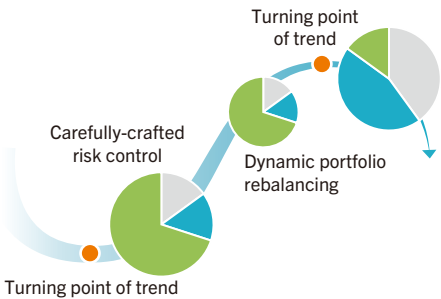
Flexible portfolio management in response to market changes

The strength of the Global Markets Business Unit lies in its ability to dynamically adjust its portfolio to maximize earnings by accurately capturing market trends through proactive observation of market fluctuations.

By making use of the Three “I” s, each employee collects and analyzes information with regard to various phenomena and thoroughly discusses these phenomena with others. Then, they make positions in accordance with the scenarios formulated through this work, after which they review the results and validity of these positions. The consistent application of this iterative process is the only way we can hone our ability to read the markets.

Amid the current uncertain environment, we are placing an emphasis on risk control while taking on the challenge of increasing the sophistication of our portfolio management in preparation for upcoming investment opportunities. Now, market attention is becoming focused on the BOJ’s monetary policy as well as that of other central banks, and we will seek opportunities to build a portfolio with Japanese government bonds from a medium- to long-term perspective.

Overview of Portfolio Rebalancing



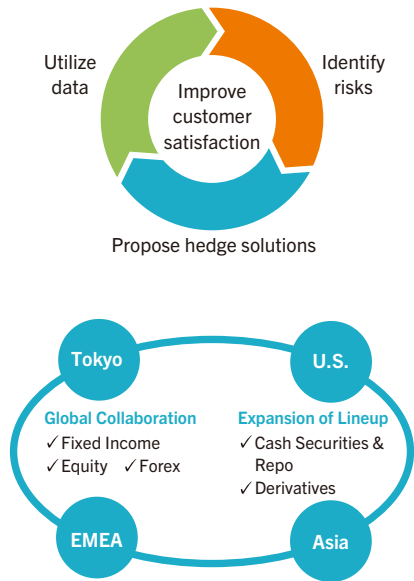
PRIORITY STRATEGY  
2

Enhancement of capability to provide solutions through marketable financial products

The Global Markets Business Unit is continuing to accelerate the development of the functions essential for responding to the risk-hedging needs associated with customers’ businesses and balance sheets and the risk-taking needs related to asset management and investment activities.

Specifically, in order to meet our customers’ increasingly advanced and sophisticated needs, we are strengthening our ability to provide tailor-made proposals specific to each customer’s situation. We will continue to provide comprehensive solutions to our customers through the utilization of data and linkages with electronic platforms for foreign exchange transactions.

We will also accelerate the promotion of our securities business, particularly in the U.S. and Asia, and deepen our global collaboration to strengthen our sales system, providing a one-stop shop for a variety of products.



PRIORITY STRATEGY  
3

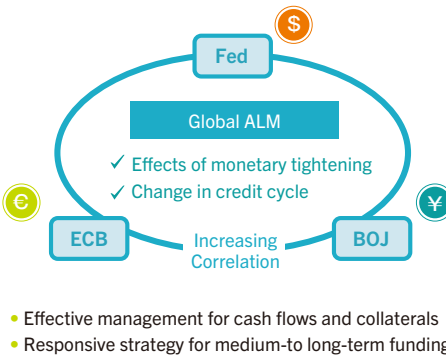
Development of robust foreign currency funding base

The Global Markets Business Unit is taking steps regarding foreign currency funding to balance ensuring stability with pursuing cost efficiency so that we can continue to support customers’ businesses through lending. For this purpose, we make funding strategies by taking into account the structure of SMBC Group’s balance sheet and the market condition, along with seeking to expand our investor base and diversify funding methods.

Initiatives toward these ends have included, in addition to regular foreign currency denominated straight bonds, issuing covered bonds and utilizing cross-currency repo transactions.\*

Going forward, we will continue to face headwinds in the funding environment, in the form of continued restrictive monetary policy in regions such as Europe and the U.S., ensuing potential credit concerns among financial institutions, and the emergence of geopolitical risks, but we will respond proactively from a long-term perspective, and promote stable balance sheet control.

\* Cross-currency repo transactions are forms of foreign currency funding backed by Japanese government bonds, etc.



Initiatives to Create Social Value

The Global Markets Business Unit regularly issues green bonds from which procured funds are only used for eco-friendly projects, such as renewable energy projects.

In October 2015, we became the first Japanese private financial institution to issue U.S. dollar-denominated green bonds. In the years that followed, we proceeded to expand the scope of investors served with our green bonds, becoming the first private company in Japan to issue green bonds for individual investors in December 2018 and then issuing green bonds through a public offering in the U.S. in January 2021. To date, we have floated seven green bond issues in Japan and overseas, procuring a total of approximately US\$3.1 billion. In these issues, we have carefully explained our sustainability initiatives to investors to foster mutual understanding. In December 2022, we also implemented our first green loan financing.

SMBC Group possesses a strong track record in project finance for domestic and overseas renewable energy projects such as for solar and wind power generation. Going forward, we will continue to make further contributions to market growth and to environmental preservation as Japan’s leading issuer of green bonds.



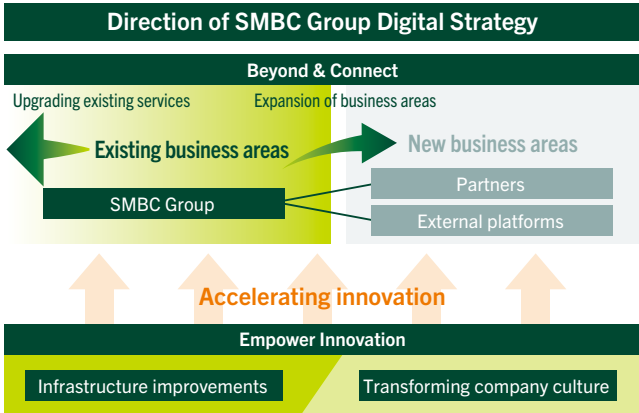
# Using Digital to Create the Future of Finance

The new Medium-term Management Plan sets out two directions for SMBC Group’s digital strategy: “Beyond & Connect” and “Empower Innovation,” and further develops the existing strategy with the aim of “evolving into a global digital solution provider that also creates social value by creating new businesses on the basis of the trust held in SMBC Group.”

Specifically, through digital’s power to transcend and connect beyond boundaries (Beyond & Connect), we will work with a variety of partners to provide solutions that transcend business categories, companies, regions, etc., to further improve customer convenience and create and nurture businesses that will serve as the foundation of SMBC Group in the future.

At the same time, in doing business, it is necessary to look at the state of global digitization, including in emerging economies, in the context of a complex and rapidly changing environment involving a variety of events, such as the advance of technological innovation, demographic change, shifting values, and the rise of geopolitical risk. In order to respond to our customers’ ever-changing needs amid a transforming business environment, we will pivot the direction of our businesses according to the situation, transforming our business models to fit current trends.

In addition, the creation of new businesses requires that we strengthen our framework for accelerating innovation (Empower Innovation). We will also accelerate the creation of systems to generate new seed businesses both within and without the company, by continuing our efforts to transform the company culture through initiatives such as “Producing new CEOs” and internal social networking, together with the development of functions for the speedy creation of new businesses, such as establishing a corporate venture capital (CVC) arm to strengthen open innovation structures on a global basis and invest in startups.



## Beyond & Connect 1 Expanding and Evolving Digital Services

SMBC Group is expanding and evolving its various digital services under “Beyond & Connect,” one of the two arms of its digital strategy. In this context, we are also focusing on developing services in business areas that solve issues facing society as a whole and enrich lives, such as healthcare, payments, and contracts, and some of our services function as infrastructure for wider society.

In the medical field, we are supporting individuals to lead rich lives in the era of the 100-year lifespan. In March 2023, our subsidiary Plusmedi Corp. released “wellcne,” a new hospital visit support application incorporating an information banking service leveraging the trust held in banks in terms of the safety and security of personal data. Connecting the application to a medical institution’s electronic medical record or medical affairs system reduces time and congestion during hospital

visits, facilitates communication with doctors and hospitals, and enables sharing of medical data. These initiatives are offered to individual customers through partnerships with various companies and municipalities, including PARK WELLSTATE Senri Chuo, a senior residence operated by Mitsui Fudosan Residential.



In the payments field, in July 2023, a new company, BPORTUS, was established through the merger of two subsidiaries: NCore, which provides BPO services with cutting-edge ICT technology and know-how to improve operational efficiency, and breees corporation, which provides PAYSLE, a paperless payment slip service using electronic bar codes. By combining the strengths of the two companies, such as their ability to solve problems related to streamlining billing operations and unique technological capabilities, we will accelerate the provision of efficient and convenient payment solutions that leverage digital technology.



**Akio Isowa**  
Senior Managing Executive Officer  
Group CDIO



Expanding and Evolving Digital Services

In the contracts fields, in July 2022, SMBC CLOUDSIGN, Inc., an electronic contract service provider, began offering a new service called “AI Contract Management,” which uses AI to support corporate contract management. With more than

5,000 companies already using the system, it is one of the top-ranked in Japan by number of users. Going forward, we will continue to support business-to-business transactions by expanding functions to support various aspects of contracting.



Beyond & Connect 2 Initiatives for the Future

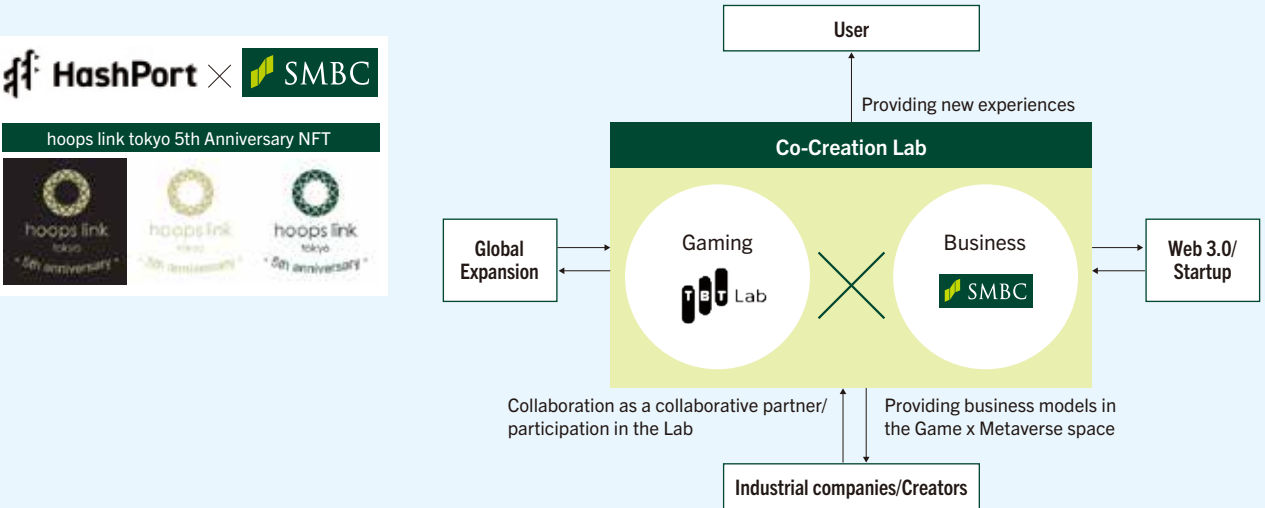
In addition to our current efforts to solve social issues, we are seeking new business opportunities in the Web 3.0 field, centered on tokens and games, to create businesses that will serve as the foundation of SMBC Group in the future, and are promoting a variety of new initiatives with partner companies.

In the tokens field, in July 2022, we began examining collaboration with HashPort Group, which has extensive knowledge in this field, chiefly with NFTs. From April 2023,

we have started a proof-of-concept experiment to commercialize Soul-Bound Token (SBT), which could be called non-transferable NFTs, and are expected to be used for online personal identification, etc. We have invited ideas from various departments within the Company and are pursuing business possibilities across the entire group.

In the games field, we are looking to provide new services in the game-x-metaverse space. Together with TBT Lab Group, which possesses

advanced technology and knowledge in this field, we have established the “Co-Creation Lab,” an open organization that will accelerate the study of initiatives to implement “gaming commerce,” combining games and business. In addition, in February 2023, a basic agreement was signed between 10 Japanese companies, led by the TBT Lab Group, to create the “Japan Metaverse Economic Zone,” which aims to develop the entire industry by integrating real and digital technologies.



Empower Innovation Creating Infrastructure to Advance Digital Business and Transforming Company Culture

Under the other arm of the digital strategy, Empower Innovation, we are developing infrastructure to accelerate innovation and expanding measures to achieve cultural transformation.

In the infrastructure development field, we have been developing various systems, such as holding CDIO meetings to support the commercialization of new digital businesses through rapid decision-making and resource allocation, and the establishment of open innovation centers both in Japan and overseas.

In a new initiative, we are aiming to create an ecosystem through partnership with startups, and in May 2023, we established the “SMBC Asia Rising Fund,” a CVC with a total US\$200 million together with an incubator fund, with the primary purpose of investing in promising companies and with a focus on Asia. This CVC will be linked to the multi-franchise strategy of creating a second

and third SMBC Group in Asia, with the aim of creating further added value. In addition, in August 2022, a VR space called “virtual hoops link” was constructed, recreating the “hoops link tokyo” open innovation center in Shibuya, and is being used for various purposes including voice and chat interaction, events, meetings, and object displays.

In terms of cultural transformation, we are fostering the bottom-up creation of the culture required for creating new businesses, through such measures including the “Midoriba” internal SNS, the selection of young presidents for digital subsidiaries through the “Producing new CEOs” program, and open recruitment for participation in specific new business survey teams. We are also taking measures to spread company culture through two digital owned-media; “DX-link” and “BusinessNavi,” and by hosting the “SMBC Digital Summit” event to communi-

cate our digital transformation initiatives.

In May 2023, a condominium management DX service born from an idea sent out by a young employee on the internal social networking service “Midoriba,” and jointly developed with NTT Data NJK Corporation, became the first project originating from our internal social networking service to be launched. A representative from the Corporate Sales Division heard about customers’ issues handling a series of complex condominium management-related operations, which prompted the representative to take action on their own, embodying the idea of “breaking the mold.” In July 2023, the president of BPORTUS, a new company created by the merger of NCore and bree corporation, will be chosen through an internal recruitment process: initiatives not previously seen at SMBC Group are steadily taking shape, and we will continue to accelerate this momentum.

Infrastructure improvements		
<b>Innovation hub</b> <ul style="list-style-type: none"><li>Strengthen ties with local startups at the Silicon Valley Lab and Singapore office</li><li>An innovation hub also present in VR: Creating virtual hoops link</li></ul>	<b>CDIO meeting</b> <ul style="list-style-type: none"><li>Establish a system to support the commercialization of ideas through rapid decision-making</li></ul>	<b>In-house investment funds</b> <ul style="list-style-type: none"><li>Establishment of a CVC together with an incubator fund to promote investment activities in Asia</li></ul>
Transforming company culture		
<b>Outbound media</b> <ul style="list-style-type: none"><li>Communicate SMBC Group's philosophy and digital initiatives both internally and externally</li></ul>	<b>Producing new CEOs</b> <ul style="list-style-type: none"><li>Actively supporting internal startups and selecting young people to serve as presidents</li></ul>	<b>In-house SNS</b> <ul style="list-style-type: none"><li>Mentoring by people with experience in new businesses, and operation of a community to support the commercialization of ideas</li><li>Launch of “Condominium Management DX,” the first new business to originate from our SNS</li></ul>



SPECIAL CONTENT

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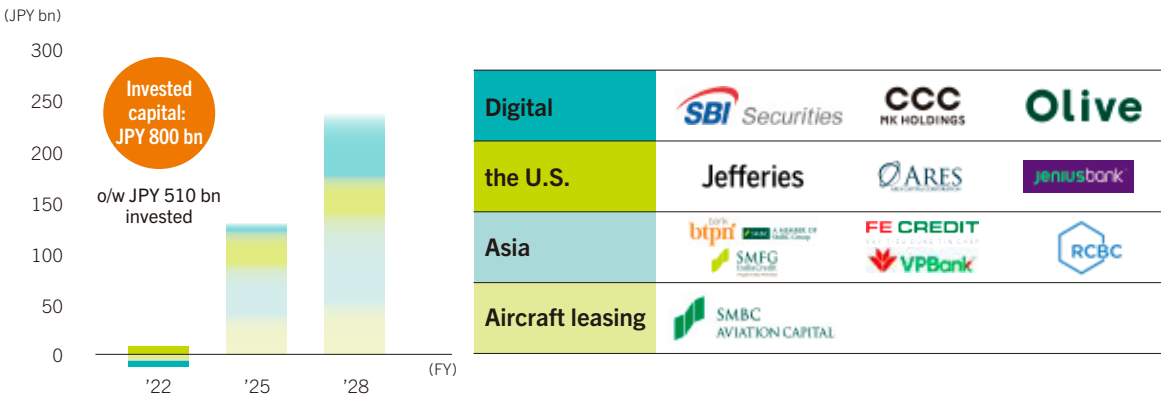
P.076

U.S. Digital Bank

SMBC Group has made a variety of investments to achieve growth that follows quality.

In the previous Medium-Term Management Plan, we invested in local financial institutions in India, Vietnam, and the Philippines in addition to Indonesia, in which we have already invested, in order to accelerate our Multi-Franchise Strategy targeting high growth potential areas in Asia. In the U.S., we have made steady progress in building alliances that form the core of our strategy in overseas securities business, and worked to enter digital consumer banking business. In Japan, we have formed a partnership to strengthen online securities business, and that partnership also plays an important role in “Olive,” an integrated financial service for retail customers. Under new Medium-Term Management Plan, we will firstly ensure that those investments become established businesses moving on the right track, and aim for their profit contribution as a growth driver through creating synergies by value up of investee companies and collaboration among SMBC Group.

Bottom-line profit contribution (after amortization of goodwill)





Key Measures to Drive SMBC Group’s Future Growth

Special Content

1

Multi-Franchise Strategy, Overseas Securities Business

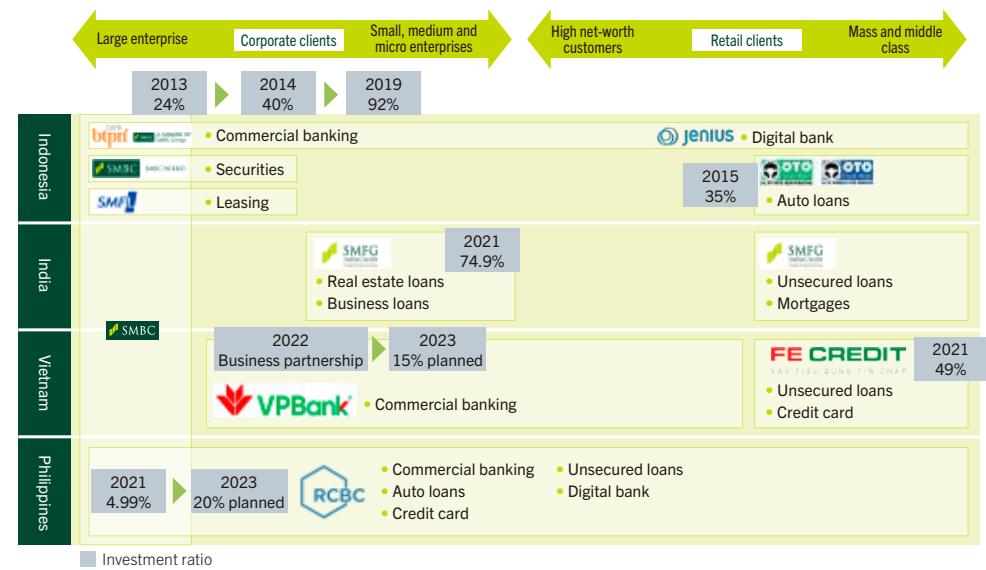
Efforts to Achieve the Multi-Franchise Strategy

In Asia, SMBC Group has positioned Indonesia, India, Vietnam, and the Philippines as target countries for our “multi-franchise strategy.” We are aiming to create a second and third SMBC Group by developing our full-line financial business, including retail, in emerging Asian countries where high economic growth is expected.

By deepening our cooperation with our investment partners, we aim to build a more granular support system for SMBC Group customers seeking to expand their business in Asia through the provision of local branch networks and a wide range of

financial services. At the same time, we are committed to contributing to the further growth of the overall Asian financial sector and reinforcing SMBC Group’s growth strategy in Asia.

In the previous Medium-Term Management Plan, we made investments and acquisitions in our partners, laying the groundwork for growth in countries targeted in our multi-franchise strategy, including India, Vietnam, and the Philippines. This has set the stage for the future platform development.



Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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India

In November 2021, we acquired a 74.9% stake in Fullerton India, now known as SMFG India Credit Company, a non-banking entity catering to small and medium-sized enterprises and individuals. Since this investment, we have been leveraging the SMBC Group’s customer base to provide solutions such as sales finance, dealer finance, and workplace loans, particularly to companies within the manufacturing industry that have supply chains in India. In addition, SMBC Group strives to enhance its presence in India and realize synergies through the provision of funding support and sharing of expertise accumulated both domestically and abroad. Furthermore, in a country like India where financial services are yet to fully penetrate all regions, through SMFG India Credit Company, we are contributing to financial inclusion efforts by extending our services to rural areas where we have a strong presence.

Vietnam

In October 2021, we acquired a 49% stake in FE Credit, the leading local consumer finance company that offers unsecured loans, installment financing, and credit card services, through SMBC Consumer Finance, making it an equity method affiliate. Since this investment, we have been extending various local financial services to SMBC Group’s customers, broadening our product and service lineup, and fostering collaboration to stimulate further growth for FE Credit.

Moreover, we established a business partnership in May 2022, and a capital alliance in March 2023, with VPBank, a co-shareholder of FE Credit and a rapidly growing commercial bank in Vietnam. Through our partnership with VPBank, we aim to further solidify our business foundation in Vietnam. This will be achieved by providing services to customers who wish to expand their business in Vietnam, as well as by leveraging the SMBC Group’s expertise in areas such as trade finance, green finance, and credit cards.

The Philippines

In June 2021, we executed a 4.99% investment in RCBC, the sixth largest local commercial bank in the Philippines in terms of asset size. Since the investment, we have been actively exploring opportunities for collaboration with RCBC across a diverse range of business areas. Through our partnership with RCBC, we aim to enhance the convenience of local banking transactions for SMBC Group customers and bolster our product and service offerings. These include sustainable finance and project finance for our wholesale customers, and wealth management as well as mass market loans for our retail customers. Additionally, we have initiated collaborations on a broad spectrum of topics, such as improving operational efficiency and leveraging digital technologies. In order to further expedite these initiatives, we signed an additional investment agreement in November 2022 with the intention of acquiring up to a 20% stake in the company.



Key Measures to Drive SMBC Group’s Future Growth

Further Collaboration and Synergy Creation

In Indonesia, we made the local commercial bank, Bank BTPN, an equity method associate in 2013, which was later consolidated and merged with PT Bank Sumitomo Mitsui Indonesia in 2019 to acquire a full-line commercial banking platform.

We plan to expedite the realization of our multi-franchise strategy in India, Vietnam, and the Philippines by fully utilizing the expertise we have cultivated through managing Bank

BTPN and establishing a framework for group collaboration.

Beyond the one-on-one collaborations and synergies between SMBC Group and its investment companies, we are also building a network and cooperative structure that includes our investee companies, aiming to create further synergies.

More specifically, we are implementing various measures to reinforce SMBC Group’s platform in Asia.

These include convening meetings with the CEOs and key executives of each of our Asian investee companies and establishing the ‘SMBC Asia Rising Fund’, a corporate venture capital entity that makes FinTech investments to further strengthen the businesses of our partner companies.

Initiatives to Strengthen Collaboration with Investee Companies

SMBC Group is promoting collaboration among its investee companies with the aim of generating even greater synergies. In November 2022, we held the Asia Partners Executive Summit (APES) to facilitate mutual understanding and spark discussions about potential collaborations among these companies.

At APES, top management from Bank BTPN, SMFG India Credit Company, FE Credit, and RCBC convened at the SMBC’s head office. They engaged in discussions with SMBC Group management to deepen their understanding of the group’s vision, business strategy, ESG initiatives, and governance policies.

Further, the companies were able to enhance

their mutual understanding by sharing information about their individual business environments, growth strategies, and initiatives in the digital domain. In the consumer finance sector, a common area of operation for all these companies, Sumitomo Mitsui Card Company and SMBC Consumer Finance presented their initiatives and provided an opportunity for the investee companies to meet and discuss specific collaborative measures. Following APES, knowledge sharing has advanced across various domains, and the pace of collaboration has accelerated, both between SMBC Group and its investee companies, and among the investee companies themselves.



Strengthening Our Overseas Securities Business

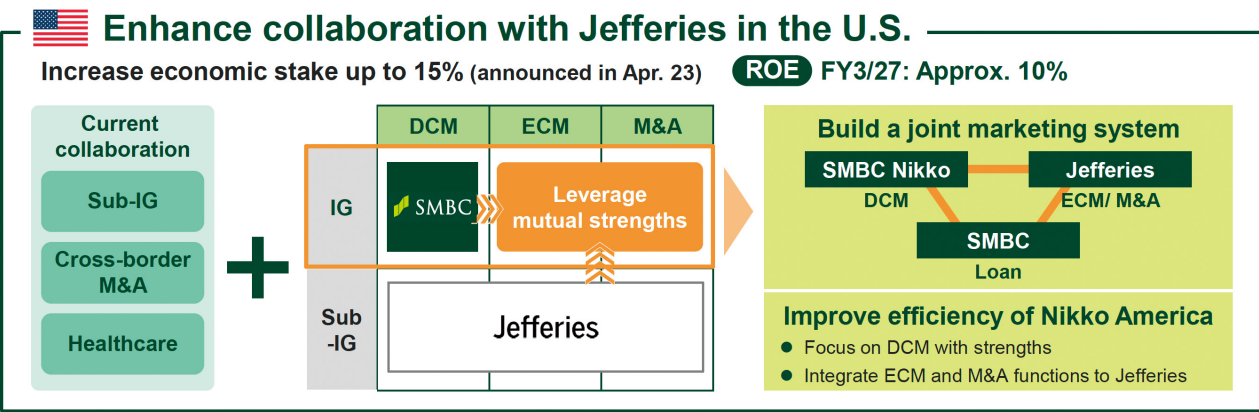
One of SMBC Group’s key focus areas is “strengthening Global CIB and Global S&T,” with a particular emphasis on reinforcing our securities and investment banking business in the U.S., home to the world’s largest capital markets and M&A businesses.

In July 2021, we entered into a strategic capital and business partnership agreement with Jefferies, a leading U.S. based full-service

investment bank and capital markets firm. In April 2023, we announced plans to acquire an additional economic stake of up to 15% in Jefferies. Under an appropriate information management and governance framework, both firms will jointly work to propose financial solutions to clients. These efforts will take place under the co-branding of both firms. In addition to existing areas of collaboration, we aim to further our

partnerships in M&A advisory, as well as equity and debt capital markets, primarily catering to large investment-grade corporations in the U.S.

We aim to deliver industry-leading financial services by integrating SMBC Group’s global customer base, lending, and debt capital markets capabilities with Jefferies’ exceptional industry insight, M&A advisory and equity capital markets capabilities.



SMBC Group’s Inorganic Strategy

Investment Target

We have set two axes: “investment to create a business platform for medium to long-term growth” and “high asset and capital efficiency investment that can be expected to contribute to profits in the short term.”

Investment Criteria and Discipline

Based on our basic capital policy, premised on ensuring soundness, of allocating capital in a way that balances shareholder returns and investment for growth, the three investment criteria are: (1) alignment with SMBC Group’s strategy, (2) an expected ROCET1 of

9.5% or more, and (3) manageable risk. Moreover, we consider investment opportunities upon discussion with outside directors and the CxO department, and adhere to strict discipline. In addition, we consider selling or replacing unprofitable assets or those whose strategic importance has declined. In the previous mid-term business plan, we terminated our partnership with Eximbank in Vietnam and began a partnership with VPBank. We conduct flexible reviews of our portfolio, and aim for more capital-efficient investments.



Key Measures to Drive SMBC Group’s Future Growth

Special Content

2

Olive



See page 106 for practical examples of the FIVE VALUES of the project members.

# Aiming to open the most accounts in Japan with Olive, a world-first using Visa’s new payment function

A roundtable discussion was held with members involved in the development of Olive, an integrated financial service for retail customers.



**Ryosuke Ito**

**Marketing Division  
Sumitomo Mitsui Card Company (SMCC)**

As project leader of “Olive,” oversees all aspects of development, product planning, and promotion.



**Takuya Ogawa**

**Product Planning and  
Development Department  
Sumitomo Mitsui Card Company (SMCC)**

Engaged in product development for Flexible Pay, Olive’s payment function, as well as card design and UI/UX development of the application interface.



**Aisa Ikemoto**

**Retail IT Strategy Department  
Sumitomo Mitsui Banking  
Corporation (SMBC)**

Engaged in planning and UI/UX development of the SMBC App that features Olive.



**Rie Sato**

**Retail Marketing Department  
Sumitomo Mitsui Banking  
Corporation (SMBC)**

Engaged in product design, planning and development for Olive bank account benefits.



**Masaaki Kido**

**Corporate Planning Department  
SBI Securities**

Oversees progress management, promotions etc., relating to Olive’s development on the SBI Securities side.



**Christopher Bishop**

**Head of Consulting & Analytics  
Visa Worldwide Japan (Visa)**

Oversees coordination with the global development team for the delivery of the new Visa-developed payment functionality, including definition of requirements and progress management.



Key Measures to Drive SMBC Group’s Future Growth

**Ito, SMCC:**  
It brings me great pleasure to welcome all of you who have contributed to the development of Olive, which launched in March 2023. Thank you all very much. The Olive project began about two and a half years ago, based on the concept of offering SMBC and SMCC products together in a single package, and the two companies have worked together on the question of how to make this a reality.

The background to this project’s inception was the rapid digitization of banking transactions. Whereas 90% of account openings were once handled in branches, in the past few years the percentage of accounts opened digitally has increased to more than 50%. To compete with online banks, which are rapidly expanding their market share, Olive was born from the idea of offering a comprehensive range of services from group companies and strong partner companies, with mobile transactions as a core premise.

We have been working with SBI Securities since 2021 on projects such as “Sumitomo Mitsui Card Tsumitate-Investment,”\* which is used by a large number of our customers. In order to develop this into “Olive,” we asked

them to participate as the main digital brokerage.

\* SBI Securities’ service to build mutual funds with Sumitomo Mitsui Card Company.

**Kido, SBI Securities:**  
SBI Group and SMBC Group signed a basic agreement on strategic capital and a business partnership in April 2020. As part of this effort, we have been providing partner services with SMCC since June 2021, to offer credit cards, V-points, and the Vpass App, with steady results. In June 2022, a comprehensive capital and business partnership was announced between the two groups, and SBI Securities has given their full participation to the “Olive” project. Despite being only about six months away from launch, we were conscious that this project was symbolic as an integrated capital and business partnership, which was a sobering thought.



***“Olive” was released on March 1, 2023 as an integrated financial service for retail customers. It is an entirely new service that seamlessly integrates bank account, card payment, finance, securities, insurance, and other functions within an application.***



**Chris, Visa:**  
For Visa, the challenge was how to improve the customer experience and make cashless transactions safer and more convenient in Japan, which has a low cashless payment ratio among developed economies. Since we do not have direct contact with end-users, we believe the most effective way for us to get over our challenges is to work together with our clients to drive the change. This project was of great significance for Visa because we had the opportunity to contribute to Flexible Pay, an innovative service offered by SMBC and SMCC, our important clients even on the global level.



Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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**Ito, SMCC:**  
“Flexible Pay” is a world-first service in that it incorporates new payment functions developed by Visa, and we believe that competitors will not easily be able to follow suit. We are moreover confident in both our technology and our service, as the application integrates with SBI Securities, the number one online securities firm and our superb lineup of insurance products. In terms of promotions, SMCC already acquires the majority of its members online, and is using the know-how it has accumulated there to develop a combination of mass-media and digital advertising. With strengths in both merchandising and promotion, the odds are in our favor.

**Sato, SMBC:**  
As a megabank group, we have earned the trust of our customers over many years, and we also have a system in place that allows customers to easily consult with us at our branch counters, call centers, and chat rooms if they encounter problems, which I think is an advantage that online-only banks cannot offer.

**Ikemoto, SMBC:**  
That’s right. It’s important to be close to our customers, and we have endeavored to create a design that would be comfortable for both those who mainly use the SMBC App for account transactions, and those who mainly use the Vpass App for credit card transactions.

**Ogawa, SMCC:**  
We were also very particular about the design of the credit card. We worked with Visa’s designers, had numerous discussions with our in-house designers, and redid the design more than 30 times before it was completed. We received many highly positive comments on the design following the launch, and we feel that it has become one of our strengths.

**Chris, Visa:**  
There were many difficult moments on the development side, but we felt a strong commitment from Mr. Ogawa and everyone at SMBC Group to make the customer experience even better. They have a spirit of taking on new challenges, and a culture of creating precedent.

**Kido, SBI Securities:**  
The SBI Group prides itself on its corporate culture of taking on new challenges with a startup spirit, and I am very surprised that even in the huge organization that is SMBC Group, we can take on the challenge of providing such a world-first service without compromise.

**Ikemoto, SMBC:**  
What you have both just said corresponds exactly with SMBC Group’s “Five Values,” and I am delighted that, in hearing people outside the company talk about “Speed & Quality,” “Customer First,” and “Proactive & Innovative,” our values are being conveyed.

**Ito, SMCC:**  
Thanks to the help of many people both inside and outside the Group, we were able to launch “Olive” on schedule. For me personally, I can honestly say that I am relieved that we were able to successfully launch on schedule and that so many customers have joined so quickly. Can you tell us what your thoughts were about this project?

**Ogawa, SMCC:**  
I have been involved in the launch of credit, debit, and prepaid products, so I was conscious that Flexible Pay, which integrates these products into one, is the culmination of my career. I think it was this strong desire to ensure a good product that allowed us to stick to our commitment to the product and its design right until the very end.

**Sato, SMBC:**  
With the help of the project’s members, my desire to absolutely succeed together, and to deliver “Olive” to our customers as soon as possible, grew stronger each day. We were truly delighted with the great response following the launch,





Key Measures to Drive SMBC Group’s Future Growth

and we will continue to listen to our customers and improve our products so that customers will continue to use them.

**Ikemoto, SMBC:**

I’m pleased that through this project, we have been able to add even more superb services to the “SMBC App” and “Vpass App.” We will continue to make improvements, brining useful functions and great design to even more people.

**Kido, SBI Securities:**

“Olive” is a project that symbolizes the alliance between our group and SMBC group, so we were under a lot of pressure to make it a success. The “Olive” project has been the biggest project in my career, so I was quite nervous. Like Mr. Ito, I feel a great sense of relief now that the project is completed.

**Chris, Visa:**

This was certainly a very memorable project, both for Visa and for me personally, as it is the first Visa product from Japan, and Flexible Pay is the world’s first solution using Visa’s new payment function.

*Flexible Pay is a world-first service by using a new feature developed by Visa that enables customer to choose credit card, debit card, and points payment (prepaid card) in a single card on an application in addition to cash card function.*

**Ogawa, SMCC:**

It is truly amazing that we have been able to bring forth a world first from Japan to the world of finance. We could not have done it without the help of Visa. We are truly grateful for the countless times you have listened to our requests for help while you worked not only on this project, but on so many other projects around the world.



**Ito, SMCC:**

Looking back, as the launch date drew closer, challenges appeared one after another, and at times I wondered if the project was even possible. Yet I believe that one major factor in our successful launch was everyone’s positive attitude, that everyone demonstrated great professionalism in their respective roles as

members of the same team, even when working for different companies.

**Kido, SBI Securities:**

The culture in meetings did not stand on hierarchy: we could exchange frank opinions with one other, saying things like, “this is okay, this is impossible,” and those discussions moved ahead smoothly. It was so hard to believe we were from different companies.

**Chris, Visa:**

I always felt like we were working as one team. I’ve been involved in a range of projects in the past, but I think the sense of unity we had as a team on this project was remarkable.

**Sato, SMBC:**

Absolutely. During meetings, there was always an attitude of discussing “how we can do it,” and I think the fact that each company was able to maintain this mindset was a key factor in the success of this project.



**Ikemoto, SMBC:**

There were many different opinions on the design and text of the application, and many things were not decided until the last minute. However, we were able to maintain our commitment, without compromise, because the “Customer First” concept of valuing customers was embodied in every team member, and I believe we were able to create a product that delights our customers as a result.

**Ito, SMCC:**

Finally, I would like to talk about what “Olive” is aiming for going forward. The “O” in “Olive” symbolizes “circulation,” while “live” expresses our customer’s lives. The name “Olive” embodies the idea that our customers’ lives will flow more smoothly by using this product. Olives are green, like SMBC’s company color, and the design also incorporates our desire to become a new company, while preserving SMBC’s traditions and the relationship of trust with our customers. As for numerical targets, we have set the goal of acquiring 12 million “Olive” accounts, and 5 million new cardholders per year, over the next five years. This target is premised on achieving top place for the number of accounts opened in Japan. Could you all talk about your efforts to achieve this goal?

**Chris, Visa:**

Going forward, we intend to develop functionality based on customer feedback and needs, so that we can take SMBC Group’s “Flexible Pay” to the next level.

**Kido, SBI Securities:**

We have succeeded in creating a system that allows customers to easily create an SBI Securities account by opening an SMCC credit card or “Olive” account, but we will continue to develop the system to make it more seamless. We will also review the UI so that SMBC Group customers feel more familiar with asset management, such as by providing guidance on opening an SBI Securities account together with promoting “Olive” in SMBC storefronts.

**Sato, SMBC:**

We will listen carefully to customer feedback at our branches, call centers, and on social media, as well as to requests from our branch employees, and reliably respond to those requests.



**Ikemoto, SMBC:**

I check responses on social media and respond to app store comments. We receive many comments such as “it would be easier to read if the font size on the screen were a little larger.” We will continue to improve the application closely reflecting customer feedback.



**Ogawa, SMCC:**

Even now, we are planning new services with the same volume as that of the initial launch. We will continue to improve “Olive” by shortening the cycle with which we reflect customer feedback.

**Ito, SMCC:**

As everyone has said, there are many small improvements, and we have received customer feedback, so we would like to steadily reflect those improvements to make the product even better. We are planning to launch new services during FY2023, and I thank everyone for their continued support.

Key Measures to Drive SMBC Group's Future Growth

Special Content

3

U.S.  
Digital Bank

See page 102 for practical examples of the FIVE VALUES of the project members.

# Drive the growth of our U.S. business by providing new value through Jenius Bank

In 2023, SMBC Group launched Jenius Bank, its U.S. digital retail bank. John Rosenfeld, President of Jenius Bank, and Daisuke Tanaka, Managing Director and Joint General Manager, Strategic Planning Department, The Americas Division, discussed the background, current initiatives, and future plans for Jenius Bank.

John Rosenfeld

Jenius Bank  
President

Daisuke Tanaka

Head of Corporate Development, Deputy Head,  
Strategic Planning Dept., Americas Division

**Tanaka:** In 2018, I was appointed to the Strategic Planning Department, Americas Division, and the topic of growth opportunities in the U.S. market was already the subject of much discussion across the team. During such discussions, we gradually turned our attention to the idea of establishing a digital retail bank knowing that in order to realize future growth, we needed to expand into new business areas while also diversifying our USD funding capabilities.

At first, we considered the possibility of investing in a U.S. regional bank. However, we recognized that the importance of physical bank branches to consumers was decreasing due to digitalization. The concept of a digital bank was born based on our recognition of such issues, which in turn led to the Jenius Bank project.

By positioning Jenius Bank as a division of Manufacturers Bank, a U.S. subsidiary of SMBC Group, we were able to launch Jenius Bank in a relatively short period of time by leveraging existing licenses. Furthermore, being able to work with John on the project, especially given his experience in leading the digital bank of a major U.S. bank, was a big plus.

**Rosenfeld:** Thank you. While I have worked in U.S. consumer banking for over twenty years, I really was not familiar with Sumitomo Mitsui Banking Corporation. When Tanaka-san first approached me about joining the Jenius Bank project, I did some quick research, and I was quite impressed. I also realized that SMBC Group's lack of presence in the U.S. consumer market could actually create some exciting competitive advantages. Tanaka-san and I discussed how we could build the digital bank business truly from scratch, leverage some of the latest technology, and grow SMBC into a stronger bank.

We would not be hampered by various obstacles and challenges that typically plague traditional banks. Traditional banks have aging infrastructure and technology, extensive manual processing, and high cost branch and ATM networks, that really impede their ability to implement new digital technology. Additionally, traditional banks rely heavily upon punitive fee income to offset the high cost of their physical infrastructure, which impacts their customer experience negatively.

Furthermore, the COVID-19 pandemic

accelerated the introduction of digital services in all business sectors throughout the world. The banking sector was no exception, and consumers selecting to substitute trips to physical bank branches with digital services acted as a tailwind for the establishment of Jenius Bank.

These challenges, combined with the accelerated adoption of digital services we saw during the pandemic, have created an opportune time to enter the market with a new and innovative value proposition. Since our business model does not include the high cost of a traditional bank, we can pass on that saving to our customers with more favorable pricing and no fees, creating a very competitive offering while preserving our margins.

**Tanaka:** Leveraging its strengths as a digital bank, Jenius Bank has hired talent from throughout the U.S. and its approximately 270 employees perform the majority of their duties remotely. We developed new ways of working remotely, which has proven to be a very compelling employee benefit, while many other companies were forcing their employees back into their offices. We had to be flexible in our approach to ensure that our diverse talent pool could perform their duties in an efficient and effective manner. As the project head, John always took great care to reflect employees' views in our plans and operations.

**Rosenfeld:** As we worked on the project, efficient consensus building between employees who were working remotely was the first key issue we had to overcome. We had brought in so many new employ-

ees with such diverse backgrounds that everyone seemed to have different ways of doing things. At first, this created some inefficiency and challenges, but we recognized the benefits of diverse experience. We resolved this issue by creating "The Jenius Way." We encouraged our team to share how they had done things in the past and then we discussed the advantages and disadvantages of the various approaches. Together, we then decided how we would do things as a newly combined team and called it "The Jenius Way". It allowed us to expedite internal decision making. I am confident that by leveraging the diversity of our talent pool, we were able to produce optimal solutions that made good use of a wide range of ideas and opinions.

The team became very skilled in utilizing online meeting and collaboration tools, but we recognized the importance of face-to-face engagements and how they led to stronger working relationships. Once a month, our management team conducts meetings in Jenius Bank's U.S. offices. In addition, we conduct biannual meetings in which approximately 100 employees in leadership positions take part to reaffirm the direction of strategies and strengthen existing initiatives. Additionally, we started an all-employee call to wrap up every week and recognize great work across the team. This became a very popular meeting and we have maintained it to this day, now with about 270 people attending each week to celebrate each other's successes.





Key Measures to Drive SMBC Group’s Future Growth

**Tanaka:** Many employees decided to join Jenius Bank because it was part of SMBC Group. They felt that Jenius Bank presented a unique opportunity to work in the digital bank sector using cutting-edge technology while being backed by the stable capital base of SMBC Group. The history and strength of SMBC, combined with its focus on long-term sustainable growth is distinct from many U.S. companies that focus more on the short-term. John, how do you feel about SMBC Group’s corporate culture?

**Rosenfeld:** SMBC Group’s Five Values resonated very strongly with me. “Customer First” and “Proactive & Innovative” play a key role in bringing the team together through a common mindset. These values align perfectly with Agile ways of working and customer-driven iterative design processes, which have become foundational in many of the most successful digital companies in the world. We create a prototype of an idea, test it with consumers, refine our approach based on their feedback and then continually repeat that process.

I’ve always liked to interact with people from other countries and experience different cultures. I’ve read books regarding Japanese business culture, and I was fascinated by how some of these cultural differences have driven such strong employee work ethics and loyalty. Additionally, the approaches to build consensus, to drive sustainable growth, and to prioritize strength in compliance and risk management over speed to market or short-term returns, are very compelling.

**Tanaka:** You brought up the key word “Customer,” and at Jenius Bank our target customers are individuals that regularly use digital products and services as part of their everyday lives.

Our vision is to become a platform that can meet the banking needs of our customers throughout all their respective life stages. In the future, we will offer various products such as home loans, automobile loans, and student loans to meet the needs of customers for marriage,



childbirth, children’s education, and the purchase of homes and automobiles. We also plan to expand our product line-up to meet the wealth management needs of customers that very often arise in later life stages. We have invested considerable time in conducting preliminary research so that we are able to properly address such needs. Our designs are driven by the “Voice of our Customers.”

**Rosenfeld:** Consumers have told us that they want to feel more confident in the choices they have made regarding their finances. As we dove deeper, we heard that people struggle simply to keep track of all of their financial activities. On average, American consumers maintain accounts at 5.3 different banks or financial services companies, which is different than many other parts of the world. This is driven by the fact that there are more than 4,500 different banks in the U.S., more than any other country. This highly competitive market makes it more compelling for consumers to shop around for different financial needs, but it also leads to far more complex financial lives. Managing transactions with multiple banks can be cumbersome and make it difficult to obtain a clear picture of one’s financial situation.

**Tanaka:** As we want to be our customers’ long-term partner, we have placed considerable focus on our mobile app as it will be the primary channel with most of our customers. We are building a “hub” for our customers that will allow them to see all of their accounts across multiple banks in one place. We can then leverage this wealth of data and advanced analytics to help our customers analyze their spending, refinance their high-interest debt, and optimize their savings. This all ties back to our Jenius Bank purpose, “to help you live a richer life.”

**Rosenfeld:** While we all agree on the enormous power of data and the future potential of AI and machine learning, we must not forget the significance of direct human interactions with customers. Some digital banks today do not even list a phone number on their website, instead they steer their customers to automated services and chatbots. Once again, we see this as an opportunity to differentiate from competitors by “humanizing digital banking”. We have established a contact center where customers can contact a Jenius Bank expert 24 hours a day, 365 days a year by phone or chat. While this is more costly than most digital and traditional banks are willing to accept, we can afford to offer this level of service based on the lower cost of our infrastructure.

**Tanaka:** With the backing of SMBC Group, Jenius Bank was able to receive significant investments from the very beginning. Through such investments, we are attempting to launch multiple products by establishing the necessary business foundations in a short period of time. The start-up model followed by Jenius Bank was made possible because we are part of a major corporation. With the finance sector currently experiencing turbulence, the backing of SMBC Group is a source of reassurance for Jenius Bank customers.

**Rosenfeld:** Technology will be one of our core strengths, as we are building Jenius Bank on one of the most modern and proven core platforms in the world. Our new real-time banking core is constructed such that different capabilities are provided as compartmentalized micro-services that communicate with each other through a standardized set of API messages. This allows us to “plug-and-play” new capabilities far faster and more efficiently than almost any other bank today. In traditional banking platforms, systems are generally siloed and hard-wired to one another, making it very difficult and costly to implement changes or take advantage of new innovation. In contrast, Jenius Bank’s new platform and architecture enable us to rapidly refine our offerings as customers’ needs continue to evolve.

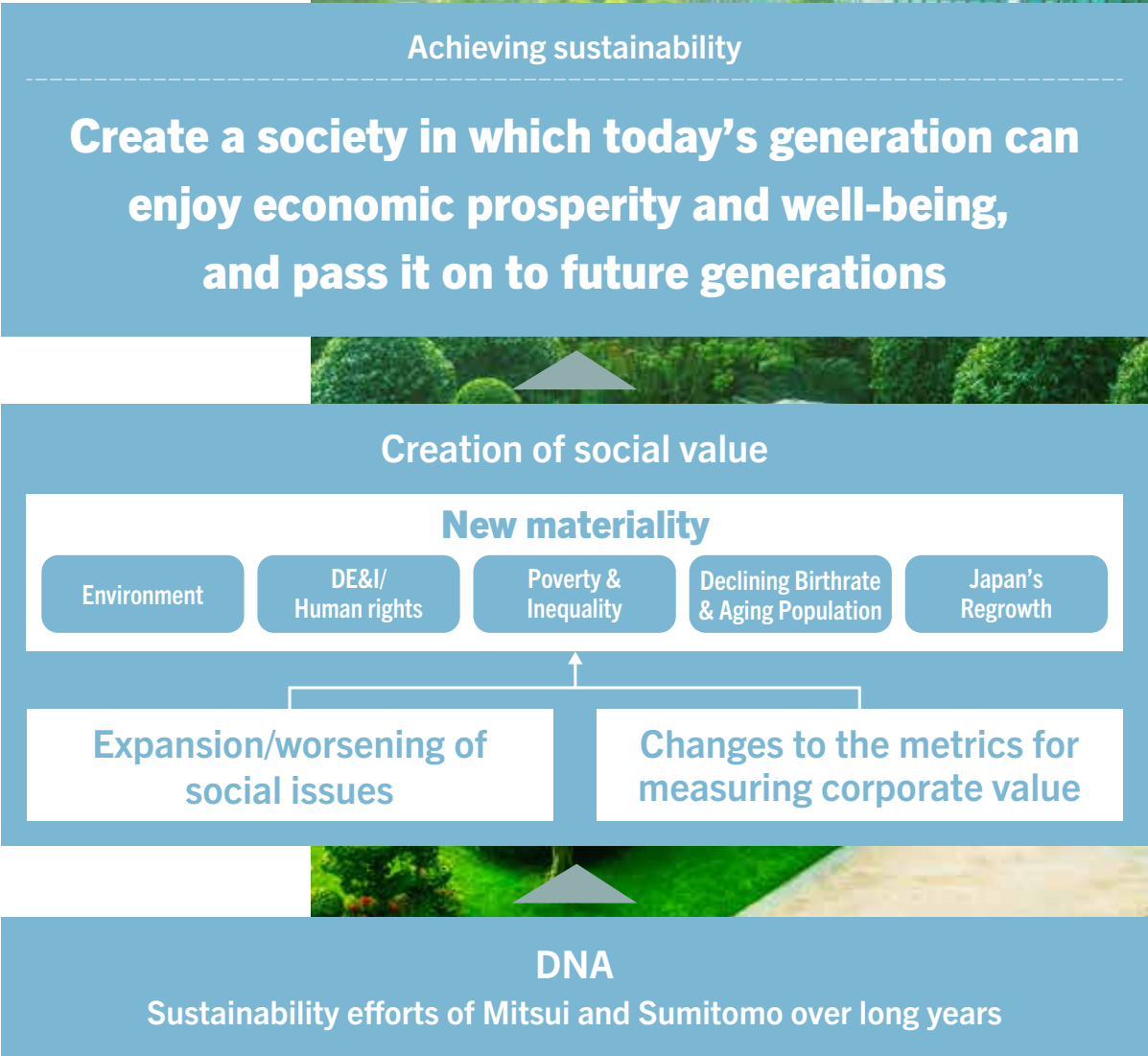
**Tanaka:** The U.S. market is enormous, and its growth exceeds that of Japan in terms of both deposits held by traditional banks with physical branches and deposits held by digital banks. While many U.S. consumers remain loyal to the larger bank brands due to their perception of stability, there is a tectonic shift happening that is driving consumers to investigate alternatives. As we have discussed, consumers are accepting more digital-only services than ever before. They are also finding that the lower-cost business models may offer different capabilities and far more competitive rates. We intend to capitalize on those growing trends, but it may prove to be a hard nut to crack. As such, rather than focusing on winning market share directly from major banks given the fluid market conditions, we will focus on our target client base, present an innovative new value proposition, and develop a niche market.

**Rosenfeld:** I agree with Tanaka-san. It is important to maintain a long-term perspective and ensure that we remain consistent with our strategy. Specifically speaking, in terms of services, we will start by offering individual loans and then expand to include savings accounts, checking accounts, debit cards, and access to ATMs. We also plan on further expanding our product line-up to include credit cards, automobile loans, home equity loans, and student loans. We will bring all of this together in an integrated customer experience leveraging our capabilities, which will create a network effect that continually increases the value our customers realize with every new service they accept from Jenius Bank.

**Tanaka:** Jenius Bank is not a project to drive SMBC Group’s growth just in the U.S. Rather, it is a key project in SMBC Group’s global strategy. We will enhance the value of the entire SMBC Group by sharing the know-how and expertise we obtain from the Jenius Project with other business units.

*Jenius Bank is a division of Manufacturers Bank. Member FDIC.*

# Creating Social Value to Achieve Sustainability



## Message *from* Group CSuO

SMBC Group states that “we contribute to a sustainable society by addressing environmental and social issues” in its Mission. In the SMBC Group Statement on Sustainability, we commit to “creating a society in which today’s generation can enjoy economic prosperity and well-being, and passing it on to future generations” so that we can solve social issues and create a better society.

SMBC Group has also formulated the new Medium-Term Management Plan, the “Plan for Fulfilled Growth,” under which the creation of social value is identified as a pillar of management in light of the expansion/worsening of social issues and our impact on society being added as a factor for measuring corporate value. With the formulation of our new Medium-Term Management Plan, we revised the key issues (materiality) of SMBC Group for the first time in about a decade. Of the multitude of social issues facing the world, we have identified five issues to focus on in particular as our new materiality. These issues are the Environment, DE&I/Human rights, Poverty & Inequality, Declining Birthrate & Aging Population, and Japan’s Regrowth. We have also identified 10 goals for solving the five issues.

In order to achieve these goals, it is important to incorporate efforts for solving our new material issues in the daily activities of SMBC Group and steadily execute those efforts. This involves enhancing dialogue within the company via internal social media and town hall meetings, as well as incorporating the creation of social value in the items for evaluating business divisions and units, and individual employees. Looking ahead, we will formulate detailed action plans for each material issue and endeavor to set and disclose impact-based KPIs that measure our impact on society. If we can visualize a new metric for measuring our impact and our efforts for solving social issues create a flow of money, which in turn will bring value back to us, then our efforts for creating social value will spread throughout society. In order to achieve such a society, it is important for the various constituents of society, such as government, corporations, individuals, and universities, to work together across boundaries. We at SMBC Group will contribute to building the foundation and market for such cooperation as the point of connection between our customers in diverse regions and industries across the world.

SMBC Group aims to create social value in order to solve social issues while achieving economic growth, and make people living in such a society feel happy, or in other words, contribute to growth for happiness. As Group CSuO, I will make my best effort to provide leadership that enables the officers and employees of SMBC Group to work together to solve social issues in accordance with our new Medium-Term Management Plan and newly defined material issues.



**Masayuki Takanashi**

Executive Officer  
Group CSuO



Creating Social Value to Achieve Sustainability

Promoting Sustainability

Sustainability Promotion System

SMBC Group has established the Sustainability Committee and Corporate Sustainability Committee, responsible for supervising and executing, respectively, to continuously enhance our sustainability management.

In April 2022, we also established the Sustainability Division in charge of planning and promoting both corporate and business efforts, under the oversight of the Group CSuO. This division gathers functions and knowledge from across the group.



Efforts for Environment

Efforts Relating to Climate Change

SMBC Group earnestly strives to reduce greenhouse gas emissions in line with the goals of the Paris Agreement and support efforts for the transition and technical innovation of our customers, so that we can actively contribute to achieving net zero by 2050.

Governance

The promotion of sustainability management at SMBC Group is the responsibility of group CxOs including the CEO, supervised by the Board of Directors, and administered under a robust governance system. In addition to our Board of Directors, internal committees such as the Sustainability Committee supervise and debate measures for tackling climate change. Concrete business strategies for tackling climate change are executed upon being deliberated and decided on in meetings such as management committees. In June 2023, we revised our executive compensation system to incorporate new quantitative ESG indicators including reduction targets for our portfolio greenhouse gas emissions in the medium-term perfor-

mance-linked compensation. We are also strengthening our internal control in line with the movement for enhancing sustainability-related disclosure standards. We have already completed the installment of an internal control evaluation system for TCFD disclosure. In the future, we plan to expand it to include other non-financial information such as natural capital. As further enhanced efforts are required to achieve net zero, we will accelerate our commitment while strengthening our functions for supervising progress.

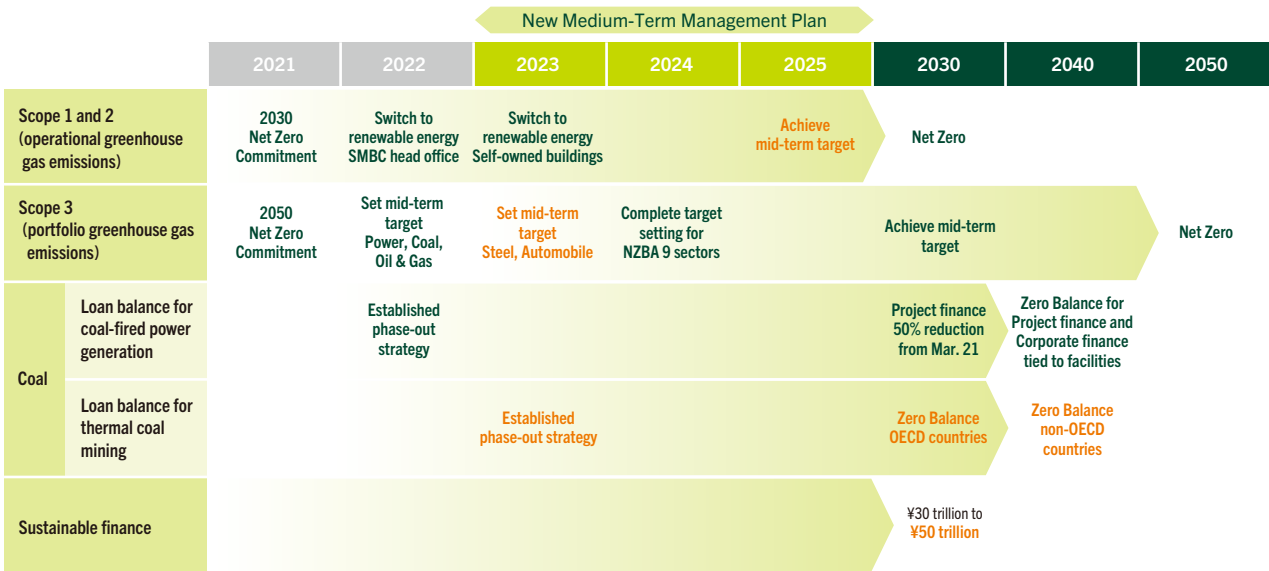
For information on our executive compensation system, see page 118.

Transition plan for achieving net zero by 2050

SMBC Group aims to achieve net zero for our own greenhouse gas emissions by 2030, and for our entire loan and investment portfolio by 2050. We have systemized the series of targets and actions in the transition plan.

Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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Transition Plan to Realize Net Zero by 2050



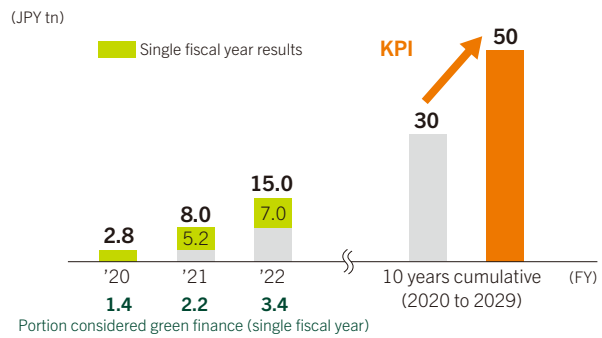
Orange: Published in May 2023

Achieving Decarbonization via Support of Customer Transitions

(1) Raised sustainable finance targets

Large-scale capital investment and technical innovations for the medium to long-term reduction of greenhouse gas emissions will be essential to achieve a decarbonized society. As a financial institution, we recognize this as a business opportunity for providing new financial products and services. This is why SMBC Group has further enhanced our sustainable finance efforts, and revised our targets for FY2020 to FY2029 upwards from ¥30 trillion to ¥50 trillion. We strictly define sustainable finance in accordance with the green bond principles and social bond principles of the International Capital Market Association (ICMA).

Sustainable Finance (Total)



(2) Support via decarbonization solutions

We support decarbonization efforts of our customers via various solutions utilizing digital technologies. The Sustana cloud service developed by SMBC helps calculate and reduce greenhouse gas emissions by importing various types of data on the business of a customer. The service has a function for recommending reduction measures in addition to assisting disclosure, and since its launch in 2022, has been used by more than 1,000 companies. We will continue to contribute to the decarbonization of our customers by providing decarbonization support solutions that leverage the strengths of SMBC Group.



Creating Social Value to Achieve Sustainability

Efforts for Environment

● Efforts for Scope 3

We will sincerely strive to reduce our greenhouse gas emissions in line with the targets of the Paris Agreement while supporting the efforts of our customers towards transition and technical innovation. We are committed to achieving net zero for our Scope 3 emissions (portfolio greenhouse gas emissions) by the year 2050. In FY2022, we set medium-term reduction targets for the power, oil & gas, and coal sectors for the year 2030, in order to draw a path to these reductions. We also plan to set reduction targets for the steel and transport (automobile) sectors in FY2023, thus completing the setting of medium-term targets for the nine sectors required by the NZBA (Net-Zero Banking Alliance), an international banking initiative for achieving net zero.

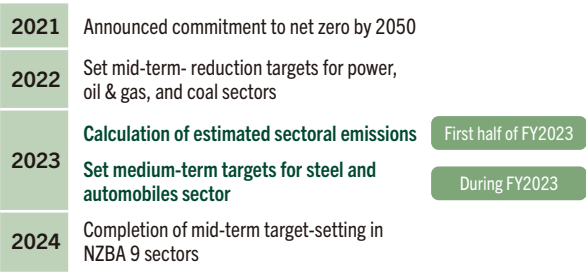
Phase out strategy for coal sector

In order to reduce our portfolio greenhouse gas emissions, we are proceeding with efforts to make our policy for financing the coal sector stricter and formulate a phase out strategy. More specifically, we have announced that we will not support projects for expanding or creating new coal-fired power plants or thermal coal extraction businesses, and set a goal of zero loan balance, as indicated in the graph on the right.

● Efforts for Scope 1 and 2

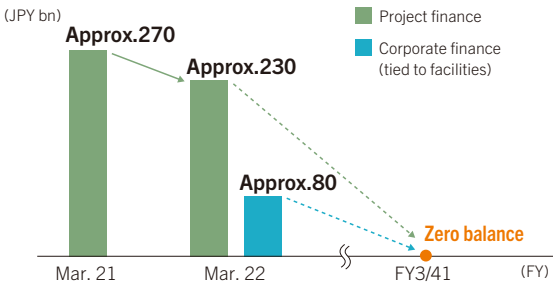
SMBC Group has set a target of achieving net zero Scope 1 and 2 emissions (our operational greenhouse gas emissions) by the year 2030. In May 2023, we set new medium-term targets of a 40% reduction by FY2025 and a 55% reduction by FY2026, compared to FY2021. Major reduction efforts include switching our power use to renewable energy. In April 2023, we completed our switch to renewable power at all our buildings in Japan and the head office buildings of our major group companies in Japan. In the future, we will further accelerate our global efforts for the entire group, including our overseas offices.

Path to Scope 3 Reduction

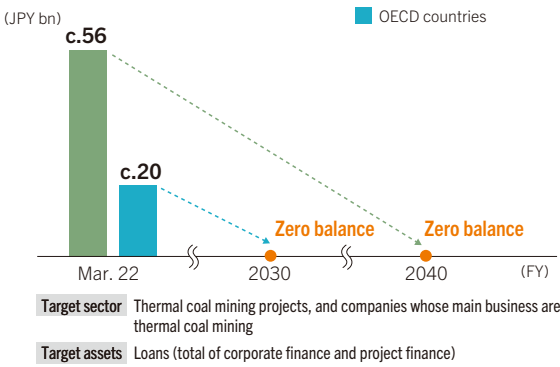


Complete mid-term reduction target-setting in majority of Scope3

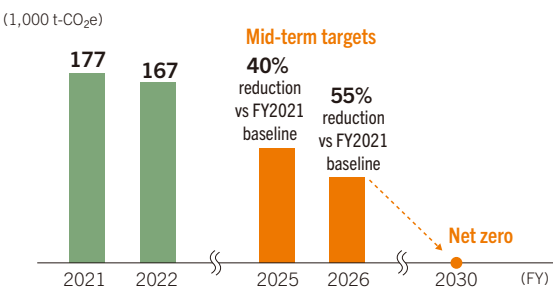
Loans for Coal-fired Power Generation



Loans for Thermal Coal Mining



Scope 1 and 2 results and targets



● Risk management

(1) Risk Appetite Framework (RAF)

In order to achieve our net zero target, we manage our credit portfolio using the “Risk Appetite Framework” for risk management over the entire group. In April 2023, we added new climate related categories to the framework and added our portfolio greenhouse gas emissions as management indicators. We will manage our emissions by sector and business division in line with the 1.5°C scenario.

For information on the risk appetite framework, see page 126.

(2) Risk management in financing

We have established a due diligence framework in order to appropriately manage the impact that our business has on the environment and society. When considering whether to invest in large-scale projects, we conduct environmental and social risk assessments based on the “Equator Principles” and utilize non-financial information such as the greenhouse emissions of the business operator and how it responds to climate related risks.

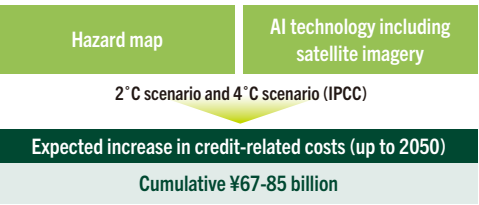
Enhancement of Climate Related Risk Management

	Traditional metrics		New metrics
(1) Portfolio management	Risk-weighted assets		Portfolio greenhouse gas emissions
(2) Account planning	Credit risk, etc.	+	Climate-related risks Transition risk and others
(3) Data governance	Financial information		Non-financial information

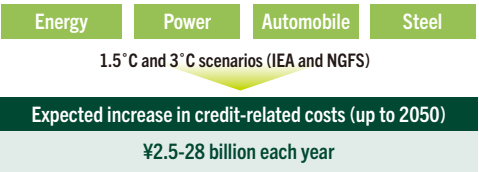
● Scenario analysis

In order to understand and manage the financial risks associated with climate change, we conduct scenario analyses of physical and transition risks. In regard to physical risks, water-related disasters are expected to account for a majority of natural disasters caused by climate change. We calculate expected water level rises and the likelihood of flooding in various climate change scenarios, and estimate additional credit related costs that will be incurred by SMBC lending to business enterprises. Regarding transition risks, we use the 1.5°C scenario to estimate additional credit related costs that will be incurred by lending to sectors which are expected to be highly impacted by the transition to a decarbonized society. Through enhancement of analysis methods and expansion of target sectors, we will identify the financial impacts of climate change in more detail and utilize this information to improve risk management across SMBC Group.

Physical Risks



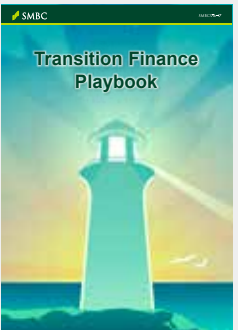
Transition Risks



Release of Transition Finance Playbook

To accelerate global decarbonization, it is essential to finance the transition of hard-to-abate sectors that have limited technical and economic alternatives for decarbonization and face challenges in the transition to a low-carbon economy. That is why in May 2023, SMBC Group released the Transition Finance Playbook, which defines criteria for supporting transition finance. This playbook was created in accordance with national/regional policies and regulations in addition to international guidelines for transition finance.

For details, refer to the SMBC Group website.  
[https://www.smfg.co.jp/english/sustainability/materiality/environment/business/pdf/tfp\\_en.pdf](https://www.smfg.co.jp/english/sustainability/materiality/environment/business/pdf/tfp_en.pdf)





Creating Social Value to Achieve Sustainability

Efforts for Environment

Contribution to Conserving and Restoring Natural Capital

We believe that in order to conserve the global environment, it is essential to achieve “nature positive” results to halt and reverse the loss of natural capital, in addition to tackling climate change. To achieve this, we consider a framework for appropriately evaluating and disclosing risks and opportunities regarding natural capital, and promote various initiatives.

● Release of TNFD Report

In April 2023, we released the SMBC Group 2023 TNFD Report, which details our concept of natural capital. This report follows the framework recommended by TNFD to analyze the relationship between our business and natural capital and areas that we should focus on in particular, and identifies risks and opportunities to indicate the direction of our efforts regarding natural capital.



For details, refer to the SMBC Group website.  
[https://www.smfg.co.jp/english/sustainability/materiality/environment/naturalcapital/pdf/tnfd\\_report\\_e\\_2023.pdf](https://www.smfg.co.jp/english/sustainability/materiality/environment/naturalcapital/pdf/tnfd_report_e_2023.pdf)

● Nature Positive Initiatives

FANPS\*

An Alliance to support companies' efforts to strengthen nature positive initiatives

Mirai Farm Akita

Putting a sustainable food and agricultural management model into practice

The Reforestation Fund

Investing in funds which focus on afforestation of South America

\* Finance Alliance for Nature Positive Solutions

Column

Furano Shizen Juku

SMBC Group has been supporting the activities of Furano Shizen Juku led by screenwriter Soh Kuramoto since it was established. Since 2006, the Furano Shizen Juku has been involved in reforesting a closed golf course in Furano, Hokkaido and conducting a field-based environmental education program to encourage people to think about the global environment. The SMBC Group actively assists these efforts by employees volunteering to help reforesting and sponsoring a university environmental program for young people who wish to become teachers.

For details, refer to the SMBC Group website.  
<https://www.smfg.co.jp/furano/>



Efforts for DE&I / Human Rights

Promoting DE&I

More than 110,000 diverse employees work at SMBC Group in Japan and 38 other countries and regions. In order to enable employees with diverse backgrounds to flourish and build a virtuous cycle to create new social value, we have positioned DE&I/human rights as one of our materiality.

For information regarding our employee DE&I, see page 096.

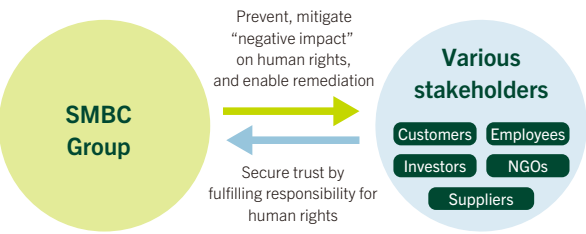
● Pro-bono projects

As one measure for achieving diverse work styles, we promote pro-bono activities. This system allows some work time to be used for such activities, and our employees can utilize the specialized knowledge and skills that they gain during work to help solving social problems, via projects linked with NPOs and other organizations.

Respect for Human Rights

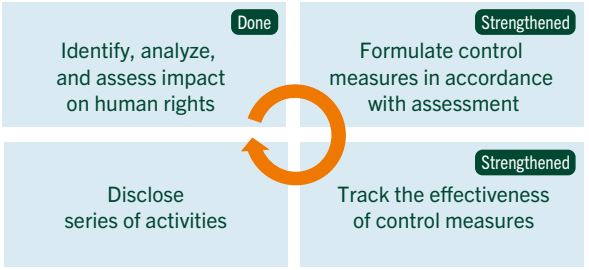
● Basic concept of human rights

SMBC Group fulfills our responsibilities for respecting human rights of all stakeholders including our customers, suppliers, employees, in accordance with our “Statement on Human Rights.” We identify various negative impacts that may have on the rights of our stakeholders and strive to prevent, mitigate, and remedy them. Fulfilling our responsibilities for respecting human rights through these efforts will help us gain the trust of society, and ultimately improve our corporate value and contribute to creating positive impacts on society.



● Enhancement of human rights due diligence

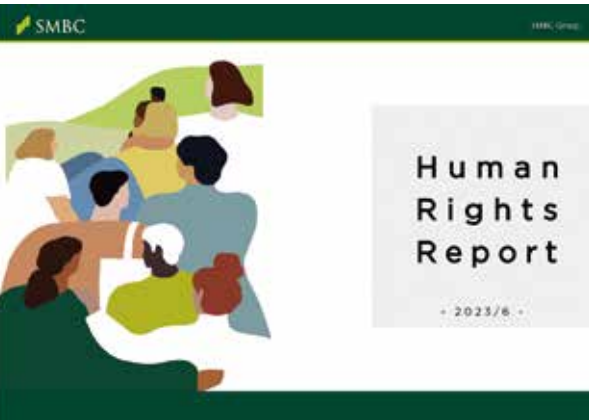
We conduct human rights due diligence in accordance with international standards such as the “United Nations Guiding Principles on Business and Human Rights”. In specific terms, we identify and evaluate negative impacts on human rights, incorporate measures for preventing and mitigating negative impacts in our internal procedures, track and verify the effect of measures, and disclose the series of efforts, as well as building governance to support our human rights due diligence and promoting awareness within the company.



● Disclosing information on human rights

In May 2023, we published a human rights report in order to disclose appropriate and highly transparent information on our efforts for respecting human rights. Based on this report, we will continue to engage in dialogue with our stakeholders, while striving to promote further activities and expand information disclosure.

For details, refer to the SMBC Group website.  
[https://www.smfg.co.jp/english/sustainability/group\\_sustainability/forrights/Human\\_Rights\\_Report\\_e.pdf](https://www.smfg.co.jp/english/sustainability/group_sustainability/forrights/Human_Rights_Report_e.pdf)

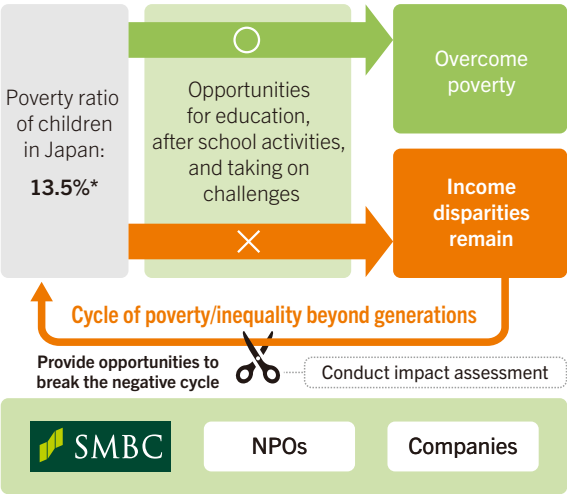


Creating Social Value to Achieve Sustainability

Efforts to tackle Poverty & Inequality

● Efforts for the next generation of children

Poverty & inequality is one of the serious social issues in Japan. Children born to poor families have fewer opportunities for extracurricular learning and practical activities than other children and are unable to develop their innate talents. If these children cannot escape from poverty before they become adults, their children will also be born to poverty, in what is known as an intergenerational cycle of poverty. SMBC Group aims to break that cycle by collaborating with other companies and NPOs.



\*Source: Ministry of Health, Labour and Welfare

● Efforts for financial inclusion

We are actively involved in promoting financial inclusion with a focus on developing countries by expanding the provision of financial products and services to individuals who lack bank accounts and businesses that have difficulty obtaining financial services. For example, we provide finance to small and medium-sized businesses, expand financial solicitation to individuals without bank accounts, promote financial services that do not require a bank branch, such as mobile banking, and provide financial literacy programs.



● Efforts for financial literacy programs

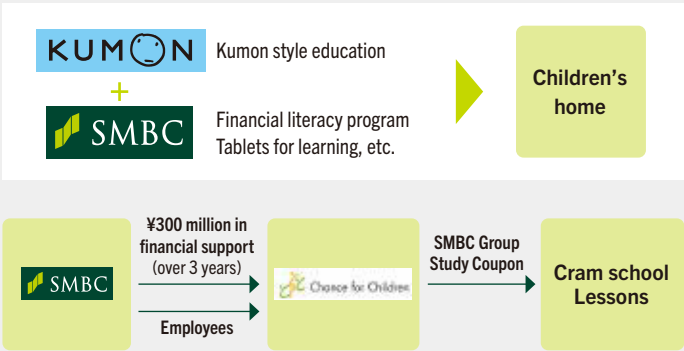
SMBC Group implements SMBC Group Financial Literacy Programs in order to create a society where everyone has correct knowledge and capabilities for decision making regarding money and can live with security. In order to further popularize financial literacy programs in Japan, we collaborated in planning the financial literacy certificate of the Kinzai Institute for Financial Affairs, as well as the joint production of textbooks.



Column

Learning support programs in cooperation with major educational institution and NPO

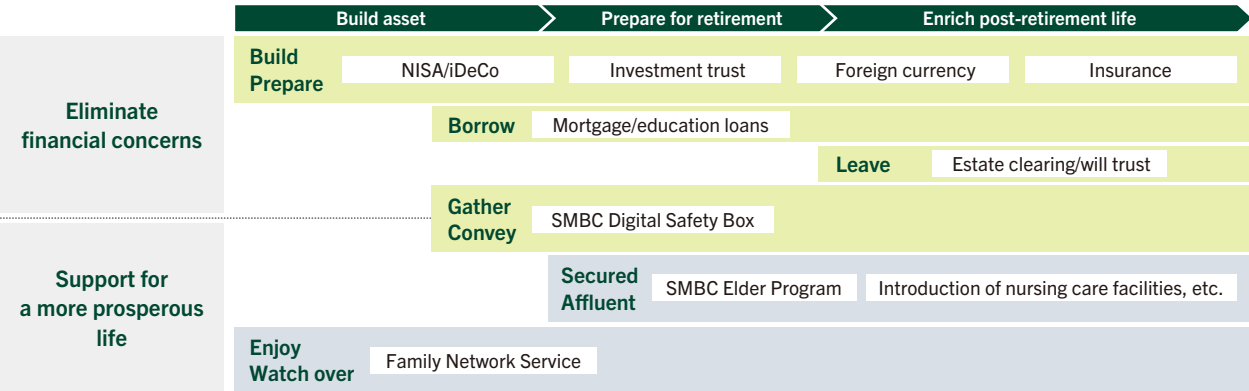
**S**MBC Group collaborates with the Kumon Institute Education to provide children in children's homes with Kumon style education, financial literacy education by volunteer employees, and tablets for learning. We also collaborate with Chance for Children to provide children from economically challenged families with coupons for a wide variety of extracurricular activities. In addition to financial support, SMBC Group plans to be involved in program planning and management via employee staffing and pro-bono activities at the organization.



Efforts to tackle Declining Birthrate & Aging Population

In an age where people can live as long as 100 years, we provide customers with various types of support in addition to financial products and services, so that they can enjoy living a healthy and meaningful life. For example, we have support systems to meet the various needs of our customers, including non-financial needs. Some examples are the

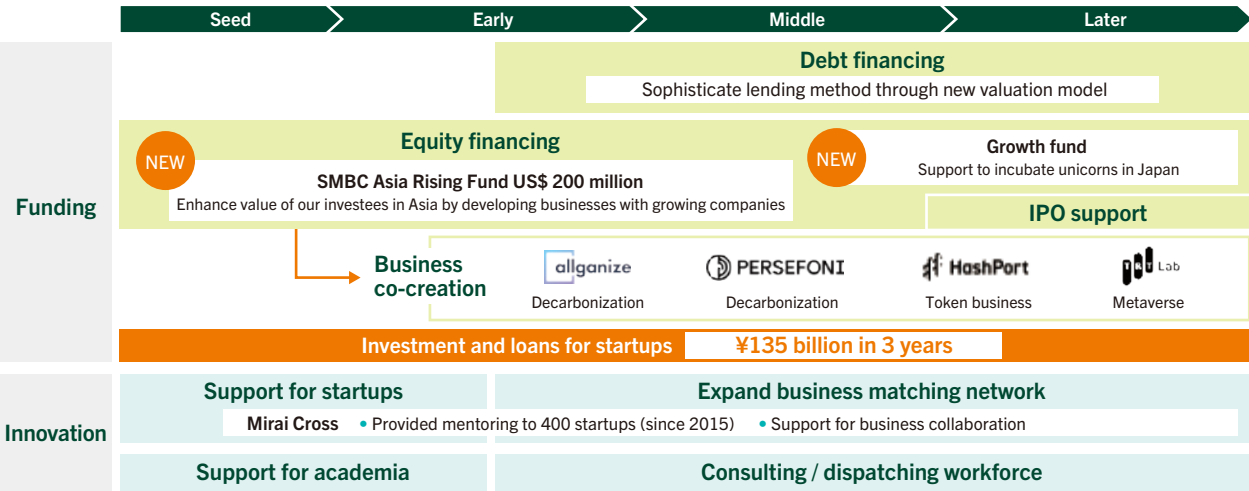
SMBC Elder Program, which appoints dedicated concierges to individual elderly customers to provide both financial services such as banking and non-financial services of partner companies, as well as the Family Network Service, which enables customers to take care of elderly family members via a smartphone app.



Efforts for Japan's Regrowth

We make full use of our financial functions to prompt customer business model changes via diverse risk taking and efforts such as support in DX, while also contributing to new industrial development and strongly encouraging the autonomous regrowth of Japan. In order to provide finance

solutions as a group in line with the growth stage of our customers, we have set a KPI for investment and loans of ¥135 billion in startups over three years. We also support the building of a startup ecosystem via entrepreneurial assistance and business matching.





# Human Resource Strategies to Support Value Creation



**Takashi Kobayashi**  
Senior Managing Executive Officer  
Group CHRO

The environment surrounding our business is changing faster than ever before, and together with the growing importance of issues such as “sustainability,” “digital,” “global,” and “compliance,” our responsibilities to society as a company are also increasing dramatically.

In order to respond to increasingly complex and serious social issues and to meet increasingly diverse and sophisticated customer needs, SMBC Group has established the basic policies of “creating social value,” “pursuing economic value,” and “further strengthening our management foundations” in its new medium-term management plan beginning from FY2023.

Further diversification and specialization of human resources, the most important driving force behind the execution of the new medium-term management plan, is also essential. To respond to the transformation of our business portfolio, we will make strategic efforts to build a human resources portfolio focusing on specialized personnel in fields such as digital, compliance and human resources able to drive global business.

At the same time, employee values and work perspectives are diversifying alongside the transformation of society, and changes in the relationship between companies and employees are increasing the mobility of human resources and intensifying competition for talent. With a view to

SMBC Group’s sustainable growth, we will continue to review our appraisal systems and the way we treat our employees in a timely and appropriate manner to ensure that we are an “employer of choice,” and we will further accelerate our transformation from traditional HR operating styles, including a review of operations that emphasize age-based seniority.

We will further promote DE&I with an emphasis on individuals taking on challenges and growing autonomously to create an environment where diverse professional human resources can demonstrate the best of their abilities. We will also strive to enhance the sophistication of human resource management by establishing a fair evaluation system based on skills and performance.

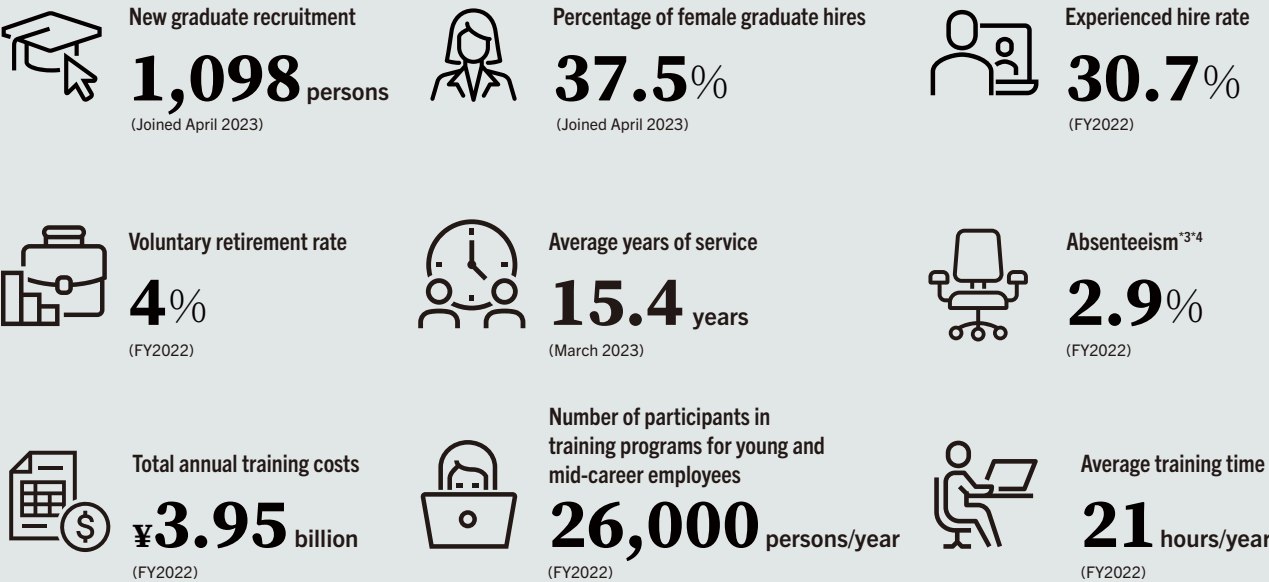
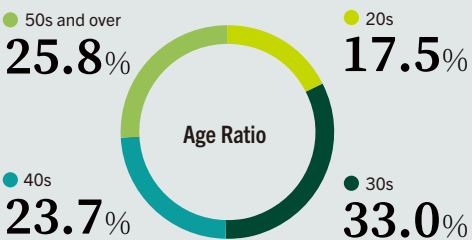
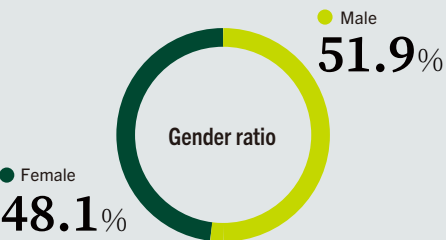
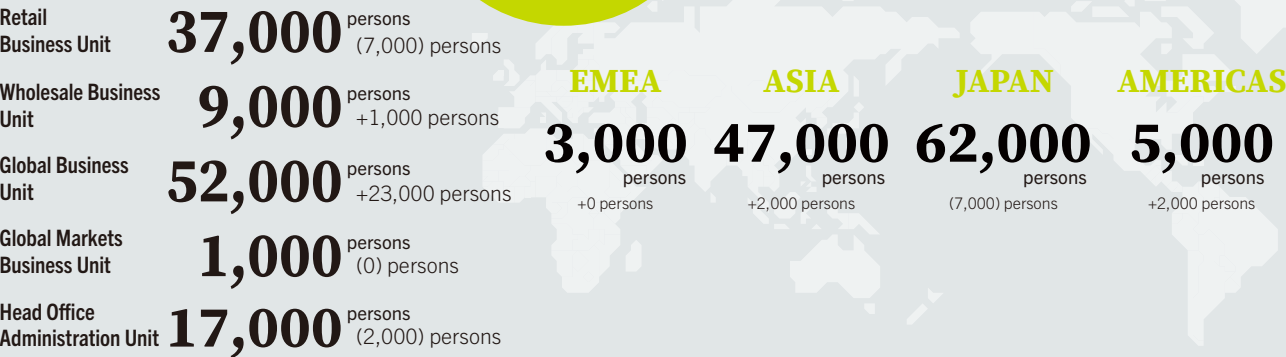
We aim to achieve a virtuous cycle in which employees repeatedly take on challenges and grow, and contribute to the development of customers and society by providing added value, thereby enhancing the corporate value of SMBC Group.

As Group CHRO, I will personally take the lead in taking on challenges and transformation, and will increase opportunities for dialogue with employees through town hall meetings and seminars, and for internal communication by the Human Resources Department, so that the vision the company and its employees are aiming for can spread throughout the group and our human resource capabilities are maximized.

## People in SMBC Group at a Glance\*1

Number of SMBC Group employees\*2  
(March 31, 2023; Changes since March 31, 2020)

**116,000**  
persons



\*1 Unless otherwise noted, data are for employees hired in Japan by the nine major group companies \*2 Group, consolidated \*3 Sumitomo Mitsui Banking Corporation, non-consolidated  
\*4 Percentage of employees with at least one day of absence or leave of absence in a year

Human Resource Strategies to Support Value Creation

Creating and Sharing SMBC Group Talent Policy

In addition to changes in the management and business environment, employee values have become more diverse due to generational changes in business leaders, promotion of female empowerment in the workplace, and the growth of experienced hire recruitment. In line with this change, the relationship between companies and employees is shifting from one of mutual dependence to one of choosing and being chosen.

Inheriting the business spirit and culture of Mitsui and Sumitomo, which have long emphasized people, characterized by the lines “Mitsui is its people” and “Business is people,” and in order to continue being a place where diverse employees can gather, grow and play active roles, SMBC Group clearly states in the “SMBC Group Talent Policy,” “what SMBC Group want employees to be” and “employee Value Proposition.”

Employees are expected to “carry out their responsibilities as professionals,” “respect others and pursue

the best results as a team,” and “carry on, stay bold even if challenging,” based on the premise that they are members of a global financial group with great responsibility to society and operate with a DE&I mindset, which actively accepts values that differ from their own.

At the same time, we are pushing our employees who are working to realize these goals to achieve their dreams: we provide an environment in which they can express their individuality, opportunities to contribute to customers and society by leveraging our business foundations, and support for career development and growth.

In order to spread and implement this policy, we will be updating the criteria and items of personnel evaluations in line with the SMBC Group Talent Policy, and further emphasize competence rather than hiring year or age for promotions and advancement.

The SMBC Group Human Capital Management Model

In accordance with SMBC Group Talent Policy, we will advance measures that contribute to “1. Creating human resources portfolio that supports our strategy” and “2. Supporting employee growth and wellbeing” and “3. Maximizing team performance” for all employees in order to maximize human resources capabilities through group and global human capital management.

In line with this, we will review our evaluation system, compensation system, and other platforms, and further expand our human capital investment. For example, SMBC is increasing its human capital investment in FY2023 by 7% compared to the previous year. Moreover, we are not simply increasing the amount of investment, but investing strategically and effectively in focused areas while verifying the effectiveness of the investment using various profitability indicators we have defined.

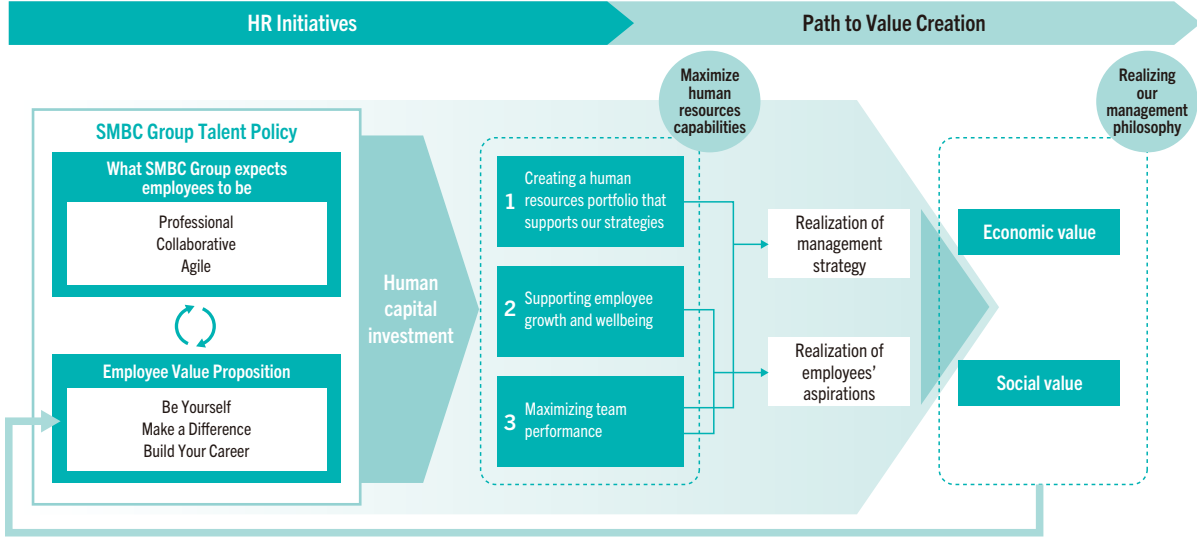
This will ensure the achievement of management strategy by optimizing staffing and investments through the

creation of human resources portfolio that is linked to the Group’s strategies while maximizing team performance.

We are also realizing the aspirations of our employees by creating an environment that maximizes individual employee performance within teams by supporting growth and wellbeing.

Maximizing human resource capabilities and realizing both management strategy and employees’ aspirations will lead to achieving our management philosophy, together with the creation of both economic and social value. In addition, one of our ten goals for creating social value, “creating a workplace where employees feel fulfilled in their work,” increases the value that SMBC Group can provide to its employees, creating a virtuous cycle leading to further human capital investment.

The SMBC Group Human Capital Management Model



1. Creating a Human Resources Portfolio that Supports Our Strategy

A Human Resources Portfolio to Support Business Strategy

SMBC Group will upgrade its human resources portfolio management as a framework for securing the human resources needed to achieve its business strategies and re-allocating human resources to strategic areas. Specifically, the business units, which have deep business knowledge, and the human resources department, which possesses deep human resources knowledge, work together to clarify the human talent requirements, such as experience and skills needed, for each key strategic area. Identifying gaps between the desired talent portfolio and the existing portfolio of employees belonging to each business unit, the Human Resources department expands mid-career recruitment and enhances hiring process for new graduates for a specific course. All employees are identified by their human resources type based on their experience and skills, and we strive to train and flexibly optimize the allocation of human resources.

Leading Investment in Focus Areas

To ensure the “further strengthening of our business foundations,” one of our business strategies, we will continue to secure human resources, especially in the fields of

Legal & Compliance, Risk Management, and IT. In order to secure human resources with skills and expertise in digital transformation and analytics to promote “business model reform in domestic market” and global skills and know-how to support overseas business development, we have identified specific talent requirements for each business in Japan, and plan to deploy a total of 1,400 employees over three years through mid-career recruitment and internal reallocation.

Plan for Human Resources Investment in Focus Areas (3 years)

Business strategy		Focus area	Human resources planning (3 years)
Further strengthening of our business foundations -Quality builds Trust-	Pursuit of economic value -Transformation & Growth-		
		Legal & Compliance, Risk Management, IT	+1,000 persons
		DX,Analytics	+300 persons
		Global	+100 persons



Human Resource Strategies to Support Value Creation

Acquiring Human Resources with Special Skills

Recruitment of people with special expertise

We hire experienced skilled persons and also strengthen course-specific recruitment for new graduates to respond career conscious candidates. For example, SMBC newly established three courses focus on data science, cyber-security and risk analysis. SMBC group is also expanding such style of recruitment.

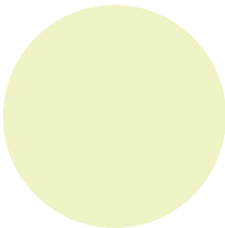
Certifying specialists

We have established a system to certify employees who possess and demonstrate high levels of expertise in a particular area. There are 31 fields in SMBC’s expert/specialist framework, and certified individuals are provided compensation depending on their level. JRI’s IT Professional Certification System certifies those with digital expertise to contribute to the strengthening the digital domain throughout the Group. Sumitomo Mitsui Card Company has further established a Digital & Marketing Skill Certification System, among other measures, to create an environment in which human resources throughout the Group can maximize performance.

Alongside these efforts, we will promote the further independent growth of employees with expertise, and secure and develop professionals in each field by establishing a framework that enables appropriate evaluation of expertise in each field of business, with a focus on priority areas, and a compensation system tailored to the characteristics of the business.

Number of Persons Certificated Specialist

	Mar. 22	Mar. 23
Number of certified persons	1,230 persons	1,652 persons
<Field of Certification>		
Digital	343 persons	577 persons
Investment banking	419 persons	531 persons
Governance	108 persons	103 persons



2. Supporting Employee Growth and Wellbeing

Securing Human Resources to Support the Group’s Development

SMBC Group expects all employees to be professionals with a sense of responsibility in their respective positions who are able to provide high value-added services. To this end, we provide a wide range of growth opportunities regardless of the time, place, or type of employment, and strive to develop human resources that will support the Group’s development.

Recruitment and training of human resources

For new graduate recruitment in FY2022, more than 2,000 employees participated in recruitment and public relations events, providing students with opportunities to understand our operations and company culture. For new employee training, we send employees representing each department as lecturers to help new employees understand the wide variety of banking operations and to support their career development. We are also planning to increase the number of experienced hires, and are expanding our recruiting methods to include referral recruiting, comeback recruiting, and direct recruiting.

Mid-career Recruitment-related KPIs

	FY2021	FY2022	Target for FY2025
Ratio (Number of hires)	20.3% (278)	30.7% (487)	30.7%
Ratio of management positions	15.8%	18.0%	18.0%

We have also established a system for human resource development through on-the-job training, in-service training, and self-development, and in addition to the efforts of each group company on its own, we are actively engaged in training and transfers for a wide range of talent, from new recruits through to executive officers, on a group and global basis. In FY2022, more than 10,000 people participated in group joint training, and 1,100 people participated in group joint new hire training. In addition, for global talents development who leads global business, we offer various training programs for employees from offices around the globe, including the leadership training for management-level employees delivered in partnership with The Wharton School of the University of Pennsylvania in the U.S., INSEAD in France and joint programs such as the

Global Japan Program where locally hired employees are assigned to departments in Japan, with approximately 150 participants.

Independent career development

Each employee sets his or her own career aspirations and goals, and develops his or her career independently through feedback in interviews with supervisors and 1-on-1 opportunities.

The Human Resources Department provides a total of more than 7,000 hours of communication with employees annually. Among the 5,500 transfers made annually, we actively transfer mainly young employees across divisions and group companies, in so doing supporting career development that takes advantage of SMBC Group’s broad business foundations.

We also aim to achieve the best mix of “job-based” and “membership-based” approaches, which are gaining attention in Japan, while developing a framework for career paths that allow each employee to develop his or her expertise around a specific field of work.

We have various other systems in place to support employees’ independent career development and career diversification. For example, in addition to an open recruitment system in which employees can apply for jobs and posts within the Group, some Group companies promote the development of human resources with business skills and experience in diverse areas through an external dispatch system in which employees gain experience outside SMBC Group for a period of time, and internal side-jobs in which employees devote part of their working hours to work in another department. Sumitomo Mitsui Card Company and SMBC Finance Services also allow side-jobs, including employment at other companies, with the aim of supporting independent pursuit of challenges and

generating innovation through the formation of personal networks and the broadening of values.

Framework to Support Independent Career Development

		FY2020	FY2021	FY2022
Open recruitment system	Number of applicants	1,171 persons	1,595 persons	1,693 persons
	Pass rate	31%	32%	30%
External dispatch through open recruitment		7 persons	22 persons	19 persons
Use of side-job system (including internal)		117 persons	183 persons	318 persons

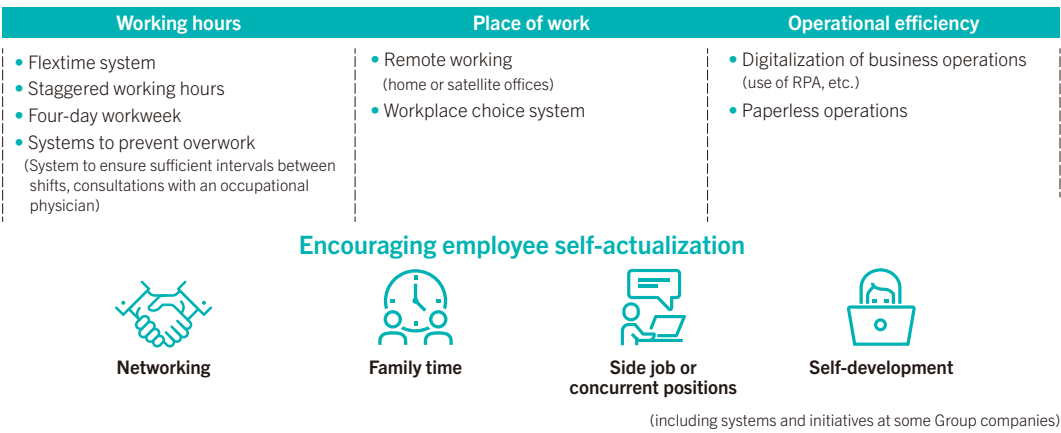
Furthermore, to support employees’ learning, we have established a system to support a portion of the cost of attending graduate school and acquiring various qualifications, together with a comprehensive learning portal, “SMBC Group eCampus,” which allows employees to learn necessary knowledge and skills on their own initiative, and we are expanding the content of this portal.

Work-style Reform

Creating an environment that fits employees’ lifestyles

As the lifestyles and values of individual employees become increasingly diverse, SMBC Group is developing infrastructure enabling employees to work flexibly without being constrained to a particular location or set hours. We are supporting employees’ self-actualization by enabling employees to choose working styles that fit their own lifestyles, including activities outside of work.

Furthermore, in order to create a work environment where employees can play an active role while balancing work and childcare, we also encourage male employees to take at least 30 days of childcare leave.



Human Resource Strategies to Support Value Creation

Employee Well-being

Health management

Each of our Group companies has instituted a Statement on Health Management, and under the leadership of the Chief Health Officer, the company, health insurance as-  
sociation, and health support center are working together to create an environment in which employees are healthy and lively. More than 1,600 employees have participated in health seminars on topics such as wellbeing and fertility treatment, as well as walking events and expanded sys-  
tems and training on women-specific health issues.

In FY2022, a lactation room and running station for use by all SMBC Group employees was installed at SMBC's head office and East Tower. In addition, a total of 6,222 people from 404 departments participated in walking events held by Sumitomo Mitsui Card Company and SMBC Finance Services in FY2022, leading to the establishment of exercise habits and revitalized communication. In recog-  
nition of these efforts, the Company has been certified as a "Health & Productivity Stock Selection 2023."



Employee asset formation initiatives

As part of our efforts to create an environment in which employees can concentrate on their work, we are also making efforts to help them build their assets.

In Japan, in addition to the system of property ac-  
cumulation savings and stock ownership plan, we have introduced a dormitory and company housing system, a group insurance system, a retirement allowance, a defined benefit pension plan (DB), and a defined contribution pension plan (company DC).

We have also introduced external services that pro-  
vide access to a wide range of services at preferential pric-  
es, including accommodation, restaurants, sports facilities, certifications, childcare, and more.

3. Maximizing Team Performance

Enhancing Human Resource Management and Flexible Organizational Management

Group management personnel development and succession management

Candidate successors are identified and systematically trained for key management positions. For example, for posts responsible for management of the Group, in addi-  
tion to identifying candidates available to immediately take over, we prepare training plans to fill in missing experience according to the readiness of a given candidate. We also conduct the "Group Management Personnel Exchange Program," in which candidates are transferred between Group companies to deepen their understanding of differ-  
ent businesses, organizations, and climates, with a total of 20 participants each year.

State of Key Posts Eligible for Successor Management

	Ready	Within 5 years	Future candidates
Number of candidates	89 persons	91 persons	174 persons
Approval Readiness*	3.2x	3.3x	6.4x

\* Number of candidates as a percentage of posts eligible

Agile organizational management

The Marketing Division of Sumitomo Mitsui Card Compa-  
ny and SMBC Finance Services are implementing agile organizations to strengthen customer responsiveness and increase speed.

We have created "squads" to which the most suitable members are assigned cross-departmentally according to the mission and KPIs set to meet customer needs. Mem-  
bers are periodically swapped to create an environment in which a wide range of experience can be gained.

Promoting Diversity and Inclusion

For SMBC Group, promoting Diversity and Inclusion is the very essence of our growth strategy by which to provide greater value to our customers and achieve sustainable growth together with our stakeholders. In FY2023, our Di-  
versity & Inclusion Statement will be revised to incorporate the concept of "equity," which emphasizes the provision of fair opportunities based on employees' circumstances, and to clarify the goal of aiming to be an "innovative organiza-  
tion with diverse perspectives."

Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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Gender diversity

To promote women's empowerment in the workplace, we are working to recruit women, train candidates for manage-  
rial positions, and provide support for career advancement and steady promotion to managerial positions. Although senior management has committed itself to promoting DE&I through regular discussions at meetings of the Board of Directors, the Management Committee, and the Diver-  
sity and Inclusion Committee, we recognize there remain challenges in terms of diversifying decision-making layers of the organization, and these efforts need to be advanced further.

For example, in FY2015, SMBC Nikko Securities introduced a system under which executives and depart-  
ment managers act as mentors to support the growth of female managers (mentees) through dialogue, with the aim of producing managers with managerial perspectives, with approximately 120 mentees participating.

In support of LGBTQ community, we are offering in-  
house employee benefits and welfare rules for same-sex partners and set up an external consultation desk respond to various work-related consultations involving gender identity and sexual orientation. At overseas offices, the Employee Resource Group (ERG), which advances enlight-  
enment of the LGBTQ community, hosts awareness-raising events both internally and externally, and SMBC Group also sponsors these events. In Japan, we are actively supporting the development of networks of allies through continuous aid and donations for external events and distribution of ally goods to those who have participated the events.

Global diversity

The group has established the Global Talents Management Council as a framework for increasing transparency of promotion of locally hired employees, and for developing talents on a global basis regardless of hired location.

For example, SMBC provided career opportunities by moving across the region for more than 500 employees in FY2022, with the aim of developing talent that is broadly familiar with a range of business markets in various coun-  
tries and regions and who drive the growth of businesses on a global basis. Through the expansion of global mobility across regions, we will accelerate the diversity and work-  
place where diverse professional talents aim high regard-  
less of hired location.

KPIs Concerning Gender and Internationality

	Jun. 22	Jun. 23	Target for FY2025	Target for FY2030
Percentage of Women on the Board of Directors	13.3%	20.0%	—	30%
Number of officers	Females	22	30	30
	Foreign nationals	15	21	25
	Mar. 22	Mar. 23	Target for FY2025	Target for FY2030
Ratio of female managers	17.2%	19.1%	25%	30%

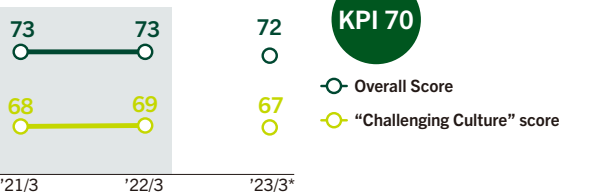
Supporting the empowerment of people with disabilities

To promote understanding of how people with disabilities can play an active role in the company, we hold seminars in which athletes with disabilities affiliated with the Group take the stage, and roundtable discussions on the theme of "what is means to be truly barrier-free," with the aim of creating a rewarding workplace for all employees. In addition, SMBC Green Service, a special subsidiary, has created a workplace environment in which all employees, including approximately 500 employees with disabilities, can work and play an active role with peace of mind in both hard and soft aspects, including the introduction of a voice transcription system and face-recognition monitors, as well as a system for rehabilitation into work and full-time em-  
ployment support counselors.

Employee Engagement

The engagement survey is used as a tool to visualize em-  
ployee engagement; in addition to organizational improve-  
ments made in each organization, monthly 1-on-1 meet-  
ings are used to build trust between supervisors and their juniors, and to promote both parties' growth. This will foster an organizational culture in which employees are aware of issues and motivated to improve, are able to exercise their abilities to the fullest in their respective positions, and can take on a range of challenges.

Engagement Score Trends



\* Expanded scope of data collection (SMBC only up to Mar 2022)





FIVE VALUES 1

# Integrity

**Natsuko Kugai**

Customer Service Plaza  
SMBC Consumer Finance

**As a professional, always act with sincerity and a high ethical standard.**

I joined SMBC Consumer Finance as a new graduate in 2013, and since moving to the Customer Service Plaza, which was located in Omiya in 2016, I have been working as a speaker for the Financial Literacy Education Program. At first, I was not good at speaking in front of others, and I remember my hands shaking when I held the microphone at my first seminar.

Our seminars are held at junior high schools, high schools, universities, and vocational colleges across Japan, and feature both classroom learning and presentations where students think about how to use money. To get the students interested, I ask questions like “How much would it cost to have a wedding in Cinderella Castle at Disneyland?” and include both quizzes and other work.

With the lowering of the legal age of adulthood in April 2022, there is greater danger of students becoming involved in financial trouble. This has led to requests for seminars from many schools, and I can tell that financial literacy education is becoming more important.

When I hold seminars, I go through a process of trial and error to figure out how I can convey stories about wealth management and how money and happiness are intertwined. I try to teach students that money is required for living away from home and achieving one’s dreams,

and that investment is required for building assets, as well as helping society, the economy, and companies develop. At the end of my seminars, I make sure to tell everyone how important it is to think about how to use and manage money.

Up until now, only SMBC Consumer Finance was in charge of these seminars, but from FY 2022, we have speakers from all over SMBC Group. As financial professionals, we lead financial literacy education, but the quality of our seminars is further improved by having representatives from Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities, and Sumitomo Mitsui Card Company talk about their respective fields of expertise. All of our speakers are passionate about teaching students, and I was very happy to learn how many people in SMBC Group want to be involved in financial literacy education. Of our Five Values, I can feel Team “SMBC Group” and I believe that we all embody Integrity.

In order to achieve financial wellbeing, it is important to gain knowledge on how to use money correctly. I will continue to provide many people with opportunities to do so via seminars around the country, and I hope that I can convey that money is something we have to think about on our own.

# Customer First

**Maho Uchiyama**  
Elder Concierge  
Sumitomo Mitsui Banking Corporation

**Always look at it from the customer’s point of view,  
and provide value based on their individual needs.**

I am currently working as an Elder Concierge in charge of the SMBC Elder Program service, which started in April 2021. In my previous job, I was in charge of wealth management consultation for about 12 years, but I became ill and had to take half a year off to recover. When I returned to work, I found that I was no longer the main person at my job, and had a really tough time. This was when I decided to apply to work at Sumitomo Mitsui Banking Corporation, who told me to “come with confidence, as we have many opportunities for you to flourish.” I ended up joining the company as a Money Life Partner in 2018, then became an Elder Concierge in 2021.

We charge our customers a monthly fee for the SMBC Elder Program, so I thought that I should not only create added value through the service guidance and procedure support that I provide, but also create added value for myself. In addition to learning about the services of our partner companies that I can suggest to our customers, I have also earned qualifications to be an organization and storage advisor, as well as qualifications to be an end of life counselor, so that I can empathize with my customers and think about what we can do together.

One of my customers left a particular impression upon me. His wife had passed away,

and he was thinking about moving into a nursing facility. When I visited his home, I found the house was filled with his wife’s clothes, from floor to ceiling, and he could not even reach the Buddhist altar on the other side. I said “You really need to be able to make offerings at the altar. Maybe your late wife brought me here so that I could do something about this situation. Cleaning up your house would be good for your mind.” He agreed to clean up the mountain of clothes and opted to use a service from one of our business partners. After doing this, he decided not to move to the nursing facility, and continued living at home. Once a fan of radio controlled vehicles, I heard that he is now amusing himself flying drones, and enjoying his new lifestyle. He told me that the SMBC Elder Program changed his way of thinking and his outlook on life, and that he was happy that he met me, which made me feel even more satisfied about my job.

I enjoy my job every day, find it fulfilling, and am able to work independently. I am now thinking about getting certified as a housing environment coordinator. “I am an Elder Concierge that takes care of my customers” is something that I hope to be able to say with confidence.







FIVE VALUES 3

# Proactive & Innovative

**Megumi Omae**

Strategic Planning Department, The Americas Division  
Manufacturers Bank &  
Sumitomo Mitsui Banking Corporation

**Embrace new ideas and perspectives,  
don't be deterred by failure.**

I currently work in the United States at Jenius Bank, the digital retail banking division of Manufacturers Bank, where I am involved in marketing, PR, and planning.

I joined Sumitomo Mitsui Banking Corporation in 2010, and was assigned to the Hirakata Branch in Osaka, where I did office work for opening customer accounts and giving advice on wealth management. Based on a desire to expand my horizons, I switched my job title to the one with broader career path in 2014, where I was in charge of providing services for wealth management and inheritance to high-net-worth individuals.

I then moved to the U.S. in 2021, after jumping at the opportunity to apply to join a project for launching a digital retail banking business in the country. Being involved in the launch of a new business is a precious opportunity, and I felt that there was tremendous potential for digital retail banking in the rapidly growing U.S. market, which is why I decided to volunteer for the role. Despite my job being in the same retail banking industry as before, the culture and environment in the U.S. is completely different from that in Japan, and I find this challenging yet extremely satisfying.

The people working at Jenius Bank are from various companies and have diverse backgrounds and histories. To build team member

consensus, I believe it is important to collect accurate information and cooperate together while persuading those around us. It is also important to constantly confirm that the team members are heading in the same direction.

We have sessions for conveying the culture of SMBC Group in periodic off-site meetings, and the Five Values are deeply entrenched in the team at Jenius Bank, making us an organization that truly embodies the values of SMBC Group. I believe that our team has high ethical standards, as we realize the necessity of protecting the trust built up by SMBC Group over its long years of history.

Every one of us is united in our desire to provide better services, and we are free to express our opinions regardless of our position, which fosters active discussion of diverse talking points on a regular basis. I strive to be an intermediary between Jenius Bank and Sumitomo Mitsui Banking Corporation and approach my job with a high level of motivation, and I believe that this has helped my self-growth. This is the first time for SMBC Group to launch a retail business across the U.S. I hope that I can help create a solid foundation and strengthen our business, while never forgetting our Proactive & Innovative spirit, so that we can provide services that our customers need over the long term.



FIVE VALUES 4

# Speed & Quality

**Takuya Kondo**  
Private Corporate Advisory III Dept.  
SMBC Nikko Securities

**Differentiate ourselves through the speed and quality of our decision-making and service delivery.**

I joined SMBC Nikko Securities in 2015, where I was assigned to the Private Corporate Advisory III Dept. Prior to joining SMBC Nikko Securities, I worked at Daiwa Securities SMBC from 2009 as a new graduate, then an other securities company. I have always been involved in advising private companies of capital policy, M&A, and Initial Public Offerings (IPOs). I feel rewarded about my job because IPOs are a delightful solution for shareholders, management, employees, and business partners (due to further corporate growth).

Our company has been ranked number 1 in IPO underwriting for three consecutive years, and one of our major strengths is our ability to proactively take on new challenges without preconceptions. For example, in one up-front investment type IPO project, I was involved in reviewing the initial listing requirements for the Tokyo Stock Exchange Growth Market to increase the likelihood of the company being listed by properly explaining and appropriately disclosing the business model and path to profitability. By doing so, the company could attract investors who were aware of the risk involved, even if the company is in the red when it is listed. I discussed with the Tokyo Stock Exchange about the need for the Japanese market to encourage venture companies with cutting-edge technologies via up-front investment, and with the assistance of various parties involved in

venture capital and other fields, the company was successfully listed.

This is the third securities company that I have worked for, but I think it is the most customer-focused. Venture companies change at a rapid pace, and it is common for sales to double in a month or new employees to join on a weekly basis. Despite this environment, SMBC Nikko Securities is renowned among shareholders, executives, and CFOs for our ability to promptly provide accurate responses to any sudden challenges that emerge.

We tell our customers that IPOs are the second founding of a company. I believe that SMBC Nikko Securities is the only company that can provide comprehensive assistance on management strategy, capital policy, and client introductions in tandem with our customers, in addition to consulting on internal management systems required for an IPO, such as governance and compliance.

Of our Five Values, I believe that “Customer First” is extremely well established, and the basic policy of our company aims for “Customer-Oriented Business Initiative.” I believe that Speed & Quality are required to achieve our values of Proactive & Innovative and Customer First.

I hope that I can continue to support venture companies via the capital market to contribute to the creation of companies that flourish on the global stage.







FIVE VALUES 5

# Team “SMBC Group”

**Takuya Ogawa**

Product Planning and Development Division  
Sumitomo Mitsui Card Company

**Respect and leverage the knowledge and diverse talent of our global organization, as a team.**

I joined Sumitomo Mitsui Card Company as a new graduate in 2006, where I worked in the acquiring of franchise stores and screening of new members, before being transferred to the Product Planning and Development Division, where I currently work. When developing the “Olive” financial service for individual customers, I was in charge of overall planning and development, including product development for the flexible payment function and the card design.

The design of the Olive card started based on the concept of aiming for the ultimate in simplicity. The first proposal we received from an external designer had a good basic design, but its colors were not preferable for the Japanese market. I then created other proposals about ideas that would be appealing for our customers in Japan, based on discussions with team members including in-house designers.

At times, I thought we had created the best design possible, only to find that the actual printed object differed from our expectations. Ultimately, five core members, including myself, decided upon a design that we thought to be best. The design was completed just in time for launch, and struck a good balance of being simple yet refined. We received a good response

from many users on social media, and I felt that it was really worth the effort it took.

Looking back, I believe Olive was able to be launched in time because we demonstrated the best of our ability in regard to all of the Five Values. I would like to emphasize Team “SMBC Group” in particular. We were able to have not only Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Card Company and Japan Research Institute work together as one team, but also external companies such as SBI Securities and Visa. I was happy to see our attitude carry over to members of other companies, and we also received stimulation from those at other companies, which increased our sense of unity.

Our team was able to fulfill their own roles and responsibilities while also thinking about the roles of others. We trusted each other and had extremely good communication. I believe that this was the key to our success, and I respect every one of the project members. Olive is the world’s first flexible payment system using Visa’s new functions, and it has enabled us to provide new value via unprecedented products and services. I hope that I can continue working to evolve Olive and create a service that is both convenient and impactful for our customers.





# CORPORATE INFRASTRUCTURE SUPPORTING VALUE CREATION

## Corporate Infrastructure Supporting Value Creation

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# Corporate Governance

## Our Approach

We position “Our Mission” as the universal philosophy underpinning the management of SMBC Group and as the foundation for all of our corporate activities. We are working toward effective corporate governance as we consider the strengthening and enhancement of corporate governance to be one of our top priorities in realizing “Our Mission.”

## Initiatives for Improving Corporate Governance

2002	<ul style="list-style-type: none"><li>Establishment of Sumitomo Mitsui Financial Group</li><li>Voluntary establishment of Nominating Committee, Compensation Committee, and Risk Committee as internal committees of the Board of Directors</li></ul>
2005	<ul style="list-style-type: none"><li>Voluntary establishment of Audit Committee as internal committee of the Board of Directors</li></ul>
2006	<ul style="list-style-type: none"><li>Formulation of “Basic Policy on Internal Control Systems” through internal control resolution made based on “Our Mission” and “Code of Conduct” in order to establish frameworks for ensuring appropriate operations</li></ul>
2010	<ul style="list-style-type: none"><li>Listing of shares on the New York Stock Exchange in order to improve transparency of financial reporting, increase convenience for investors, and diversify fund procurement methods</li></ul>
2015	<ul style="list-style-type: none"><li>Establishment of the “SMFG Corporate Governance Guideline”</li><li>Increase in the number of outside directors to five and in the number of outside corporate auditors to three</li></ul>
2016	<ul style="list-style-type: none"><li>Strengthening of Group governance by appointing the chairman of SMBC Nikko Securities as a director of Sumitomo Mitsui Financial Group along with the president of SMBC</li><li>Commencement of evaluations of the effectiveness of the Board of Directors</li></ul>
2017	<ul style="list-style-type: none"><li>Transition to a Company with Three Committees; increase in the number of outside directors to seven; establishment of voluntary Risk Committee together with legally mandated Nomination Committee, Compensation Committee, and Audit Committee; and appointment of outside directors as chairmen of three legally mandated committees</li><li>Institution of new Group governance system through introduction of group-wide Business Units and CxO system</li></ul>
2019	<ul style="list-style-type: none"><li>Transition to the Company with Audit and Supervisory Committee structure by core subsidiaries SMBC and SMBC Nikko Securities</li><li>Decrease in the number of directors from 17 to 15 and increase in the ratio of outside directors to 47%</li></ul>
2020	<ul style="list-style-type: none"><li>Appointment of an outside director as the chairman of the Risk Committee</li></ul>
2021	<ul style="list-style-type: none"><li>Appointment of Group CSuO</li><li>Establishment of voluntary Sustainability Committee (Chaired by an outside director)</li></ul>
2023	<ul style="list-style-type: none"><li>Establishment of Group Business Management Department</li></ul>
































## Sumitomo Mitsui Financial Group’s Corporate Governance System

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

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

## Corporate Governance System



Board of Directors															Other experts					
Focus on supervision of executive officers' and directors' execution of duties																				
Internal Committees		Directors													Other experts					
		Takeshi Kunibe	Jun Ohta	Akihito Fukutome	Teiko Kudo	Fumihiko Ito	Toshihiro Isehiki	Yoshiyuki Gono	Yasuyuki Kawasaki	Masayuki Matsumoto	Shozo Yamazaki	Yoshinobu Tsutsui	Katsuyoshi Shinbo	Eriko Sakurai	Charles D. Lake II	Jenifer Rogers	Hirohide Yamaguchi <sup>*1</sup>	Tatsuo Yamazaki <sup>*2</sup>	Yukari Takamura <sup>*3</sup>	Eiichiro Adachi <sup>*4</sup>
Nomination Committee																				
Compensation Committee																				
Audit Committee																				
Risk Committee																				
Sustainability Committee																				
Reporting line		Management Committee																		
		Business execution decisions																		
		Audit Dept.													Departments					

Corporate Governance

Board of Directors

■ Role of the Board of Directors

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

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

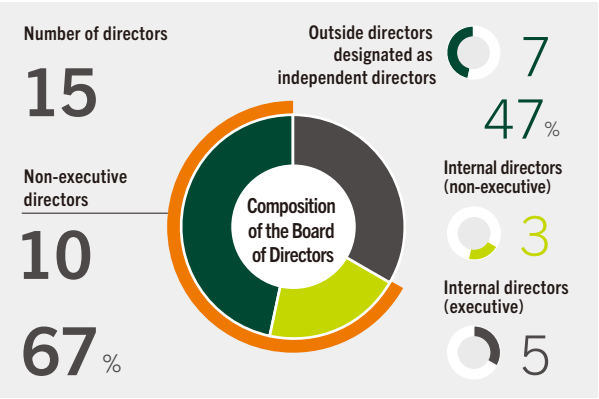
Furthermore, the Board of Directors is responsible for establishing an environment that supports appropriate risk taking by executive officers. It will develop a system for ensuring the appropriateness of SMBC Group’s business operations pursuant to the Companies Act and other relevant legislation in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

■ Composition of the Board of Directors

The Board of Directors is comprised of directors with various backgrounds and diverse expertise, experience, gender and nationality.

As of June 29, 2023, the Board of Directors was comprised of 15 directors, which the Company believes to be the appropriate number of directors for the Board to perform its functions most efficiently and effectively. Ten of the 15 directors did not have business execution responsibilities at the Company or its subsidiaries, with seven of these 10 directors being outside directors. The chairman of Sumitomo Mitsui Financial Group, who does not have business execution responsibilities, serves as the chairman of the Board of Directors. This membership ensures an objective stance toward supervising the exercise of duties by executive officers and directors.

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



Examples of matters discussed by the Board of Directors	
• Deliberations on the formulation of the new Medium-Term Management Plan	• Focused supervision of SMBC Nikko Securities in light of the administrative action taken by the Financial Services Agency
• Progress of the Medium-Term Management Plan and business plan	• Global compliance
• Digitalization efforts	• Corporate governance structure
• Sustainability initiatives	• Capital policy (ROE and PBR improvement)
• Human resources measures	• Policy for equity holdings
• System strategy policy	• Responding to geopolitical risks

■ Processes for selecting and dismissing directors and executive officers

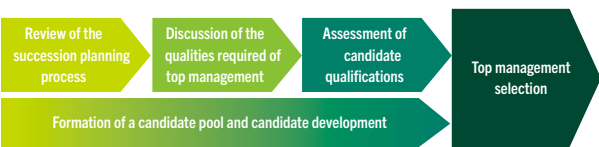
We expect our directors and executive officers to embody the values expressed in our management philosophy at a high level, to possess a wealth of practical experience and high levels of ability and insight, and to contribute to the further development of SMBC Group. In selecting directors, the Nominating Committee spends ample time deliberating whether a candidate can meet these expectations. Where it is difficult for a director or executive officer to perform their duties effectively, the Group will consider their dismissal.

For details, please see References 4 and 5 in the “SMFG Corporate Governance Guidelines.”  
[https://www.smfg.co.jp/english/aboutus/pdf/cg\\_guideline\\_e.pdf](https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf)

■ Succession planning for top management

One of the matters discussed by the Nominating Committee that directly relates to our Mission and management strategy is succession plans for the Company president (Group CEO) and the presidents of the core subsidiaries SMBC and SMBC Nikko Securities. To train and develop our future top management, we take our time systematically forming a candidate pool through tough work assignments and third-party assessment and coaching. From within this large pool of candidates, the best candidates with the qualities required to lead a global financial group, such as broad vision and communication abilities, are selected for top management.

Top management selection process



■ Skills Matrix of Directors

A skills matrix is developed following deliberations by the Nominating Committee as to the knowledge and experience expected of directors in exercising sufficient supervisory functions as a Board of Directors of a global financial group. In 2022, IT/DX and Sustainability, which are becoming increasingly important in SMBC Group’s business strategy, were added.

	Appointed	Expected knowledge and experience in particular*						
		Corporate management	Finance	Global	Legal affairs/ Risk management	Financial accounting	IT/DX	Sustainability
Takeshi Kunibe			¥					
Jun Ohta	2014		¥					
Akihiro Fukutome	2023		¥					
Teiko Kudo	2021		¥					
Fumihiko Ito	2023		¥					
Toshihiro Isshiki	2021		¥					
Yoshiyuki Gono	2023		¥					
Yasuyuki Kawasaki	2021		¥					
Masayuki Matsumoto	2017							
Shozo Yamazaki	2017							
Yoshinobu Tsutsui	2017		¥					
Katsuyoshi Shinbo	2017							
Eriko Sakurai	2015							
Charles D. Lake II	2023		¥					
Jenifer Rogers	2023		¥					

\* The items listed in “Skills Matrix of Directors” are areas particularly expected of the relevant directors and do not represent all of the knowledge and experience possessed by the directors.



Corporate Governance

Support Systems for Outside Directors

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

Initiatives to support directors in FY2022 included those indicated to the right.



Outside Directors visit to Sumitomo Mitsui Card Company locations

- Participation in meetings of general managers of core Group companies and other executive team meetings, tours of bases of Group companies, and discussions with presidents of Group companies for facilitating a greater understanding of business operations and business activities
- Informal meetings between outside directors and relevant departments on topics including Central Bank Digital Currency and promoting DE&I.
- Explanatory forums on Board of Directors’ meeting agenda items prior to Board meetings to assist in understanding of items
- Study sessions led by external lecturers on topics such as information sharing regulations (firewall regulations), business and human rights, and cybersecurity
- Timely and effective provision of information such as details on the proceedings of internal meetings to outside directors
- External director-only meetings

Outside Director Independence Standards

In order for an outside director (“Outside Director”) of the Company to be classified as independent, they must not fall under, or have recently fallen under, any of the following categories:

1 Major Business Partner	<ul style="list-style-type: none"><li>• An entity that has the Company or SMBC as a major business partner or an executive director, officer, or other person engaged in the execution of business of such an entity.</li><li>• An entity that is a major business partner of the Company or SMBC or an executive director, officer, or other person engaged in the execution of business of such an entity.</li></ul>
2 Specialist	<ul style="list-style-type: none"><li>• A legal expert, accounting expert, or consultant who has received money or other property from the Company or SMBC averaging more than ¥10 million per year over the last three years, in addition to any compensation received as a director or corporate auditor.</li><li>• A member of a Juridical Person, etc. or other organization that provides specialist services, such as a law firm, accounting firm, or consulting firm, which has received large amounts of money or other property from the Company or SMBC.</li></ul>
3 Donations	<ul style="list-style-type: none"><li>• A person who has received—or an executive director, officer, or other person engaged in the execution of business of an entity which has received—on average over the last three years, donations or other payments from the Company or SMBC in excess of the greater of ¥10 million per year and 2% of the recipient’s annual revenue.</li></ul>
4 Major Shareholder	<ul style="list-style-type: none"><li>• A major shareholder of the Company or an executive director, officer, or other person engaged in the execution of business of a major shareholder (including anyone who has been a major shareholder, or an executive director, officer, or other person engaged in the execution of business of a major shareholder, within the last three years).</li></ul>
5 Close Relative	<ul style="list-style-type: none"><li>• A close relative of any person (excluding non-material personnel) who falls under any of the following:<ul style="list-style-type: none"><li>(1) A person who falls under any of 1 through 4 above; or</li><li>(2) A director, corporate auditor, executive officer, or other person engaged in the execution of business of the Company or a subsidiary thereof.</li></ul></li></ul>

Please see Reference 6 of the “SMFG Corporate Governance Guideline” for more information.  
[https://www.smfg.co.jp/english/aboutus/pdf/cg\\_guideline\\_e.pdf](https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf)

Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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Internal Committees

	Main role	Number of meetings in FY2022 (average attendance)	Activities in FY2022
Nomination Committee	The Nomination Committee is responsible for preparing proposals regarding the appointment and dismissal of directors to be submitted to the general meeting of shareholders. This committee also deliberates on matters regarding personnel decisions pertaining to officers of the Company and major subsidiaries and the selection of successors to the presidents of the Company, SMBC, and SMBC Nikko Securities.	5 meetings (93%)	<ul style="list-style-type: none"><li>● In anticipation of the change of SMBC president in April 2023, ongoing discussions have been held concerning succession planning.</li><li>● Specifically, the committee narrowed down the list of candidates based on the “qualities required for top management” discussed in FY2021, and agreed to appoint a new president.</li></ul>
Compensation Committee	The Compensation Committee is responsible for deciding policies for determining the compensation of directors and executive officers of the Company as well as compensation amounts of individual directors and executive officers of the Company based on those policies. In addition, this committee deliberates on the policies for determining the compensation of the executive officers of major subsidiaries and the compensation amounts of individual executive officers of the Company.	7 meetings (100%)	<ul style="list-style-type: none"><li>● With the start of the new Medium-Term Management Plan from FY2023, we have reviewed how medium-term performance-linked remuneration is assessed. Specifically, we have investigated incorporating “Create social value” into the evaluation index as a non-financial index.</li><li>● The committee also discussed disciplinary actions to be taken against the officers of SMBC Nikko Securities for market manipulation and violation of the firewall regulations separating banking and securities.</li></ul>
Audit Committee	The Audit Committee is responsible for auditing the execution of duties by executive officers and directors of the Company, preparing audit reports, and determining the content of proposals for election, dismissal, or non-reelection of the accounting auditor to be submitted to the general meeting of shareholders. Committee members appointed by this Committee are to perform audits of the operations and assets of the Company and its subsidiaries.	16 meetings (100%)	<ul style="list-style-type: none"><li>● In accordance with the audit policy and audit plan, audited the execution of duties by directors and executive officers by attending key meetings, interviewing with executive officers and directors, receiving reports from internal departments and visiting domestic and overseas offices.</li><li>● Provided summaries of the results of its deliberations to the Board of Directors, and issued recommendations and opinions to executive officers, etc. where necessary.</li></ul>
Risk Committee	The Risk Committee is responsible for deliberation on matters relating to environmental and risk awareness, the operation of the Risk Appetite Framework, and the implementation of risk management systems as well as other important matters pertaining to risk management and reporting to the Board of Directors on these matters.	4 meetings (100%)	<ul style="list-style-type: none"><li>● The committee deliberated the environment and risk recognition in the new Medium-Term Management Plan, including geopolitical risks, the trends and outlooks of monetary policy across Europe, the U.S., and Japan.</li><li>● In preparation for formulating the Medium-Term Management Plan and operational plan, the committee discussed the risk appetite and the policy for addressing risk scenarios when they materialize, based on the top risks and stress test results.</li><li>● The committee also engaged in discussion on SMBC Group’s risk management system, including the strengthening of group governance.</li></ul>
Sustainability Committee	The Sustainability Committee is responsible for deliberating on the progress of sustainability initiatives, including climate change initiatives, domestic and overseas sustainability trends, and other important matters related to sustainability. It regularly reports to, and advises, the Board or Directors.	2 meetings (100%)	<ul style="list-style-type: none"><li>● The committee reviewed SMBC Group’s materiality, with the aim of creating social value by addressing a wide range of social issues.</li><li>● The committee reviewed the results of company-wide efforts regarding sustainability, and discussed the policy for sustainability initiatives in the new Medium-Term Management Plan starting from FY2023.</li></ul>

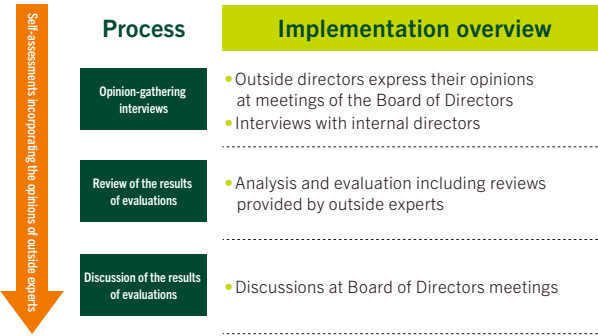
Corporate Governance

Evaluation of the Board of Directors’ Effectiveness

The “SMFG Corporate Governance Guideline” contains provisions on evaluating the effectiveness of the Board of Directors. In accordance with these provisions, annual analyses and evaluations are conducted by the Board of Directors to determine whether or not it is executing its duties in line with the guideline, and the results of these analyses and evaluations are disclosed.

In FY2022, the evaluation focused on the three areas described below, which are areas for which provisions exist in Japan’s Corporate Governance Code and the “SMFG Corporate Governance Guideline.” All seven outside directors were asked for their opinions regarding these areas at meetings of the Board of Directors held in April and May 2023 and interviews of internal directors were conducted thereafter. Discussions were held at Board of Directors’ meetings in June based on the findings of these interviews with internal directors, after which

analyses and evaluations were carried out to determine whether or not the Board of Directors was executing its duties in line with the “SMFG Corporate Governance Guideline.” Moreover, reviews by external specialists with expertise from developed nations are received at each stage of the evaluation process.



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

In FY2022, based on appropriate actions taken to respond to the findings of the last Effectiveness Evaluation, the Board of Directors assessed the Group to be sufficiently effective, and more effective than before, as a result of efforts to increase the sophistication and effectiveness of deliberations at Board of Directors meetings. Based on the results of the latest Effectiveness Evaluation, together with the diverse opinions of the directors and the recommendations of external experts gathered through a series of processes, our Board of Directors is working to further improve effectiveness by promoting mutual understanding between outside directors and internal officers and employees, and by discussing fundamental issues to enhance our corporate value.

	FY2022 Evaluation	FY2023 Priority Issues
Role of the Board of Directors	<ul style="list-style-type: none"><li>Steps are taken to invigorate discussions by drawing on the highly specialized expertise of the outside directors. These discussions were geared toward medium- to long-term improvements in corporate value based on the interests of various stakeholders while incorporating important matters related to business strategies to contribute to the fulfillment of “Our Mission.”</li><li>In particular, in FY2022, the Board of Directors had thorough discussions on important topics such as the formulation of the new Medium-Term Management Plan for the future of SMBC Group, and, as its holding company, focused supervision of SMBC Nikko Securities in light of an incident in which former officers and employees of the company violated Article 159, Paragraph 3 (illegal market manipulation) of the Financial Instruments and Exchange Act (the “market manipulation case”).</li><li>Based on the executive-side discussions of the Management Committee, matters related to business plans and other basic management policies as well as the status of business execution were presented and reported on several occasions. As a result, effective deliberations on these matters were able to take place and oversight functions were exercised properly.</li></ul>	The Board of Directors will play an even more involved role based on mutual understanding between the outside directors and internal officers and employees in supervising the progress of the new Medium-Term Management Plan (Plan For Fulfilled Growth) while being aware of environmental changes including monetary policy trends, market demands regarding return on capital, geopolitical risks, and technological innovation such as generative AI, as well as in supervising efforts to respond to administrative action, etc., in response to market manipulation cases and to prevent such cases occurring again, and in exercising supervisory functions over major subsidiaries.
Proceedings of the Board of Directors and Support Systems for Outside Directors	<ul style="list-style-type: none"><li>The number and content of agenda items as well as the amount of time dedicated to discussion of agenda items were more or less at the appropriate level.</li><li>Appropriate agenda management by the chairperson has facilitated the continuation of brisk discussions.</li><li>The Board of Directors continues to make flexible management decisions amid the changing operating environment. Members of the Board of Directors are provided with the information necessary for exercising their oversight function in a timely and appropriate manner.</li><li>The Company continued to provide systems for effectively supporting the Board of Directors in making management decisions through venues such as study sessions for outside directors and forums for discussions between outside directors and internal directors, executive officers, and accounting auditors, etc. Steps were taken to contribute to livelier discussions at meetings of the Board of Directors, including the provision of information about major Group companies and the setting-up of meetings, in order deepen understanding of the Group companies’ operations.</li></ul>	We will further increase the sophistication of discussions by, for example, taking further advantage of outside directors’ knowledge, and continuing to ensure sufficient time for deliberation of important topics.
Composition of the Board of Directors	<ul style="list-style-type: none"><li>As of June 30, 2023, the Board of Directors consisted of 15 directors, seven of whom were outside directors. Accordingly, outside directors represented over 40% of all directors. It was once again acknowledged that the outside directors represented a diverse range of expertise, genders, and nationalities and that the Board of Directors features an atmosphere conducive to outside directors voicing opinions regarding management.</li></ul>	The Nominating Committee shall continue to examine and review the ideal composition of the Board of Directors in light of its role.

Equity Holdings

Policy for Equity Holdings

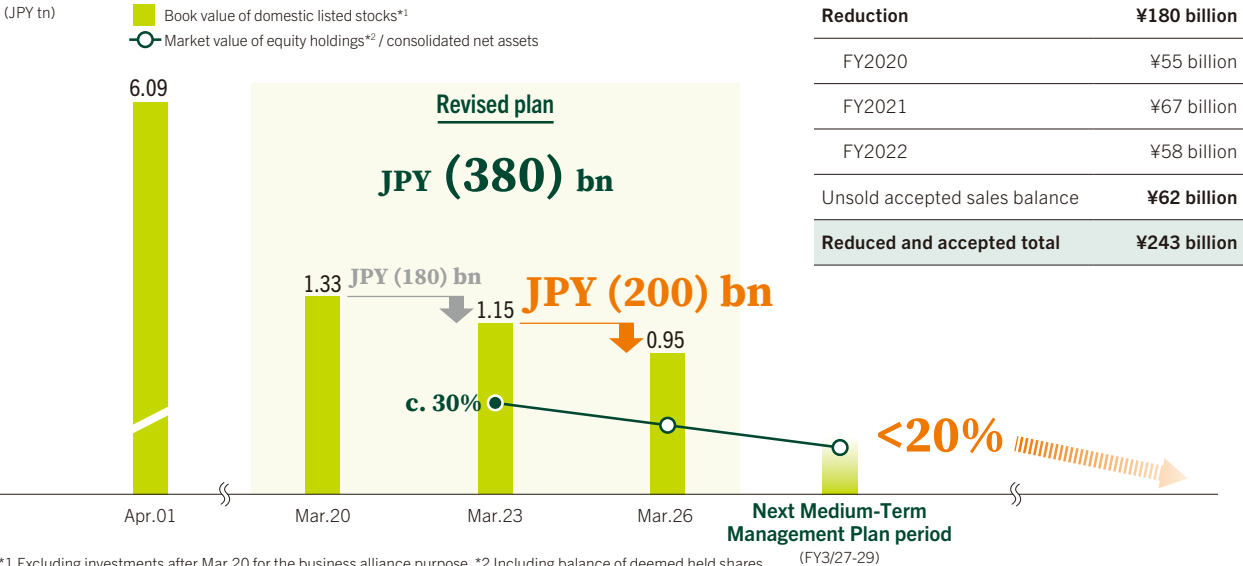
- (1) In principle, SMBC Group does not hold the shares of other companies where “the rationale to hold” those shares cannot be recognized. This policy is in place in order to maintain SMBC Group’s financial soundness taking into consideration the standards of globally operating financial institutions and our proactive response to global regulation.
- (2) We determine “the rationale to hold” as a case where the shareholding will contribute to increasing SMBC Group’s corporate value over the medium to long term. We determine this with comprehensive consideration based on (a) the profitability - through an appropriate assessment and understanding of relevant factors, such as associated risks, costs and returns of the holding; (b) the objectives to hold - such as maintaining and strengthening our relationship, capital and business alliance, restructuring support, and (c) other relevant factors.
- (3) We examine “the rationale to hold” on a regular basis. We will sell them by taking into consideration various factors, such as market impact and the financial strategy of the issuers, where an appropriate rationale no longer exists. In the case that where we recognize there is good rationale for doing so, we will continue to hold shares.

Reduction Plan for Equity Holdings

SMBC Group continuously makes efforts to reduce price fluctuation risks from the point of view of maintaining a foundation that can sufficiently demonstrate its financial intermediary function even in a stressful environment in which the prices of stocks drastically fall. Based on the five-year, ¥300 billion reduction plan (FY2020–FY2024), we have reduced ¥180 billion in the three-year period up to FY2022. However, based on the recent environment surrounding equity holdings, we made a revision to accelerate the reduction plan in May 2023.

Specifically, in line with the three-year Medium-Term Management Plan starting in FY2023, we extended the plan one year and added ¥80 billion to reduction amount for a reduction of ¥380 billion in six years, and set a plan to reduce ¥200 billion in the next three years. Also, this plan is set as the minimum, and we are aiming to exceed it as much as possible. In addition, we will aim to earn a good prospect of achieving the reduction of the proportion of market value of equity holdings to less than 20% of our consolidated net assets during the period of the next Medium-Term Management Plan. Under the new plan, we will work to further reduce equity holdings going forward.

Reduction Plan of Equity Holdings



\*1 Excluding investments after Mar.20 for the business alliance purpose \*2 Including balance of deemed held shares



For details, refer to the SMBC Group website.  
<https://www.smfg.co.jp/english/company/organization/governance/structure/hold.html>



Corporate Governance

Compensation Program

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

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

Executive Compensation System (FY2023)

Cash compensation Stock compensation Variable compensation

Compensation Components	Payment Standards (Range of Variation) and Target Indices				Payment Method	
Base salary	Fixed compensation				• Cash	
Bonus (cash)	Compensation determined based on SMFG's annual performance (0%–150%) *2 Standard levels × annual performance of SMFG and SMBC, progress of initiatives towards the realization of sustainability, performance of the executive					
Bonus (Stock Compensation Plan II)	Target Index*3		Weight	ESG Evaluation	• Cash : 70% • Restricted stock : 30%	
	SMBC Banking profit*4	Annual growth / Target achievement	50%	Progress of KPIs*7		
	SMBC Net income (pre-tax) *5	Annual growth / Target achievement	25%			
	SMFG Net income*6	Annual growth / Target achievement	25%	Performances of external ESG ratings		±10%
Stock Compensation Plan I	Compensation determined based on SMFG's medium-term performance, etc. (0%–150%) *8 Standard levels × SMFG's medium-term performance, etc.					
	Evaluation index			Weight		
	Financial index	ROCET1*9		20%	• Restricted stock	
		Base expenses*10		20%		
		SMFG Gross profit*11		15%		
		SMFG Net income*6		15%		
	Share index	TSR (Total shareholder return)*12		15%		
	Non-financial index	Create social value*13		15%		
Qualitative evaluation	Initiatives in new business areas, compliance, customer-oriented initiatives, and risk management		±5%			
In the case that the CET1 ratio falls below a designated level at the end of each fiscal year, Stock Compensation Plan I for the respective fiscal year becomes null and void (knock-out provision).						
Stock Compensation Plan III	(Promotion reward plan)				• Restricted stock	

Portion of stock-based compensation: 25%

Portion of variable compensation: 40%\*1

\*1 Variable compensation capped at a maximum of 100% of total base salary

\*2 Compensation amounts for each fiscal year determined by the Compensation Committee

\*3 If the Compensation Committee recognizes any element other than the above mentioned target indexes which should be taken into consideration, the Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the

Foster a prudent risk culture expected of a financial institution

\*1 Variable compensation capped at a maximum of 100% of total base salary

\*2 Compensation amounts for each fiscal year determined by the Compensation Committee

\*3 If the Compensation Committee recognizes any element other than the above mentioned target indexes which should be taken into consideration, the Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the compensation to be paid to the employee by a maximum of 5%, plus or minus.

\*4 Adding collaboration incentives between each company in the Group and Sumitomo Mitsui Banking Corporation to the banking profit of Sumitomo Mitsui Banking Corporation

\*5 Income before income taxes at Sumitomo Mitsui Banking Corporation

\*6 The Company’s consolidated profit attributable to owners of parent

\*7 Achievement of annual progress of KPIs in the “SMBC Group GREEN×GLOBE 2030,” such as the reduction of greenhouse gas emissions

\*8 Compensation amounts determined by the Compensation Committee at the conclusion of the Medium-Term Management Plan

\*9 Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities

\*10 General and administrative expenses excluding “revenue-linked cost,” “prior investment cost” and others

\*11 The Company’s consolidated gross profit

\*12 The Compensation Committee determines progress of performance by relative evaluation of TSR during the term of the Group’s Medium-Term Management Plan

\*13 The Compensation Committee evaluates the achievement of KPIs related to the environment (FE reduction and amount of sustainability finance executed) and employees (employee engagement and DE&I), as well as the status of efforts to address the five key challenges set forth by the Group (“Environment,” “DE&I/Human Rights,” “Declining Birthrate & Aging Population,” “Japan’s Regrowth,” and “Poverty & Inequality”).

Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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Executive Compensation Structure

In principle, executive compensation consists of base salary, bonuses and stock compensation. The performance-linked portion, which fluctuates with the business environment and performance, accounts for approximately 40% of total compensation.

Annual Performance-Linked Incentive

Both the Bonus (Cash) and Stock-Compensation Plan II are paid as annual performance-linked incentives. Three performance indicators are used: “SMFG Net Income” which is management’s end performance, and “SMBC Banking profit” and “SMBC Net Income (pre-tax),” which indicate the profitability of SMFG’s major subsidiaries. These create a strong link between performance and executive compensation, ensuring that compensation functions as an appropriate incentive for performance.

FY2022 Results: Bonus (Cash) & Stock Compensation Plan II				
Target Index	Weight		Actual performance	Performance evaluation coefficient
SMBC Banking profit	50%		61.3%	121%*1
SMBC Net income (pre-tax)	25%		30.9%	
SMFG Net income	25%		27.9%	
ESG Evaluation	Weight		Evaluation results	
Achievement of KPIs	±10%		+1.5%	
Results of major ESG ratings				

\*1 The final performance evaluation coefficient is determined by summing the actual performance and the evaluation results and rounding down to the nearest whole number.

Medium-Term Performance-Linked Compensation

Stock Compensation I is paid as medium-term performance-linked compensation. In order to improve accountability incentives for our medium- and long-term performance and to increase shareholder value, medium-term performance-linked compensation is calculated based on the target indices of ROCET1 and base expenses together with qualitative evaluations including “customer satisfaction” and “initiatives in new business fields.”

Compensation programs and levels are determined by the Compensation Committee based on third-party surveys of manager compensation, economic and social trends, and the operating environment.

FY2020-FY2022 Results: Stock Compensation Plan I				
	Target Index	Weight	Actual performance	Evaluation
Financial Performance	ROCET1	20%	22.0%	115%*3
	Base expenses	20%	25.0%	
	Gross profit	20%	26.4%	
	Net income	20%	23.8%	
Share performance	TSR (Total shareholder return)	20%	18.0%	
Qualitative evaluation	Customer satisfaction, ESG initiative, employee engagement, efforts to develop new business areas	±10%	±0%*2	

\*2 Although “ESG initiative” and “Efforts to develop new business areas” progressed steadily, the Company took very seriously the market manipulation case at SMBC Nikko Securities Inc. and the violation of regulations on the firewall between banking and securities operations, and determined the evaluation as maximum 0%, plus or minus.

\*3 The final performance evaluation is determined by summing the actual performance and rounding down to the nearest whole number

Evaluation of efforts to create social value

We are incorporating an indicator evaluating efforts to create social value into executive compensation with the aim of further increasing our executives’ commitment to contributing to the realization of a sustainable society and achieving “SMBC Group GREEN×GLOBE 2030.”

From FY2022, the Compensation Committee will judge performances of annual progress of KPIs in the “SMBC Group GREEN×GLOBE 2030”, such as the reduction of greenhouse gas emissions, and performances of external ESG ratings. These performances will be reflected in annual performance-linked incentive by a maximum of 10%, plus or minus.

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

Ensuring Robust Business Operations

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

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

Corporate Governance

SMBC Group  
Global Advisors

SMBC Group Global Advisors (“Global Advisors”) act in an advisory capacity to the SMBC Group Management Committee by attending SMBC Group Global Advisory Meetings, which we hold on a regular basis.

SMBC Group has appointed Global Advisors to provide advice to it on global business and on political and economic issues in the Americas, EMEA, and Asia. At SMBC Group Global Advisory Meetings, advisors inform the Management Committee of trends and developments in the financial sector and the political and economic environments of respective regions. Global Advisors also provide regular insight with respect to political and economic issues related to the formulation of strategies and key risks faced by SMBC Group.



Andrew N. Liveris

2017–2018 Executive Chairman, DowDuPont Inc.  
2004–2017 Chairman and CEO, The Dow Chemical Company



Cesar V. Purisima

2010–2016 Secretary of Finance of the Republic of the Philippines  
2004–2005 Secretary of Trade and Industry of the Republic of the Philippines



Joseph Yam

2017–Present A member of the Executive Council, Hong Kong SAR  
1993–2009 Chief Executive of the Hong Kong Monetary Authority



Paul Polman

2018–Present Vice-Chair of the UN Global Compact  
2009–2019 Chief Executive Officer, Unilever

SMBC Group  
Technology  
Advisors

SMBC Group Technology Advisory Committee meets regularly to facilitate the enhancement of the Company’s IT-related initiatives. This committee is an advisory body in which chief technology officer-class information system representatives from domestic and overseas companies participate. Meetings of this committee are held regularly to discuss predetermined themes for the purpose of gathering suggestions and advice regarding the outlook for IT-related trends and directives for SMBC Group. In 2022, committee meetings were held covering the topics of “blockchain” and “responding to advanced technologies that will be implemented in society in future,” in which a range of opinions were exchanged on the current state of technology and the future outlook in light of recent social trends.



Motoo Nishihara

Corporate Executive Vice President and CTO - President of Global Innovation Business Unit  
NEC Corporation



Seishi Okamoto

Corporate Executive Officer, EVP, Head of Fujitsu Research  
Fujitsu Limited



Itaru Nishizawa

Vice President and Executive Officer, CTO, GM of the Research & Development Group  
Hitachi, Ltd.



Norishige Morimoto

CTO & VP, IBM Research & Development  
IBM Japan, Ltd.



Kenzaburo Tamaru

Director, National Technology Officer  
Microsoft Japan Co., Ltd.



Corporate Governance

Sumitomo Mitsui Financial Group Directors

(As of June 29, 2023)



Chairman of the Board

Takeshi Kunibe

1976 Joined Sumitomo Bank  
2003 Executive Officer of Sumitomo Mitsui Banking Corporation ("SMBC")  
2006 Managing Executive Officer of SMBC  
2007 Managing Executive Officer of the Company  
2009 Director and Senior Managing Executive Officer of SMBC  
2011 President and Chief Executive Officer of SMBC  
2017 President of the Company  
Resigned as Director of SMBC  
Director President of the Company  
2019 Chairman of the Board of the Company (to present)  
2021 Chairman of the Board of SMBC  
2023 Resigned as Director of SMBC



Director  
President (Representative Corporate Executive Officer)  
Group CEO

Jun Ohta

1982 Joined Sumitomo Bank  
2009 Executive Officer of SMBC  
2012 Managing Executive Officer of SMBC  
2013 Managing Executive Officer of the Company  
2014 Senior Managing Executive Officer of the Company  
2015 Senior Managing Executive Officer of SMBC  
2017 Director of the Company  
2015 Director and Senior Managing Executive Officer of SMBC  
2017 Director and Deputy President of the Company  
Resigned as Director of SMBC  
Director Deputy President and Corporate Executive Officer of the Company  
2018 Director and Deputy President of SMBC  
2019 Director President of the Company (to present)  
Resigned as Director of SMBC



Director  
President of SMBC

Akihiro Fukutome

1985 Joined Mitsui Bank  
2014 Executive Officer of SMBC  
2015 Managing Executive Officer of SMBC  
2017 Resigned as Managing Executive Officer of SMBC  
2018 Chief Officer of Sales Finance Business Group of TOYOTA MOTOR CORPORATION  
President of TOYOTA FINANCIAL SERVICES Co., Ltd.  
2021 Retired from Chief Officer of Sales Finance Business Group of TOYOTA MOTOR CORPORATION  
Resigned as Director of TOYOTA FINANCIAL SERVICES Co., Ltd.  
Senior Managing Corporate Executive Officer of the Company  
Senior Managing Executive Officer of SMBC  
2022 Director and Senior Managing Executive Officer of SMBC  
2023 Resigned as Corporate Executive Officer of the Company  
President of SMBC (to present)  
Director of the Company (to present)



Director Senior Managing Corporate Executive Officer  
Group CRO  
Director and Senior Managing Executive Officer of SMBC

Teiko Kudo

1987 Joined Sumitomo Bank  
2014 Executive Officer of SMBC  
2017 Managing Executive Officer of SMBC  
2020 Senior Managing Executive Officer of the Company  
Senior Managing Executive Officer of SMBC  
2021 Director and Senior Managing Executive Officer of SMBC (to present)  
Senior Managing Corporate Executive Officer of the Company  
Director Senior Managing Corporate Executive Officer of the Company (to present)



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

Fumihiko Ito

1990 Joined Sumitomo Bank  
2018 Executive Officer of SMBC  
Executive Officer of the Company  
2020 Managing Executive Officer of the Company  
Managing Executive Officer of SMBC  
2023 Senior Managing Corporate Executive Officer of the Company  
Senior Managing Executive Officer of SMBC (to present)  
Director Senior Managing Corporate Executive Officer of the Company (to present)



Director  
Director of SMBC

Toshihiro Isshiki

1985 Joined Sumitomo Bank  
2013 Executive Officer of SMBC  
2015 Managing Executive Officer of SMBC  
2017 Managing Executive Officer of the Company  
2019 Senior Managing Executive Officer of the Company  
Senior Managing Executive Officer of SMBC  
2021 Retired as Senior Managing Executive Officer of SMBC  
Director of the Company (to present)  
2023 Director of SMBC (to present)



Director

Yoshiyuki Gono

1988 Joined Sumitomo Bank  
2018 Executive Officer of the Company  
Executive Officer of SMBC  
2021 Managing Executive Officer of the Company  
Managing Executive Officer of SMBC  
2023 Resigned as Managing Executive Officer of SMBC  
Director of the Company (to present)



Director  
Chairman of the Board (Representative Director) of SMBC Nikko

Yasuyuki Kawasaki

1982 Joined Sumitomo Bank  
2009 Executive Officer of SMBC  
2012 Managing Executive Officer of SMBC  
2013 Managing Executive Officer of the Company  
2014 Senior Managing Executive Officer of the Company  
Senior Managing Executive Officer of SMBC  
2015 Director and Senior Managing Executive Officer of SMBC  
2017 Deputy President of the Company  
Director and Deputy President of SMBC  
Deputy President and Corporate Executive Officer of the Company  
2018 Deputy Chairman of the Company  
Deputy Chairman of SMBC  
2020 Retired as Deputy Chairman of the Company  
Retired as Deputy Chairman of SMBC  
Representative Director and Deputy President  
Executive Officer of SMBC Nikko Securities Inc. ("SMBC Nikko")  
2021 Chairman of the Board (Representative Director) of SMBC Nikko (to present)  
Director of the Company (to present)

Corporate Governance

Sumitomo Mitsui Financial Group Directors

(As of June 29, 2023)



Director  
Special Advisor of Central Japan Railway Company

Masayuki Matsumoto

- 1967 Joined the Japanese National Railways
- 1987 Joined Central Japan Railway Company
- 1992 Director and Manager of the Secretariat of Central Japan Railway Company
- 1996 Executive Director of Central Japan Railway Company
- 1998 Senior Executive Director of Central Japan Railway Company
- 2000 Executive Vice President and Representative Director of Central Japan Railway Company
- 2004 President and Representative Director of Central Japan Railway Company
- 2010 Vice Chairman and Representative Director of Central Japan Railway Company
- 2011 Resigned as Director of Central Japan Railway Company  
President of Japan Broadcasting Corporation
- 2014 Retired from Japan Broadcasting Corporation  
Special Advisor of Central Japan Railway Company (to present)
- 2015 Director of SMBC
- 2017 Director of the Company (to present)  
Retired as Director of SMBC



Director  
Certified public accountant

Shozo Yamazaki

- 1970 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
- 1974 Registered as a certified public accountant (to present)
- 1991 Representative Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
- 2010 Retired from Deloitte Touche Tohmatsu LLC  
Chairman and President of The Japanese Institute of Certified Public Accountants
- 2013 Advisor of The Japanese Institute of Certified Public Accountants (to present)
- 2014 Professor of Tohoku University Accounting School
- 2017 Director of the Company (to present)

Note: Mr. Masayuki Matsumoto, Mr. Shozo Yamazaki, Mr. Yoshinobu Tsutsui, Mr. Katsuyoshi Shinbo, Ms. Eriko Sakurai, Mr. Charles D. Lake II and Ms. Jenifer Rogers satisfy the requirements for an “outside director” under the Companies Act.

See page 177 for information on SMBC’s Board of Directors, Directors, Members of the Audit and Supervisory Committee and Executive Officers.



Director  
Chairman of Nippon Life Insurance Company

Yoshinobu Tsutsui

- 1977 Joined Nippon Life Insurance Company
- 2004 Director of Nippon Life Insurance Company
- 2007 Director and Executive Officer of Nippon Life Insurance Company  
Director and Managing Executive Officer of Nippon Life Insurance Company
- 2009 Director and Senior Managing Executive Officer of Nippon Life Insurance Company
- 2010 Representative Director and Senior Managing Executive Officer of Nippon Life Insurance Company
- 2011 President of Nippon Life Insurance Company
- 2017 Director of the Company (to present)
- 2018 Chairman of Nippon Life Insurance Company (to present)



Director  
Attorney at law

Katsuyoshi Shinbo

- 1984 Registered as an attorney at law (to present)
- 1999 Attorney at law at Shinbo Law Office (to present)
- 2015 Corporate Auditor of SMBC
- 2017 Director of the Company (to present)  
Resigned as Corporate Auditor of SMBC



Director  
Former President and Representative Director of Dow Chemical Japan Limited

Eriko Sakurai

- 1987 Joined Dow Corning Corporation
- 2008 Director of Dow Corning Toray Co., Ltd.
- 2009 Chairman and CEO of Dow Corning Toray Co., Ltd.
- 2011 Regional President -Japan/Korea of Dow Corning Corporation
- 2015 President and Representative Director of Dow Corning Holding Japan Co., Ltd.
- 1996 Director of the Company (to present)
- 2018 Executor, Dow Switzerland Holding GmbH, which is a Representative Partner of Dow Silicones Holding Japan G.K.
- 2020 Chairman and CEO of Dow Toray Co., Ltd.
- 2020 President and Representative Director of Dow Chemical Japan Limited
- 2022 Resigned as Director of Dow Chemical Japan Limited



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

Charles D. Lake II

- 1990 Entered the Office of the U.S. Trade Representative as Special Assistant  
Registered as an attorney at law, admitted in Pennsylvania, the U.S.A. (to present)
- 1992 Director of Japan Affairs, the Office of the U.S. Trade Representative
- 1993 Director of Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, the Office of the U.S. Trade Representative
- 1995 Attorney at law at Dewey Ballantine LLP
- 1996 Registered as an attorney at law, admitted in Washington, D.C., the U.S.A. (to present)
- 1999 Vice President and Counsel of Aflac International, Inc.
- 2001 Vice President and Counsel of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- 2001 Senior Vice President and Counsel of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- 2003 Senior Vice President and General Counsel of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- 2005 President and Representative in Japan of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- 2008 Vice Chairman and Representative in Japan of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- 2014 Chairman and Representative Director of Aflac Life Insurance Japan Ltd. (to present)
- 2018 Director of the Company (to present)
- 2023



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

Jenifer Rogers

- 1989 Joined Haight Gardner Poor & Havens (currently Holland & Knight LLP)
- 1990 Registered as an attorney at law, admitted in New York, the U.S.A. (to present)
- 1991 Joined The Industrial Bank of Japan Ltd. (currently Mizuho Bank, Ltd.)
- 1994 Joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.)
- 2000 Merrill Lynch Europe Plc
- 2006 Merrill Lynch (Asia Pacific) Limited (currently Bank of America Corporation) (Hong Kong)
- 2012 Bank of America Merrill Lynch (currently Bank of America Corporation) (New York)
- 2014 General Counsel Asia of Asurion Asia Pacific Limited
- 2021 General Counsel Asia of Asurion Japan Holdings G.K. (to present)
- 2021 President of the American Chamber of Commerce in Japan
- 2023 Director of the Company (to present)



# Risk Management

## Our Approach

Strengthening of compliance and risk management is positioned as a key issue in SMBC Group’s Principles of Action on Compliance and Risk. SMBC Group is therefore devoted to improving its systems in these areas in order to become a truly outstanding global group.

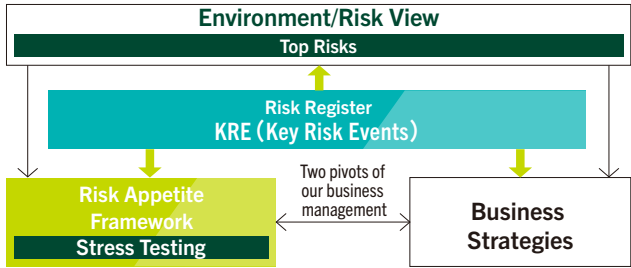
## Risk Culture

In order for SMBC Group to realize and maintain a sustainable growth in corporate value as a “Top Tier Global Financial Group,” each one of our colleagues should think and judge on their own if their actions meet the expectations and requirements of customers, markets, and other stakeholders, not just if they are compliant with laws and regulations. SMBC Group has established “Principles of Action on Compliance and Risk” for every colleague to hold onto as a “keystone” of their daily business. The principles include “Business based on the Risk Appetite Framework” and “We will conduct business operations with risk ownership of the risks, such as credit risk, market risk, liquidity risk, operational risk, and conduct risk, that arise in our own business.” Concrete measures include internal surveys for monitoring the compliance awareness and risk sensitivity of our colleagues as well as internal training for fostering a sound risk culture.

## Risk Appetite Framework

SMBC Group has introduced a Risk Appetite Framework for controlling group-wide risks that clarifies the types and levels of risk that we are willing to take on or are prepared to tolerate in order to grow profits (risk appetite). The Risk Appetite Framework is one of two pivots of our business management alongside business strategies. It functions as a management framework for sharing information on the operating environment and risks facing SMBC Group among management and for facilitating appropriate risk taking based thereon.

## Risk Appetite Framework Positioning



## Risk Appetite Composition

Categories			
Soundness	Profitability	Liquidity	Credit
Market	Climate-related	Operational	Conduct*1
Established for each category			
Risk Appetite Statement		Risk Appetite Measures	
A qualitative explanation of our approach to risk taking and risk management for various risk categories		Quantitative Risk Appetite Measures that function as benchmarks for risks that we are considering taking and for risk/return	

\*1 Conduct risk is the risk that our conduct negatively affects customers, market integrity, effective competition, public interest, and SMBC Group’s stakeholders, through acts that violate laws and regulations or social norms.

Individual risk appetites have been established by strategies for each business unit as necessary based on the overall risk appetite of SMBC Group. Risk appetites are decided during the process of formulating business strategies and management policies. These risk appetites are set based on Top Risks that threaten to significantly impact management and on risk analyses (stress testing) that illustrate the impact if a risk should materialize.

In addition, risk register and Key Risk Events (KRE) are utilized as part of a system for assessing the risks present in new and existing business activities and for verifying the adequacy of Top Risks, risk appetites, and business strategies.

The outlooks for the operating environment and risks and the risk appetite situation are monitored throughout the course of the fiscal year. Risk Appetite Measures and business strategies are revised as necessary. For example, overall risk capital\*2 has been selected as an indicator for risk appetite, which displays the soundness of SMBC Group. Overall risk capital is the aggregate of the risk capital amounts for each risk category. Management standards have been set for the upper limit for overall risk

capital based on group-wide management constitution. Overall risk capital levels are thus monitored throughout the course of each fiscal year to clearly indicate risk-taking capacity and promote the sound taking of risks.

In addition, specific risk appetite indicators have been set for credit risk, market risk, liquidity risk, and other risk categories to facilitate appropriate management based on a quantitative understanding of risk appetite.

\*2 The amount of capital required to cover the theoretical maximum potential loss arising from risks of business operations.

## Top Risks

SMBC Group identifies risks that threaten to significantly impact management as Top Risks.

The selection of Top Risks involves comprehensive screening of risk factors, evaluation of each risk scenario’s possibility of occurrence and potential impact on management, and discussion by the Risk Management Committee and the Management Committee. Top Risks are utilized to enhance risk management by being incorporated into discussions of the Risk Appetite Framework and the formulation of business strategies and into the creation of risk scenarios for stress testing.

World economic stagnation	Disasters such as large-scale earthquakes, storms, and floods
Highly volatile commodity price and financial / foreign exchange markets	Lack of preparedness against cyber attacks and financial crimes
Sudden deterioration of the foreign currency funding conditions	Changes in industrial structure due to technological innovation
Japanese economic stagnation	Inadequate responses to climate change risk and environmental issues
Japanese fiscal instability	Inadequate responses to human rights issues
The U.S. - China struggle for supremacy	Improper labor management
Growing tensions around Russia-Ukraine conflict	Misconduct such as an employee’s inappropriate behavior
Unstable situations in the Middle East and Asia	Inadequate improvement in the operational resilience system
Political turmoil and social instability	Inadequate preparedness for heightened regulatory and supervisory scrutiny
Outbreak of serious infectious disease	Difficulty in securing human resources

Note: The above is only a portion of the risks recognized by SMBC Group. It is possible that the materialization of risks other than those listed above could have a significant impact on our management.

 See page 151 for Top Risks.

Risk Management

■ Stress Testing

At SMBC Group, we use stress testing to analyze and comprehend the impact on SMBC Group’s businesses of changes in economic or market conditions, in order to plan and execute forward-looking business strategies.

In our stress testing, we prepare multiple risk scenarios including macroeconomic variables such as GDP, stock prices, interest rates, and foreign exchange rates based on the aforementioned Top Risks, discussions with experts and related departments.

When developing business strategies, we set out scenarios assuming stressed business environments such as serious economic recessions and market disruption for the sake of assessing risk-taking capabilities at SMBC Group and verifying whether adequate soundness can be maintained under stress. For example, we are conducting stress testing assuming prolonged monetary tightening in the U.S. and Europe, a global credit crunch, and economic stagnation in Japan to verify the soundness of SMBC Group’s capital and confirm the appropriate actions to be taken.

During a fiscal year, we will conduct stress testing in a timely manner to assess the potential impact on our business and to take the appropriate actions in case a serious risk event occurs.

In addition, we conduct detailed stress testing for individual risks such as credit risk, market risk, and liquidity risk, so as to decide and review risk-taking strategies.

We are also conducting scenario analyses on physical and transition risks related to climate change.

See page 085 for more information on our climate change risk analysis.

■ Risk Register

A risk register is formulated by each business unit for the purpose of realizing more sophisticated risk governance and enhancing business units’ risk ownership. In formulating these registers, business units communicate with risk management departments to identify the risks present in their business, and these risks are reflected in business strategies after they have been evaluated and the adequacy of measures for controlling them has been verified.

■ Key Risk Events

Key Risk Events (KRE), external events that indicate the increased threat of risks, have been identified to ascertain the symptoms of the potential risks. KRE are utilized to analyze and assess how likely similar cases will occur in SMBC Group and what effects such similar cases will have on SMBC Group, and to enhance our risk management system.

■ Operational Resilience

In recent years, the risk environment surrounding financial institutions has been rapidly changing, with the emergence of pandemics and increasingly sophisticated cyberattacks, as well as reliance on IT systems and the spread of cloud service use.

In response to this environment, in addition to our existing risk management framework, we recognize that one of our important responsibilities is to strengthen our ability to continue and promptly restore critical operations (operational resilience) on the assumption that business interruption may occur, and we are working on the following measures.

- Efforts are made to ensure effectiveness by reviewing the following cycles according to the operational and internal/external environment.
1. Identify critical operations that could pose a significant risk in the event of a disruption in service delivery
  2. Set the tolerable time for interruption to critical operations in consideration of alternative means, etc.
  3. Identify management resources essential to the provision of critical operations and organize their interdependencies
  4. Conduct scenario testing to verify appropriateness of resource allocation, and review periodically.

Risk Management Systems

Based on the recognition of the importance of risk management, top management is actively involved in the risk management process, and systems are in place for verifying and monitoring the effectiveness and appropriateness of this process. Specifically, the groupwide basic policies for risk management and the Risk Appetites for the entire SMBC Group are determined by the Management Committee and authorized by the Board of Directors. After that, the status of risk management based on these policies and risk appetites is reported to the Board of Directors by the Group CRO four times per year.

If the outlooks for the operating environment and risks change drastically from the assumption in the beginning of the fiscal year, we will review the Risk Appetite for the entire group in a timely and appropriate manner with approval by the Board of Directors.

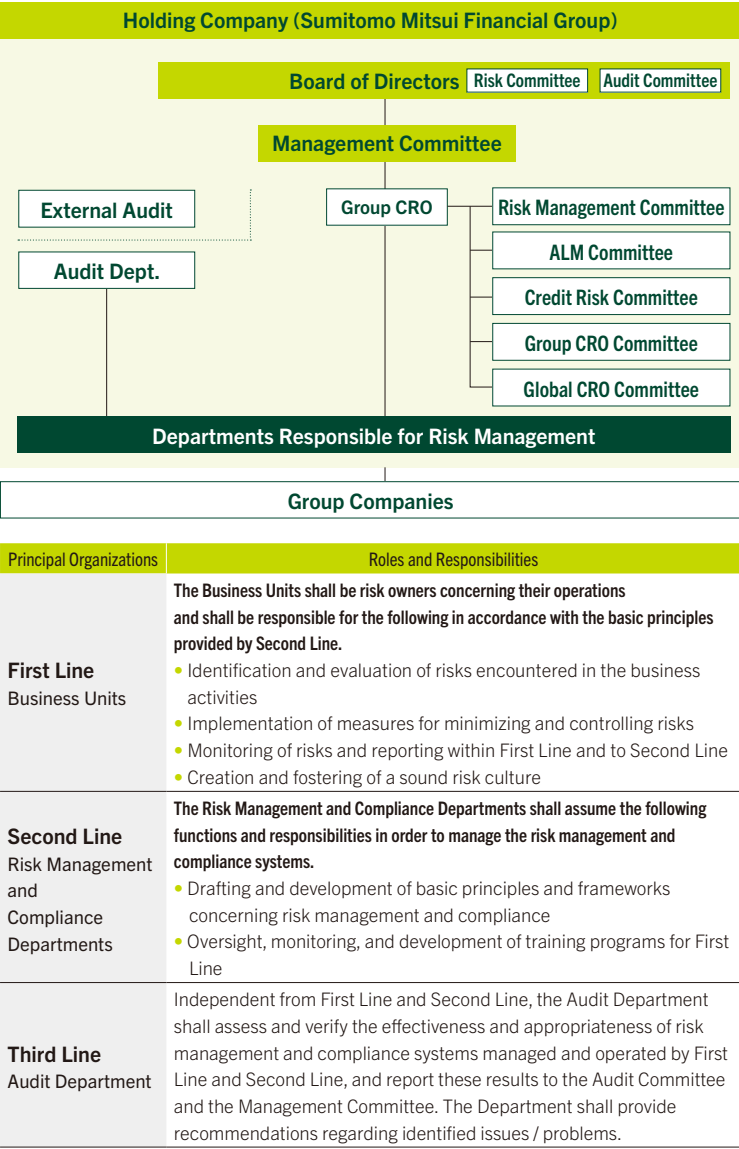
We have also clarified related roles and responsibilities of relevant divisions in light of our three lines of defense. With these provisions in place, risk management systems have been established based on the characteristics of particular businesses, and measures are being put in place to strengthen and improve the effectiveness of these systems in accordance with these basic policies for risk management.

Furthermore, SMBC Group is strengthening groupwide risk management systems through the Group CRO Committee and the Global CRO Committee.

Three Lines of Defense

The Basel Committee on Banking Supervision’s “Corporate governance principles for banks” recommends “three lines of defense” as a framework for risk management and governance. Based on this framework, we have clarified the roles and responsibilities of each unit, as shown in the table on the right, and we are taking steps to achieve more effective and stronger risk management and compliance frameworks.

SMBC Group’s Risk Management System



Risk Management Initiatives Amid a Volatile Financial and Economic Environment

In FY 2022, interest rates in various countries rose as monetary policy authorities in the U.S., Europe, and other countries tightened monetary policy due to sharply rising inflation and other factors. We identified “highly volatile financial / foreign exchange markets” and “sudden deterioration of foreign currency funding conditions” as our top risks, and conducted stress testing. We discussed this at the Management Committee and the Risk Committee to determine the action for better addressing market deterioration.

In the face of the market turmoil triggered by the bankruptcy of Silicon Valley Bank and the subsequent bank failures in March 2023, we analyzed our risk profile, including testing the survival period in terms of liquidity risk under the stress, and decided policy quickly, while closely communicating and coordinating with the relevant departments. We also recognize these incidents as Key Risk Events (KRE) and analyze our deposit and securities portfolios. Through these efforts, we will continue to further enhance our risk management.



# Compliance

## Our Approach

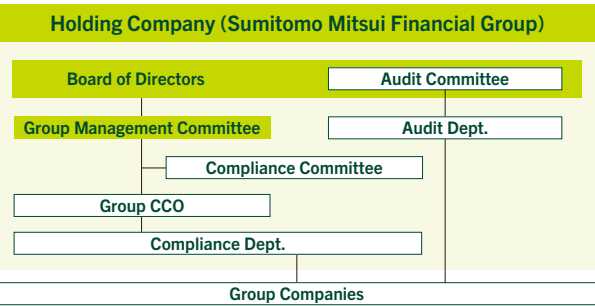
Management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities as a global financial group. We are therefore working to entrench such practices into our operations as we aim to become a truly outstanding global group.

## Compliance Management

SMBC Group seeks to maintain a compliance system that provides appropriate instructions, guidance, and monitoring for compliance to ensure sound and proper business operations on a group-wide and global basis. Measures have been put in place to prevent misconduct and quickly detect inappropriate activities that have occurred to implement corrective measures.

SMBC Group has established the Compliance Committee, which is chaired by the Group CCO responsible for overseeing matters related to compliance. This committee comprehensively examines and discusses SMBC Group’s various work processes from the perspective of compliance. SMBC Group has established a framework to provide specific action plans for each group company to implement compliance and promote the development of compliance systems, and for the unified management of overseas compliance frameworks. When we receive consultations and/or reports on compliance-related matters from group companies and overseas offices, we provide suggestions and guidance as necessary to ensure complete compliance at the Group and Global levels.

## Compliance Systems at SMBC Group



## Initiatives for Supporting Healthy Risk Taking and Appropriate Risk Management

In order for companies to coexist with society and develop sustainable growth, it is crucial to take an appropriate amount of risks and to maintain appropriate risk management, including compliance. In particular, financial institutions should emphasize compliance and risk management, considering its public mission and the heaviness of the social responsibility.

Based on this recognition, management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities. SMBC Group is therefore devoted to improving its systems in these areas in order to become a truly outstanding global group.

Specifically, SMBC Group has defined the Principles of Action on Compliance and Risk to serve as guidelines for executives and employees in practicing compliance and risk management. Continuous reviews are carried out to improve compliance with these guidelines and to ensure their effectiveness.

Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
------------------------------	--	--

## Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT) and Economic Sanctions

SMBC Group recognizes the importance of preventing money laundering and terrorist financing (ML/TF), and of compliance with regulations concerning state economic sanctions and therefore, undertakes every effort to prevent ourselves and employees, from engaging in, and/or providing assistance to, the commission of ML/TF, and to comply with regulations concerning economic sanctions imposed on states.

SMBC Group strictly complies with AML/CFT and economic sanctions regulations by establishing a Group Policy and by implementing effective internal control systems in each of the Group companies to ensure that our operations are sound and appropriate.

The Group Policy and systems are implemented in accordance with the requirements of the relevant international organizations (e.g. the United Nations, the Financial Action Task Force Recommendations) and the laws/regulations of relevant countries including Japan in which the SMBC Group has operations (e.g. U.S. “Office of Foreign Assets Control Regulations”).

In April 2019, SMBC entered into a written agreement with the Federal Reserve Bank of New York (the “Reserve Bank”) to improve its New York Branch’s program for compliance with the Bank Secrecy Act (“BSA”) and related U.S. anti-money laundering (“AML”) laws and regulations, which was found to be inadequate by the Reserve Bank.

Furthermore, SMBC is working to improve compliance on a global basis while taking other necessary actions based on the written agreement with the Reserve Bank.

## Response to Anti-Social Forces

SMBC Group has established a basic policy stipulating that all Group companies must unite in establishing and maintaining a system that ensures that the Group does not have any connection with anti-social forces or related individuals.

Specifically, the Group strives to ensure that no business transactions are made with anti-social forces or individuals. Contractual documents or terms and conditions state the exclusion of anti-social forces from any business relationship. In the event that it is discovered subsequent to the commencement of a deal or trading relationship that the opposite party belongs to or is affiliated with an antisocial force, we undertake appropriate remedial action

by contacting outside professionals specializing in such matters.

**Basic Policy for Anti-Social Forces**

1. Completely sever any connections or relations from antisocial forces.
2. Repudiate any unjustifiable claims, and do not engage in any “backroom” deals. Further, promptly take legal action as necessary.
3. Appropriately respond as an organization to any anti-social forces by cooperating with outside professionals.

## Customer Information Management

SMBC Group has established Group policies that set forth guidelines for the entire Group regarding proper protection and use of customer information. All Group companies adhere to these policies in developing frameworks for managing customer information.

Group companies establish and disclose privacy policies for their measures regarding the proper protection and use of customer information and customer numbers. Appropriate frameworks are established based on these policies.

## Anti-Bribery and Corruption

The SMFG Group Policies for Anti-Bribery Compliance and Ethics have been established to prevent business entertainment and the provision or receipt of anything of value that violate laws, regulations or social practices and customs. Group companies have developed frameworks to prevent bribery and corruption based on these policies. The Compliance Department conducts annual bribery and corruption risk assessments of the offices of the major Group companies to identify transaction and counterparty-related risks, and to assess the effectiveness of controls. Risk assessment results are reported to the Compliance Committee, and following consultation with the companies and offices in question, appropriate risk mitigations are put in place in Group company offices identified as being at high risk.



# Customer-Oriented Initiatives

## Our Approach

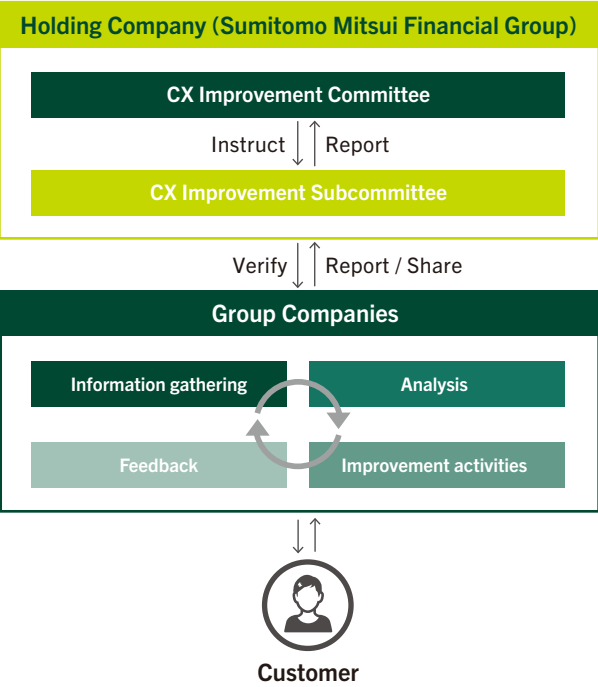
SMBC Group companies are united in their efforts for customer experience (CX) and quality improvement in line with “Our Mission,” which states “We grow and prosper together with our customers, by providing services of greater value to them.”

## CX Improvement System

We have established the CX Improvement Subcommittee as well as the CX Improvement Committee, through which we are advancing initiatives, reinforcing management systems, and promoting Group coordination related to customer-oriented business conduct. Outside experts are invited to serve as advisors at meetings of the CX Improvement Subcommittee, where information is exchanged on how to fully entrench a customer-oriented mindset.

Meanwhile, the CX Improvement Committee, which shares members with the Group Management Committee,

## Incorporation of Customer Feedback into Management



**Declaration of Compliance with ISO 10002**  
SMBC, SMBC Nikko Securities, and SMBC Consumer Finance have declared their intent to comply with the ISO 10002 (JIS Q 10002) international standard with regard to their processes for incorporating customer feedback into management.

deliberates on concrete measures based on reports from the CX Improvement Subcommittee.

The appropriateness and efficacy of customer-oriented business conduct is reviewed and assessed by the Audit Department, the results of which are reported regularly to the Audit Committee, a subcommittee of the Board of Directors, and to the Group Management Committee. Customer feedback, including complaints, is also regularly reported to the Audit Committee.

## Initiatives to Improve Product and Service Quality

In order to provide customer-oriented products and services, SMBC Group always confirms that adequate assessments and responses to possible risks are taken during the planning and development stages, and that there is customer demand. We also carry out periodic quality reviews of existing services, and the CX Improvement Subcommittee, composed of external experts and relevant heads of department, reviews and discusses the efforts of each Group company to improve the quality of our products and services.

## Customer-Oriented Business Initiative

Based on the Principles for Customer-Oriented Business Conduct (a guideline on fiduciary duties) released by the Financial Services Agency, SMBC Group formulated its Basic Policy for Customer-Oriented Business Conduct and the Basic Policy for Customer-Oriented Business Conduct in the Retail Business Unit.

## Basic Policy for Customer-Oriented Business Conduct\* (Excerpt)

### Initiatives for Promoting Customer-Oriented Business Conduct

SMBC Group will implement the following initiatives to entrench the principles of customer-oriented business conduct into its activities.

1. Provision of Products and Services Suited to the Customer
2. Easy-to-Understand Explanation of Important Information
3. Clarification of Fees
4. Management of Conflicts of Interest
5. Frameworks for Properly Motivating Employees

SMBC Group aims to facilitate the shift from savings to asset holding seen in Japan through such initiatives. Furthermore, we will periodically disclose information on initiatives by SMBC Group based on this policy with the aim of facilitating understanding regarding these initiatives among customers. In addition, the status of initiatives and their results will be verified so that initiatives can be revised as necessary to improve upon operating practices. Information regarding these verifications and revisions will be disclosed.

\* Group companies applicable under this policy: Sumitomo Mitsui Banking Corporation; SMBC Trust Bank Ltd.; SMBC Nikko Securities Inc.; Sumitomo Mitsui DS Asset Management Company, Limited

## Basic Policy for Customer-Oriented Business Conduct in the Retail Business Unit

Based on Sumitomo Mitsui Financial Group’s Basic Policy for Customer-Oriented Business Conduct, the Retail Business Unit shall adhere to the following conduct policies in offering service as a retail company that is responsible for providing wealth management and asset building services for individual customers. In accordance with these policies, the Retail Business Unit shall implement a plan—do—check—act (PDCA) cycle that entails disclosing specific indicators, confirming and analyzing its status in relation to these indicators, and utilizing this information in the future to improve business practices.

### Conduct Policies

#### 1. Customer-Oriented Wealth Management Proposals Based on Medium- to Long-Term Diversified Investment

With a focus on accurately addressing customers’ wealth management needs related to protecting or building assets, we will provide customer-oriented wealth management proposals based on medium- to long-term diversified investment. Through this approach, we strive to deliver customer-oriented financial products.

#### 2. Lineup of Customer-Oriented Products

We shall constantly revise our product lineup, utilizing third-party evaluations of the products of Group companies and other products as necessary, in order to enhance our lineup so that we can accurately address customers’ needs related to protecting or building assets. At the same time, we will increase the amount of information provided to customers and take steps to ensure that this information is easy to understand.

#### 3. Customer-Oriented After-Sales Services

We will provide fine-tuned after-sales services to help customers continue to hold our wealth management products with peace of mind over the long term.

#### 4. Customer-Oriented Performance Evaluation Systems

We shall develop performance evaluation systems that encourage employees to engage in effective customer-oriented sales activities.

#### 5. Improvement of Consulting Capabilities

We shall continuously improve our consulting capabilities to ensure we are always capable of proposing the best possible solution for customers’ wide-ranging needs.



For information on the Basic Policy for Customer-Oriented Business Conduct, please see pages 168-169.



Customer-Oriented Initiatives

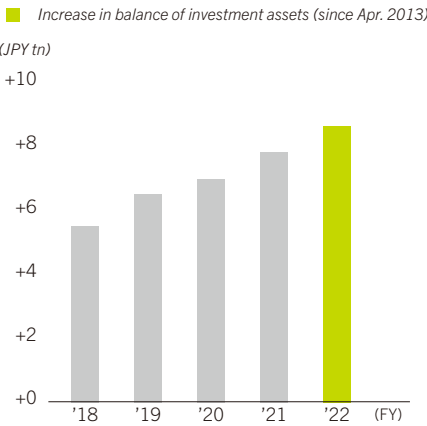
Disclosed Indicators\*

- 1 Increase in balance of investment assets
- 2 Balance of investment trusts and fund wraps
- 3 Number of customers using wealth management products
- 4 Ratio sales by wealth management product
- 5 Average investment trust holding period
- 6 Fund wrap sales and cancellation amounts
- 7 Amount of fixed-term foreign currency deposits
- 8 Number of investment trust and automatic foreign currency deposit accounts
- 9 Amount of investment trusts and automatic foreign currency deposits
- 10 Tsumitate Nisa account numbers, balances, and ratio of new users
- 11 By product sales amounts of lump-sum insurance products
- 12 Ratio of sales of investment trust products of Group companies
- 13 Sales amounts of investment trusts (including fund wraps)  
(Breakdown of monthly allocation type and others)
- 14 Breakdown of losses and gains by customers using investment trusts and fund wraps
- 15 Costs and returns of investment trusts with top-ranking balance amounts
- 16 Risks and returns of investment trusts with top-ranking balance amounts
- 17 Foreign currency-denominated insurance investment ratings by customer
- 18 Foreign currency-denominated insurance costs and return by brand
- 19 Acquisition status of FP qualifications

\*as of May, 2023

**■ Performance with Regard to Disclosed Indicators**  
**Increase in Balance of Investment Assets (Indicator 1)**

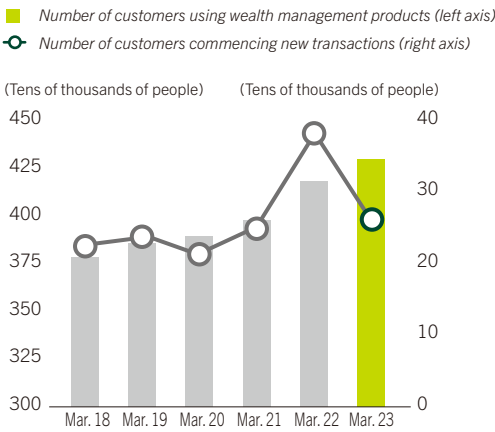
In FY2022, the total balance of investment assets for SMBC, SMBC Nikko Securities, and SMBC Trust Bank continued to grow due in part to the continuation of customer-oriented initiatives focused on medium- to long-term diversified investment.



Note: Figures represent the combined total for the Retail Banking Unit of SMBC and the Retail (Private) of SMBC Nikko Securities.

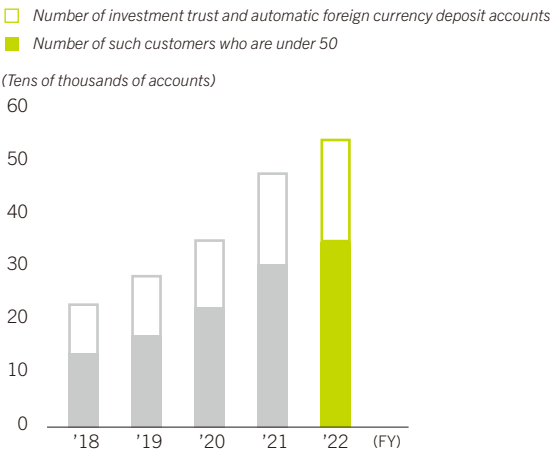
**Number of Customers Using Wealth Management Products (Indicator 3)**

We continue to increase the number of customers using wealth management products by working to accurately address customers' needs related to protecting or building assets.



**Number of Investment Trust and Automatic Foreign Currency Deposit Accounts (Indicator 8)**

To respond to the needs of customers seeking to begin acquiring assets, we have been aggressively proposing investment trust products that allow for small-sum investments as well as time-dispersed investments in automatic foreign currency deposits. As a result, there has been steady growth in the number of investment trust and automatic foreign currency deposit accounts.



IT Governance

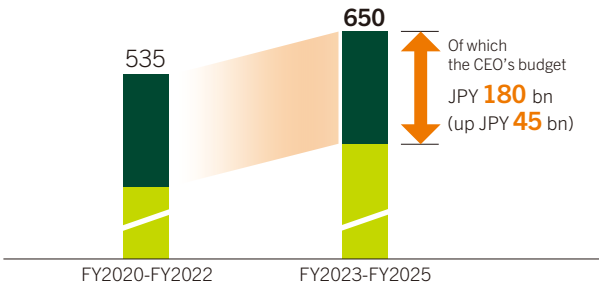
Our Approach

We are strengthening resilience in order to protect unchanged value and respond to new risks associated with the provision of new value. We will pursue the dual goals of social and economic value through a continuous shift from people to IT systems, the expansion of development IT systems to support this shift, and the development and control of IT system architecture. As a financial mega-group responsible for social infrastructure, we combine stability and flexibility, leveraging digital technology to drive our business.

IT Investment Strategies

With the aim of fueling further growth of SMBC Group and to accelerate its digital strategy in Japan and overseas, we have increased the CEO budget by an additional 30% from the previous Medium-Term Management Plan, bringing its total value to ¥180 billion. The CEO budget can be used to make flexible investments in fields the Group CEO deems to be vital to the business. Total IT investment under the new Medium-Term Management Plan has been increased to ¥650 billion, up by ¥115 billion from the previous plan, making it possible to allocate resources with an emphasis on strategic investments, such as promoting digitalization, strengthening internal controls, reinforcing management foundations including building greater resilience, and implementing business strategies.

Enhance IT infrastructure through Aggressive Investment (JPY bn)



Strengthening Resilience to Support Stable IT systems Operation

As we continue progress toward digitization, we are working to expand both functions and services linked between internal and external systems to improve customer con-

venience. Due to these increased links, however, system failure threatens to cause greater impact to customers, making stable systems operation even more important. We are taking measures to prevent failures, such as allocating additional resources for critical systems, predictive failure detection and preventative maintenance, while also working to strengthen resilience in the event of a failure by improving our contingency plans, systematizing manual response and upgrading training content.

Use of Advanced Technology and Steady Response to New Risks

Digital technology is essential to business, and we are examining a wide range of advanced technologies to use it effectively.

For example, we have from an early stage focused on generative AI, a technology that interprets intent in text and generates naturally-worded sentences, and quickly began in-house proof-of-concept testing. In addition to reducing the time employees spend on responding to inquiries and preparing planning documents, we are promoting the widespread use of generative AI in the fields of image recognition, voice recognition, and advanced system development. In order to control AI-related risk, we ensure that internal rules, such as having employees judge the accuracy of the content of AI responses, are thoroughly enforced and reviewed as appropriate in light of the latest developments in regulations, etc.

Contribute to Solving Societal Issues and Work to Create New Value to Society

As part of its efforts to address the environment, which has long been a priority issue for SMBC Group, the Group is supporting its customers' decarbonization efforts with Sustana, a service that visualizes greenhouse gas emissions, while SMBC Group itself is working toward net zero GHG emissions in 2030. SMBC Group's data centers account for about a quarter of the Group's GHG emissions in Japan, and in addition to working on measures to save energy at existing centers including AI-driven air conditioning control optimization and expansion of solar power generation facilities, we will further reduce environmental impact through energy conservation at the next-generation data centers we are planning.

In addition, as a contribution to "Japan's Regrowth," SMBC Group will provide a variety of digital and IT training, which is planned and supervised by the Digital University, SMBC Group's in-house digital and IT training organization.

# Cybersecurity

## Our Approach

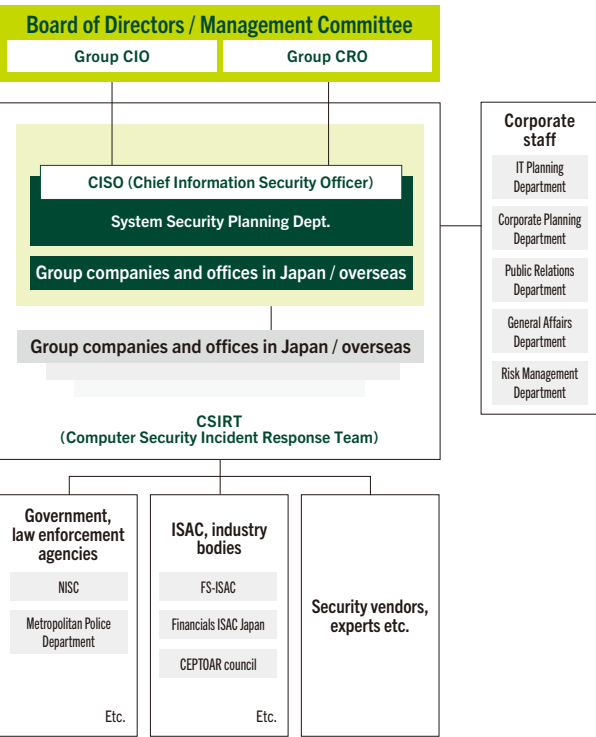
The risk of cyber threats is growing ever more serious as a result of the accelerated digitization of financial services and changes to the surrounding environment. We will further strengthen our security measures in order to achieve a society that is resilient to cyber threats and provide safer and more secure services to our customers.

## Cybersecurity Management System

### Governance System

SMBC Group considers cyber threats to be one of the most important risks to its business, and is continuously promoting management-led cybersecurity initiatives under the “Declaration of Cybersecurity Management.” In order to clarify the roles and responsibilities of promoting effective security measures, a specialist CISO\*1 has been assigned under the Group CIO and CRO, and the Head of the System Security Planning Department is responsible for this role. The CISO promotes cybersecurity

### SMBC Group’s Cybersecurity Governance System



strategies in unison with management through discussions at meetings including the Management Committee meeting. Under the leadership of the CISO, the Company is creating a responsive posture to growing cyber threats on a group and global basis.

\*1 Chief Information Security Officer

### Incident Response System

SMBC Group has established a Computer Security Incident Response Team (CSIRT)\*2 and a Security Operation Center (SOC)\*3 to create a response system with which to prepare for, and respond to, incidents.

The CSIRT is an organization in which the System Security Planning Department, responsible exclusively for cybersecurity, plays a central role. Working to ensure preparation for cyber incidents, the CSIRT actively gathers information on attackers’ methods and vulnerabilities from both within the Group and externally, and where necessary shares this information with national government agencies as well as with external institutions such as FS-ISAC\*4 in the U.S. and ISAC in Japan.

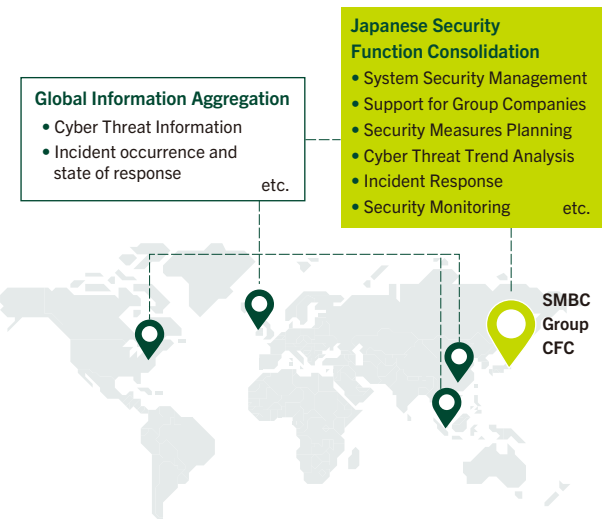
The SOC is organized around the Japan Research Institute and has a 24-hour, 365-day monitoring system. We are also working to further strengthen security monitoring on a group and global basis in cooperation with SOC established in Europe, the U.S., and Asia.

SMBC Group has also centralized its Japanese security functions at the Cyber Fusion Center (CFC) to ensure constant and close coordination between CSIRT and SOC.

\*2 Computer Security Incident Response Team

\*3 Security Operation Center

\*4 Financial Services Information Sharing and Analysis Center



## Key Measures related to Cybersecurity

### Cybersecurity Measures

The Company possesses a multilayered defense system that includes detection and interception of suspicious communications from the outside, as well as operation and monitoring of various security services and systems, in preparation against various cyberattacks such as unauthorized and mass access attacks.

We also expect to further mature our intelligence functions, which collect and analyze information on attackers’ latest tactics and trends.

In addition, in preparation against possible attacks, we are working to further strengthen our cyber resilience through simulated attack exercises conducted by outside experts and regular participation in cyberattack response exercises organized by the Financial Services Agency and the ISAC.

### Security Awareness and Professional Development

SMBC Group conducts ongoing awareness-raising activities through e-mail drills and study sessions to further foster a culture that encourages conscious efforts to address security measures.

In terms of professional personnel, we have actively recruited career professionals and established the Cybersecurity Course for new graduates recruited. We are also focusing on developing core personnel through further participation in external industry associations, sending staff to graduate schools in Japan and abroad, and supporting them in obtaining and maintaining professional certifications.



# Internal Audit

## Our Approach

As a part of SMBC Group’s internal control framework, the Internal Audit Department (the Department) verifies the effectiveness of the internal control of each business unit, risk management and compliance departments, and other departments from an independent standpoint and pursues the quality of internal audits in order to contribute to development and the highest trust across the entire SMBC Group.

## Purpose and Mission of Internal Audit

The purpose of internal audit at SMBC Group is the objective provision of assurance\*1 and consulting services in accordance with the policies and plans approved by the Board of Directors but independent of management, business unit and the departments responsible for risk management and compliance, in order to add value to SMBC Group and improve its operations.

The mission of internal audit at SMBC Group is to grow and preserve the value of SMBC Group by providing risk-based and objective assurance, advice and insight.

\*1 Reviewing the adequacy and effectiveness of each process relating to governance, risk management and control processes, and providing assurance and recommendations for improvement based on the results.

## Overview of the Internal Audit Framework

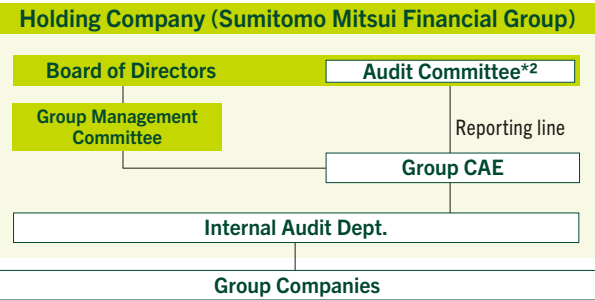
The Department has been established under the Audit Committee and is independent from each Business Unit, risk management and compliance departments, and other departments. Internal audits within our Group companies are structured broadly in line with SMFG. Group CAE oversees group-wide internal audit activities.

The Department verifies the appropriateness and the effectiveness of internal control that aims to assure the appropriateness of Group operations and the soundness of assets by conducting internal audits on each department and Group entity as well as conducting on continuous monitoring of Group companies’ internal auditing and other activities. The activities are based on the “Group Internal Audit Charter” and the “Audit Policy and Strategy” formulated by the Audit Committee and the Board of Directors.

Major audit findings and relevant information are regularly reported to the Audit Committee, the Board of Directors, and the Group Management Committee. Whilst

the Department strives to strengthen cooperation to conduct proper audit practices through regular information exchange with external auditors.

## Internal Audit Framework



\*2 The Audit Committee holds the right to consent regarding personnel affairs of the Group CAE.

## Enhancement and Effectiveness of Internal Audit

The Department has adopted auditing methods in accordance with the Institute of Internal Auditors (IIA) standards, conducts risk-based audits, and expands the same approach to Group companies. To implement effective and efficient internal audits, the Department conducts monitoring by attending important meetings and by obtaining internal management documents of SMFG and Group companies.

In addition, the Department strives to enhance group-wide internal auditors’ expertise by gathering up-to-date internal audit practices, providing the practices to Group companies, holding training programs, and encouraging auditors to obtain internal auditors’ international certification.

Furthermore, the Department enhances its quality assurance on a group-wide basis by both fully satisfying the IIA standards and referring to G-SIFs leading practices



# ESG Information

## Accreditation

Acquired Top Gold Rating in PRIDE index evaluation for LGBTQ-related initiatives  
work with Pride

Selected as a company exercising superior health and productivity management  
METI, Tokyo Stock Exchange, Nippon Kenko Kaigi

Recognized as a company that stands on the forefront of sustainable growth by heightening productivity through workstyle reforms  
Nikkei

## Support for Initiatives in Japan and Overseas

As a global corporate citizen part of global society, SMBC Group is fully aware of the social impact of financial institutions, and it supports the following initiatives in Japan and overseas (the action guidelines for corporate activities and principles).

## ESG Indices on which Sumitomo Mitsui Financial Group is Listed

SMBC Group has been included in the following major global ESG indices (as of June 30, 2023).

**GPIF Selected Indices**

Financial Review

Principal Financial Data

Consolidated Performance Summary

	FY2013	FY2014	FY2015	FY2016
Consolidated gross profit	2,898.2	2,980.4	2,904.0	2,920.7
Net interest income	1,484.2	1,505.2	1,422.9	1,358.6
Net fees and commissions + Trust fees	987.1	999.6	1,007.5	1,017.1
Net trading income + Net other operating income	427.0	475.7	473.5	545.0
General and administrative expenses	1,569.9	1,659.3	1,724.8	1,812.4
Overhead ratio	54.2%	55.7%	59.4%	62.1%
Equity in gains (losses) of affiliates	10.2	(10.6)	(36.2)	24.6
Consolidated net business profit	1,338.5	1,310.5	1,142.9	1,132.9
(Reference) Consolidated net business profit (old definition)	1,242.4	-	-	-
Total credit cost (gains)	(49.1)	7.8	102.8	164.4
Gains (losses) on stock	89.2	66.7	69.0	55.0
Other income (expenses)	(44.5)	(48.2)	(123.9)	(17.6)
Ordinary profit	1,432.3	1,321.2	985.3	1,005.9
Extraordinary gains (losses)	(9.6)	(11.8)	(5.1)	(26.6)
Income taxes	458.8	441.4	225.0	171.0
Profit attributable to non-controlling interests	128.5	114.4	108.4	101.8
Profit attributable to owners of parent	835.4	753.6	646.7	706.5

Consolidated Balance Sheet Summary

Total assets	161,534.4	183,442.6	186,585.8	197,791.6
Loans and bills discounted	68,227.7	73,068.2	75,066.1	80,237.3
Securities	27,152.8	29,633.7	25,264.4	24,631.8
Total liabilities	152,529.4	172,746.3	176,138.2	186,557.3
Deposits	94,331.9	101,047.9	110,668.8	117,830.2
Negotiable certificates of deposit	13,713.5	13,825.9	14,250.4	11,880.9
Total net assets	9,005.0	10,696.3	10,447.7	11,234.3
Shareholders' equity	6,401.2	7,018.4	7,454.3	8,119.1
Retained earnings	3,480.1	4,098.4	4,534.5	5,036.8
Accumulated other comprehensive income	878.0	2,003.9	1,459.5	1,612.5
Non-controlling interests	1,724.0	1,671.7	1,531.0	1,499.3

Financial Indicators

Total capital ratio (BIS guidelines)	15.51%	16.58%	17.02%	16.93%
Tier 1 capital ratio (BIS guidelines)	12.19%	12.89%	13.68%	14.07%
Common equity Tier 1 capital ratio (BIS guidelines)	10.63%	11.30%	11.81%	12.17%
Dividend per share (Yen)	120	140	150	150
Dividend payout ratio	20.3%	26.2%	32.7%	29.9%
ROE (on a stockholders' equity basis)	13.8%	11.2%	8.9%	9.1%

Market Data (As of the end of each fiscal year)

Nikkei Stock Average (Yen)	14,828	19,207	16,759	18,909
Foreign exchange rate (USD/JPY)	102.88	120.15	112.62	112.19

\* SMFG changed accounting treatment for installment sales transactions in FY2020; figures for FY2019 have been restated to reflect this change.

	FY2017	FY2018	FY2019*	FY2020	FY2021	FY2022
	2,981.1	2,846.2	2,768.6	2,806.2	2,945.5	3,170.2
	1,390.2	1,331.4	1,306.9	1,335.2	1,528.0	1,717.8
	1,070.5	1,064.6	1,088.1	1,098.9	1,205.5	1,225.7
	520.3	450.2	373.6	372.1	212.0	226.7
	1,816.2	1,715.1	1,739.6	1,747.1	1,821.1	1,949.2
	60.9%	60.3%	62.8%	62.3%	61.8%	61.5%
	39.0	61.1	56.1	25.0	28.5	55.5
	1,203.8	1,192.3	1,085.0	1,084.0	1,152.9	1,276.4
	-	-	-	-	-	-
	94.2	110.3	170.6	360.5	274.4	210.2
	118.9	116.3	80.5	92.6	209.1	155.9
	(64.5)	(63.1)	(62.8)	(105.0)	(46.9)	(61.2)
	1,164.1	1,135.3	932.1	711.0	1,040.6	1,160.9
	(55.3)	(11.7)	(43.4)	(38.8)	(111.0)	(62.5)
	270.5	331.4	167.7	156.3	214.5	282.1
	104.0	65.5	17.1	3.1	8.4	10.5
	734.4	726.7	703.9	512.8	706.6	805.8

	199,049.1	203,659.1	219,863.5	242,584.3	257,704.6	270,428.6
	72,945.9	77,979.2	82,517.6	85,132.7	90,834.1	98,404.1
	25,712.7	24,338.0	27,128.8	36,549.0	38,538.7	33,213.2
	187,436.2	192,207.5	209,078.6	230,685.3	245,507.3	257,637.5
	116,477.5	122,325.0	127,042.2	142,026.2	148,585.5	158,770.3
	11,220.3	11,165.5	10,180.4	12,570.6	13,069.8	13,025.6
	11,612.9	11,451.6	10,784.9	11,899.0	12,197.3	12,791.1
	8,637.0	9,054.4	9,354.3	9,513.4	9,938.6	10,308.4
	5,552.6	5,992.2	6,336.3	6,492.6	6,916.5	7,423.6
	1,753.4	1,713.9	1,365.7	2,313.1	2,159.6	2,372.1
	1,219.6	678.5	62.9	70.8	97.6	109.5

	19.36%	20.76%	18.75%	18.61%	16.56%	15.98%
	16.69%	18.19%	16.63%	16.96%	15.46%	14.94%
	14.50%	16.37%	15.55%	16.00%	14.45%	14.02%
	170	180	190	190	210	240
	32.7%	34.6%	37.0%	50.8%	40.7%	40.4%
	8.8%	8.2%	7.6%	5.4%	7.3%	8.0%

	21,454	21,206	18,917	29,179	27,821	28,041
	106.25	111.00	108.81	110.71	122.41	133.54



Financial Review

Consolidated Performance Summary

Consolidated gross profit increased by ¥224.7 billion year-on-year to ¥3,170.2 billion due to well-balanced profit growth in major businesses in each business unit, including the impact of the depreciation of yen, an increase in loan balances for both domestic and international corporate customers and good results of ancillary businesses, as well as strong performance in the settlement business.

General and administrative expenses increased year-on-year mainly due to the depreciation of yen and consolidation of Fullerton India\*1, as well as higher variable marketing cost of Sumitomo Mitsui Card Company, which is successfully increasing new customers. Equity in gains of affiliates increased due to gains on change in equity interest at The Bank of East Asia, despite additional impairment losses on aircraft leased to Russia by SMBC Aviation Capital. As a result, consolidated net business profit increased by ¥123.6 billion year-on-year to ¥1,276.4 billion.

Total credit cost decreased by ¥64.2 billion year-on-year to ¥210.2 billion because of the reaction to the reserves recorded for large domestic and overseas obligors in the previous consolidated fiscal year, despite recognizing forward-looking provisions to prepare for future uncertainties such as inflation or recession under interest rate hike overseas.

In addition to the factors above, ordinary profit increased by ¥120.3 billion year-on-year to ¥1,160.9 billion, due to factors including the recording of gains on sales of strategic shareholdings.

Profit attributable to owners of the parent increased by ¥99.2 billion year-on-year to ¥805.8 billion, despite recognizing impairment losses for branches at SMBC.

	(JPY bn)	
	FY2022	Increase (Decrease)
Consolidated gross profit	3,170.2	+224.7
General and administrative expenses	1,949.2	+128.1
Equity in gains (losses) of affiliates	55.5	+27.0
Consolidated net business profit	1,276.4	+123.6
Total credit cost	210.2	(64.2)
Gains (losses) on stocks	155.9	(53.2)
Ordinary profit	1,160.9	+120.3
Profit attributable to owners of parent	805.8	+99.2

Performance of Major Group Companies

(Left: FY2022 performance; Right: Year-on-year comparison)

	SMBC		SMBC Trust	
Gross profit	1,699.5	+120.3	58.2	+9.7
Expenses	883.6	+26.4	36.8	(7.3)
Net business profit	815.9	+93.9	21.4	+17.0
Net income	634.2	+87.9	17.1	+33.0

	SMBC Nikko*2		SMCC	
Gross profit	263.4	(125.4)	449.4	+43.4
Expenses	325.3	+0.6	375.5	+35.6
Net business profit	(61.9)	(126.0)	74.3	+8.4
Net income	(45.7)	(93.8)	21.8	+2.0

	SMBCCF*3		SMDAM	
Gross profit	278.4	+7.4	36.1	(3.1)
Expenses	126.7	+5.7	30.3	+0.1
Net business profit	133.6	(16.5)	5.8	(3.2)
Net income	44.1	(22.6)	3.3	(2.1)

	SMFL*4	
Gross profit	271.0	+37.6
Expenses	122.4	+19.2
Net business profit	158.4	+20.2
Net income	51.8	+16.4

Ratio of Ownership by SMFG

\*1 Fullerton India changed its name to SMFG India Credit Company on May 11, 2023.  
\*2 Figures are on a managerial accounting basis including profit from overseas equity method affiliates of SMBC Nikko Securities Inc. (consolidated subsidiaries of SMFG).  
\*3 Year-on-year comparison retroactively reflects impact of reorganization.  
\*4 Figures are on a managerial accounting basis.

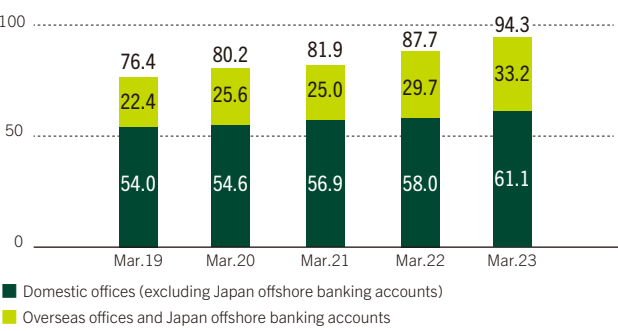
Value Creation at SMBC Group	Business Strategies for Creating Value	Corporate Infrastructure Supporting Value Creation
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Consolidated Balance Sheet Summary

Loans and Bills Discounted (SMBC non-consolidated)

The balances of loan and bills discounted increased by ¥6.6 trillion year-on-year to ¥94.3 trillion. This was mainly due to addressing firm demand for funds in Japan primarily from small and medium-sized enterprises (SMEs) including demand for growth capital with stimulating business activity in anticipation of the post-COVID era, as well as capturing demand for funds in overseas centered around America.

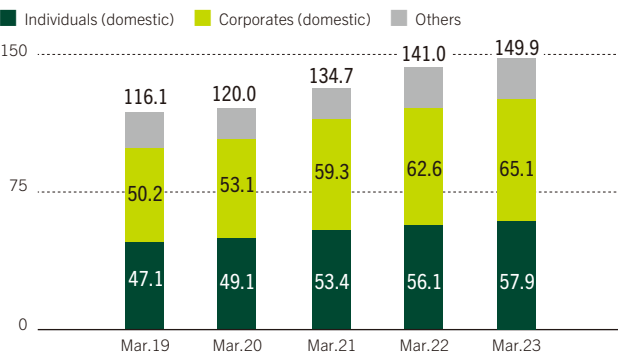
Balance of Loans (JPY tn)



Deposits (SMBC non-consolidated)

Deposits increased by ¥8.9 trillion year-on-year to ¥149.9 trillion. This increase was mainly due to increases in both individual and corporate deposits in Japan.

Balance of Deposits (JPY tn)



Domestic Loan-to-Deposit Spread (SMBC non-consolidated)

The domestic loan-to-deposit spread, calculated by subtracting the value of deposits from the value of loans, remained virtually unchanged from the previous year at 0.83%.

	FY2022					FY2021
	1Q	2Q	3Q	4Q	Yearly average	Yearly average
Interest earned on loans and bills discounted	0.83	0.84	0.81	0.82	0.83	0.84
Interest paid on deposits, etc.	0.00	0.00	0.00	0.00	0.00	0.00
Loan-to-deposit spread	0.83	0.84	0.81	0.82	0.83	0.84

Securities

Other securities decreased by ¥5,650.0 billion year-on-year to ¥32,465.0 billion due to decrease in the amount of Japanese government bonds required to be held by SMBC for collateral purpose. Net unrealized gains on other securities decreased by ¥362.1 billion year-on-year to ¥1,915.1 billion, mainly due to lower unrealized gains resulting from progress in reducing strategic-shareholding, as well as a deterioration in unrealized profit and loss on foreign bonds due to higher interest rates overseas.

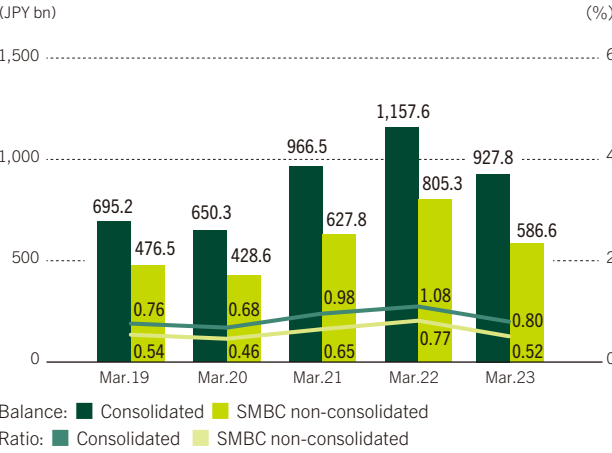
Unrealized Gains (Losses) on Other Securities (JPY bn)

	Balance		Net unrealized gains (losses)	
	March 31, 2023	YoY	March 31, 2023	YoY
Stocks	3,345.4	(58.0)	1,944.8	(88.9)
Bonds	13,177.5	(6,382.8)	(64.2)	(14.1)
Others	15,942.1	+790.9	34.6	(259.0)
Total	32,465.0	(5,650.0)	1,915.1	(362.1)

NPLs Based on the Banking Act and Financial Reconstruction Act

The balance of NPLs based on the Banking Act and the Financial Reconstruction Act decreased by ¥229.7 billion year-on-year to ¥927.8 billion due to reducing the balances of some large obligors. The NPL ratio also improved by 0.28% over the previous year, reaching 0.80%.

NPLs Based on the Banking Act and NPL Ratio (JPY bn)



Financial Review

Capital

Capital

Common equity Tier 1 capital increased by ¥380.6 billion from the end of the previous fiscal year to ¥10,839.0 billion, primarily due to an increase in profit attributable to owners of the parent and foreign exchange effects. As a result, Tier 1 capital increased by ¥362.7 billion to ¥11,548.9 billion and total capital increased by ¥367.0 billion to ¥12,350.8 billion.

Risk-Weighted Assets

Risk-weighted assets increased by ¥4,935.0 billion from the end of the previous fiscal year to ¥77,285.0 billion, mainly due to an increase in loans in Japan and overseas.

Capital Ratio

As a result of the above, the Common Equity Tier 1 ratio, which represents the most important form of core capital, stood at 14.02%, while the total capital ratio was 15.98%. Both ratios remain adequate.

Leverage Ratio

Despite an increase in Tier 1 capital, the leverage ratio fell by 0.14% to 5.03%, mainly due to an increase in on-balance assets, as a result of an increase in loans in Japan and overseas.

External TLAC Ratio

In addition to increasing our own equity capital, SMBC Group seeks to increase external TLAC capital by procuring external TLAC bonds primarily from overseas corporate bond markets. The external TLAC ratio was 25.28% on a risk-weighted asset basis and 9.72% on a total exposure basis, exceeding the mandated levels on both items.

Total Capital Ratio (BIS Guidelines)

(JPY bn)

	March 31, 2023 (A)	March 31, 2022 (B)	YoY (A–B)
Common equity Tier 1 capital	10,839.0	10,458.4	+380.6
Additional Tier 1 capital	710.0	727.8	(17.8)
Tier 1 capital	11,548.9	11,186.2	+362.7
Tier 2 capital	801.9	797.5	+4.4
Total capital	12,350.8	11,983.8	+367.0
Risk-weighted assets	77,285.0	72,350.1	+4,935.0

Common equity Tier 1 capital ratio	14.02%	14.45%	(0.43)%
Tier 1 ratio	14.94%	15.46%	(0.52)%
Total capital ratio	15.98%	16.56%	(0.58)%

Leverage Ratio

Leverage ratio	5.03%	5.17%	(0.14)%
----------------	-------	-------	---------

External TLAC Ratio

Risk-weighted asset basis	25.28%	24.98%	+0.30%
Total exposure basis	9.72%	9.54%	+0.18%

Total Exposure

Total exposure*	229,517.0	216,080.4	+13,436.6
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\* Excludes deposits with the Bank of Japan

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SUMITOMO MITSUI  
FINANCIAL GROUP

[www.smfg.co.jp/english/](http://www.smfg.co.jp/english/)

The companies of Sumitomo Mitsui Financial Group primarily conduct commercial banking through the following financial services: leasing, securities, consumer finance, system development data processing, and asset management.

Business Mission

- We grow and prosper together with our customers, by providing services of greater value to them.
- We aim to maximize our shareholders' value through the continuous growth of our business.
- We create a work environment that encourages and rewards diligent and highly motivated employees.
- We contribute to a sustainable society by addressing environmental and social issues.

**Company Name:** Sumitomo Mitsui Financial Group, Inc.

Business Description:

1. Management of banking subsidiaries and other companies that can be treated as subsidiaries under the stipulations of Japan's Banking Act as well as the performance of ancillary functions
2. Functions that can be performed by bank holding companies under the stipulations of Japan's Banking Act

**Establishment:** December 2, 2002

**Head Office:** 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

**Chairman of the Board:** Takeshi Kunibe

**President:** Jun Ohta

**Capital:** ¥2,341.8 billion

Stock Exchange Listings:

Tokyo Stock Exchange (Prime Market)  
Nagoya Stock Exchange (Premier Market)

Notes:

1. American Depositary Receipts (ADRs) are listed on the New York Stock Exchange.

Credit Ratings (as of June 30, 2023)

	Long-term	Short-term
Moody's	A1	P-1
Standard & Poor's	A-	—
Fitch Ratings	A-	F1
R&I	A+	—
JCR	AA-	—

Financial Information

(Consolidated basis, years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Ordinary income..... ¥	6,142.1	¥ 4,111.1	¥ 3,902.3	¥ 4,591.8
Ordinary profit.....	1,160.9	1,040.6	711.0	932.0
Profit attributable to owners of parent.....	805.8	706.6	512.8	703.8
At Year-End:				
Net assets .....	¥12,791.1	¥12,197.3	¥ 11,899.0	¥ 10,784.9
Total assets .....	270,428.5	257,704.6	242,584.3	219,863.5

Note: All amounts shown are rounded down to the nearest 100 million.



SMBC TRUST BANK

[www.smbctb.co.jp/en](http://www.smbctb.co.jp/en)



SMBC Trust Bank, formerly Societe General Private Banking (Japan), and Citibank's retail banking business (Japan) now under the new "PRESTIA" brand, will celebrate 10th anniversary as a member of SMBC Group in October 2023. Our goal has been to contribute to our customers and society by providing comprehensive and advanced solutions connecting three functions; "Foreign Currency, Real Estate, and Trust". Under the new vision of "Becoming a 'Trust Bank' that grows together with our customers and society as a solution provider of foreign currency, real estate and trust services", the management goal is defined as "Create the 'Next'" in our Medium-Term Management Plan beginning from FY2023. We continue to address sustainable growth and further enhance our corporate value by realizing this vision.

**Company Name:** SMBC Trust Bank Ltd.

**Business Profile:** Commercial banking and Trust Banking

**Establishment:** February 25, 1986

**Head Office:** 1-3-2, Marunouchi, Chiyoda-ku, Tokyo

**President and CEO:** Ryuji Nishisaki

**Number of Employees:** 1,562

**Number of branches:** 26 (in Japan)

Financial Information (Years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Ordinary income .....	¥ 86.1	¥ 56.5	¥ 47.9	¥ 61.0
Ordinary profit (loss)...	23.3	4.6	(7.5)	1.0
Net income (loss) .....	17.0	(15.9)	(8.5)	(32.7)
At Year-End:				
Total assets .....	¥4,125.1	¥3,687.1	¥3,494.7	¥3,423.3

Note: All amounts shown are rounded down to the nearest 100 million.



SUMITOMO MITSUI  
BANKING CORPORATION

[www.smbc.co.jp/global/index.html](http://www.smbc.co.jp/global/index.html)

Sumitomo Mitsui Banking Corporation ("SMBC") was established in April 2001 through the merger of the two leading banks of The Sakura Bank, Limited and The Sumitomo Bank, Limited. Sumitomo Mitsui Financial Group, Inc. was established in December 2002 as a bank holding company through a share transfer, and SMBC became a wholly owned subsidiary of Sumitomo Mitsui Financial Group. In March 2003, SMBC merged with The Wakashio Bank, Ltd.

SMBC's competitive advantages include its solid and extensive client base, the expeditious implementation of strategies, and also the service providing capability of its predominant Group companies. Under the management of Sumitomo Mitsui Financial Group, SMBC will unite with other SMBC Group companies in an effort to provide highly sophisticated and comprehensive financial services to clients.

**Company Name:** Sumitomo Mitsui Banking Corporation

**Business Profile:** Commercial banking

**Establishment:** June 6, 1996

**Head Office:** 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

**President and CEO:** Akihiro Fukutome

(Concurrent Director at Sumitomo Mitsui Financial Group)

**Number of Employees:** 27,839

Number of branches and other business locations:

In Japan:	1,756*
Branches:	524
(Including 47 specialized deposit account branches)	
Sub-branches:	393
Banking agencies:	2
Automated service centers:	837
Overseas:	45
Branches:	19
Sub-branches:	23
Representative offices:	3

\* The number of domestic branches excludes ATMs located at retail convenience stores. The number of overseas branches excludes branches that are closing and locally incorporated companies overseas.

Credit Ratings (as of June 30, 2023)

	Long-term	Short-term
Moody's	A1	P-1
Standard & Poor's	A	A-1
Fitch Ratings	A-	F1
R&I	AA-	a-1+
JCR	AA	J-1+

Financial Information

(Consolidated basis, years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Ordinary income..... ¥	4,991.9	¥ 2,990.4	¥ 2,786.6	¥ 3,469.0
Ordinary profit .....	1,125.9	867.8	534.7	770.4
Profit attributable to owners of parent.....	807.0	568.2	406.0	517.7
At Year-End:				
Net assets .....	¥ 9,735.5	¥ 9,219.8	¥ 9,256.3	¥ 8,368.3
Total assets .....	252,567.5	242,105.9	228,066.5	206,089.6

Note: All amounts shown are rounded down to the nearest 100 million.



Sumitomo Mitsui Finance and Leasing

[www.smfl.co.jp/english/](http://www.smfl.co.jp/english/)



Sumitomo Mitsui Finance and Leasing is one of the top-class general leasing companies in Japan. We provide a range of services that help to solve our customers' business and social issues by leveraging our expertise cultivated across more than 50 years in the leasing business, as well as the customer bases and networks of both SMBC Group and Sumitomo Corporation shareholders. We have launched a new Medium-Term Management Plan, the theme of which is "Pursuing our strengths as a business with a wide range of financial functions to solve social issues." By combining the business foundations and financial functions established in the previous Medium-Term Business Plan with our industry-leading digital transformation capabilities, we will provide solutions unique to SMFL. We will capture further business and business opportunities to solve social issues and expand both our social and economic value.

**Company Name:** Sumitomo Mitsui Finance and Leasing Company, Limited

**Business Profile:** Leasing

**Establishment:** February 4, 1963

**Head Office:**

**Tokyo Head Office:** 3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

**Osaka Head Office:** 3-10-19, Minami-Semba, Chuo-ku, Osaka

**President and CEO:** Masaki Tachibana

**Number of Employees:** 3,847

Credit Ratings (as of June 30, 2023)

	Long-term	Short-term
Standard & Poor's	A-	—
R&I	AA-	a-1+
JCR	AA	J-1+

Financial Information

(Consolidated basis, years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Leasing transaction volume.....	¥3,143.1	¥2,939.2	¥2,433.5	¥2,489.2
Operating revenue.....	2,159.3	1,818.5	1,438.2	1,513.7
Operating profit.....	133.1	116.2	41.3	89.4
Ordinary profit.....	136.5	119.4	45.0	90.3
Profit attributable to owners of parent.....	50.4	35.3	33.6	61.2
At Year-End:				
Total assets .....	¥9,245.6	¥7,795.9	¥7,041.9	¥6,378.7

Notes:

1. All amounts shown are rounded down to the nearest 100 million.
2. Consolidated subsidiaries include SMBC Aviation Capital Limited.



Ever since our foundation in 1918 as Kawashimaya Shoten, SMBC Nikko Securities Inc. has over the past 100 years been supported by many clients and we have grown together with our clients.

Since October 2009, when we joined Sumitomo Mitsui Financial Group, we have been redoubling our efforts to further improve our ability to assist our clients, both individual and corporate clients, and to enhance our capabilities as an integrated securities company.

Our vision remains to grow with our clients and be their trusted advisor. "Share the Future" is our brand slogan and, as a firm of financial professionals, we will strive to act in the best interests of our clients by leveraging our track record of managing diverse risks and delivering innovative financial services.

**Company Name:** SMBC Nikko Securities Inc.  
**Business Profile:** Securities  
**Establishment:** June 15, 2009  
**Head Office:** 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo  
**President and CEO:** Yuichiro Kondo  
**Number of Employees:** 9,039

#### Credit Ratings (as of June 30, 2023)

	Long-term	Short-term
Moody's	A1	P-1
Standard & Poor's	A	A-1
R&I	AA-	a-1+
JCR	AA	—

#### Financial Information (Years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Operating revenue.....	¥ 262.8	¥ 333.1	¥ 354.7	¥ 378.0
Operating income.....	(42.0)	56.6	79.5	39.0
Ordinary profit.....	(38.3)	59.6	81.9	42.6
Net income.....	(32.3)	44.2	71.0	32.1
At Year-End:				
Total assets .....	¥14,993.2	¥13,979.8	¥13,213.1	¥12,090.9

#### Notes:

1. All amounts shown are rounded down to the nearest 100 million.
2. Due to a change in the method of presentation of financial income beginning from FY2021, adjusted operating revenue values are presented for prior periods.



Since its founding in 1967, Sumitomo Mitsui Card Company, Limited, has continued to drive the development of Japan's credit card industry as a pioneer in the issuance of the Visa Card in Japan and as a comprehensive payment service provider driving the advance of cashless payments.

In April 2021, the headquarters functions of Sumitomo Mitsui Card Company and SMBC Finance Service were consolidated into the SMBC Toyosu Building. This seamless environment will lead to increased coordination between the two companies and thereby enable them to provide even higher-quality services as the core of SMBC Group's cashless payment strategies.

Capitalizing on the transaction base, expertise, credibility, and other strengths it has accumulated as an industry leader, Sumitomo Mitsui Card Company aims to evolve beyond the provision of products and services, to grow into a digital and innovation company that is chosen by clients and which supports these clients in their various activities through the integration of its credit card, installment and transaction business.

**Company Name:** Sumitomo Mitsui Card Company, Limited  
**Business Profile:** Credit card  
**Establishment:** December 26, 1967  
**Head Office:**  
**Tokyo Head Office:** 2-2-31, Toyosu, Koto-ku, Tokyo  
**Osaka Head Office:** 4-5-15, Imabashi, Chuo-ku, Osaka  
**President and CEO:** Yukihiko Onishi  
**Number of Employees:** 2,752

#### Credit Rating (as of June 30, 2023)

	Long-term	Short-term
R&I	AA-	a-1+

#### Financial Information (Years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Revenue from credit card operations.....	¥30,181.6	¥24,715.0	¥20,751.5	¥20,548.5
Operating revenue.....	523.5	470.5	447.5	480.8
Operating profit.....	32.8	31.0	34.5	50.5
Ordinary profit.....	33.0	34.1	35.3	50.8
Net income (loss) .....	21.8	19.8	35.8	38.2
At Year-End:				
Total assets				
Sumitomo Mitsui Card Company.....	¥ 3,400.1	¥ 2,852.2	¥ 2,524.5	¥ 2,257.2
SMBC Finance Service.....	¥ 2,062.7	¥ 2,382.6	¥ 2,372.1	¥ 2,052.2
Number of cardholders (in tens of thousands).....	5,437	5,239	4,986	4,754

#### Notes:

1. All amounts shown are rounded down to the nearest 100 million.
2. To reflect the integrated management of Sumitomo Mitsui Card Company and SMBC Finance Service, the above figures for operating revenue, operating profit, ordinary profit, and net income (loss) use internal management figures arrived at through the simple addition of the consolidated figures for both companies. (Consolidated figures for Sumitomo Mitsui Card Company do not include consolidated figures for SMBC Finance Service.)
3. From FY2019, revenue from credit card operations includes e-money transactions.
4. Number of cardholders includes the number of debit cardholders.



SMBC Finance Service Co., Ltd., was formed in April 2009 through the merger of OMC Card, Inc., Central Finance Co., Ltd., and QUOQ Inc. Originally named Cedyna Financial Corporation, this company assumed its current name in July 2020.

In April 2021, the headquarters functions of SMBC Finance Service and Sumitomo Mitsui Card Company were consolidated into the SMBC Toyosu Building. This proximity is expected to lend itself to increased coordination between the two companies and to thereby enable them to provide even higher-quality services as the core of SMBC Group's cashless payment strategies.

Together with Sumitomo Mitsui Card Company, SMBC Finance Service aims to grow into a digital and innovation company that is chosen by clients and which supports these clients in their various activities.

**Company Name:** SMBC Finance Service Co., Ltd.  
**Business Profile:** Credit card, Installment and Transaction business  
**Establishment:** September 11, 1950  
**Head Office:**  
**Head Office:** 3-23-20, Marunouchi, Naka-ku, Nagoya  
**Tokyo Head Office:** 2-2-31, Toyosu, Koto-ku, Tokyo  
**President and CEO:** Naoki Ono  
**Number of Employees:** 2,816

Note: To reflect the integrated management of SMBC Finance Service and Sumitomo Mitsui Card Company, financial information for both companies is displayed in the latter's section on the previous page.



Since its establishment in 1962, with the original goal of striving to become the leading provider of innovative financial services for individual consumers, Promise Co., Ltd., currently known as SMBC Consumer Finance Co., Ltd., has been offering consumer financial services to promptly meet the diverse funding needs of our customers while keeping pace with changing lifestyle patterns by developing safe, convenient personal loan products and building the infrastructure for dealing with customer inquiries and loan applications.

As an expert in the consumer finance business, SMBC Consumer Finance aspires to be the most trusted global consumer finance company by providing consistent and sincere services to our customers.

**Company Name:** SMBC Consumer Finance Co., Ltd.  
**Business Profile:** Consumer lending  
**Establishment:** March 20, 1962  
**Head Office:** 2-2-31, Toyosu, Koto-ku, Tokyo  
**President and CEO:** Ryohei Kaneko  
**Number of Employees:** 2,139

#### Credit Rating (as of June 30, 2023)

	Long-term	Short-term
R&I	AA-	—

#### Financial Information (Years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Operating revenue.....	¥ 180.4	¥ 179.3	¥187.1	¥ 199.8
Operating profit.....	40.8	41.2	46.7	41.4
Ordinary profit.....	40.6	42.0	48.0	42.9
Net income.....	52.9	38.8	38.8	78.6
At Year-End:				
Total assets .....	¥1,333.0	¥1,279.3	¥953.5	¥1,011.3

Note: All amounts shown are rounded down to the nearest 100 million.



The Japan Research Institute, Limited (“JRI”) is a comprehensive information services company with think-tank, consulting and IT solutions functions.

Under the fundamental philosophy of “creating new value for the client,” JRI offers concrete proposals for identifying and resolving issues together with support for enacting those solutions.

JRI conducts a wide range of activities, including research and analysis of domestic and foreign economies and sharing policy proposals, supporting the creation of new businesses, consulting on management strategies and administrative reforms, planning and developing IT-based strategic data systems, as well as providing outsourcing services.

**Company Name:** The Japan Research Institute, Limited

**Business Profile:** Economic research, management consulting, system development and data processing

**Establishment:** November 1, 2002

**Head Office:**

**Tokyo Head Office:** 2-18-1, Higashi-Gotanda, Shinagawa-ku, Tokyo

**Osaka Head Office:** 2-2-4, Tosabori, Nishi-ku, Osaka

**President and CEO:** Katsunori Tanizaki

**Number of Employees:** 2,962

**Financial Information** (Years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Operating revenue.....	¥219.7	¥214.3	¥147.4	¥143.2
Operating profit.....	4.0	4.5	1.9	2.9
Ordinary profit.....	5.0	5.0	2.3	2.8
Net income.....	3.5	3.6	2.4	0.9
At Year-End:				
Total assets .....	¥124.3	¥116.8	¥105.6	¥100.8

Note: All amounts shown are rounded down to the nearest 100 million.

Sumitomo Mitsui DS Asset Management Company, Limited is an asset management company that strengths in active investment and has an industry-leading investment research platform, and a global network.

Sumitomo Mitsui DS Asset Management Company provides high-quality asset management services that meet specific needs of its diverse client base that ranges from Japanese and non-Japanese institutional (pension funds, financial institutions, etc.) to individual investors. The company's vision is to become the best asset management firm for better Quality of Life of its clients and all the other stakeholders.

**Company Name:** Sumitomo Mitsui DS Asset Management Company, Limited

**Business Profile:** Investment management (discretionary/advisory) and investment trust fund management

**Establishment:** July 15, 1985

**Head Office:** 1-17-1 Toranomon, Minato-ku, Tokyo

**President and CEO:** Takashi Saruta

**Number of Employees:** 806

**Financial Information** (Years ended March 31)

	Billions of yen			
	2023	2022	2021	2020
For the Year:				
Operating revenue.....	¥ 72.0	¥ 77.3	¥ 61.6	¥ 65.5
Operating profit.....	3.8	5.8	0.1	1.5
Ordinary profit.....	3.3	7.0	0.4	2.2
Net income (loss) .....	2.1	4.1	(28.9)	0.6
At Year-End:				
Total assets .....	¥107.8	¥113.8	¥106.4	¥133.6

Note: All amounts shown are rounded down to the nearest 100 million.

Risk Management

Risk Management Categories

SMBC Group defines the following risk management categories and conducts management of these risks accordingly.

Group companies manage risk in accordance with the characteristics of their particular businesses. These risk categories are continuously reviewed and new ones may be added in response to changes in the operating environment.

Risk Category		Department in Charge
Credit risk	Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, that causes an asset (including off-balance sheet transactions) to lose value or become worthless.	Credit & Investment Planning Department
Market risk	Market risk is the possibility that fluctuations in interest rates, foreign exchange rates, stock prices, or other market prices will change the market value of financial products, leading to a loss.	Corporate Risk Management Department, Risk Management Information Department
Liquidity risk	Liquidity risk is defined as uncertainty around the ability of the firm to meet debt obligations without incurring unacceptably large losses. Examples of such risk include the possible inability to meet current and future cash flow / collateral needs, both expected and unexpected. In such cases, the firm may be required to raise funds at less-than-favorable rates or be unable to raise sufficient funds for settlement.	Corporate Risk Management Department, Risk Management Information Department
Operational risk	Operational risk is the possibility of losses arising from inadequate or failed internal processes, people, and systems or from external events (see page 141 for information on risk categories and the departments in charge).	Corporate Risk Management Department, Risk Management Information Department
Conduct risk	Conduct risk is the risk that our conduct negatively affects customers, market integrity, effective competition, public interest, and the SMBC Group's stakeholders through acts that violate laws and regulations or social norms.	Corporate Risk Management Department, Compliance Department
Model risk	Model risk is the risk of potential adverse consequences or financial loss resulting from misinformed decision making based on inaccurate model outputs or using the model inappropriately.	Corporate Risk Management Department
Reputational risk	Reputational risk refers to the risk of not meeting the expectations for high ethics, integrity, etc. by the stakeholders (that is, customers, shareholders, market, society, environment, employees, etc.) due to the business of the SMBC Group and the behavior of employees and other related parties leading to impairment of the Enterprise Value and decline in trust.	General Affairs Department, Public Relations Department

Top Risks

Top Risks, risks that threaten to significantly impact management, recognized by SMBC Group are listed in the table below (see page 127 for information on methods of utilizing Top Risks).

Top Risks	Example Scenarios
World economic stagnation	• Global economic recession due to factors such as the reversal of the credit cycle and economic slowdown in China
Highly volatile commodity price and financial / foreign exchange markets	• Adverse effects of monetary tightening in major economies on the financial system and the emergence of a global financial crisis
Sudden deterioration of foreign currency funding conditions	• Sudden deterioration of the foreign currency funding condition due to market disruption
Japanese economic stagnation	• Deterioration of the economy accompanied by debt adjustments due to the shift from monetary easing, and decline in potential growth due to a decline in the labor force
Japanese fiscal instability	• Emergence of Japan sell-off due to increased interest payments on government debt and deteriorating public finances due to rising defense spending
The U.S. - China struggle for supremacy	• Deterioration of the business environment due to political conflict between the U.S. and China and growing concerns over the security environment
Growing intension of Russia-Ukraine conflict	• Russia's escalation including the use of nuclear weapons, against Western countries' enhancing support to Ukraine
Unstable situations in the Middle East and Asia	• Occurrence of emergency incidents due to heightened tensions in the Korean Peninsula; opposition from neighboring countries in connection with Japan's policies
Political turmoil and social instability	• Social turmoil surrounding the next presidential election in the U.S.; opaque policy management due to changes in China's leadership
Outbreak of serious infectious disease	• Occurrence of a pandemic due to the emergence of a virus or bacterium that is highly infectious to humans
Disasters such as large-scale earthquakes, storms, and floods	• Negative impact caused by the occurrence of large-scale earthquakes and volcanic eruptions, increased frequency of extreme weather events and natural disasters, and impairment of natural capital
Lack of preparedness against cyber attacks and financial crimes	• Increase in national-level cyber-attacks and damage to critical infrastructure, and diversification of attack methods
Changes in industrial structure due to technological innovation	• Decrease in our competitiveness due to the rapid digitization of financial services (fintech, digital currency, etc.)
Inadequate responses to climate change risk and environmental issues	• Deterioration of reputation and occurrence of stranded assets due to inadequate efforts to reduce GHG emissions and to conserve natural capital
Inadequate responses to human rights issues	• Reputational damage due to inadequate response to issues such as forced labor and racial discrimination
Improper labor management	• Reputational damage due to inadequate responses to gender issues and work-style reform
Misconduct such as an employee's inappropriate behavior	• Administrative disposition or reputational damage due to inadequate actions or serious breaches of regulations by employees
Inadequate improvement in the operational resilience system	• Significant negative impact on customers and reputational damage due to data breaches and system failures
Inadequate preparedness for heightened regulatory and supervisory scrutiny	• Impact on our business due to the increasing focus on AML/CFT controls and the strengthening of financial supervision and regulation
Difficulty in securing human resources	• Restriction on business operations and decreased competitiveness due to a lack of headcount and specialized human resources

Note: The above is only a portion of the risks recognized by SMBC Group. It is possible that the materialization of risks other than those listed above could have a significant impact on our management.

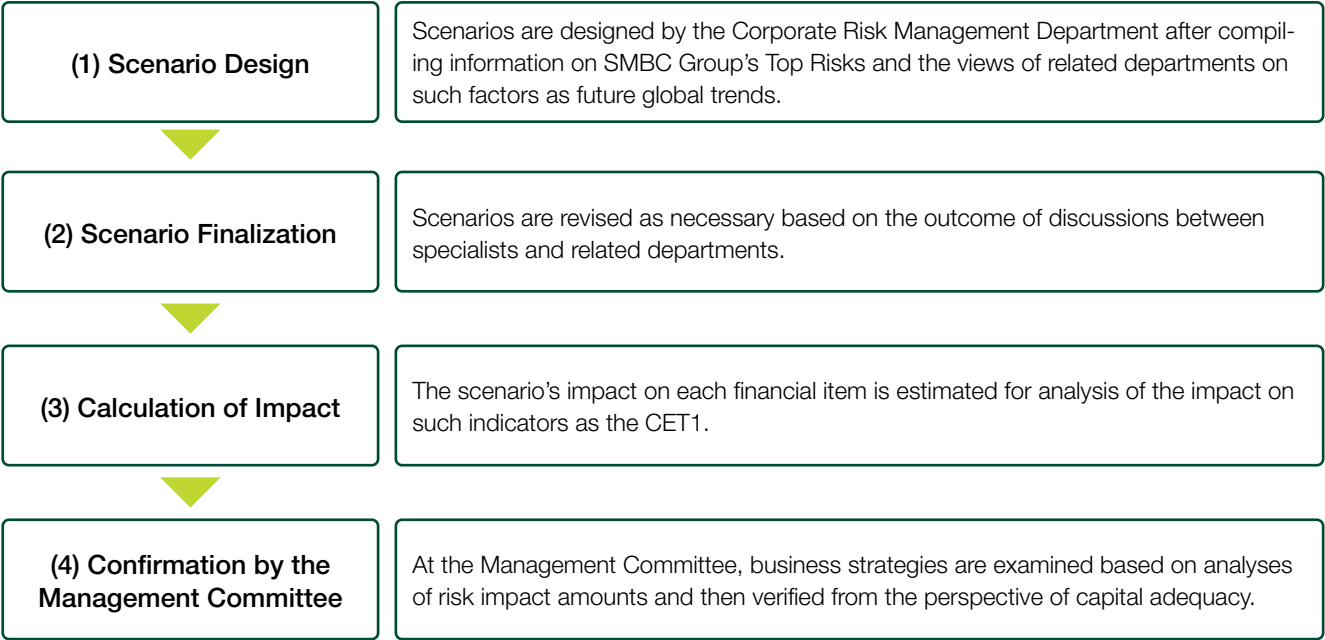
Stress Testing

SMBC Group conducts stress testing for each category of risks as well as stress testing used to verify the overall soundness of comprehensive risk management practices. The level of soundness used for verifications is determined based on risk appetite combined with consideration for the severity of the scenario anticipated.

When evaluating group-wide soundness, evaluations are made using consolidated balance sheets and consolidated statements of income, which include data from affiliates, with the goal of identifying major risks to our business and asset portfolio. Specifically, scenarios are selected based on the aforementioned severity level as well as background conditions that cover all areas in which we may face risks (e.g. an outlook encompassing the entire world). We also employ methodology for ensuring scenarios can be accurately reflected and for incorporating business and portfolio characteristics.

Commonly used statistical methods are utilized in developing such methodologies. However, as it is necessary to estimate outliers, we may choose the methodology that best recreates outliers rather than the methodology that offers the highest statistical accuracy. When projecting scenarios for which there are no prior examples, human judgment may be given greater weight than the results of estimates.

Stress Testing Process



In this manner, stress testing processes often require a variety of expertise. When selecting the background conditions for scenarios, expertise regarding macroeconomic conditions and geopolitical risks is required. When selecting methodologies, insight into the statistical and other mathematical analysis techniques is crucial. When calculating impacts on SMBC Group as a whole, insight into SMBC Group and the businesses of its customers must be used. Stress testing processes will thus be based on discussions and opinions of directors, members of upper management, specialists, and representatives from relevant organizations and records will be created of these discussions and opinions in order to ensure objectivity, transparency, and reproducibility. In this way, measures for practicing proper governance of stress testing will be applied.

Risk-Weighted Assets

Risk-weighted assets subject to the Basel Capital Accord totaled ¥77,285 billion as of March 31, 2023, up ¥4,935 billion from March 31, 2022. The main factors behind the increase in risk-weighted assets was an increase in our corporate credit exposure in Japan and overseas, as well as the effects of the depreciation of the yen on exchange rates.

Risk-Weighted Assets as of March 31, 2023

	(Trillions of yen)		
	March 31, 2022	March 31, 2023	Increase (decrease)
Credit risk	63.2	65.0	+1.7
Market risk	3.0	4.4	+1.4
Operational risk	4.3	4.8	+0.5
Floor adjustments*	1.7	2.9	+1.2
Total	72.3	77.2	+4.9

\*Adjustments for difference between Advanced Internal Ratings-Based (AIRB) approach and Foundation Internal Ratings-Based (FIRB) approach

Risk Assets of Individual Business Units

		(Trillions of yen)	
SMBC Group	Credit risk	65.0	
	Market risk	4.4	
	Operational risk	4.8	
	Floor adjustments	2.9	
	Retail Business Unit	10.9	
	Wholesale Business Unit	20.7	
	Global Business Unit	29.3	
	Global Markets Business Unit	6.7	

Credit Risk

1. Basic Approach to Credit Risk Management

(1) Characteristics of Credit Risk

Credit risk is characterized by the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, that causes an asset (including off-balance sheet transactions) to lose value or become worthless.

(2) Fundamental Principles for Credit Risk Management

All Group companies follow the fundamental principles established by SMBC Group to assess and manage credit risk on a group-wide basis and further raise the level of accuracy and comprehensiveness of group-wide credit risk management. Each Group company must comprehensively manage credit risk according to the nature of its business, and assess and manage credit risk of individual loans and credit portfolios quantitatively and using consistent standards.

Credit risk is the most significant risk to which SMBC Group is exposed. Without effective credit risk management, the impact of the corresponding losses on operations can be overwhelming.

The purposes of credit risk management is to keep credit risk exposure to a permissible level relative to capital, to maintain the soundness of group-wide assets, and to ensure returns commensurate with risk. Doing so leads to a loan portfolio that achieves high returns on capital and assets.

(3) Credit Policy

SMBC Group’s credit policy comprises clearly stated universal and basic operating concepts, policies, and standards for credit operations, in accordance with our business mission and rules of conduct. SMBC Group is promoting the understanding of and strict adherence to its Group credit policy among all its managers and employees. By fostering a culture of appropriate levels of risk-taking and providing high-value-added financial services, SMBC Group aims to enhance shareholder value and play a key contributory role in the community.

2. Credit Risk Management System

At SMBC Group, the Group CRO formulates credit risk management policies each year based on the group-wide basic policies for risk management. Meanwhile, the Credit & Investment Planning Department is responsible for the comprehensive management of credit risk. This department drafts and administers credit risk regulations, including the Group credit policies, manages non-performing loans (NPLs), and performs other aspects of credit portfolio management. We have also established the Credit Risk Committee to serve as a body for deliberating on matters related to group-wide credit portfolios.

At SMBC, the core bank of SMBC Group, the Credit & Investment Planning Department within the Risk Management Unit furnishes the credit risk management system and is thus responsible for the comprehensive management of credit risk. This department drafts and administers credit policies, the internal rating system, credit authority guidelines, and credit application guidelines, and also manages NPLs and performs other aspects of credit portfolio management, including active portfolio management using credit derivatives.

The department also cooperates with the Corporate Risk Management Department in quantifying credit risk (risk capital and risk-weighted assets) and controls the bank’s entire credit risk.

The credit department in charge, in cooperation with branches, conducts credit risk assessments and manages credit portfolios within each credit department’s jurisdiction. The credit approval authority is determined based on the credit amount and internal grades, while credit departments focus on the analysis and management of customers and transactions with relatively high credit risk. The Credit Administration Department is responsible for handling NPLs of borrowers classified as potentially bankrupt or lower, and draws up plans for their workouts, including write-offs. It works to efficiently reduce the amount of NPLs through Group company SMBC Servicer Co., Ltd., which engages in related services, and by such means as the sell-off of claims. Through industrial and sector-specific surveys and studies of individual companies, the



Corporate Research Department works to form an accurate idea of the circumstances of borrower companies and quickly identify those with potentially troubled credit positions as well as promising growth companies.

The Compliance Unit has in place a system of coordinating to establish systems for providing explanations to customers and develop information management practices for the purpose of customer protection and to prevent transactions with antisocial forces, among other tasks.

The Internal Audit Unit, operating independently of the business units, audits asset quality, the accuracy of gradings and self-assessment, and the state of credit risk management, and reports the results directly to the Audit and Supervisory Committee and the Management Committee.

SMBC has established the Credit Risk Committee as a consultative body to round out its oversight system for undertaking flexible and efficient control of credit risks, and ensuring the overall soundness of the bank’s loan operations.

3. Credit Risk Management Methods

(1) Credit Risk Assessment and Quantification

At SMBC Group, to effectively manage the risk involved in individual loans as well as the credit portfolio as a whole, we first acknowledge that every loan entails credit risks, assess the credit risk posed by each borrower and loan using an internal rating system, and quantify that risk for control purposes.

(a) Internal Rating System

There is an internal rating system for each asset control category established according to portfolio characteristics. For example, credits to corporates are assigned an “obligor grade,” which indicates the borrower’s creditworthiness, and/or “facility grade,” which indicates the collectibility of assets taking into account transaction conditions, such as guarantee/collateral, credit period, and tenor. An obligor grade is determined by first assigning a financial grade using a financial strength grading model and data obtained from the obligor’s financial statements. The financial grade is then adjusted taking into account the actual state of the obligor’s balance sheet and qualitative factors to derive the obligor grade. In the event that the borrower is domiciled overseas, internal ratings for credit are made after taking into consideration country rank, which represents an assessment of the credit quality of each country, based on its political and economic situation as well as its current account balance and external debt. The borrower categories used in self-assessment are consistent with the obligor grade categories.

Obligor grades and facility grades are reviewed once a year, and whenever necessary, such as when there are changes in the credit situation. There are also grading systems for loans to individuals and project finance and other structured finance tailored according to the risk characteristics of these types of assets.

The Credit & Investment Planning Department centrally manages the internal rating systems and properly designs, operates, supervises, and validates the grading models. It validates the grading models and systems of main assets following the procedures manual (including those for statistical validation) once a year to ensure their effectiveness and suitability and submits reports with this regard. SMBC, the core bank of SMBC Group, employs a total of 21 grading models for corporate, specialized lending, and retail applications. For details on internal rating methods, please refer to Appendix II.

(b) Quantification of Credit Risk

Credit risk quantification refers to the process of estimating the degree of credit risk of a portfolio or individual loan taking into account not just the obligor’s Probability of Default (PD) but also the concentration of risk in a specific customer or industry and the loss impact of fluctuations in the value of collateral, such as real estate and securities.

Specifically, first, the PD by grade, Loss Given Default (LGD), credit quality correlation among obligors, and other parameter values are estimated using historical data of obligors and facilities stored in a database to calculate the credit risk. Then, based on these parameters, we run a simulation of simultaneous default using the Monte Carlo method to calculate our maximum loss exposure to the estimated amount of the maximum losses that may be incurred. Based on these quantitative results, we allocate risk capital.

Risk quantification is also executed for purposes such as to determine the portfolio’s risk concentration, or to simulate economic movements (stress tests), and the results are used for making optimal decisions across the whole range of business operations, including formulating business plans and providing a standard against which individual credit applications are assessed. For details on internal rating methods, please refer to Appendix II.

(2) Framework for Managing Individual Loans

SMBC Group strives to maintain a sound portfolio through appropriate credit assessments and monitoring conducted over credit periods. The following framework is used for managing individual loans at SMBC, the core bank of SMBC Group.

(a) Credit Assessment

At SMBC, credit assessment of corporate loans involves a variety of financial analyses, including cash flow, to predict an enterprise’s capability of loan repayment and its growth prospects. These quantitative measures, when combined with qualitative analyses of industrial trends, the enterprise’s R&D capabilities, the competitiveness of its products or services, and its management caliber, result in a comprehensive credit assessment. The loan application is analyzed in terms of the intended utilization of the funds and the repayment schedule. Thus, SMBC is able to arrive at an accurate and fair credit decision based on an objective examination of all relevant factors.

Increasing the understandability to customers of loan conditions and approval standards for specific borrowing purposes and loan categories is a part of SMBC’s ongoing review of lending practices, which includes the revision of loan contract forms with the chief aim of clarifying lending conditions utilizing financial covenants.

To respond proactively and promptly to customers’ funding needs—particularly those of SMEs—we employ a standardized credit risk assessment process for SMEs that uses a credit-scoring model. With this process, we are building a regime for efficiently marketing our Business Select Loan and other SME loans.

In the field of housing loans for individuals, we employ a credit assessment model based on credit data amassed and analyzed by SMBC over many years. This model enables our loan officers to efficiently make rational decisions on housing loan applications and to reply to the customers without delay. It also facilitates the effective management of credit risk as well as the flexible setting of interest rates.

We also provide loans to individuals who rent out properties such as apartments. The loan applications are subjected to a precise credit risk assessment process utilizing a risk assessment model that factors in the projected revenue from the rental business. We also provide advice to such customers on how to revise their business plans.

■ SMBC’s Domestic Obligor Grading System

Obligor Grade	Definition	Borrower Category	Disclosure Category Based on Financial Reconstruction Act
1	Very high certainty of debt repayment	Normal Borrowers	Normal Assets
2	High certainty of debt repayment		
3	Satisfactory certainty of debt repayment		
4	Debt repayment is likely but this could change in cases of significant changes in economic trends or business environment depending on the situation		
5	No problem with debt repayment over the short term, but not satisfactory over the mid to long term and the situation could change in cases of any changes in economic trends or business environment		
6	Currently no problem with debt repayment, but it is highly likely that this could change in cases of significant changes in economic trends or business environment		
7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish/unstable business, or financial problems	Borrowers Requiring Caution	Substandard Loans
	(Borrowers Requiring Caution identified as Substandard Borrowers)	Substandard Borrowers	
8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring, and highly likely to go bankrupt	Potentially Bankrupt Borrowers	Doubtful Assets
9	Though not yet legally or formally bankrupt, has serious business difficulties and rehabilitation is unlikely; thus, effectively bankrupt	Virtually Bankrupt Borrowers	Bankrupt and Quasi-Bankrupt Assets
10	Legally or formally bankrupt	Bankrupt Borrowers	

(b) Credit Monitoring System

At SMBC, in addition to analyzing loans at the application stage, the Credit Monitoring System is utilized to maintain an understanding of the circumstances surrounding the obligor in order to reassess obligor grades and review self-assessment and credit policies so that problems can be detected at an early stage and quick and effective action can be taken. The system includes periodic monitoring carried out each time an obligor enterprise discloses financial results as well as continuous monitoring performed each time credit conditions change, as indicated in the diagram below.

(3) Framework for Credit Portfolio Management

In addition to managing individual loans, SMBC Group applies the following basic policies to the management of the entire credit portfolio to maintain and improve its soundness and profitability over the medium to long term. Information on the status of credit portfolio management is reported to the Management Committee and the Board of Directors and regular monitoring is performed through the Risk Appetite Framework (RAF).

(a) Appropriate Risk Control within Capital

To take risks within the acceptable level of capital, we set upper limits for overall risk capital based on the risk appetite and portfolio plan of each business unit and monitor credit risk capital as a breakdown of overall risk capital.

(b) Controlling Concentration Risk

As the equity capital of SMBC Group may be materially impaired in the event that the credit concentration risk becomes apparent, we implement measures to manage credit toward industrial sectors with excessive risk concentration and introduce large exposure limit lines and conduct intensive loan review for obligors with large exposure.

To manage country risk, we also have credit limit guidelines based on each country's creditworthiness.

(c) Researching Borrowers More Rigorously and Balancing Risk and Returns

Against a backdrop of drastic change in the business environment, we rigorously research borrower companies' actual conditions. We run credit operations on the basic principle of earning returns that are commensurate with the credit risk involved, and make every effort to reduce credit and capital costs as well as general and administrative expenses.

(d) Preventing and Reducing Non-Performing Loans

On NPLs and potential NPLs, we carry out regular loan reviews to clarify handling policies and action plans, enabling it to swiftly implement measures to prevent deterioration of borrowers' business situations, support business recoveries, collect on loans, and enhance loan security.

(e) Actively Managing Portfolios

We make active use of credit derivatives and other instruments to flexibly manage portfolios to stabilize credit portfolios.

(4) Self-Assessment, Write-Offs and Provisions, Non-Performing Loans Disclosure

(a) Self-Assessment

Self-assessment is a preparatory task for ensuring SMBC Group's asset quality and calculating the appropriate level of write-offs and provisions. Each asset is assessed individually for its security and collectibility. Depending on the borrower's current situation, the borrower is assigned to one of five categories: Normal Borrowers, Borrowers Requiring Caution, Potentially Bankrupt Borrowers, Virtually Bankrupt Borrowers, and Bankrupt Borrowers. Based on the borrower's category, claims on the borrower are classified into Classification I, II, III, and IV assets according to their default and impairment risk levels, taking into account such factors as collateral and guarantees.

Self-assessment is the latter stage of the obligor grading process for determining the borrower's ability to fulfill debt obligations, and the obligor grade criteria are consistent with the categories used in self-assessment. As part of our efforts to bolster risk management throughout SMBC Group, consolidated subsidiaries carry out self-assessment in substantially the same manner.

Borrower Categories, Defined	
Normal Borrowers	Borrowers with good earnings performances and no significant financial problems
Borrowers Requiring Caution	Borrowers identified for close monitoring
Potentially Bankrupt Borrowers	Borrowers perceived to have a high risk of falling into bankruptcy
Virtually Bankrupt Borrowers	Borrowers that may not have legally or formally declared bankruptcy but are essentially bankrupt
Bankrupt Borrowers	Borrowers that have been legally or formally declared bankrupt

Asset Classifications, Defined	
Classification I	Assets not classified under Classifications II, III, or IV
Classification II	Assets perceived to have an above-average risk of uncollectibility
Classification III	Assets for which final collection or asset value is very doubtful and which pose a high risk of incurring a loss
Classification IV	Assets assessed as uncollectible or worthless

(b) Write-Offs and Provisions

In cases in which claims have been determined to be uncollectible or deemed to be uncollectible, write-offs signify the recognition of losses on the account books with respect to such claims. Write-offs can be made either in the form of loss recognition by offsetting uncollectible amounts against corresponding balance sheet items, referred to as a direct write-off, or else by recognition of a loan loss provision on a contra-asset account in the amount deemed uncollectible, referred to as an indirect write-off. Recognition of indirect write-offs is generally known as provision for the reserve for possible loan losses.

The write-off and provision standards and procedures for each self-assessment borrower category at SMBC, the core bank of SMBC Group, are shown on the right. As part of our overall measures to strengthen credit risk management throughout SMBC Group, all consolidated subsidiaries use substantially the same standards as SMBC for write-offs and provisions.

SMBC's Standards for Write-Offs and Provisions		
Self-Assessment Borrower Categories	Standards for Write-Offs and Provisions	
Normal Borrowers	The expected loss amount for the next 12 months is calculated for each grade based on the grade's historical bankruptcy rate, and the total amount is recorded as "provision for the general reserve for possible loan losses."	
Borrowers Requiring Caution	These assets are divided into groups according to the level of default risk. Amounts are recorded as provisions for the general reserve in proportion to the expected losses based on the historical bankruptcy rate of each group. The groups are "claims on Substandard Borrowers" and "claims on other Borrowers Requiring Caution." The latter group is further subdivided according to the borrower's financial position, credit situation, and other factors. Further, when cash flows can be estimated reasonably accurately, the discounted cash flow (DCF) method is applied mainly to large claims for calculating the provision amount.	
Potentially Bankrupt Borrowers	A provision for the specific reserve for possible loan losses is made for the portion of Classification III assets (calculated for each borrower) not secured by collateral, guarantee, or other means. Further, when cash flows can be estimated reasonably accurately, the DCF method is applied mainly to large claims for calculating the provision amount.	
Virtually Bankrupt / Bankrupt Borrowers	Classification III asset and Classification IV asset amounts for each borrower are calculated, and the full amount of Classification IV assets (deemed to be uncollectible or of no value) is written off in principle and provision for the specific reserve is made for the full amount of Classification III assets. Further, when cash flows from future reconstruction can be estimated reasonably accurately, the DCF method is applied mainly to large claims for calculating the provision amount.	
Notes	General Reserve	Provisions made in accordance with general inherent default risk of loans, unrelated to specific individual loans or other claims
	Specific Reserve	Provisions made for claims that have been found uncollectible in part or in total (individually evaluated claims)

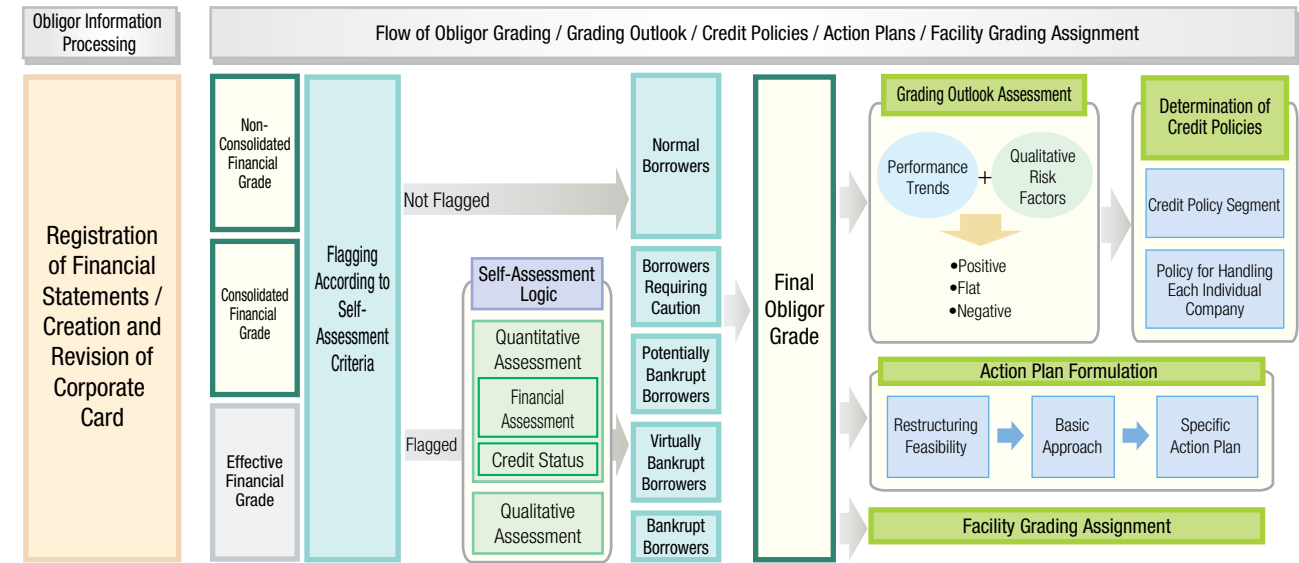
Discounted Cash Flow Method

SMBC uses the discounted cash flow (DCF) method to calculate the provision amounts for large claims on Substandard Borrowers or below when the cash flow from repayment of principal and interest received can be estimated reasonably accurately. SMBC then makes provisions equivalent to the excess of the book value of the claims over the said cash inflow discounted by the initial contractual interest rate or the effective interest rate at the time of origination. One of the major advantages of the DCF method over conventional methods of calculating the provision amount is that it enables effective evaluation of each individual borrower. However, as the provision amount depends on the future cash flow estimated on the basis of the borrower's business reconstruction plan and the DCF formula input values, such as the discount rate and the probability of the borrower going into bankruptcy, SMBC makes every effort to utilize up-to-date and correct data to realize the most accurate estimates possible.

Forward-Looking Provisions

SMBC records general reserves in amounts deemed necessary through comprehensive judgments to prepare for future losses in accordance with forecasts for specific portfolios with a high likelihood of occurrence and that cannot be reflected in past performance or in the borrower categories of specific companies based on recent operating environment and risk trends.

■ SMBC's Credit Monitoring System





(c) Non-Performing Loans Disclosure

Non-Performing Loans are loans and other claims of which recovery of either principal or interest appears doubtful. In disclosing Non-Performing Loans, the disclosure category is determined by the borrower categories assigned during self-assessment, and are disclosed as Non-Performing Loans based on the Banking Act and the Reconstruction Act.

4. Risk Management of Marketable Credit Transactions

Financial products, such as investments in funds, securitized products, and credit derivatives, that bear indirect risk arising from underlying assets such as bonds and loan obligations are considered to be exposed to both credit risk from the underlying assets as well as “market risk” and “liquidity risk” that arise from their trading as financial products. This is referred to as marketable credit risk.

For these types of products, we manage credit risk by analyzing and assessing the characteristics of the underlying assets, but, for the sake of complete risk management, we also apply the methods for management of market and liquidity risks.

In addition, we have established guidelines based on the characteristics of these types of risks and appropriately manage the risk of losses.

Market and Liquidity Risks

1. Basic Approach to Market and Liquidity Risk Management

(1) Definitions of Market and Liquidity Risks

Market risk is the possibility that fluctuations in interest rates, foreign exchange rates, stock prices, or other market prices will change the market value of financial products, leading to a loss.

Liquidity risk is defined as the uncertainty around the ability of the firm to meet debt obligations without incurring unacceptably large losses. Examples of such risk include the possible inability to meet current and future cash flow/collateral needs, both expected and unexpected. In such cases, the firm may be required to raise funds at less than favorable rates or be unable to raise sufficient funds for settlement.

(2) Fundamental Principles for Market and Liquidity Risk Management

SMBC Group is working to further enhance the effectiveness of its quantitative management of market and liquidity risks across the entire Group by setting allowable risk limits; ensuring the transparency of the risk management process; and clearly separating front-office, middle-office, and back-office operations to establish a highly efficient system of mutual checks and balances.

2. Market and Liquidity Risk Management System

In accordance with the group-wide basic policies for risk management decided upon by the Management Committee, SMBC Group determines important matters relating to the management of market and liquidity risks, such as basic policies and risk limits, in order to manage these risks. The ALM Committee meets four times a year, in principle, to report on the state of market and liquidity risk management and to discuss ALM operation policies. The Corporate Risk Management Department and the Risk Management Information Department which are independent of the business units that directly handle market transactions, manage market and liquidity risks in an integrated manner. These departments not only monitor the current risk situation but also regularly report to the Management Committee and the Board of Directors. Furthermore, the ALM Committee at SMBC, the core bank of SMBC Group, meets on a monthly basis to examine reports on the state of observance of limits on market and liquidity risks and to discuss ALM operation policies.

3. Market and Liquidity Risk Management Methods

(1) Market Risk Management

SMBC Group manages market risk by controlling amounts of value at risk (VaR), losses, and risk capital based on consideration for the Group's shareholders' equity and other principal indicators of the Group's financial position and management resources and for business policies pertaining to market transactions.

Market risk can be divided into various factors: foreign exchange rates, interest rates, equity prices, and option risks. SMBC Group manages each of these risk categories by employing VaR as well as supplemental indicators suitable for managing the risk of each risk factor, such as the BPV.

Trading activities are market operations that gain profits by taking advantage of fluctuations of market prices in the short term or price differences among markets. We assess and manage the market risk of trading activities on a daily basis by utilizing VaR and other tools. Banking activities are market operations which gain profits by controlling interest rates and term period for assets (loans, bonds, etc.) and liabilities (deposits, etc.). In the same way as in the case of trading activities, we assess and manage the market risk of banking activities on a daily basis, utilizing VaR and other tools.

The risk of interest rate fluctuation differs substantially by how to recognize the dates for the maturity of demand deposits (current accounts and ordinary deposit accounts that can be withdrawn at any time) and how to estimate the time of cancellation prior to maturity of time deposits and consumer loans. At SMBC, the maturity of demand deposits that are expected to be left with the bank for a prolonged period is regarded to be up to 5 years (2.5 years on average). The cancellation prior to the maturity of time deposits and consumer loans is estimated based on historical data.

(a) Market Risks

a. Trading activities

Trading activities are market operations that gain profits by taking advantage of fluctuations of market prices in the short term or price differences among markets. At SMBC Group, we assess and manage the market risk of trading activities on a daily basis by utilizing VaR and other tools.

The following table shows the VaR results of the Group's trading activities during fiscal 2022.

b. Banking activities

Banking activities are market operations which gain profits by controlling interest rates and term period for assets (loans, bonds, etc.) and liabilities (deposits, etc.). At SMBC Group, in the same way as in the case of trading activities, we assess and manage the market risk of banking activities on a daily basis, utilizing VaR and other tools.

The following table shows the VaR results of the Group's banking activities during fiscal 2022.

■ VaR for Trading Activities

	Fiscal 2022					March 31, 2022
	March 31, 2023	September 30, 2022	Maximum	Minimum	Average	
Sumitomo Mitsui Financial Group (consolidated)	27.7	28.8	31.8	25.2	28.4	25.9
Interest rates	37.6	63.6	84.4	21.7	63.5	59.0
Foreign exchange	23.9	56.5	75.1	13.2	50.8	42.7
Equities, commodities, etc.	11.2	13.2	17.1	9.1	13.1	12.4
SMBC (consolidated)	11.6	12.9	15.3	10.5	12.6	10.2
SMBC (non-consolidated)	5.4	5.6	7.6	3.0	5.3	2.9

Note: VaR for a one-day holding period with a one-sided confidence interval of 99.0% (computed daily using the historical simulation method (based on four years of historical observations)).

■ VaR for Banking Activities

	Fiscal 2022					March 31, 2022
	March 31, 2023	September 30, 2022	Maximum	Minimum	Average	
Sumitomo Mitsui Financial Group (consolidated)	69.4	56.1	74.0	44.7	58.0	62.6
Interest rates	64.7	53.2	68.0	41.2	54.5	59.4
Equities, etc.	11.3	5.5	19.0	3.3	8.8	17.1
SMBC (consolidated)	68.0	55.3	73.4	43.6	57.1	61.9
SMBC (non-consolidated)	55.2	43.6	63.7	33.3	46.4	53.1

Notes: 1. VaR for a one-day holding period with a one-sided confidence interval of 99.0% (computed daily using the historical simulation method (based on four years of historical observations)).  
2. The above category of "Equities, etc." does not include equity holdings.

(b) Market Risk Volume Calculation Model

SMBC Group uses internal models to measure VaR and stressed VaR. For information on the consolidated subsidiaries that employ these internal models, please refer to the section on market risk.

a. Presuppositions and limits of model

In the Group’s internal VaR and stressed VaR models, various market fluctuation scenarios are drawn up on the basis of past data, and the historical simulation method is used to run profit-and-loss movement simulations that enable us to forecast probable maximum losses. The appropriateness of the internal model is later verified through back-testing.

However, as this method cannot take into account major market fluctuations that have not actually occurred historically, we supplement this method with the use of stress testing.

This internal model employed by SMBC Group undergoes regular auditing by an independent auditing firm to ensure that it operates appropriately.

b. Validity verification process

i Outline of validity verification

SMBC Group uses back-testing as a method for verification of the validity of the internal model. VaR figures calculated by the internal model are compared with actual portfolio profit-and-loss figures on a given day to confirm the appropriateness of VaR calculation and the adequacy of risk capital management.

ii Back-testing results

Information on back-testing of trading in fiscal 2022 can be found on page 252.

c. Substitute indicators

SMBC Group employs, as substitute indicators, VaR wherein pre-suppositions for the model (observation periods, etc.) change.

d. Changes in model from fiscal 2021

There have been no changes in the model from fiscal 2021.

(c) Stress Testing

The market occasionally undergoes extreme fluctuations that exceed projections. To manage market risk, therefore, it is important to run simulations of unforeseen situations that may occur in financial markets (stress testing). SMBC Group conducts stress tests regularly, assuming various scenarios, and has measures in place for irregular events.

(d) Management of Equity Holdings

SMBC Group establishes risk allowance limits for total risk capital to control stock price fluctuation risk appropriately. Risk capital associated with equity holdings is monitored as a component of total risk capital. More specifically, VaR (1 year holding period) computed from profit-and-loss simulations based on historical market fluctuation data and aggregated fluctuation in market price from the beginning of the fiscal year are subject to risk capital management and monitored on a daily basis.

SMBC Group continuously makes efforts to reduce price fluctuation risks from the point of view of maintaining a foundation that

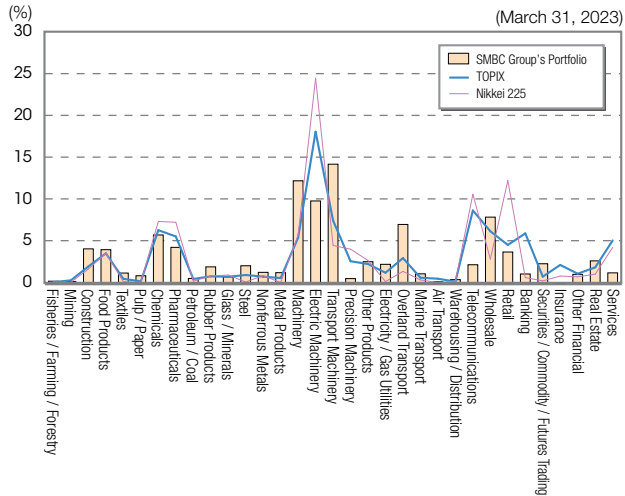
can sufficiently demonstrate its financial intermediary function even in a stressful environment in which the prices of stocks drastically fall.

Based on the five-year, 300 billion yen(\*) reduction plan (FY2020–FY2024), we have reduced 180 billion yen in the three-year period up to FY2022. However, based on the recent environment surrounding equity holdings, we made a revision to accelerate the reduction plan in May 2023.

Specifically, in line with the three-year Medium-Term Management Plan starting in FY2023, we extended the plan one year and added 80 billion yen to reduction amount for a reduction of 380 billion yen in six years, and set a plan to reduce 200 billion yen in the next three years. Also, this plan is set as the minimum, and we are aiming to exceed it as much as possible. In addition, we will aim to earn a good prospect of achieving the reduction of the proportion of market value of equity holdings to less than 20% of our consolidated net assets during the period of the next Medium-Term Management Plan. Under the new plan, we will work to further reduce equity holdings going forward.

(\*) The book value of Japanese listed stocks held by SMBC Group.

■ Composition, by Industry, of Listed Equity Portfolio



(2) Liquidity Risk Management

At SMBC Group, liquidity risk is regarded as one of the major risks. The Group’s liquidity risk management is based on a framework consisting of setting Risk Appetite Measures and establishing contingency plans.

The Risk Appetite Measures are measures for selecting the types and levels of risk that we are willing to take on or tolerate. As the level of liquidity risk is evaluated based on cash flow and balance sheet conditions, Risk Appetite Measures have been set for both of these areas. These measures include Liquidity Coverage Ratio and Net Stable Funding Ratio, a liquidity regulation; periods set for which it will be possible to maintain funding levels even under stress due to deposit outflow or other factors; and the ratio that stable funding covers loans.

The tolerated levels of risk are set based on account funding status, cash management planning, economic environments, and other factors, and measures are monitored on a daily or monthly basis in order to limit reliance on short-term funding and appropriately manage liquidity.

As a framework to complement the Risk Appetite Measures, upper limits are set in place on both a Group company basis and an individual branch basis with regard to funding gaps, which is defined as a maturity mismatch between the source of funds and use of funds.

Furthermore, contingency plans are established in preparation for emergency situations. These plans contain information on chains of command and lines of reporting as well as detailed action plans depending on the existing situation (i.e., normal, concerned, or critical). Meanwhile, SMBC carries out quantitative management of alert indications based on early warning indicators established to assist the bank in promptly and systematically detecting liquidity risks.

Operational Risk

1. Basic Approach to Operational Risk Management

(1) Definition of Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events. Specifically, the risk—which, in addition to processing risk and system risk, covers legal risk, human resources risk, tangible asset risk, and third party risk—consists of the following seven event types that may lead to the risk of loss defined in the Basel Capital Accord: (1) internal fraud, (2) external fraud, (3) employment practices and workplace safety, (4) clients, products, and business practices, (5) damage to physical assets, (6) business disruption and system failures, and (7) execution, delivery, and process management.

(2) Fundamental Principles for Operational Risk Management

We have set forth the policies on Operational Risk Management to define the basic rules to be observed in the conduct of operational

risk management across the entire Group. Under these policies, we have been working to enhance the operational risk management framework across the whole Group by establishing an effective system for identifying, assessing, controlling, and monitoring material operational risks as well as a system for addressing risks that have materialized and implementing emergency response measures. Based on the framework of the Basel Capital Accord, we have been continuously pursuing sophisticated quantification of operational risks and advanced group-wide management.

2. Operational Risk Management System

Based on the group-wide basic policies for risk management established by Sumitomo Mitsui Financial Group, Group companies have developed an operational risk management system.

At Sumitomo Mitsui Financial Group, the Management Committee makes decisions on basic policies for operational risk management, and these decisions are authorized by the Board of Directors. In addition, the Corporate Risk Management Department and the Risk Management Information Department oversee the overall management of operational risks and work together with departments responsible for the subcategories such as processing risks and system risks for comprehensively managing operational risks.

As a brief overview, this system operates by collecting and analyzing internal loss data and Key Risk Indicators (KRI) from Group companies. In addition, the system entails comprehensively specifying scenarios involving operational risks based on the operational procedures of companies that have adopted the Advanced Measurement Approach (AMA) on a regular basis and estimating the loss amount and frequency of the occurrence of such losses based on each scenario. Risk severities are quantified for each scenario. For those scenarios having high severities, risk mitigation plans will be developed and the implementation status of such risk mitigation plans will be monitored by the Corporate Risk Management Department and the Risk Management Information Department. Furthermore,

Risk Category	Definition	Department in Charge
Operational risk	The risk of loss arising from inadequate or failed internal processes, people, and systems or from external events.	Corporate Risk Management Department, Risk Management Information Department
Processing risk	The risk of losses arising from the failure of directors and employees to perform administrative duties in accordance with administrative rules and procedures, or from accidents or misconduct.	Operations Planning Department
System risk	The risk arising from nonconformity to the business strategies, inappropriate technologies applied, changes to the development plan and delay in development when building an information system, and the risk of loss incurred due to the breakdown including those caused by cyber attack, malfunction, deficiency, or unauthorized use (unauthorized alteration, destruction, duplication, and leakage of information).	System Planning Department
Legal risk	The risk of compensation of damages arising from insufficient legal consideration or breach of contract, or a surcharge, a forfeit or an administrative fine for infringing the laws and regulations.	Compliance Department
Human resources risk	The risk of loss arising from inappropriate labor practices, poor working environments, discriminatory conduct, an outflow or loss of human resources, or deterioration in employee morale.	Human Resources Department
Tangible asset risk	The risk of loss arising from damage to tangible assets or deterioration in the operational environment caused by disasters or inadequate asset maintenance.	Administrative Services Department
Third party risk	The risk of loss arising from damage due to negative incidents caused by third parties who have business relationship with SMBC Group.	Corporate Risk Management Department



operational risks are quantified and quantitatively managed by utilizing the collected internal loss data and scenarios. Risk severities are quantified for each scenario.

Regular reports are issued to the Group CRO on internal loss data, KRI, scenario risk severity information, and the status of risk mitigation to ensure the effectiveness of risk management measures. Moreover, our independent Internal Audit Department conducts periodic internal audits to verify that the Group's operational risk management system is functioning properly.

3. Operational Risk Management Methodology

As previously defined, operational risks cover a wide range of cases, including the risks of losses due to errors in operation, system failures, and natural disasters. Also, operational risk events can occur virtually anywhere and everywhere. Thus, it is essential to check whether material operational risks have been overlooked, monitor the overall status of risks, and manage and control them. To this end, it is necessary to be able to quantify risks using a measurement methodology that can be applied to all types of operational risks and to comprehensively and comparatively capture the status of and changes in potential operational risks in business processes. Also, from the viewpoint of internal control, the measurement methodology used to create risk mitigation measures must be such that the implementation of the measures quantitatively reduces operational risks.

At the end of March 2008, SMBC Group adopted the AMA set forth by the Basel Capital Accord for calculating the operational risk equivalent amount. The approach has been utilized for the management of operational risks since then.

Specifically, a model to which internal loss data and scenario analysis results are input has been introduced to calculate the

operational risk equivalent amount and risk asset amounts. In addition, steps are taken to ensure the objectivity, accuracy, and comprehensiveness of scenario evaluations by utilizing external loss data and Business Environment and Internal Control Factors in verification processes.

The quantification model produces the distribution of loss frequency and loss severity based on the internal loss data and scenario analysis results, and it also produces the loss distribution based on said distribution of loss frequency (distribution of losses in a year) and the distribution of loss severity (distribution of loss amount per case) by making various combinations of frequencies and amounts of losses according to the Monte Carlo simulation method. In addition, the model calculates the maximum amount of loss expected due to operational risks based on the assumption of one-sided confidence interval of 99.9% and the holding period of one year. Regarding losses on repayment of excess interest of certain subsidiaries engaged in consumer finance operations, expected losses are deducted from the maximum amount of operational risk loss when calculating the operational risk equivalent amount.

Operational risk equivalent amount in respect of the tangible asset damages arising from earthquakes is measured using the probability data of earthquake occurrence in each part of Japan and the distribution of loss amount from those earthquake occurrences.

The measurement units are Sumitomo Mitsui Financial Group consolidated basis, SMBC consolidated basis, and SMBC non-consolidated basis. The operational risk equivalent amount based on the AMA is calculated as the simple aggregate of the amount of the seven event types set forth by the Basel Capital Accord and of tangible asset damages arising from earthquakes. However, in the case of Sumitomo Mitsui Financial Group consolidated basis, the risk of losses on repayment of excess interest is added on. The

measurement accuracy is ensured through a framework of regularly conducted verifications of the quantification models pre- and post-measurement.

Meanwhile, the operational risk equivalent amounts of other Group companies that do not apply the AMA are calculated according to the Basic Indicator Approach (BIA), and the operational risk equivalent amounts for Sumitomo Mitsui Financial Group consolidated basis and SMBC consolidated basis are calculated by consolidating such amounts calculated based on the BIA with the operational risk equivalent amount calculated based on the AMA.

4. Processing Risk Management

Processing risk is the risk of losses arising from the failure of directors and employees to perform administrative duties in accordance with administrative rules and procedures, or from accidents or misconduct.

SMBC Group has clarified the divisions responsible for the oversight functions for processing risk management, and we are working to raise the level of sophistication of our management of processing risk across the whole Group on a risk basis by establishing systems for managing the processing risks faced by Group companies, ensuring in-office inspection, minimizing losses in the event of processing risk materialization by drafting exhaustive contingency plans, and carrying out thorough quantification of the risk under management as basic principles.

Basic policies for processing risk management are decided by the Management Committee and then approved by the Board of Directors. The status of processing risk management is reported to the Management Committee and the Board of Directors regularly and when necessary. These and other steps are taken to ensure that we can provide customers with high-quality services.

Based on the group-wide basic policies for risk management, Group companies promote appropriate operating practices by establishing operating rules and regulations, systematizing transaction processing, receiving guidance from business divisions, and inspecting conditions related to transaction processing.

5. System Risk Management

System risk is the risk arising from nonconformity to business strategies, inappropriate technologies applied, changes to the development plan and delays in development when building an information system, and the risk of loss incurred due to system breakdown including those caused by cyber attack, malfunction, deficiency or unauthorized use (unauthorized alteration, destruction, duplication and leakage of information).

SMBC Group has set the following as basic principles: recognizing information systems as an essential part of management strategy taking into account advances in IT, minimizing system risk by updating policies and procedures, including a security policy and establishing contingency plans to minimize losses if a system risk

materializes. A risk management system has thus been put in place to ensure adequate risk management.

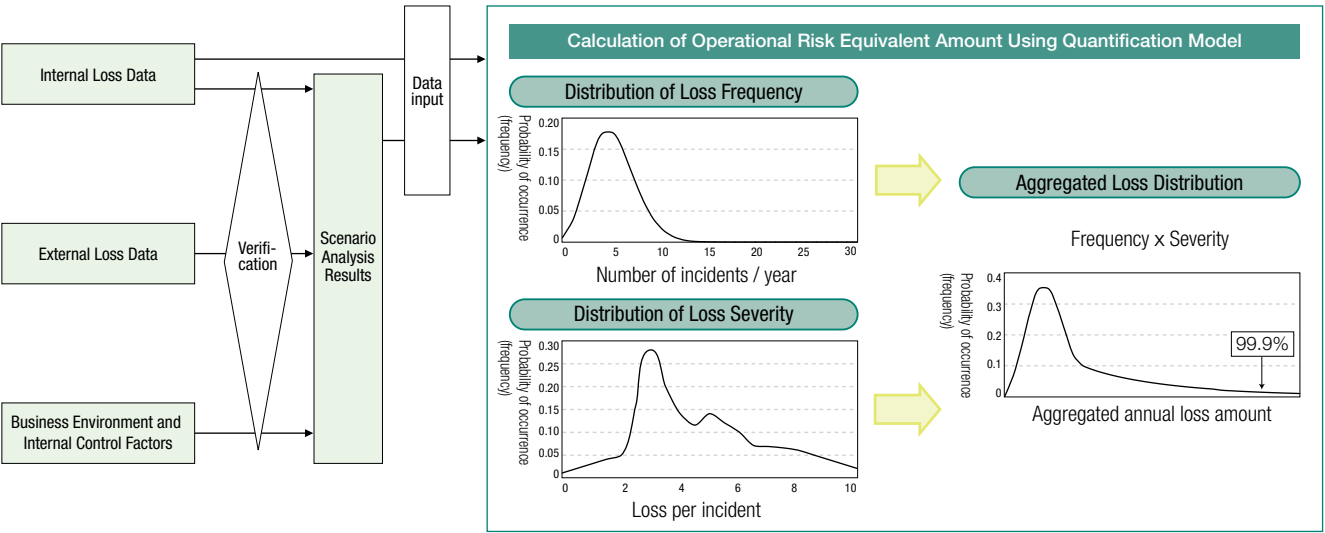
Furthermore, as SMBC Group's scope expands beyond the bounds of finance, we are taking steps to identify risks from new perspectives and to implement management systems that match the extent of risks in a given area of business. SMBC Group is strengthening its risk management, beginning with high risk areas, to assist in strengthening the risk management structure at companies requiring sophisticated risk management, as well as business partners and other areas of the supply chain.

In addition, we actively and openly incorporate various technological progress to improve convenience for customers. We also strengthen our risk management structure on an ongoing basis in response to environmental changes, to deal with projected risks arising from promoting digitalization in a wide range of fields, such as the creation of new businesses and boosting productivity and efficiency. As SMBC Group adopts artificial intelligence, cloud, robotic process automation, application programming interface, and other technologies, manuals have been prepared with regards to items requiring compliance at the time of implementation and items for periodic monitoring as part of efforts to reinforce group-wide IT governance.

The risk of cyber threats is growing increasingly serious due to greater surface area for attack caused by the accelerating digitization of financial services and growing geopolitical tensions. To prepare against these growing threats, we have established an intelligence function and security monitoring system in addition to technical measures for cyber security, and we are also focusing on the training of professional personnel who will be responsible for these measures. In addition, the Company regularly participates in drills and exercises, and carries out third party evaluations of its response posture to increase their effectiveness.

SMBC operates its risk management system by conducting risk assessments based on the Security Guidelines published by the Center for Financial Industry Information Systems (FISC) and by enhancing safety measures based on the results of these assessments. System failures at banks have the potential to heavily impact society. In addition, system risks are diversifying and growing more complex due to advances in IT and the expansion of business fields. Recognizing these facts, we have numerous measures in place for system failure prevention, including maintenance to ensure stable and uninterrupted operation, multiplexing of various systems and infrastructure, and a disaster-prevention system consisting of data centers in eastern and western Japan. In addition, we are preparing for unforeseeable circumstances through the creation of contingency plans and the implementation of system failure drills. To maintain the confidentiality of customer data and prevent leaks of information, sensitive information is encrypted, unauthorized external access is blocked, and all other possible measures are taken to secure data.

Basic Framework of Operational Risk Measurement



Conduct Risk

1. Basic Approach to Conduct Risk Management  
(1) Definition of Conduct Risk

Conduct risk is the risk that our conduct negatively affects customers, market integrity, effective competition, public interests, and the SMBC Group’s stakeholders, through acts that violate laws and regulations or social norms.

(2) Fundamental Principles of Conduct Risk Management  
SMBC Group’s fundamental stance is that its business is not to negatively affect customers, market integrity, effective competition, public interests, and stakeholders. Efforts are being made to improve group-wide conduct risk management. Focuses of these efforts include preemptively identifying phenomena with the potential to cause significant deterioration in the trust of the Group and preventing the materialization of serious management risks by being keenly responsive to environmental changes.

2. Conduct Risk Management System

Based on the group-wide basic policies for risk management, SMBC Group has developed a conduct risk management system. The Management Committee makes decisions on basic policies for conduct risk management, and these decisions are authorized by the Board of Directors. In addition, the Corporate Risk Management Department and the Compliance Department oversee the overall management of conduct risks and promote basic conduct risk management policies, frameworks, and measures. In addition, these bodies report on circumstances pertaining to conduct risk management to the Audit Committee and Risk Committee and discuss these circumstances to ensure the effectiveness of conduct risk management. Furthermore, the Internal Audit Unit verifies and evaluates the conduct risk management system.

3. Conduct Risk Management Methodology

SMBC Group mitigates and controls conduct risk by having business units identify and assess the major risks present in their business and establish measures for controlling these risks using the risk register framework. Meanwhile, risk management departments verify the appropriateness of the risks identified and assessed by business units and their control measures based on the KRE and KRI. Through this process of verification, these departments maintain close communication with business units with regard to matters such as the need to add risks or revisit assessments while checking and monitoring activities in order to improve the effectiveness of conduct risk management efforts.

Model Risk

1. Basic Approach to Model Risk Management  
(1) Definition of Model Risk

Model risk is the risk of potential adverse consequences or financial loss resulting from misinformed decision making based on inaccurate model outputs or using the model inappropriately.

(2) Fundamental Principles of Model Risk Management  
SMBC Group is working to improve model risk management across the Group by adhering to basic principles such as performing management based on a risk-based approach, evaluating model risk and carrying out quantitative management.

2. Model Risk Management System

SMBC Group has established a system for managing model risk based on the group-wide basic policies for risk management. The Management Committee makes decisions on basic policies for model risk management, and these decisions are authorized by the Board of Directors.

In addition, the Corporate Risk Management Department centrally oversees model risk management and is responsible for drafting model risk management plans, as well as their operation, promotion and support. The Internal Audit Department carries out regular audits of the efficacy of the model risk management system.

3. Model Risk Management Methodology

SMBC Group strives to reduce model risk by implementing appropriate controls for each process pertaining to model development and use in preparation for the emergence of model risk resulting from a financial and economic environment beyond that anticipated when developing the model, as well as the inappropriate use of models by employees. For example, we carry out validations during the development of models or when we start to use them, and periodic validation as part of model lifecycle to prevent their obsolescence or deterioration of their accuracy. In addition, we also strive to strengthen risk management according to model importance by assessing the risks present in each model.

Reputational Risk

1. Basic Approach to Reputational Risk Management

(1) Definition of Reputational Risk  
Reputational risk refers to the risk of not meeting the expectations for high ethics, integrity, etc. by the stakeholders (that is, customers, shareholders, market, society, environment, employees, etc.) due to the business of the SMBC Group and the behavior of employees and other related parties, leading to impairment of the Enterprise Value and decline in trust.

(2) Fundamental Principles of Reputational Risk Management

SMBC Group has set forth the rules on Reputational Risk Management to define the basic rules to be observed in the conduct of its reputational risk management. Under these rules, SMBC Group has been working to enhance the reputational risk management framework across the whole Group by clarifying a management structure as well as management system, methodologies, and rules.

2. Reputational Risk Management System

Based on the group-wide basic policies for risk management, SMBC Group has developed a reputational risk management system.

In addition, General Affairs Department and Public Relations Department control reputational risk management in a centralized manner and formulate and operate the plan for reputational risk management, promote and provide support for related matters as well as summarize and analyze information related to reputational risk.

The matter leading to the reputational risk is discussed in the reputational risk management committee to consider various measures to minimize the risk, as necessary.

3. Reputational Risk Management Methodology  
SMBC Group minimizes losses by adequately gathering information about the situations where reputational risk could materialize as well as taking proper measures against such situations.

General Affairs Department and Public Relations Department strive to control and reduce the risk by gathering information about the situations where reputational risk could materialize and taking proper measures against the reputational risk matters identified.



Glossary

**ALM**  
Abbreviation for Asset Liability Management  
Method for comprehensive management of assets and liabilities, with appropriate controls on market risk (interest rates, exchange rates, etc.) and liquidity risk.

**Advanced Measurement Approach (AMA)**  
Based on the operational risk measurement methods used in the internal management of financial institutions, this is a method for obtaining the operational risk equivalent amount by calculating the maximum amount of operational risk loss expected over a period of one year, with a one-sided confidence interval of 99.9%.

**Back-testing**  
A formal statistical framework that consists of verifying that actual losses are in line with projected losses. This involves systematically comparing the history of VaR forecasts with their associated portfolio returns.

**Basic Indicator Approach (BIA)**  
A calculation approach in which an average value for the most recent three years derived by multiplying gross profit for the financial institution as a whole by certain level (15%) is deemed to be the operational risk equivalent amount.

**BPV**  
Abbreviation for Basis Point Value  
Potential change in present value of financial product corresponding to 0.01-percentage-point increase in interest rates.

**Credit cost**  
Average losses expected to occur during the coming year.

**Historical simulation method**  
Method of simulating future fluctuations without the use of random numbers, by using historical data for risk factors.

**LGD**  
Abbreviation for Loss Given Default  
Percentage of loss assumed in the event of default by obligor; ratio of uncollectible amount of the exposure owned in the event of default.

**Monte Carlo simulation method**  
General term used for a simulation method which uses random numbers.

**Operational risk equivalent amount**  
Operational risk capital requirements under the Basel Capital Accord.

**PD**  
Abbreviation for Probability of Default  
Probability of becoming default by obligor during one year.

**Present value**  
A future amount of money that has been discounted to reflect its current value taking into account the interest rate and the extent of credit risk.

**Risk appetite**  
The types and levels of risk that we are willing to take on or tolerate to drive earnings growth.

**Risk capital**  
The amount of capital required to cover the theoretical maximum potential loss arising from risks of business operations. It differs from the minimum regulatory capital requirements, and it is being used in the risk management framework voluntarily developed by financial institutions for the purpose of internal management.

**Risk factor**  
In the case of market risk, this would be factors such as the share price or interest rate; in the case of credit risk, this would be factors such as the economic environment.

**Risk-weighted assets**  
The denominator used in the calculation of the capital ratio designed to maintain prudential standards for banks.

**VaR**  
Abbreviation for Value at Risk  
The maximum loss that can be expected to occur with a certain degree of probability when holding a financial asset portfolio for a given amount of time.

Internal Reporting Systems and Hotline for Inappropriate Accounting and Auditing Activities

SMBC Group Alarm Line is intended to promote self-correction through early detection and rectification of actions that may violate laws and regulations. All Group employees can use this internal means of reporting from inside and outside their company. In addition, SMBC and other Group companies have established internal reporting systems for their employees.

Sumitomo Mitsui Financial Group Accounting and Auditing Hotline is aimed at strengthening the Group's self-correction function by encouraging early detection and rectification of improper actions relating to accounting, accounting internal controls, and auditing at the Company and its consolidated subsidiaries. The hotline can be used from inside or outside the Group to report accounting and auditing irregularities.

SMFG Accounting and Auditing Hotline/Designated Dispute Resolution Agencies

SMFG Accounting and Auditing Hotline
Reports may be submitted by regular mail or e-mail to the following addresses.
Mailing address: SMFG Accounting and Auditing Hotline Iwata Godo Attorneys and Counselors at Law 15th floor, Marunouchi Building 2-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-6315
E-mail address: smfghotline@iwatagodo.com
• The hotline accepts any alerts of inappropriate activities concerning accounting and auditing at the Company or its consolidated subsidiaries.
• Anonymous reports will also be accepted. Since an investigation cannot be conducted without adequate information, please provide as much detail as possible of the circumstance.
• Personal information will not be disclosed to any third parties without your consent, unless such disclosure is required by law.

Designated Dispute Resolution Agencies
For the handling of any complaints received from and conflicts with our clients, SMBC has executed agreements with the Japanese Bankers Association, a designated dispute resolution agency under the Banking Act, and the Trust Companies Association of Japan, a Designated Dispute Resolution Organization under the Trust Business Act and Act on Provision, etc. of Trust Business by Financial Institutions and the specified non-profit organization of Financial Instruments Mediation Assistance Center, one of the Designated Dispute Resolution Agencies under the Financial Instruments and Exchange Act.
Japanese Bankers Association: Contact information: Consultation office, Japanese Bankers Association Telephone numbers: (Japan) 0570-017109 or 03-5252-3772 Business hours: Mondays through Fridays (except public and bank holidays) 9:00 am to 5:00 pm
Trust Companies Association of Japan: Contact information: Consultation office, Trust Companies Association of Japan Telephone numbers: (Japan) 0120-817335 or 03-6206-3988 Business hours: Mondays through Fridays (except public and bank holidays) 9:00 am to 5:15 pm
Financial Instruments Mediation Assistance Center Contact information: Financial Instruments Mediation Assistance Center Telephone number: (Japan) 0120-64-5005 Fax: (Japan) 03-3669-9833 Business hours: Mondays through Fridays (except public and bank holidays) 9:00 am to 5:00 pm



# Basic Policy for Customer-Oriented Business Conduct

SMBC Group<sup>\*1</sup> has formulated the Basic Policy for Customer-Oriented Business Conduct for its domestic asset management and asset formulation businesses, based on which they are promoting customer-oriented business conduct.

This policy informs our basic stance of emphasizing the dispersing of investments over the medium to long term through which we seek to support customers in stable asset formulation. Also based on this policy, Sumitomo Mitsui Financial Group and its Group companies aim to contribute to the development of capital markets that provide companies with the funds they need to grow and to economic growth through their asset management and asset formulation businesses.

## 1. SMBC Group's Customer-Oriented Business Conduct

As one part of “Our Mission,” it is stated that “We grow and prosper together with our customers, by providing services of greater value to them.” Based on the spirit of this mission, we have defined our Five Values, a list of five key words that includes “Customer First” (always think based on a customer-oriented perspective and provide value based on the individual needs of customers), shared by all the executives and employees of SMBC Group. SMBC Group continues to push forward with various initiatives to actualize these values.

Sumitomo Mitsui Financial Group is fully aware of the severity of the government penalties imposed on SMBC in April 2006 in

relation to its sales practices for interest rate swaps. We are thus committed to preventing the recurrence of such malpractice. Accordingly, we have adopted a customer-oriented perspective in pursuing sustainability throughout our management, internal control, and compliance systems. Through these and other efforts, we have endeavored to regain trust from customers and from society as a whole.

Furthermore, the Customer Experience (CX) Improvement Subcommittee has been set up to incorporate customer input into management. The opinions of external experts<sup>\*2</sup> are utilized in meetings of this committee as discussions on and verification of initiatives at Group companies are carried out to promote the exercise of a customer-oriented perspective on a group-wide basis. In addition, the CX Improvement Committee, which comprises officers sitting on the Group Management Committee, holds regular discussions on customer-oriented business conduct.

We are convinced that the ongoing quest to provide quality products and services based on customer needs and desires will contribute to economic growth and subsequently growth for SMBC Group. Everyone at SMBC Group will carry out their duties in an earnest and just manner while exercising a high degree of specialized knowledge and good business ethics. SMBC Group will never let up in its efforts to ensure that it always thinks and acts based on a customer-oriented perspective in the truest sense as it strives to generate the greatest profits for its customers.

## 2. Initiatives for Promoting Customer-Oriented Business Conduct

Sumitomo Mitsui Financial Group will implement the following initiatives to entrench the principles of customer-oriented business conduct into its activities.

### (1) Provision of Products and Services Suited to the Customer

When drawing up and underwriting financial products, we will act with an accurate understanding of customer needs, determining the ideal target customer group based on the risks and complexity of the products, in order to properly develop and select products.

We will also help customers to find the ideal products and services. Our first step in this process will be to learn about our customers, inquiring into their needs and goals. We will next look at their level of knowledge, investment experience, and asset portfolios so that we can propose the best possible products and services for them.

If we think that a product may not be ideally suited to a customer's needs based on its characteristics or risks, we will discuss this matter with the customer as necessary and refrain from proposing such products when doing so is inappropriate.

### (2) Easy-to-Understand Explanation of Important Information

The amount of information provided to customers on the characteristics, risks, and fees of the products we handle as well as on the economic climate and market trends will be enhanced to help customers make informed decisions. Furthermore, we will strive to explain this information in an easy-to-understand manner.

### (3) Clarification of Fees

Sumitomo Mitsui Financial Group receives fees from customers for the products and services it provides out of consideration for the need to develop and improve the quality of products and services and to supply various types of information as well as for processing- and infrastructure-related expenses. We will seek to provide thorough explanations of these fees that are as easy to understand as possible.

### (4) Management of Conflicts of Interest

Performing duties in an earnest and just manner based on a customer-oriented perspective entails managing any potential conflicts of interest to ensure that our operations are truly customer oriented.

Based on the Management Policy Concerning Conflicts of Interest in Sumitomo Mitsui Financial Group, we have defined the types of conflicts of interest requiring management as well as the types of transactions that tend to present conflicts of interest and procedures for identifying these transactions, methods and systems for managing conflicts of interest, and the scope of Group companies at which conflicts of interest should be managed. In this manner, we take steps to ensure that conflicts of interest are properly managed and therefore do not impede the interests of customers.

### (5) Frameworks for Properly Motivating Employees

Always thinking and acting based on a customer-oriented perspective in the truest sense requires our employees to be properly motivated so that they can remain dedicated and effective in their work. Sumitomo Mitsui Financial Group thus develops its performance evaluation systems from a long-term perspective with the aim of encouraging customer-oriented sales activities. At the same time, we are expanding our range of training programs for promoting earnest and just work practices and higher levels of business ethics.

SMBC Group aims to facilitate the shift from savings to asset holding seen in Japan through such initiatives.

Furthermore, we will periodically disclose information on initiatives by SMBC Group based on this policy with the aim of facilitating understanding regarding these initiatives among customers. In addition, the status of initiatives and their results will be verified so that initiatives can be revised as necessary to improve upon operating practices. Information regarding these verifications and revisions will be disclosed.

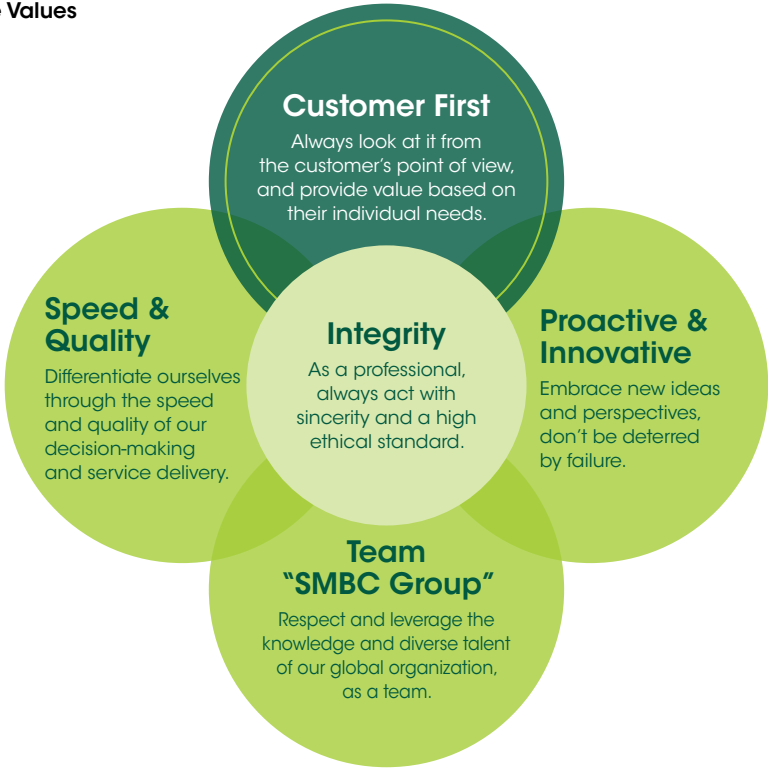
<sup>\*1</sup> Sumitomo Mitsui Financial Group and its subsidiaries and affiliates are referred to collectively as “SMBC Group.” The following SMBC Group companies are subject to this policy:  
SMBC; SMBC Trust Bank Ltd.; SMBC Nikko Securities Inc.; Sumitomo Mitsui DS Asset Management Company, Limited

<sup>\*2</sup> External experts\* are invited to meetings of the CX Improvement Subcommittee to provide advice and suggestions with the aim of incorporating a wide range of perspectives into management that includes and goes beyond input and requests from customers.

\* External experts (in alphabetical order)

Name	Position
Professor Hideki Kanda	Emeritus Professor, University of Tokyo, and Professor, Gakushuin University Law School
Kumiko Bando	President, Japan Legal Support Center
Taku Umezawa	Former Commissioner of the Consumer Affairs Agency and Executive Director of the Japanese Red Cross Society

### ■ Five Values





# Support for Mid-Sized Corporations and SMEs, Vitalization of Local Regions in Japan

## Services for Corporations

Through the Area Corporate Office, SMBC provides services to mid-sized corporations and SME clients. The Area Corporate Office has in place a system for providing specialized services utilizing the networks of SMBC Group companies to address customers’ funding needs, wide-ranging financial needs, and management issues. We are also working to support mid-sized corporations and SME clients customers’ facing challenges such as the impact of the COVID-19 pandemic over the past three years, and coping with soaring prices around the world, by providing cash flow support to help them continues their businesses.

Going forward, we will continue to fulfill our social responsibility as a financial institution by providing support based on the customer’s standpoint.

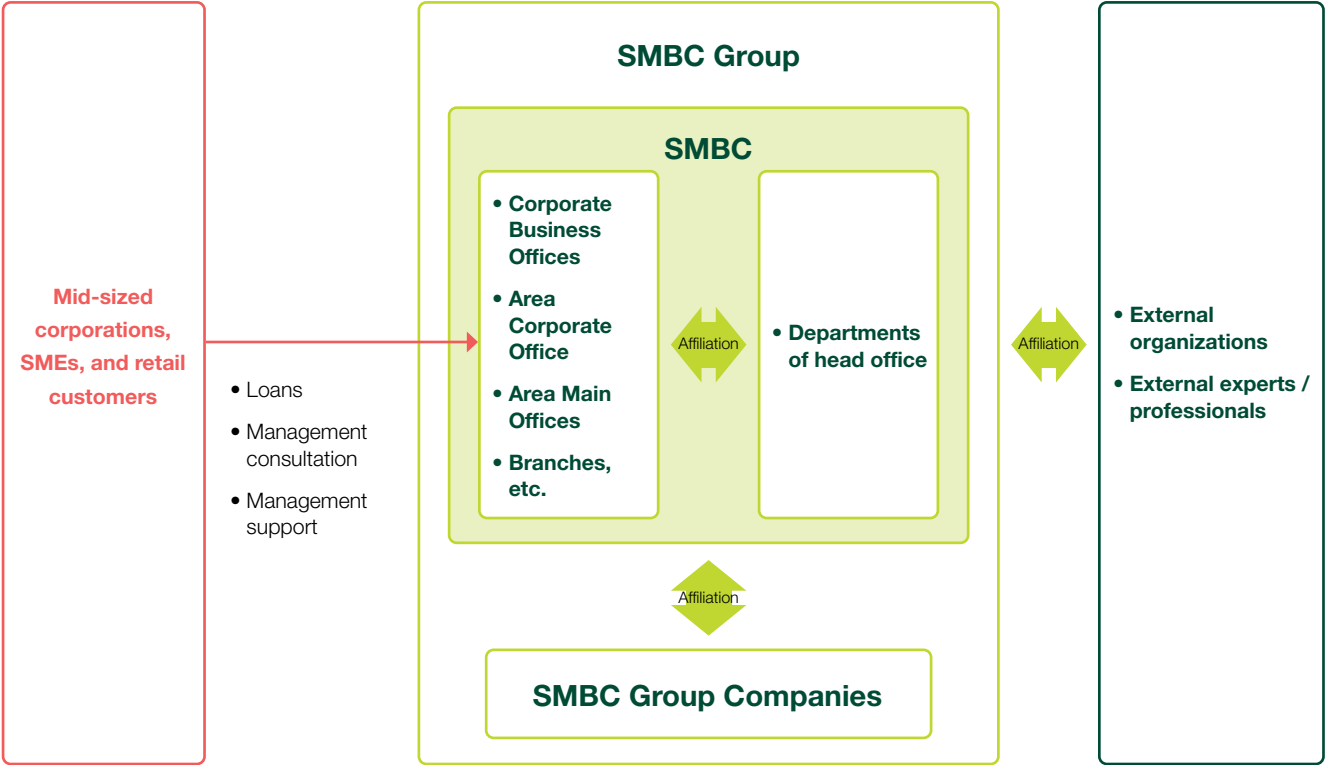
## Collaboration with Local Credit Guarantee Corporations

SMBC offers Business Select Loans, a loan service that offers unsecured and unguaranteed financing, and also provides jointly guaranteed loans and support for using prefectural financing systems in Japan through collaboration with local credit guarantee corporations, enabling it to meet the funding needs of customers facing challenges such as the past impact of the more than three years of the COVID-19 pandemic, and coping with soaring prices around the world.

We will continue offering services to fund and support the management of the mid-sized corporations and SMEs that form the backbone of the Japanese economy.

Credit Guarantee Corporation	Name
Credit Guarantee Corporation of Tokyo	Loans proposed by financial institutions (support for computerization of promissory notes, etc.)
Credit Guarantee Corporation of Kanagawa	Kanagawa Asset 200
Credit Guarantee Corporation of Osaka	CS Next Guarantee
Credit Guarantee Corporation of Hyogo-Ken	HIYAKU

## Support System for Mid-Sized Corporations and SMEs



## Demonstrating Financial Intermediary and Consulting Functions

Along with its efforts to fulfill its financial intermediary function smoothly, SMBC seeks to provide solutions to management issues, putting itself in the position of the client to devise optimum proposals based on the nature of the issues and the client’s stage in life.

We further propose and support the implementation of optimized solutions to help our customers who have been affected by natural disasters, the COVID-19 pandemic, and global price hikes, rebuild their lives and businesses.

In addition, based on the “Guidelines for Business Revitalization, etc. of Small- and Medium-sized Enterprises” released in March 2022, we support our customers’ business revitalization by providing support and advice for the formulation of business improvement plans.

In addition, in order to establish financing practices that do not rely on personal guarantees, we are working to enhance methods of financing that substitute business guarantor functions, and are earnestly taking actions in line with the contents of the Guidelines on Management Guarantees, such as providing careful and specific explanations tailored to customers’ individual situations when signing guarantee contracts.

## Efforts to Revitalize Communities

SMBC Group works with businesses, local governments, regional banks, and others to resolve social issues facing local communities. In FY2022, Sumitomo Mitsui Banking Corporation made a donation to Kobe City, Hyogo Prefecture through the Corporate version of Hometown tax as part of an initiative to achieve a sustainable and decarbonized local society and to revitalize the local economy. The Company has also agreed a “Comprehensive Partnership Agreement for the Promotion of a Decarbonized Society,” between SMBC, Hyogo Prefecture, Kobe Shimbun, Kobe University and the Institute for Global Environmental Strategies, and we are making efforts to foster the next generation of decarbonization promoters through industry-government-academia collaboration. In other regions, we have signed distributorship agreements with regional banks such as Awa Bank to provide the Sustana GHG emissions calculation service, thereby encouraging decarbonization efforts not only in urban areas, but also in other regions. In March 2023, we held the “Osaka City Public-Private Reverse Pitch,” in which issues faced by the government were communicated to businesses to solicit proposals for solving problems, in which approximately 90 businesses and organizations participated. SMBC Consumer Finance, with the cooperation of North Pacific Bank, Ltd., holds financial and economic education programs at Hokkaido University with the aim of improving the students and local residents’ financial literacy. In these ways, SMBC Group will continue to leverage its all-round strengths to contribute to the revitalization of local economies.



Press Conference with Hyogo Prefecture Governor Motohiko Saito

## Measures for Finance Facilitation

SMBC’s “Basic Policy for Finance Facilitation” underlies efforts to be diligent and thorough in the provision of funding and consultation.

### Basic Policy for Finance Facilitation

1. Conduct appropriate review of applications submitted for a new loan or requests to modify loan conditions
2. Provide appropriate management consultation and guidance for clients and appropriate support for management improvements
3. Strive to improve the ability to assess the value of a client’s business appropriately
4. Provide appropriate and thorough explanations to clients in consultations and applications for new loans or modification of loan conditions
5. Respond appropriately and adequately to client inquiries regarding new loan and modification consultations and applications and to consulting requests or complaints
6. Liaise closely with other financial institutions involved in applications for modifying loan conditions, applications for support through public and third-party institutions, or other applications
7. Respond appropriately in respect of personal guarantees in accordance with the “Guidelines for Personal Guarantee Provided by Business Owners”



◆ SMBC

March 31	2021	2022	2023
Number of employees <sup>*1</sup>	26,229	25,658	25,099
Male	11,879	11,535	11,198
Percentage of total	45.29%	44.96%	44.62%
Female	14,350	14,123	13,901
Percentage of total	54.71%	55.04%	55.38%
Average age	38 yrs 4 mos.	38 yrs 11 mos.	39 yrs 7 mos.
Male	40 yrs 6 mos.	40 yrs 10 mos.	41 yrs 3 mos.
Female	36 yrs 6 mos.	37 yrs 4 mos.	38 yrs 3 mos.
Average years of service	14 yrs 5 mos.	15 yrs 1 mos.	15 yrs 8 mos.
Male	16 yrs 3 mos.	16 yrs 7 mos.	16 yrs 11 mos.
Female	13 yrs 0 mos.	13 yrs 10 mos.	14 yrs 8 mos.
Number of women in managerial positions	837	819	933
Ratio of employees with disabilities (% of total) <sup>*2</sup>	2.70%	2.83%	2.83%

<sup>\*1</sup> The number of full-time employees, including employees seconded to other companies and organizations. The following list of employees is deducted from the total number of employees: executive officers, employees on short-term contracts, part-time employees, employees of temporary employment agencies, and locally hired employees at overseas branches.

<sup>\*2</sup> As of March 1 of respective years

April 1	2021	2022	2023
Number of new hires	542	472	363
Number of newly employed female graduates	197	187	137
Ratio of newly employed females to total new employees	36.3%	39.6%	37.7%

Fiscal	2020	2021	2022
Number of employees taking parental leave <sup>*</sup>	1,531	1,585	1,509
<Men taking such leave>	<556>	<533>	<516>
Number of career hires <sup>*</sup>	58	52	97

<sup>\*</sup> Revised retroactively for periods prior to the change in definition.

◆ SMBC Trust Bank

March 31	2021	2022	2023
Number of employees <sup>*1</sup>	2,072	1,807	1,723
Male	993	881	877
Percentage of total	47.92%	48.75%	50.90%
Female	1,079	926	846
Percentage of total	52.08%	51.25%	49.10%
Average age	43 yrs 9 mos.	44 yrs 4 mos.	44 yrs 11 mos.
Male	44 yrs 8 mos.	44 yrs 8 mos.	46 yrs 0 mos.
Female	43 yrs 2 mos.	45 yrs 1 mos.	43 yrs 11 mos.
Average years of service	9 yrs 9 mos.	10 yrs 10 mos.	10 yrs 10 mos.
Male	8 yrs 8 mos.	12 yrs 3 mos.	9 yrs 4 mos.
Female	11 yrs 0 mos.	9 yrs 5 mos.	12 yrs 5 mos.
Number of women in managerial positions	76	65	59
Ratio of employees with disabilities (% of total) <sup>*2</sup>	2.42%	2.37%	2.52%

<sup>\*1</sup> The number of full-time employees, including employees seconded to other companies and organizations. The number excludes employees seconded from other companies and organizations, directors, employees on short-term contracts, part-time employees, and employees of temporary employment agencies.

<sup>\*2</sup> The legally mandated number of employees with disabilities had been hired as of March 31, 2023.

April 1	2021	2022	2023
Number of new hires	24	14	23
Number of newly employed female graduates	8	6	9
Ratio of newly employed females to total new employees	33.3%	42.9%	39.1%

Fiscal	2020	2021	2022
Number of employees taking parental leave <sup>*</sup>	76	45	60
<Men taking such leave>	<36>	<12>	<15>
Number of career hires <sup>*</sup>	16	14	28

<sup>\*</sup> Revised retroactively for periods prior to the change in definition.

◆ Sumitomo Mitsui Finance and Leasing

March 31	2021	2022	2023
Number of employees <sup>*1</sup>	2,460	2,427	2,456
Male	1,596	1,551	1,544
Percentage of total	64.88%	63.91%	62.87%
Female	864	876	912
Percentage of total	35.12%	36.09%	37.13%
Average age	42 yrs 5 mos.	42 yrs 7 mos.	42 yrs 8 mos.
Male	43 yrs 11 mos.	44 yrs 0 mos.	43 yrs 11 mos.
Female	39 yrs 8 mos.	40 yrs 1 mos.	40 yrs 6 mos.
Average years of service	15 yrs 2 mos.	15 yrs 4 mos.	15 yrs 2 mos.
Male	16 yrs 5 mos.	16 yrs 6 mos.	16 yrs 4 mos.
Female	13 yrs 0 mos.	13 yrs 4 mos.	13 yrs 2 mos.
Number of women in managerial positions	38	38	70
Ratio of employees with disabilities (% of total) <sup>*2</sup>	2.30%	2.41%	2.42%

<sup>\*1</sup> The number of full-time employees, including employees seconded to other companies and organizations. The following list of employees is deducted from the total number of employees: employees seconded from other companies and organizations, executive officers, employees on short-term contracts, part-time employees, employees of temporary employment agencies, and full-time employees of affiliates (including overseas subsidiaries).

<sup>\*2</sup> As of March 1 of respective years

April 1	2021	2022	2023
Number of new hires	62	71	87
Number of newly employed female graduates	26	30	40
Ratio of newly employed females to total new employees	41.9%	42.3%	46.0%

Fiscal	2020	2021	2022
Number of employees taking parental leave <sup>*</sup>	44	111	76
<Men taking such leave>	<21>	<80>	<39>
Number of career hires <sup>*</sup>	16	21	52

<sup>\*</sup> Revised retroactively for periods prior to the change in definition.

◆ SMBC Nikko Securities

March 31	2021	2022	2023
Number of employees <sup>*1</sup>	9,794	9,623	9,306
Male	6,049	5,926	5,701
Percentage of total	61.76%	61.58%	61.26%
Female	3,745	3,697	3,605
Percentage of total	38.24%	38.42%	38.74%
Average age	41 yrs 5 mos.	41 yrs 6 mos.	42 yrs 2 mos.
Male	42 yrs 4 mos.	42 yrs 5 mos.	43 yrs 0 mos.
Female	39 yrs 8 mos.	40 yrs 0 mos.	40 yrs 11 mos.
Average years of service <sup>*2</sup>	13 yrs 7 mos.	14 yrs 2 mos.	14 yrs 2 mos.
Male	13 yrs 7 mos.	14 yrs 1 mos.	14 yrs 1 mos.
Female	13 yrs 7 mos.	14 yrs 2 mos.	14 yrs 5 mos.
Number of women in managerial positions	183	207	215
Ratio of employees with disabilities (% of total) <sup>*3</sup>	2.61%	2.68%	2.86%

<sup>\*1</sup> Excluding employees seconded to other companies, executive officers, part-time employees, dispatched employees, locally hired employees (LH) at overseas branches

<sup>\*2</sup> The average years of service of applicable employees. Years of service for employees joined through the merger with SMBC Friend Securities are counted from the date of the merger.

<sup>\*3</sup> As of March 31 of respective years

April 1	2021	2022	2023
Number of new hires	229	219	299
Number of newly employed female graduates	83	74	115
Ratio of newly employed females to total new employees	36.2%	33.8%	38.5%

Fiscal	2020	2021	2022
Number of employees taking parental leave <sup>*4</sup>	439	580	371
<Men taking such leave>	<86>	<445>	<220>
Number of career hires <sup>*5</sup>	66	76	72

<sup>\*4</sup> Revision of the short-term childcare leave system and creation of a new special leave for childcare in FY2021.

<sup>\*5</sup> Revised retroactively for periods prior to the change in definition.

◆ Sumitomo Mitsui Card

March 31	2021	2022	2023
Number of employees <sup>*1</sup>	6,084	5,976	5,850
Male	3,111	3,034	2,957
Percentage of total	51.13%	50.77%	50.55%
Female	2,973	2,942	2,893
Percentage of total	48.87%	49.23%	49.45%
Average age	42 yrs 2 mos.	42 yrs 7 mos.	42 yrs 9 mos.
Male	44 yrs 4 mos.	44 yrs 5 mos.	44 yrs 4 mos.
Female	40 yrs 0 mos.	40 yrs 8 mos.	41 yrs 2 mos.
Average years of service	17 yrs 3 mos.	17 yrs 6 mos.	17 yrs 8 mos.
Male	18 yrs 11 mos.	19 yrs 1 mos.	19 yrs 2 mos.
Female	15 yrs 7 mos.	15 yrs 11 mos.	16 yrs 2 mos.
Number of women in managerial positions	81	85	86
Ratio of employees with disabilities (% of total) <sup>*2</sup>	2.50%	2.50%	2.41%

<sup>\*1</sup> The number of full-time employees. This excludes directors, consultants, advisors, employees seconded from external companies and organizations, contract and temporary employees, part-time and specialist contract employees, as well as affiliated company employees.

<sup>\*2</sup> Computed based on single month of March.

Note: Includes figures for SMBC Finance Service (a wholly-owned subsidiary of SMBC Card Company).

April 1	2021	2022	2023
Number of new hires	115	109	103
Number of newly employed female graduates	47	51	39
Ratio of newly employed females to total new employees	40.9%	46.8%	37.9%

Note: Includes figures for SMBC Finance Service (a wholly-owned subsidiary of SMBC Card Company).

Fiscal	2020	2021	2022
Number of employees taking parental leave <sup>*3</sup>	168	178	178
<Men taking such leave>	<59>	<69>	<65>
Number of career hires	30	46	71

<sup>\*3</sup> Includes childcare leave (paid and leave-of-absence systems).

Note: Includes figures for SMBC Finance Service (a wholly-owned subsidiary of SMBC Card Company).

◆ SMBC Consumer Finance

March 31	2021	2022	2023
Number of employees <sup>*1</sup>	2,551	2,592	2,594
Male	1,466	1,474	1,460
Percentage of total	57.47%	56.87%	56.28%
Female	1,085	1,118	1,134
Percentage of total	42.53%	43.13%	43.72%
Average age	41 yrs 11 mos.	42 yrs 4 mos.	42 yrs 12 mos.
Male	43 yrs 5 mos.	43 yrs 9 mos.	44 yrs 5 mos.
Female	39 yrs 10 mos.	40 yrs 6 mos.	41 yrs 1 mos.
Average years of service	16 yrs 2 mos.	16 yrs 7 mos.	17 yrs 1 mos.
Male	18 yrs 4 mos.	18 yrs 7 mos.	19 yrs 2 mos.
Female	13 yrs 6 mos.	13 yrs 11 mos.	14 yrs 6 mos.
Number of women in managerial positions	137	147	166
Ratio of employees with disabilities (% of total) <sup>*2</sup>	2.75%	2.75%	2.67%

<sup>\*1</sup> The number of full-time employees on a non-consolidated basis, including employees seconded to other companies and organizations. The following list of employees is deducted from the total number of employees: employees seconded from other companies, locally hired employees at overseas branches, executive officers, contract employees, part-time employees, and employees of temporary employment agencies.

<sup>\*2</sup> As of March 31 of respective years

April 1	2021	2022	2023
Number of new hires	46	49	35
Number of newly employed female graduates	24	32	12
Ratio of newly employed females to total new employees	52.2%	65.3%	34.3%

Fiscal	2020	2021	2022
Number of employees taking parental leave	35	33	34
<Men taking such leave>	<7>	<9>	<13>
Number of career hires	1	2	1

◆ Japan Research Institute

March 31	2021	2022	2023
Number of employees <sup>*1,2</sup>	2,571	2,640	2,777
Male	1,893	1,931	2,000
Percentage of total	73.63%	73.14%	72.02%
Female	678	709	777
Percentage of total	26.37%	26.86%	27.98%
Average age <sup>*2</sup>	41 yrs 1 mos.	41 yrs 0 mos.	40 yrs 8 mos.
Male	41 yrs 8 mos.	41 yrs 6 mos.	41 yrs 3 mos.
Female	39 yrs 7 mos.	39 yrs 6 mos.	39 yrs 2 mos.
Average years of service	13 yrs 1 mos.	13 yrs 1 mos.	12 yrs 8 mos.
Male	13 yrs 5 mos.	13 yrs 5 mos.	13 yrs 1 mos.
Female	12 yrs 3 mos.	12 yrs 3 mos.	11 yrs 11 mos.
Ratio of employees with disabilities (% of total) <sup>*2</sup>	2.26%	2.31%	2.16%

<sup>\*1</sup> The number of full-time employees, including employees seconded to other companies and organizations. The following list of employees is deducted from the total number of employees: executive officers, advisors, employees on short-term contracts, part-time employees, employees of temporary employment agencies, locally hired employees at overseas branches, and full-time employees of affiliates.

<sup>\*2</sup> As of March 31 of respective years

April 1	2021	2022	2023
Number of new hires	127	143	168
Number of newly employed female graduates	39	52	52
Ratio of newly employed females to total new employees	30.7%	36.4%	31.0%

Fiscal	2020	2021	2022
Number of employees taking parental leave	43	58	44
<Men taking such leave>	<23>	<33>	<26>
Number of career hires <sup>*3</sup>	52	51	134

<sup>\*3</sup> Excluding former bank employees transferred to the company

◆ Sumitomo Mitsui DS Asset Management

March 31	2021	2022	2023
Number of employees <sup>*1</sup>	824	770	747
Male	596	542	509
Percentage of total	72.33%	70.39%	68.14%
Female	228	228	238
Percentage of total	27.67%	29.61%	31.86%
Average age	46 yrs 5 mos.	46 yrs 0 mos.	46 yrs 4 mos.
Male	47 yrs 11 mos.	47 yrs 7 mos.	47 yrs 11 mos.
Female	42 yrs 3 mos.	42 yrs 2 mos.	43 yrs 0 mos.
Average years of service	15 yrs 6 mos.	15 yrs 6 mos.	12 yrs 11 mos.
Male	16 yrs 10 mos.	17 yrs 1 mos.	13 yrs 4 mos.
Female	12 yrs 0 mos.	11 yrs 9 mos.	11 yrs 10 mos.
Number of women in managerial positions	9	10	11

<sup>\*1</sup> The number of full-time employees. This excludes directors, dispatched employees, and locally hired employees at overseas branches.

April 1	2021	2022	2023
Number of new hires	8	12	20
Number of newly employed female graduates	4	6	8
Ratio of newly employed females to total new employees	50.0%	50.0%	40.0%

Fiscal	2020	2021	2022
Number of employees taking parental leave	23	19	24
<Men taking such leave>	<14>	<12>	<12>
Number of career hires	5	16	32

Note: In April 2019, Sumitomo Mitsui DS Asset Management Company, Limited, was formed through the merger of Sumitomo Mitsui Asset Management Company, Limited, and Daiwa SB Investments Ltd.





# Main Work-Life Balance Support System

	Parental leave	Childcare leave system	Shorter working hours	Restrictions on overtime	Exemption from late-night work	Other principal systems	
SMBC	<Childcare Leave> May be taken in installments up to the age of 18 months or maximum of 2 years in case of inability to place in daycare center <Childcare leave at birth> 4 weeks within 8 weeks after birth (up to 28 days) May be taken in installments	Until March 31 of the 6th grade (10 days per annum per child; 20 days for two or more children) Applicable for caring for sick children as well as for school events and other reasons	Employees can choose shorter working hours for each day or fewer days worked per week, both applicable until March 31 of the 3rd grade	Until March 31 of the 3rd grade	Until March 31 of the 3rd grade	<ul style="list-style-type: none"><li>• Short-term childcare leave</li><li>• Work relocations</li><li>• Primary Work Location Registration system</li><li>• Work Location of Choice system</li><li>• Childcare expense subsidy system</li><li>• Leave for nursing care</li><li>• Shorter working hours allowed for nursing care</li><li>• Nursing care leave system (by the hour)</li></ul> <ul style="list-style-type: none"><li>• Career design leave system</li><li>• System for rehiring former employees</li><li>• Special leave for childbirth</li><li>• Carryover leave (infertility treatment)</li><li>• Half-day leave</li><li>• Teleworking system</li><li>• Staggered working hours</li><li>• Dual-Career Support system for side work</li></ul>	
SMBC Trust Bank	<Childcare Leave> May be taken in installments up to the age of 1 (Up to the age of 2 years and 2 months in case of inability to place in daycare center) <Childcare leave at birth> 4 weeks within 8 weeks after birth (up to 28 days) May be taken in installments	Until March 31 of the 6th grade (10 days per annum per child; 20 days for two or more children) Can be acquired on a by-hour, half-day, or full-day basis	Employees can work shortened hours equivalent to working a minimum of 6 hours per day until March 31 of the 6th grade	Until March 31 of the 6th grade	Until March 31 of the 6th grade	<ul style="list-style-type: none"><li>• Flextime system</li><li>• Teleworking system</li><li>• Paternity leave (3 days)</li><li>• Leave for nursing care</li><li>• Shorter working hours allowed for nursing care</li></ul> <ul style="list-style-type: none"><li>• Family care time off (by the hour)</li><li>• Family support leave</li><li>• Short-term childcare leave</li><li>• Annual leave in hour increments</li></ul>	
Sumitomo Mitsui Finance and Leasing	<Childcare Leave> May be taken in installments up to the age of 1 (Up to the age of 2 in case of inability to place in daycare center) <Childcare leave at birth> 4 weeks within 8 weeks after birth (up to 28 days) May be taken in installments	Until the entry into elementary school (5 days per annum per child; 10 days for two or more children)	Employees can reduce daily working hours to a minimum of 5 hours 30 minutes until March 31 of the 3rd grade Shortened working hour flextime system available allowing for 6.5- and 7-hour workdays	Until the entry into elementary school	Until the entry into elementary school	<ul style="list-style-type: none"><li>• Work relocations</li><li>• Short-term childcare leave</li><li>• Leave for nursing care</li><li>• Shorter working hours allowed for nursing care</li><li>• Nursing care leave system</li><li>• Half-day leave</li><li>• Staggered working hours</li></ul> <ul style="list-style-type: none"><li>• Flextime system</li><li>• Shortened working hour flextime system</li><li>• Teleworking system</li><li>• Life support leave system</li><li>• System for rehiring former employees</li><li>• Career support leave system</li></ul>	
SMBC Nikko Securities	<Childcare Leave> May be taken in installments up to the age of 3 <Childcare leave at birth> 4 weeks within 8 weeks after birth (up to 28 days) May be taken in installments	Until March 31 of the 6th grade (5 days per annum per child; 10 days for two or more children) Can be acquired on a by-hour, half-day, or full-day basis	Employees may reduce daily working hours in increments of 30 minutes up to 2.5 hours until March 31 of the 6th grade	Until March 31 of the 6th grade	Until March 31 of the 6th grade	<ul style="list-style-type: none"><li>• Short-term childcare leave</li><li>• Discounted rates for daycare center</li><li>• Special leave for childbirth</li><li>• Nursing care leave</li><li>• Special days off for nursing care (by the hour)</li><li>• Shorter working hours allowed for nursing care</li><li>• Short-term leave for nursing care</li><li>• Staggered working hours (working in shifts)</li><li>• Rehiring former employees</li><li>• Childcare subsidies</li><li>• Teleworking system</li></ul> <ul style="list-style-type: none"><li>• Half-day paid leave</li><li>• Hourly paid leave</li><li>• Amortized Holiday Reserving Policy</li><li>• Side business</li><li>• Long-Term Self Development Leave Policy a.k.a. "Challenge Leave"</li><li>• Three-day and four-day workweeks</li><li>• Corporate-led nursery school</li><li>• Baby-sitter discount system</li><li>• Memorial leave system</li><li>• Volunteering leave system</li><li>• Reverse leave system</li><li>• Pro bono work</li></ul>	
Sumitomo Mitsui Card	<Childcare Leave> May be taken in installments up to the age of 18 months or maximum of 2 years in case of inability to place in daycare center (SMBC Finance Service: available up to the age of three) <Childcare leave at birth> 4 weeks within 8 weeks after birth (up to 28 days) May be taken in installments	Until March 31 of the 6th grade (40 hours per annum per child; 80 hours for two or more children)	Employees can choose to reduce daily working hours by 30, 60, 90, 120, or 150 minutes or reduce the number of days worked a week until March 31 of child's 3rd-grade year	Until March 31 of the 3rd grade (SMBC Finance Service: available until starting elementary school)	Until March 31 of the 3rd grade (SMBC Finance Service: available until starting elementary school)	<ul style="list-style-type: none"><li>• Work relocations</li><li>• Staggered working hours</li><li>• Half-day paid leave</li><li>• Special leave for childbirth</li><li>• Childcare subsidies</li><li>• Nursing care leave system (by the hour)</li><li>• Shorter working hours for nursing care</li><li>• Rehiring former employees</li></ul> <ul style="list-style-type: none"><li>• Teleworking system</li><li>• Flextime system</li><li>• Health-purpose or anniversary leave</li><li>(The below applies only to SMBC Finance Service Co., Ltd.)</li><li>• Maternity leave</li><li>• Maternity work system</li><li>• Short-term childcare leave</li></ul>	
SMBC Consumer Finance	<Childcare Leave> May be taken in installments up to the age of 18 months or maximum of 2 years in case of inability to place in daycare center <Childcare leave at birth> 4 weeks within 8 weeks after birth (up to 28 days) May be taken in installments	Until the entry into elementary school (5 days per annum per child; 10 days for two or more children)	Employees can choose to work 5, 5.5, 6, 6.5, or 7 hours a day until March 31 of 6th grade	Until the entry into junior high school	Until the entry into junior high school	<ul style="list-style-type: none"><li>• Area-limited employment system</li><li>• Rehiring retirees</li><li>• A grace period for job rotation</li><li>• Leave for nursing care</li><li>• Shorter working hours allowed for nursing care</li><li>• Paid leave by the hour</li><li>• Half-day paid leave</li><li>• Leave for supporting return-to-work after childcare leave</li></ul> <ul style="list-style-type: none"><li>• Childcare leave (2 days)</li><li>• School-visiting day (2 days a year)</li><li>• Rehiring of former employees who quit for childcare or care-giving reasons</li><li>• Paternity leave (3 days)</li><li>• Rollover of unused paid vacation</li><li>• Nursing care leave (by the hour)</li><li>• Adjustment of work start and end times</li><li>• Career design leave system</li></ul>	
Japan Research Institute	<Childcare Leave> May be taken in installments up to the age of 18 months or maximum of 2 years in case of inability to place in daycare center Paid leave for the first 15 days of maternity leave <Childcare leave at birth> 4 weeks within 8 weeks after birth (up to 28 days) May be taken in installments Maximum 28 days' paid leave	Until March 31 of the 6th grade (5 days per annum per child; no upper limit)	Employees can choose to work 4, 5, 6 or 7 hours per day until March 31 of the 3rd grade (this system can be combined with flextime)	Until the entry into elementary school	Until the entry into elementary school	<ul style="list-style-type: none"><li>• Childcare subsidies</li><li>• Flexibility in the work place</li><li>• Flextime system</li><li>• Nursing care leave</li><li>• Shorter working hours (for nursing care, etc.)</li><li>• Time off and shorter working hours</li><li>• Days off for nursing care (by the hour)</li></ul> <ul style="list-style-type: none"><li>• Special leave for childbirth</li><li>• Half-day leave</li><li>• Leave system for receiving treatment while working</li><li>• Career design leave system</li><li>• Carryover leave</li><li>• Side work system</li></ul>	
Sumitomo Mitsui DS Asset Management	<Childcare Leave> May be taken in installments up to the age for 1 year or maximum of 36 months in case of inability to place in daycare center <Childcare leave at birth> 4 weeks within 8 weeks after birth (up to 28 days) May be taken in installments	Until the entry of child into elementary school (5 days per annum per child; 10 days for two or more children)	Until March 31 of the 6th grade (Employees can choose to work 5, 6, 6.5, or 7 hours a day)	Until March 31 of the 6th grade	Until March 31 of the 3rd grade	<ul style="list-style-type: none"><li>• Leave for childbirth by spouse</li><li>• Nursing care leave system (by the hour)</li><li>• Annual leave in half-day increments</li><li>• Teleworking system</li><li>• Leave for nursing care</li><li>• Shorter working hours allowed for nursing care</li><li>• Lifestyle enriching leave</li></ul> <ul style="list-style-type: none"><li>• Paid leave for initial 28 days of childcare</li><li>• Annual leave in hour increments</li><li>• Flextime system</li><li>• Daycare subsidies</li><li>• Celebratory gifts for birth of 3rd child</li><li>• Leave for accompanying spouse undergoing job relocation</li><li>• Job return system</li></ul>	



# Corporate Data

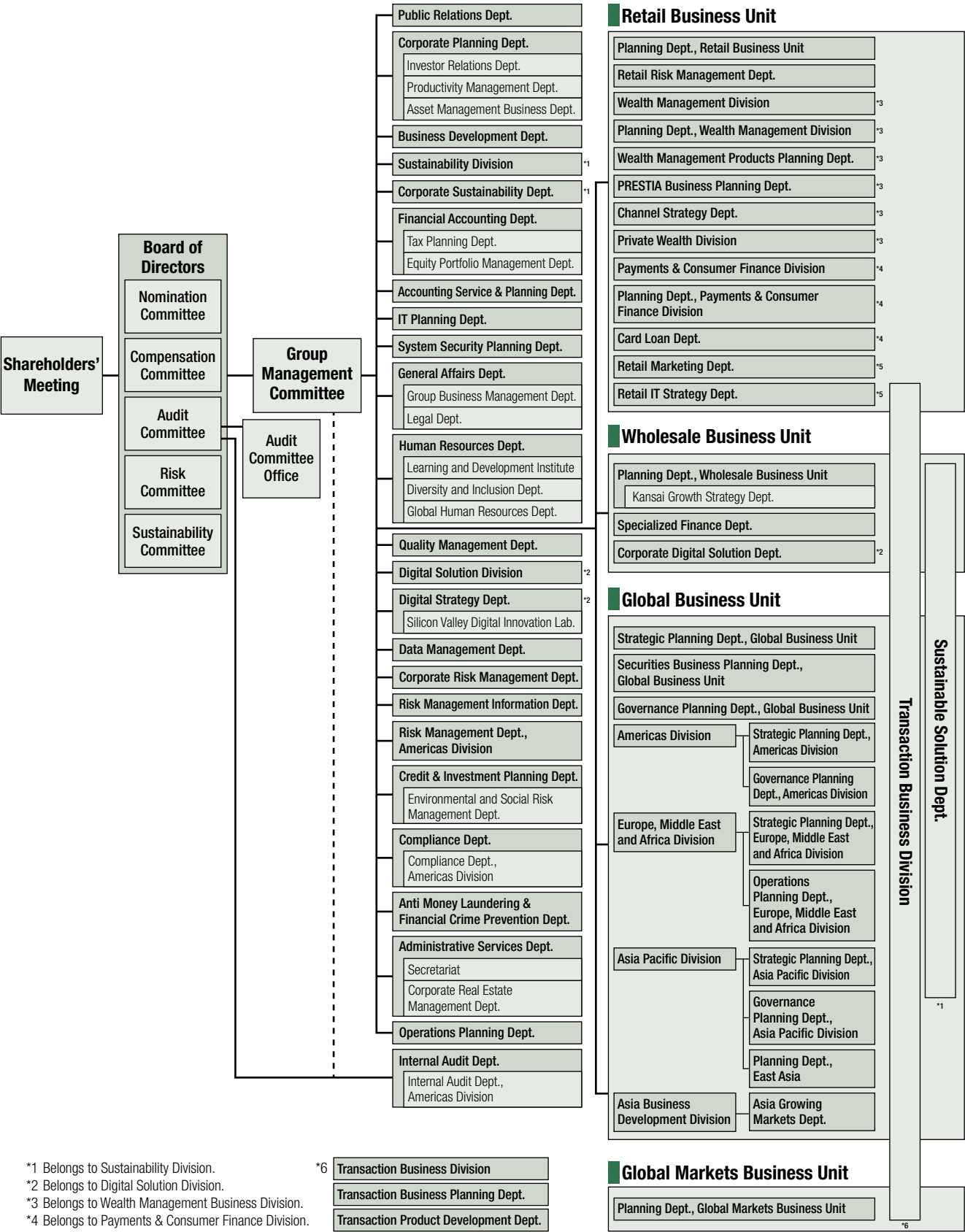
## Sumitomo Mitsui Financial Group, Inc.

### ■ Directors and Executive Officers (as of June 30, 2023)

DIRECTORS AND CORPORATE EXECUTIVE OFFICERS	EXECUTIVE OFFICERS
<p><i>Chairman of the Board</i></p> <p><b>Takeshi Kunibe</b></p> <p><i>Director President (Representative Executive Officer)</i></p> <p><b>Jun Ohta</b> Group CEO</p> <p><i>Director</i></p> <p><b>Akihiro Fukutome</b></p> <p><i>Director Senior Managing Executive Officers</i></p> <p><b>Teiko Kudo</b> Group CRO Corporate Risk Management Dept., Risk Management Information Dept., Risk Management Dept., Americas Division, Credit &amp; Investment Planning Dept.</p> <p><b>Fumihiko Ito</b> Group CFO and Group CSO Public Relations Dept., Corporate Planning Dept., Business Development Dept., Corporate Sustainability Dept., Financial Accounting Dept., Accounting Service &amp; Planning Dept. Digital Strategy Dept.</p> <p><i>Directors</i></p> <p><b>Toshihiro Isshiki</b> <b>Yoshiyuki Gono</b> <b>Yasuyuki Kawasaki</b> <b>Masayuki Matsumoto <sup>(1)</sup></b> <b>Shozo Yamazaki <sup>(1)</sup></b> <b>Yoshinobu Tsutsui <sup>(1)</sup></b> <b>Katsuyoshi Shinbo <sup>(1)</sup></b> <b>Eriko Sakurai <sup>(1)</sup></b> <b>Charles D. Lake II <sup>(1)</sup></b> <b>Jenifer Rogers <sup>(1)</sup></b></p> <p><i>Deputy President and Executive Officers (Representative Executive Officers)</i></p> <p><b>Tetsuro Imaeda</b> Co-Head of Global Business Unit (Head office departments (Global Business Unit), Asia Pacific Division)</p> <p><b>Toru Nakashima</b> Co-Head of Wholesale Business Unit</p> <p><i>Senior Managing Executive Officers</i></p> <p><b>Masamichi Koike</b> Head of Global Markets Business Unit</p> <p><b>Muneo Kanamaru</b> Co-Head of Wholesale Business Unit (Head office departments (Wholesale Business Unit))</p> <p><b>Takashi Yamashita</b> Head of Retail Business Unit</p> <p><b>Jun Uchikawa</b> IT Planning Dept., System Security Planning Dept., Data Management Dept., Operations Planning Dept.</p> <p><b>Yoshihiro Hyakutome</b> Group CCO Compliance Dept., Anti Money Laundering &amp; Financial Crime Prevention Dept.</p> <p><b>Takeshi Mikami</b> Group CAE Internal Audit Dept.</p> <p><b>Keiichiro Nakamura</b> Co-Head of Global Business Unit (Americas Division, Europe, Middle East and Africa Division)</p> <p><b>Akio Isowa</b> Group CDIO Digital Solution Division</p> <p><b>Takashi Kobayashi</b> Group CHRO General Affairs Dept., Human Resources Dept., Quality Management Dept., Administrative Services Dept.</p>	<p><i>Senior Managing Executive Officers</i></p> <p><b>Kotaro Hagiwara</b> Public Relations Dept., Corporate Planning Dept., Business Development Dept., Corporate Sustainability Dept., Financial Accounting Dept., Accounting Service &amp; Planning Dept., Digital Strategy Dept.</p> <p><b>Hirofumi Otsuka</b> Head of Americas Division</p> <p><i>Managing Executive Officers</i></p> <p><b>Naoya Ishida</b> Wholesale Business Unit</p> <p><b>Takaki Ono</b> Transaction Business Division</p> <p><b>Eiichi Sekiguchi</b> Wholesale Business Unit</p> <p><b>Kenichi Hida</b> Group Deputy CCO</p> <p><b>Hideki Sakamoto</b> Deputy Head of Wholesale Business Unit</p> <p><b>Yuichi Nishimura</b> Co-Head of Asia Pacific Division</p> <p><b>Tatsuya Suzuki</b> Deputy Head of Wholesale Business Unit</p> <p><b>Tetsuya Shindo</b> Retail Business Unit</p> <p><b>Katsuyuki Tokuda</b> Deputy Head of Retail Business Unit Head of Payments &amp; Consumer Finance Division</p> <p><b>Kenji Hirao</b> Deputy Head of Wholesale Business Unit</p> <p><b>Fumito Yoshioka</b> Wholesale Business Unit</p> <p><b>Takafumi Tsuji</b> Wholesale Business Unit (Specialized Finance Dept.)</p> <p><b>Toshihiko Umetani</b> Deputy Head of Global Business Unit</p> <p><b>Takahiro Yazawa</b> Deputy Head of Global Business Unit</p> <p><b>Masashi Sakamoto</b> Deputy Head of Retail Business Unit Head of Wealth Management Division</p> <p><b>Shinichiro Watanabe</b> Global Business Unit</p> <p><b>Yuichiro Nagayama</b> Wholesale Business Unit</p> <p><b>Shuji Yoshioka</b> Group Deputy CFO and Group Deputy CSO</p> <p><b>Nobuaki Nakamura</b> Deputy Head of Global Markets Business Unit</p> <p><b>Katsufumi Uchida</b> Head of Asia Business Development Division</p> <p><b>Nobuo Ozawa</b> Deputy Head of Wholesale Business Unit</p> <p><b>Takashi Kakiuchi</b> Deputy Head of Asia Pacific Division</p> <p><b>Natsuhiro Samejima</b> Corporate Risk Management Dept., Risk Management Information Dept., Risk Management Dept., Americas Division</p> <p><b>Yukihiko Mabuchi</b> Wholesale Business Unit</p> <p><b>Carl Adams</b> Deputy Head of Americas Division and Functional Head (Head of Verticals)</p> <p><b>Richard A. Eisenberg</b> Deputy Head of Americas Division and Functional Head (Head of Verticals)</p> <p><b>Rajeev Veeravalli Kannan</b> Co-Head of Asia Pacific Division</p> <p><b>Norikazu Akedo</b> Deputy Head of Global Markets Business Unit</p> <p><b>Akira Yamamoto</b> Group Deputy CRO</p> <p><b>Tatsuya Shiine</b> Group Deputy CHRO</p> <p><b>Takeya Sasaki</b> Deputy Head of Retail Business Unit</p> <p><b>Eiichi Takasaki</b> Credit &amp; Investment Planning Dept.</p> <p><b>Daiji Nakata</b> General Manager, Planning Dept., Wealth Management Division</p> <p><b>Daisuke Nakamura</b> Wholesale Business Unit</p> <p><b>Akio Uemura</b> Deputy Head of Asia Business Development Division and General Manager, Planning Dept., Retail Business Unit</p> <p><b>Hideo Kawafune</b> Head of Europe, Middle East and Africa Division</p> <p><b>Takahiko Hirashima</b> Group Deputy CCO</p> <p><b>Kazuyuki Anchi</b> General Manager, Corporate Planning Dept.</p> <p><b>Kazuya Ikeda</b> General Manager, Strategic Planning Dept., Global Business Unit</p> <p><b>Arihiro Nagata</b> General Manager, Planning Dept., Global Markets Business Unit</p> <p><b>Haruyuki Yoshikawa</b> General Manager, General Affairs Dept.</p> <p><i>Executive Officers</i></p> <p><b>Hideyuki Omokawa</b> Group Deputy CSO Corporate Planning Dept.</p> <p><b>Tatsuya Okumura</b> General Manager, Administrative Services Dept.</p>
	<p><b>Hideki Takamatsu</b> General Manager, IT Planning Dept.</p> <p><b>Kenji Kawabata</b> General Affairs Dept., Credit &amp; Investment Planning Dept.</p> <p><b>Akihiro Kawara</b> General Manager, Planning Dept., Global Markets Business Unit</p> <p><b>Yukiko Yoritaka</b> Group Deputy CHRO</p> <p><b>Katsuya Fujita</b> Deputy Head of Americas Division and Functional Head (Head of Verticals)</p> <p><b>Shinsuke Yoshioka</b> Group Deputy CIO and Group Deputy CDIO</p> <p><b>Takeshi Kimoto</b> General Manager, Asia Growing Markets Dept.</p> <p><b>Naoki Shirasahi</b> General Manager, Digital Strategy Dept.</p> <p><b>Susumu Masuda</b> Global Markets Business Unit</p> <p><b>Naoki Kanbayashi</b> Group Deputy CAE General Manager, Internal Audit Dept.</p> <p><b>Toshihiko Kato</b> General Manager, Planning Dept., Retail Business Unit</p> <p><b>Nobuyuki Takiguchi</b> General Manager, Strategic Planning Dept., Europe, Middle East and Africa Division and Co-General Manager, Operations Planning Dept., Europe, Middle East and Africa Division</p> <p><b>Toshihiro Horiuchi</b> Group Deputy CSuO</p> <p><b>Hiroshi Maeda</b> General Manager, Quality Management Dept.</p> <p><b>Hiroshi Ibaraki</b> General Manager, Governance Planning Dept., Global Business Unit</p> <p><b>Deborah A. Freer</b> Functional Head (US COO)</p> <p><b>Hiroshi Tsutsui</b> Group Deputy CIO</p> <p><b>Kazuhiro Fukuda</b> Global Business Unit</p> <p><b>Katsuyuki Kubo</b> Deputy Head of Americas Division</p> <p><b>Masayuki Takanashi</b> Group CSuO Sustainability Division, Corporate Sustainability Dept., Head of Sustainability Division and General Manager, Corporate Sustainability Dept.</p> <p><b>Tamaki Shibuya</b> Head of Transaction Business Division</p> <p><b>Hironori Shimojima</b> Deputy Head of Asia Pacific Division</p> <p><b>Yoshihiro Kitagawa</b> General Manager, Credit &amp; Investment Planning Dept.</p> <p><b>Toshinori Tajima</b> General Manager, Planning Dept., Wholesale Business Unit</p> <p><b>Hiroshi Nishimura</b> General Manager, Strategic Planning Dept., Asia Pacific Division and Governance Planning Dept., Asia Pacific Division</p> <p><b>Masahiro Yoshimura</b> General Manager, Business Development Dept.</p> <p><b>Takahiko Watanabe</b> General Manager, Human Resources Dept.</p> <p><b>Lisette Lieberman</b> Regional CCO (Americas)</p> <p><b>General Manager, Compliance Dept., Americas Division, Compliance Dept. and Functional Head (US COO)</b></p> <p><b>Scott A. Ashby</b> Deputy Head of Americas Division and Functional Head (Head of Verticals)</p> <p><b>John Nolan</b> Co-General Manager, Internal Audit Dept., Americas Division, Internal Audit Dept. and Functional Head (US CAE)</p> <p><b>Glenn Swanton</b> Co-Regional CRO (Europe, Middle East &amp; Africa)</p>
	<p>[REFERENCE]</p> <p><b>Group CxO/Head of Business Units</b> (as of June 30, 2023)</p> <p><i>Group CxO</i></p> <p>Group CEO <b>Jun Ohta</b></p> <p>Group CFO and Group CSO <b>Fumihiko Ito</b></p> <p>Group CRO <b>Teiko Kudo</b></p> <p>Group CCO <b>Yoshihiro Hyakutome</b></p> <p>Group CHRO <b>Takashi Kobayashi</b></p> <p>Group CIO <b>Jun Uchikawa</b></p> <p>Group CDIO <b>Akio Isowa</b></p> <p>Group CAE <b>Masayuki Takanashi</b></p> <p><b>Takeshi Mikami</b></p> <p><i>Head of Business Units</i></p> <p>Head of Retail Business Unit <b>Takashi Yamashita</b></p> <p>Co-Head of Wholesale Business Unit <b>Toru Nakashima</b></p> <p>Co-Head of Wholesale Business Unit <b>Muneo Kanamaru</b></p> <p>Co-Head of Global Business Unit <b>Tetsuro Imaeda</b></p> <p>Co-Head of Global Business Unit <b>Keiichiro Nakamura</b></p> <p>Head of Global Markets Business Unit <b>Masamichi Koike</b></p>

(1) Mr. Matsumoto, Mr. Yamazaki, Mr. Tsutsui, Mr. Shinbo, Ms. Sakurai, Mr. Lake II and Ms. Rogers satisfy the requirements for an "outside director" under the Companies Act.

Sumitomo Mitsui Financial Group Organization (as of June 30, 2023)



\*1 Belongs to Sustainability Division.  
\*2 Belongs to Digital Solution Division.  
\*3 Belongs to Wealth Management Business Division.  
\*4 Belongs to Payments & Consumer Finance Division.  
\*5 Belongs to Wealth Management Division and Payments & Consumer Finance Division.

\*6 **Transaction Business Division**  
**Transaction Business Planning Dept.**  
**Transaction Product Development Dept.**

Sumitomo Mitsui Banking Corporation

■ Board of Directors, Directors, Members of the Audit and Supervisory Committee and Executive Officers (as of June 30, 2023)

BOARD OF DIRECTORS

Chairman of the Board  
**Makoto Takashima**  
*President and Chief Executive Officer (Representative Director)*  
**Akihiro Fukutome\***  
Deputy Chairman of the Board  
**Keiji Kakumoto**  
Located at Osaka  
Director and Deputy Presidents (Representative Directors)  
**Tetsuro Imaeda\***  
Co-Head of Global Banking Unit  
(Head office departments (Global Banking Unit), The Asia Pacific Division)

**Toru Nakashima\***  
Co-Head of Wholesale Banking Unit  
Head of Global Corporate Banking Division

Director and Senior Managing Executive Officers

**Teiko Kudo\***  
Corporate Risk Management Dept., Risk Management Information Dept., Risk Management Depts., Americas Division, Europe, Middle East and Africa Division, Asia Pacific Division and East Asia, Credit & Investment Planning Dept., Credit Depts., Americas Division, Europe, Middle East and Africa Division and Asia Pacific Division, Global Credit Dept.

**Jun Uchikawa\***  
IT Planning Dept., System Security Planning Dept., Data Management Dept., Operations Planning Dept., Inter-Market Settlement Dept.

**Kotaro Hagiwara\***  
Public Relations Dept., Corporate Planning Dept., Business Development Dept., Corporate Sustainability Dept., Financial Accounting Dept., Accounting Service & Planning Dept. Digital Strategy Dept.

**Yoshihiro Hyakutome\***  
Compliance Dept., Anti Money Laundering & Financial Crime Prevention Dept.

**Takashi Kobayashi\***  
General Affairs Dept., Human Resources Dept., Human Resources Development Dept., Quality Management Dept., Administrative Services Dept.

Directors

**Paul Yonamine <sup>(1)</sup>**  
**Isao Teshirogi <sup>(1)</sup>**

\* These Directors are appointed as Executive Officers also.

<sup>(1)</sup> Mr. Yonamine and Mr. Teshirogi satisfy the requirements for an "outside director" under the Companies Act.

DIRECTORS, MEMBERS OF THE AUDIT AND SUPERVISORY COMMITTEE

**Shuji Yabe**  
**Takayuki Inoue**  
**Sonosuke Kadonaga <sup>(2)</sup>**  
**Michiko Kuboyama <sup>(2)</sup>**  
**Yoriko Goto <sup>(2)</sup>**  
**Chikatomo Hodo <sup>(2)</sup>**  
**Daiken Tsunoda <sup>(2)</sup>**  
**Toshihiro Isshiki**

<sup>(2)</sup> Mr. Kadonaga, Ms. Kuboyama, Ms. Goto, Mr. Hodo and Mr. Tsunoda satisfy the requirements for an "outside director" under the Companies Act.



EXECUTIVE OFFICERS

Senior Managing Executive Officers

Masamichi Koike

Head of Global Markets & Treasury Unit

Muneo Kanamaru

Co-Head of Wholesale Banking Unit

(Head office departments (Wholesale Banking Unit))

Corporate Advisory Division

Takashi Yamashita

Head of Retail Banking Unit

Hiroyuki Kamimoto

Deputy Head of Wholesale Banking Unit

Keiichiro Nakamura

Co-Head of Global Banking Unit

(The Americas Division, Europe, Middle East and Africa Division)

Akio Isowa

Digital Solution Division

Digital Strategy Dept.

Head of Digital Solution Division, Deputy Head of Wholesale Banking Unit

Fumihiko Ito

Corporate Planning Dept.

Hirofumi Otsuka

Head of The Americas Division and President of SMBC Americas Holdings, Inc.

Managing Executive Officers

Takaki Ono

Private Advisory Division, Transaction Business Division

Yuichi Nishimura

Co-Head of The Asia Pacific Division

Katsufumi Uchida

Head of Asia Business Development Division and Deputy Head of The Asia

Pacific Division

Rajeev Veeravalli Kannan

Co-Head of The Asia Pacific Division

Yoshiyuki Ogata

Deputy Head of Global Corporate Banking Division

Osaka Corporate Banking Division

(Osaka Corporate Banking Depts. I and II)

Takafumi Tsuji

Head of Financial Solutions Division

Hiroyuki Fukuda

Deputy Head of Global Corporate Banking Division

Tokyo Corporate Banking Division

(Tokyo Corporate Banking Depts. I, V and VII)

Nobuo Ozawa

Deputy Head of Wholesale Banking Unit

Head of Corporate Banking Division

Takashi Kakiuchi

Deputy Head of The Asia Pacific Division and President of Sumitomo Mitsui

Banking Corporation (China) Limited

Natsuhiko Samejima

Corporate Risk Management Dept., Risk Management Information Dept.,

Risk Management Depts., Americas Division, Europe, Middle East and Africa

Division, Asia Pacific Division and East Asia

Yasuhiro Shirai

Deputy Head of Global Corporate Banking Division

Tokyo Corporate Banking Division

(Tokyo Corporate Banking Depts. II, VIII and IX)

Hideki Niiyama

Deputy Head of Global Corporate Banking Division

Nagoya Corporate Banking Division (Nagoya Corporate Banking Dept.)

Head of Nagoya Middle Market Banking Division

Yukihiro Mabuchi

Deputy Head of Wholesale Banking Unit

Carl Adams

Deputy Head of The Americas Division and Functional Head (Head of Verticals)

Stanislas Roger

Deputy Head of Europe, Middle East and Africa Division and CEO of SMBC

Bank EU AG

Richard A. Eisenberg

Deputy Head of The Americas Division, Functional Head (Head of Verticals)

and Co-General Manager, Corporate and Investment Banking Coverage Dept.,

Americas Division

Hideomi Shigematsu

Deputy Head of Global Corporate Banking Division

Tokyo Corporate Banking Division

(Tokyo Corporate Banking Depts. III and X)

Toshihiro Michioka

Deputy Head of Wholesale Banking Unit (in charge of West Japan)

Takeya Sasaki

Deputy Head of Retail Banking Unit

Eiichi Takasaki

Credit & Investment Planning Dept.

Deputy Head of Wholesale Banking Unit

(Corporate Credit Dept., Credit Administration Dept., Trust Services Dept.)

Corporate Research Dept.

Daiji Nakata

Deputy Head of Retail Banking Unit

Daisuke Nakamura

Deputy Head of Wholesale Banking Unit

Tomonari Inoue

Deputy Head of Global Corporate Banking Division

Tokyo Corporate Banking Division

(Tokyo Corporate Banking Depts. IV and VI)

Akio Uemura

Deputy Head of Asia Business Development Division

Ichiro Okawara

General Manager, Corporate Credit Dept.

Seiichi Katsuyama

Head of Corporate Advisory Division

and Deputy Head of Financial Solutions Division

Hideo Kawafune

Head of Europe, Middle East and Africa Division and CEO of SMBC Bank

International plc

Mikiko Hyodo

Deputy Head of Retail Banking Unit

Kazuyuki Anchi

General Manager, Corporate Planning Dept.

Kazuya Ikeda

General Manager, Strategic Planning Dept., Global Banking Unit

Arihiro Nagata

General Manager, Planning Dept., Global Markets & Treasury Unit

Haruyuki Yoshikawa

General Manager, General Affairs Dept.

Executive Officers

Antony Yates

President of SMBC Nikko Capital Markets Limited

Alan Krouk

Deputy Head of Global Banking Unit

James Fenner

Deputy Head of Europe, Middle East and Africa Division

Katsuya Fujita

Deputy head of The Americas Division, Functional Head (Head of Verticals)

and Chairman of SMBC Capital Markets, Inc.

Kazuhiro Fukuda

Deputy Head of Global Banking Unit

Tetsuro Yoshino

Internal Audit Dept., Domestic Branches Audit Dept.

Tatsuya Okumura

General Manager, Administrative Services Dept.

Hideki Takamatsu

General Manager, IT Planning Dept.

Hideki Tahara

Deputy Head of Corporate Advisory Division

Kenji Kawabata

General Affairs Dept., Credit & Investment Planning Dept.

Akihiro Kawara

President of SMBC Capital Markets, Inc.

Tomomi Izawa

Head of Higashinihon Daisan Middle Market Banking Division

Toshihiko Kato

General Manager, Planning Dept., Retail Banking Unit

Takeshi Kimoto

General Manager, Asia Growing Markets Dept.

Katsuyuki Kubo

Deputy Head of The Americas Division

Naoki Shiraishi

General Manager, Digital Strategy Dept.

Honami Matsugasaki

Internal Audit Dept., Domestic Branches Audit Dept.

Hitoshi Ryoji

Deputy Head of Financial Solutions Division

Paul Derek Gibbon

General Manager, Loan Capital Markets Dept., Europe, Middle East and

Africa Division

Yasunori Takahashi

Credit Depts., Americas Division, Europe, Middle East and Africa Division and

Asia Pacific Division, Global Credit Dept.

Akira Masuda

Deputy Head of Financial Solutions Division

Hideo Uchida

General Manager, Corporate Banking Dept., Asia Pacific Division

Makiko Kaji

General Manager, Global Markets Marketing Dept.

Kyoji Tanaka

Deputy Head of Retail Banking Unit

Ko Aoki

Deputy Head of Wholesale Banking Unit (Credit Dept., Wholesale

Banking Unit), Deputy Head of Retail Banking Unit (Retail Credit Dept.)

Takakazu Ishimura

General Manager, Tokyo Corporate Banking Dept. I

Hirokazu Sakamoto

Head of Higashinihon Daini Middle Market Banking Division

Yoshihiro Takami

General Manager, Structured Finance Dept.

Nobuyuki Takiguchi

General Manager, Strategic Planning Dept., Europe, Middle East and

Africa Division and Co-General Manager, Operations Planning Dept.,

Europe, Middle East and Africa Division

Hiroshi Maeda

General Manager, Quality Management Dept.

Hidetaka Matsuda

Head of Higashinihon Daiyon Middle Market Banking Division

Hajime Yokohata

General Manager, Osaka Corporate Banking Dept. I

Masaru Ishibashi

General Manager, Global Markets Trading Dept.

Hiroshi Ibaraki

General Manager, Governance Planning Dept., Global Banking Unit

Hiroshi Kawamura

General Manager, Tokyo Corporate Banking Dept. V

Tamaki Shibuya

Head of Transaction Business Division

Deborah A. Freer

Functional Head (US COO)

Yunson Du

SMBC Capital Markets, Inc.

Hideyuki Omokawa

Corporate Planning Dept.

Deputy Head of Wholesale Banking Unit (in charge of investment business),

Deputy Head of Global Banking Unit (in charge of investment business)

Motonori Yuki

Head of Kobe Middle Market Banking Division

Goro Goda

General Manager, Tokyo Corporate Banking Dept. IX

Kimiaki Iritani

General Manager, Strategic Corporate Business Dept.

Tsuyoshi Kuzuma

Head of Kyoto Hokuriku Middle Market Banking Division and General

Manager, Kyoto Corporate Business Office-I

Masayuki Takanashi

Sustainability Division

Corporate Sustainability Dept.

Head of Sustainability Division and General Manager, Corporate Sustainability

Dept.

Takanori Ueda

General Manager, Shinjuku Nishiguchi Corporate Business Office-I

Shinji Kodera

General Manager, Tokyo Corporate Banking Dept. IV

Hironori Shimojima

Deputy Head of The Asia Pacific Division

Reiko Mori

General Manager, Global FIG Dept.

Yoshihiro Kitagawa

General Manager, Credit & Investment Planning Dept.

Toshinori Tajima

General Manager, Planning Dept., Wholesale Banking Unit

Kensuke Tanaka

General Manager, Treasury Dept.

Hiroshi Nishimura

General Manager, Strategic Planning Dept., Asia Pacific Division and

Governance Planning Dept., Asia Pacific Division

Masahiro Yoshimura

General Manager, Business Development Dept.

Takahiko Watanabe

General Manager, Human Resources Dept.

Lisette Lieberman

General Manager, Compliance Dept., Americas Division, Compliance Dept.

and Functional Head (US COO)

Anjali Mohan

Co-General Manager, Legal & Compliance Dept., Asia Pacific division,

Compliance Dept.

John Nolan

Co-General Manager, Internal Audit Dept., Americas Division, Internal Audit

Dept. and Functional Head (US CAE)

Elena Paitra

General Manager, Corporate Banking Dept.-II, Europe, Middle East and Africa

Division

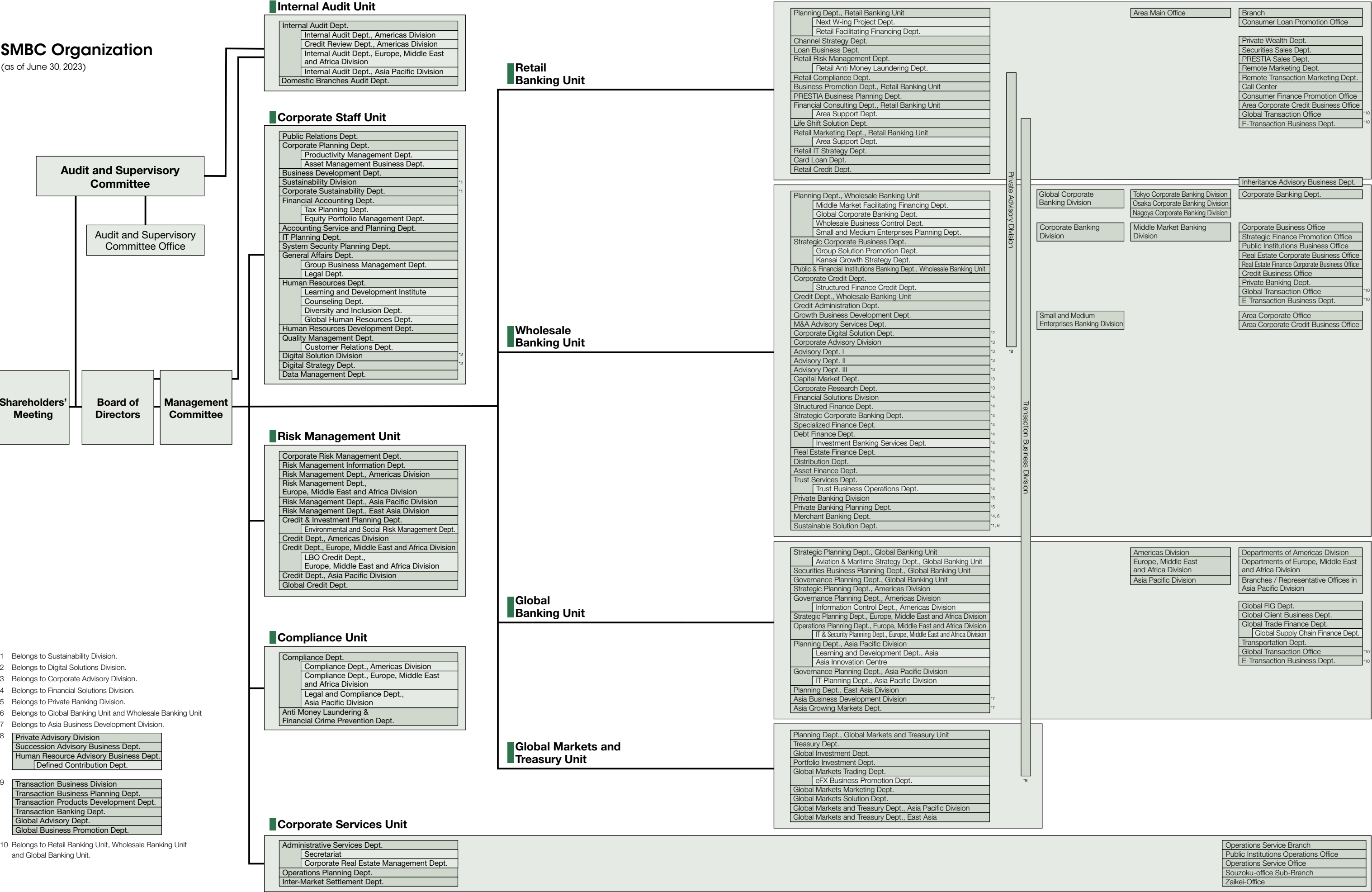
Glenn Swanton

Co-General Manager, Risk Management Dept., Europe, Middle East and Africa

Division

SMBC Organization

(as of June 30, 2023)





Principal Subsidiaries and Affiliates (as of March 31, 2023)

All companies shown hereunder are consolidated subsidiaries or affiliates of Sumitomo Mitsui Financial Group, Inc. Those printed in green ink are consolidated subsidiaries or affiliates of Sumitomo Mitsui Banking Corporation.

Principal Domestic Subsidiaries

Note: Figures in parentheses ( ) in the voting rights columns indicate voting rights held indirectly via subsidiaries and affiliates.

Company Name	Issued Capital (Millions of Yen)	Percentage of SMFG's Voting Rights (%)	Percentage of SMBC's Voting Rights (%)	Date of Establishment or Investment	Main Business
Sumitomo Mitsui Banking Corporation	1,770,996	100	—	Jun. 6, 1996	Commercial banking
SMBC Trust Bank Ltd.	87,550	0 (100)	100	Feb. 25, 1986	Trust service and commercial banking
SMBC Nikko Securities Inc.	10,000	100	—	Jun. 15, 2009	Securities
Sumitomo Mitsui Card Company, Limited	34,000	100	—	Dec. 26, 1967	Credit card services
SMBC Finance Service Co., Ltd.	82,843	0 (100)	—	Sep. 11, 1950	Credit card, installment businesses, and transaction businesses
SMBC Consumer Finance Co., Ltd.	140,737	100	—	Mar. 20, 1962	Consumer loans
The Japan Research Institute, Limited	10,000	100	—	Nov. 1, 2002	System engineering, data processing, management consulting, and economic research
Sumitomo Mitsui DS Asset Management Company, Limited	2,000	50.12	—	Dec. 1, 2002	Investment management
SMBC Guarantee Co., Ltd.	187,720	0 (100)	—	Jul. 14, 1976	Credit guarantee
SMBC Mobit Co., Ltd.	20,000	0 (100)	—	May 17, 2000	Consumer lending
JAIS, Limited	450	0 (100)	—	Oct. 16, 1990	System engineering and data processing
Alternative Investment Capital Limited	400	0 (60)	60	Jul. 15, 2002	Investment management and advisory services
NCore Co., Ltd.	10	0 (50.99)	50.99	Apr. 1, 2004	Data processing service and e-trading consulting
plus medi corp.	100	96.01	—	Dec. 15, 2016	Information services
SMBC VALUE CREATION CO., LTD.	495	0 (100)	100	Feb. 20, 2019	Data processing service and e-trading consulting
SMBC GMO PAYMENT, Inc.	490	0 (60)	10	Nov. 2, 2015	Settlement agent
SMBC Venture Capital Management Co.,Ltd.	643	0 (40)	40	Jul. 1, 2010	Management consulting services, investment management services
SMBC Venture Capital Co., Ltd.	500	0 (100)	0 (100)	Sep. 22, 2005	Venture capital
SMBC Consulting Co., Ltd.	1,100	0 (100)	50 (1.63)	May 1, 1981	Management consulting and seminar organizer
Japan Pension Navigator Co., Ltd.	1,600	0 (69.71)	69.71	Sep. 21, 2000	Defined contribution plan administrator
SMBC ReSolutions Inc.	10	100	—	Apr. 1, 2020	Real estate management
Plari Town, Inc.	100	100	—	May 26, 2020	Platform management and operation
SMBC Servicer Co., Ltd.	1,000	0 (100)	100	Mar. 11, 1999	Servicer
SMBC Electronic Monetary Claims Recording Co., Ltd.	500	0 (100)	100	Apr. 16, 2009	Electronic monetary claims recording
SMBC Staff Service Co., Ltd.	90	0 (100)	100	Jul. 15, 1982	Temp worker dispatch services, fee-based headhunting services and contracting of human resources-related procedures
SMBC Learning Support Co., Ltd.	10	0 (100)	100	May 27, 1998	Training services
SMBC PERSONNEL SUPPORT CO., LTD.	10	0 (100)	100	Apr. 15, 2002	HR related clerical services
SMBC OPERATION SERVICE CO., LTD.	30	0 (100)	100	Jan. 31, 1996	Banking clerical work
SMBC Green Service Co., Ltd.	30	0 (100)	100	Mar. 15, 1990	Contract preparation of deposit survey responses
SMBC Real Estate Appraisal Service Co., Ltd.	30	0 (100)	100	Feb. 1, 1984	Collateral real estate survey and appraisal
SMBC REIT Management Co., Ltd.	250	0 (80)	80	Mar. 10, 2020	Asset management
SMBC Capital Partners Co., Ltd.	100	0 (100)	100	Feb. 10, 2020	Investments
Polarify, Inc.	100	78.60	—	May 1, 2017	Biometric authentication services (Polarify biometric authentication services) and e-KYC service (Polarify e-KYC)
SMBC CLOUDSIGN, Inc.	50	51	—	Oct. 1, 2019	Cloud-based electronic contract services
SMBC Digital Marketing, Ltd.	100	66	—	Jul. 8, 2021	Advertising and marketing
SMBC HUMAN CAREER Co., Ltd.	150	0 (100)	100	Mar. 1, 1987	Job introduction and staffing

Principal Overseas Subsidiaries

Company Name	Country	Issued Capital	Percentage of SMFG's Voting Rights (%)	Percentage of SMBC's Voting Rights (%)	Date of Establishment or Investment	Main Business
SMBC Bank International plc	U.K.	US\$3,200 million	0 (100)	100	Mar. 3, 2003	Commercial banking
Sumitomo Mitsui Banking Corporation (China) Limited	China	CNY10.0 billion	0 (100)	100	Apr. 27, 2009	Commercial banking
PT Bank BTPN Tbk	Indonesia	Rp162.982 billion	0 (93.49)	93.49	Feb. 5, 1958	Commercial banking
SMBC Americas Holdings, Inc.	U.S.A.	US\$2,730	0 (100)	100	Aug. 8, 1990	Management of the US BHC and US BHC subsidiaries
Manufacturers Bank	U.S.A.	US\$530.786 million	0 (100)	0 (100)	Jun. 26, 1962	Commercial banking
Banco Sumitomo Mitsui Brasileiro S.A.	Brazil	R\$1,559.699 million	0 (100)	100	Oct. 6, 1958	Commercial banking
JSC Sumitomo Mitsui Rus Bank	Russia	RUB6.4 billion	0 (100)	99 (1)	May 8, 2009	Commercial banking
SMBC Bank EU AG	Germany	€5,100 million	0 (100)	100	Nov. 23, 2017	Commercial banking
Sumitomo Mitsui Banking Corporation Malaysia Berhad	Malaysia	MYR2,452 million	0 (100)	100	Dec. 22, 2010	Commercial banking
SMBC Leasing and Finance, Inc.	U.S.A.	US\$4,350	0 (100)	0 (100)	Nov. 9, 1990	Leasing, investments, deferred payment services
SMBC Rail Services LLC	U.S.A.	0	0 (100)	0 (100)	May 11, 2011	Leasing, money lending, selling used lease property and maintenance, and other related business
SMBC Nikko Securities America, Inc.	U.S.A.	US\$655	0 (100)	0 (80)	Aug. 8, 1990	Securities, investments
SMBC Nikko Capital Markets Limited	U.K.	US\$1,138 million	0 (100)	84.84	Mar. 13, 1990	Derivatives and investments, securities services
SMBC Capital Markets, Inc.	U.S.A.	US\$100	0 (100)	0 (100)	Dec. 4, 1986	Derivatives and investments, leasing, securities business
TT International Asset Management Ltd	U.K.	£92 million	0 (100)	—	Feb. 28, 2020	Investment management
SMBC Asset Management Services (UK) Limited	U.K.	£240 million	100	—	Oct. 16, 2019	Stock holding
SMBC DIP Limited	Cayman Islands	US\$1	0 (100)	100	Mar. 16, 2005	Loans, buying / selling of monetary claims
SFVI Limited	British Virgin Islands	US\$9,600	0 (100)	100	Jul. 30, 1997	Investments
SMBC, S.A.P.I. DE C.V., SOFOM, E.N.R.	Mexico	MXN1,460 million	0 (100)	100	Sep. 18, 2014	Money lending business, derivatives business and services related to leasing
SMBC International Finance N.V.	Curaçao	US\$200,000	0 (100)	100	Jun. 25, 1990	Finance
Sumitomo Mitsui Finance Dublin Limited	Ireland	US\$12 million	0 (100)	100	Sep. 19, 1989	Finance
Sakura Finance Asia Limited	Hong Kong	US\$65.5 million	0 (100)	100	Oct. 17, 1977	Investments
SMBC Derivative Products Limited	U.K.	US\$200 million	0 (100)	0 (100)	Apr. 18, 1995	Derivatives and investments
SMBC Advisory Services Saudi Arabia LLC	Saudi Arabia	SAR18,000,000	0 (100)	100	Dec. 29, 2017	Consulting
Fullerton India Credit Company Limited	India	22,467 million rupees	74.89 (0)	—	Aug. 30, 1994	Money lending business

(Note 1) NCore Co., Ltd. was excluded from Sumitomo Mitsui Banking Corporation's consolidated subsidiaries following the transfer of all shares held by Sumitomo Mitsui Banking Corporation to Sumitomo Mitsui Financial Group on April 28, 2023.

(Note 2) Fullerton India Credit Company Limited changed its company name to SMFG India Credit Company Limited on May 11, 2023.

Principal Affiliates

Company Name	Issued Capital (Millions of Yen)	Percentage of SMFG's Voting Rights (%)	Percentage of SMBC's Voting Rights (%)	Date of Establishment or Investment	Main Business
PayPay Bank Corporation	72,216	0 (46.57)	46.57	Sep. 19, 2000	Commercial banking
PT Oto Multiartha	Rp928,707 million	0 (35.10)	35.10	Mar. 28, 1994	Automotive financing
PT Summit Oto Finance	Rp2,442,060 million	0 (35.10)	35.10	Sep. 20, 1990	Motorcycle financing
ACLEDA Bank Plc.	US\$433 million	0 (18.06)	18.06	Dec. 1, 2003	Commercial banking
The Bank of East Asia, Limited	HKD38,804 million	0 (21.44)	21.44	Nov. 14, 1918	Commercial banking
Sumitomo Mitsui Finance and Leasing Company, Limited	15,000	50	—	Feb. 4, 1963	Leasing
Sumitomo Mitsui Auto Service Company, Limited	13,636	26.16 (59.56)	—	Feb. 21, 1981	Leasing
SMBC Aviation Capital Limited	US\$2,249 million	0 (100)	32	Aug. 14, 1997	Leasing
Osaka Digital Exchange Co.,Ltd.	2,000	20	—	Apr. 1, 2021	Proprietary Trading System (PTS) Management
VPBank SMBC Finance Company Limited	VND10,928,000 million	0 (49)	—	Oct. 28, 2021	Consumer finance business
POCKET CARD CO., LTD.	14,374	0 (20)	20	May 25, 1982	Credit card services
JSOL CORPORATION	5,000	0 (50)	—	Jul. 3, 2006	System engineering and data processing
Sakura Information Systems Co., Ltd.	600	0 (49)	49	Nov. 29, 1972	System engineering and data processing
SAKURA KCS Corporation	2,054	0 (47.45)	28.52 (1.25)	Mar. 29, 1969	System engineering and data processing
brees corporation	100	0 (49)	49	Dec. 5, 2014	Information processing services
China Post & Capital Fund Management Co., Ltd.	CNY304 million	0 (23.67)	23.67	Apr. 24, 2012	Investment management
Spring Infrastructure Capital Co., Ltd.	250	0 (24.50)	24.50	Jul. 31, 2018	Investments
BrainCell, Inc.	300	49	—	Jun. 1, 2018	Marketing
Cotra Ltd.	1,700	0 (25)	25	Jul. 1, 2021	Planning and operation of fund settlement infrastructure

(Note) bree's corporation was excluded from Sumitomo Mitsui Banking Corporation's equity-method affiliates following the transfer of all shares held by Sumitomo Mitsui Banking Corporation to Sumitomo Mitsui Financial Group on April 28, 2023.

International Directory (as of June 30, 2023)

Asia and Oceania

SMBC Branches and Representative Offices

**Hong Kong Branch**  
7th, 8th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong  
Special Administrative Region, The People's Republic of China  
Tel: 852-2206-2000

**Hong Kong Branch Kowloon Office**  
19F, The Metropolis Tower, 10 Metropolis Drive, Hunghom, Kowloon, Hong Kong  
Tel: 852-(2206) 2000

**Taipei Branch**  
3F, Walsin Lihwa Xinyi Building, No. 1 Songzhi Road, Xinyi District, Taipei 11047, Taiwan  
Tel: 886 (2) 2720-8100

**Seoul Branch**  
12F, Mirae Asset CENTER1 Bldg. West Tower, 26, Eulji-ro 5-gil, Jung-gu Seoul, 04539, The Republic of Korea  
Tel: 82 (2) 6364-7000

**Singapore Branch**  
88 Market Street, #33-01, CapitaSpring, Singapore 048948  
Tel: 65-6882-0000

**Sydney Branch**  
Level 35, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia  
Tel: 61 (2) 9376-1800

**Perth Branch**  
Level 19, Exchange Tower, 2 The Esplanade, Perth, Western Australia 6000, Australia  
Tel: 61 (8) 9492-4900

**Bangkok Branch**  
8th-10th Floor, Q.House Lumpini Building, 1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok 10120, Thailand  
Tel: 66 (2) 353-8000

**Chonburi Branch**  
12th Floor Harbor Mall, 12B01, 12C01 4/222 Moo 10 Sukhumvit Road, Tungsukha, Sriracha Chonburi 20230, Thailand  
Tel: 66-(2) 353-8000

**Ho Chi Minh City Branch**  
15th Floor, Times Square Building, 22-36 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam  
Tel: 84 (28) 3520-2525

**Hanoi Branch**  
Unit 1201, 12th Floor, Lotte Center Hanoi, 54 Lieu Giai Street, Cong Vi Ward, Ba Dinh District, Hanoi, Vietnam  
Tel: 84 (24) 3946-1100

**Manila Branch**  
21st Floor, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, The Philippines 1226  
Tel: 63 (2) 8807100

**Yangon Branch**  
Level #5 Strand Square, No.53 Strand Road, Pabedan Township, Yangon, Myanmar  
Tel: 95 (1) 2307380

**Yangon Branch Thilawa Front Office**  
Room No. 103, Administration Building, Corner of Thilawa Development Road and Dagon - Thilawa Road, Thilawa SEZ, Thanlyin Township, Yangon, Myanmar  
Tel: 95 (1) 2309100

**Labuan Branch**  
Level 12 (B&C), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan, Federal Territory, Malaysia  
Tel: 60 (87) 410955

**Labuan Branch Kuala Lumpur Office**  
Suite 22-03, Level 22, Integra Tower, The Intermark, 348, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Tel: 60 (3) 2176-1700

**Phnom Penh Representative Office**  
Exchange Square (7th Floor) Unit 701, No.19 and 20, Street 106, Sangkat Wat Phnom, Village 2, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia  
Tel: 855 (23) 964-080

**Mumbai Branch**  
Unit No. 601, 6th Floor, Platina Building, Plot No. C-59, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra, India  
Tel: 91 (22) 6229-5000

**New Delhi Branch**  
12&13th Floor, Hindustan Times House,18-20, Kasturba Gandhi Marg, New Delhi 110001, India  
Tel: 91 (11) 4768-9111

**Chennai Branch**  
10th Floor, Chaitanya Imperial Tower, Plot No.610, 610A, 612, D. No.1/104-BB, Block A, Annasalai, Teynampet, Chennai, 600018, Tamil Nadu, India  
Tel: 91- (44) 6144-9999

SMBC Principal Subsidiaries/ Affiliates SMFG Network

**Sumitomo Mitsui Banking Corporation (China) Limited Head Office (Shanghai)**  
11F, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai 200120, The People's Republic of China  
Tel: 86 (21) 3860-9000

**Sumitomo Mitsui Banking Corporation (China) Limited Guangzhou Branch**  
12F, International Finance Place, No.8 Huaxia Road, Tianhe District, Guangzhou 510623, The People's Republic of China  
Tel: 86 (20) 3819-1888

**Sumitomo Mitsui Banking Corporation (China) Limited Hangzhou Branch**  
5F, Offices At Kerry Centre, 385 Yan An Road, Gong Shu District, Hangzhou, Zhejiang Province, The People's Republic of China  
Tel: 86 (571) 2889-1111

**Sumitomo Mitsui Banking Corporation (China) Limited Chongqing Branch**  
Unit1&15-18, 20/F, Tower 1, Chongqing IFS, No.1 Qingyun Road, Jiangbei District, Chongqing, The People's Republic of China  
Tel: 86 (23) 8812-5300

**Sumitomo Mitsui Banking Corporation (China) Limited Shenzhen Branch**  
23/F, Tower Two, Kerry Plaza, 1 Zhongxinsi Road, Futian District, Shenzhen 518048, The People's Republic of China  
Tel: 86 (755) 2383-0980

**Sumitomo Mitsui Banking Corporation (China) Limited Shenyang Branch**  
1606, 1 Building, Forum 66, No.1 Qingnian Street, Shenhe District, Shenyang, Liaoning Province, The People's Republic of China  
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**Sumitomo Mitsui Banking Corporation (China) Limited Suzhou Branch**  
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**Sumitomo Mitsui Banking Corporation (China) Limited Dalian Branch**  
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**Sumitomo Mitsui Banking Corporation (China) Limited Beijing Branch**  
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**Sumitomo Mitsui Banking Corporation (China) Limited Kunshan Sub-Branch**  
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**Sumitomo Mitsui Banking Corporation (China) Limited Shanghai Pilot Free Trade Zone Sub-Branch**  
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**Sumitomo Mitsui Banking Corporation (China) Limited Shanghai Puxi Sub-Branch**  
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**PT Bank BTPN Syariah Tbk**  
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**SMBC Nikko Investment Consulting (Shanghai) Limited**  
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**PT Oto Multiartha**  
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**PT Summit Oto Finance**  
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**ACLEDA Bank Plc.**  
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**The Japan Research Institute (Shanghai) Solution Co., Ltd.**  
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**SMFL Leasing (Thailand) Co., Ltd.**  
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**Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.**  
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**Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd. Chengdu Branch**  
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Tel: 86-28-8691-7181

**SMFL Leasing (Malaysia) Sdn. Bhd.**  
Suite 16D, Level 16, Vista Tower, The Intermark No. 348, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
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**PT. SMFL Leasing Indonesia**  
Menara BTPN, 31st Floor, Jl. Dr. Ide Anak Agung Gde Agung, Kav. 5.5 - 5.6, Mega Kuningan, Jakarta Selatan 12950, Indonesia  
Tel: 62-21-8062-8710

**Sumitomo Mitsui Auto Leasing & Service (Thailand) Co., Ltd.**  
161 Nantawan Building, 17th Floor, Rajdamri Road, Lumpinee, Pathumwan, Bangkok 10330, Thailand  
Tel: 66-2252-9511

**Summit Auto Lease Australia Pty Ltd.**  
Unit 7, 38-46 South Street Rydalmere, NSW 2116 Australia  
Tel: 61 (2) 9638-7833

**SMAS Auto Leasing India Private Limited**  
Office No. 406, 4th Floor, Worldmark-2, Asset area No.8, Aerocity Hospitality District, New Delhi-110037, India  
Tel: 91 (11) 4828-8300

**PROMISE (HONG KONG) CO., LTD.**  
14th Floor Luk Kwok Centre, 72 Gloucester Road, Wan Chai, Hong Kong  
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**Liang Jing Co., Ltd.**  
9th Floor No.6, Sec 3, Min Chuan E.Rd., Taipei, Taiwan 104477,R.O.C.  
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**PROMISE (THAILAND) CO., LTD.**  
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**PROMISE (CHONGQING) CO., LTD.**  
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**SMCC Consulting (Shanghai) Co., Ltd.**  
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**Sumitomo Mitsui DS Asset Management (Singapore) Pte. Ltd.**  
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Los Angeles Branch

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Tel: 1 (713) 277-3500

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Leon Representative Office

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Tel: 57 (1) 619-7200

Lima Representative Office

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Tel: 51 (1) 200-3600

Santiago Representative Office

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SMBC Leasing and Finance, Inc.

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SMBC Nikko Securities America, Inc San Francisco Branch

555 California Street, Suite 3320, San Francisco, CA 94104, U.S.A  
Tel: 1-415-616-3070

SMBC Nikko Securities America, Inc. Charlotte Branch

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SMBC Nikko Securities Canada, Ltd.

277 Park Avenue, New York, NY 10172, U.S.A.  
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JRI America, Inc.

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SMBC Derivative Products Limited

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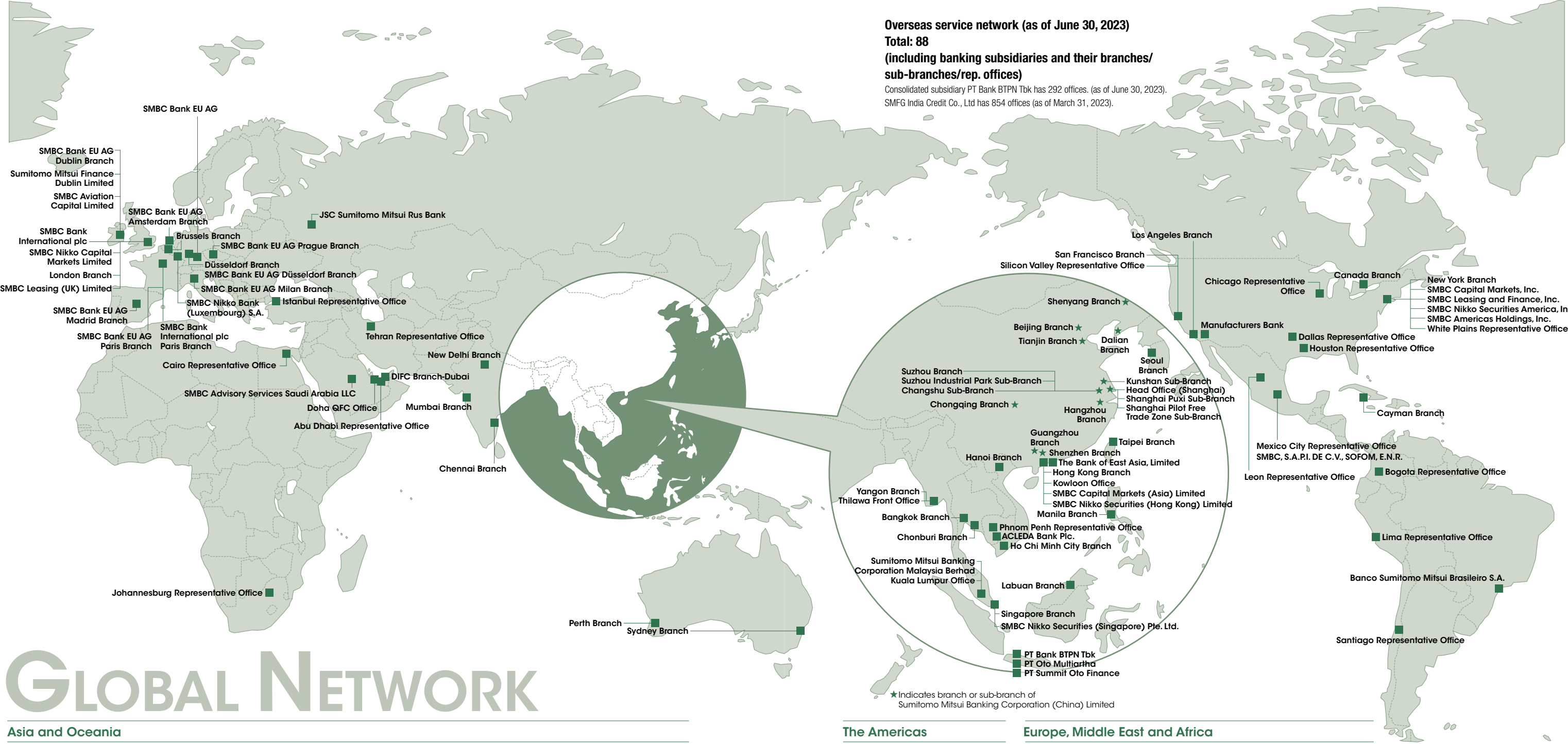
SMFL LCI Helicopters Limited

6 George’s Dock, IFSC, Dublin 1, Ireland

DMG MORI Finance GmbH

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Tel: 49 711 34 24 4 0-0





Overseas service network (as of June 30, 2023)

Total: 88

(including banking subsidiaries and their branches/  
sub-branches/rep. offices)

Consolidated subsidiary PT Bank BTPN Tbk has 292 offices. (as of June 30, 2023).  
SMFG India Credit Co., Ltd has 854 offices (as of March 31, 2023).

### Asia and Oceania

- Sumitomo Mitsui Banking Corporation (China) Limited Head Office (Shanghai)
- Sumitomo Mitsui Banking Corporation (China) Limited Guangzhou Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Hangzhou Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Chongqing Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Shenzhen Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Suzhou Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Dalian Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Tianjin Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Beijing Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Kunshan Sub-Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Shanghai Pilot Free Trade Zone Sub-Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Shanghai Puxi Sub-Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Changshu Sub-Branch
- Sumitomo Mitsui Banking Corporation (China) Limited Suzhou Industrial Park Sub-Branch
- PT Bank BTPN Tbk
- Sumitomo Mitsui Banking Corporation Malaysia Berhad
- Hong Kong Branch
- Hong Kong Branch Kowloon Office
- Taipei Branch
- Seoul Branch
- Singapore Branch
- Sydney Branch
- Perth Branch
- Mumbai Branch
- New Delhi Branch
- Chennai Branch
- Bangkok Branch
- Chonburi Branch
- Ho Chi Minh City Branch
- Hanoi Branch
- Manila Branch
- Yangon Branch
- Yangon Branch Thilawa Front Office
- Labuan Branch
- Labuan Branch Kuala Lumpur Office
- Phnom Penh Representative Office
- SMBC Capital Markets (Asia) Limited
- SMBC Nikko Securities (Hong Kong) Limited
- SMBC Nikko Securities (Singapore) Pte. Ltd.
- The Bank of East Asia, Limited
- PT Oto Multiartha
- PT Summit Oto Finance
- ACLEDA Bank Plc.

### The Americas

- New York Branch
- San Francisco Branch
- Los Angeles Branch
- Canada Branch
- Cayman Branch
- Chicago Representative Office
- Dallas Representative Office
- Houston Representative Office
- Silicon Valley Representative Office
- White Plains Representative Office
- Mexico City Representative Office
- Leon Representative Office
- Santiago Representative Office
- Bogota Representative Office
- Lima Representative Office
- Manufacturers Bank
- Banco Sumitomo Mitsui Brasileiro S.A.
- SMBC Capital Markets, Inc.
- SMBC Nikko Securities America, Inc.
- SMBC Leasing and Finance, Inc.
- SMBC, S.A.P.I. DE C.V., SOFOM, E.N.R.
- SMBC Americas Holdings, Inc.

### Europe, Middle East and Africa

- SMBC Bank International plc
- SMBC Bank International plc Paris Branch
- SMBC Bank EU AG
- SMBC Bank EU AG Amsterdam Branch
- SMBC Bank EU AG Dublin Branch
- SMBC Bank EU AG Düsseldorf Branch
- SMBC Bank EU AG Paris Branch
- SMBC Bank EU AG Prague Branch
- SMBC Bank EU AG Madrid Branch
- SMBC Bank EU AG Milan Branch
- Brussels Branch
- DIFC Branch-Dubai
- Abu Dhabi Representative Office
- Istanbul Representative Office
- Doha QFC Office
- Johannesburg Representative Office
- Cairo Representative Office
- Tehran Representative Office
- JSC Sumitomo Mitsui Rus Bank
- SMBC Nikko Capital Markets Limited
- Sumitomo Mitsui Finance Dublin Limited
- SMBC Aviation Capital Limited
- SMBC Advisory Services Saudi Arabia LLC
- SMBC Leasing (UK) Limited
- SMBC Nikko Bank (Luxembourg) S.A.

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SMBC

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Financial Highlights

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URL: [https://www.smfg.co.jp/english/investor/library/annual/cy2023annu\\_eng\\_smfg.html](https://www.smfg.co.jp/english/investor/library/annual/cy2023annu_eng_smfg.html)

Sumitomo Mitsui Financial Group (Consolidated)

Year ended March 31	Millions of yen				
	2023	2022	2021	2020	2019
For the Year:					
Ordinary income.....	¥ 6,142,155	¥ 4,111,127	¥ 3,902,307	¥ 4,591,873	¥ 4,804,428
Ordinary profit .....	1,160,930	1,040,621	711,018	932,064	1,135,300
Profit attributable to owners of parent .....	805,842	706,631	512,812	703,883	726,681
Comprehensive income .....	1,031,712	561,887	1,465,014	372,971	795,191
At Year-End:					
Total net assets .....	¥ 12,791,106	¥ 12,197,331	¥ 11,899,046	¥ 10,784,903	¥ 11,451,611
Total assets .....	270,428,564	257,704,625	242,584,308	219,863,518	203,659,146
Total capital ratio (BIS guidelines).....	15.98%	16.56%	18.61%	18.75%	20.76%
Tier 1 capital ratio (BIS guidelines).....	14.94%	15.46%	16.96%	16.63%	18.19%
Common equity Tier 1 capital ratio (BIS guidelines) .....	14.02%	14.45%	16.00%	15.55%	16.37%
Number of employees.....	105,955	101,023	86,781	86,443	86,659

Notes: 1. "Number of employees" has been reported on the basis of full-time workers. "Number of employees" includes locally hired overseas staff members but excludes contract employees and temporary staff.  
2. Sumitomo Mitsui Financial Group, Inc. has changed the recognition of installment-sales-related income and installment-sales-related expenses from fiscal year ended March 31, 2021, and the change in accounting policies is applied retroactively for and before the year ended March 31, 2020. As a result of comparing before and after the retroactive application, ordinary income decreased by ¥930,884 million for fiscal year ended March 31, 2019, and ¥722,440 million for fiscal year ended March 31, 2020.

Basel III Information

Capital Ratio and Leverage Ratio Information (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Regarding the calculation of the capital ratio and leverage ratio of Sumitomo Mitsui Financial Group, an external audit was performed by KPMG AZSA LLC pursuant to the Technical Practical Guidelines 4465 “Practical Guidelines on Agreed-Upon Procedures for the Capital Ratio and Leverage Ratio Calculation Framework.” The aforementioned external audit was not meant to provide a statement of opinions or conclusions on the capital ratio and leverage ratio themselves, or our internal control framework for calculating these ratios, but to present us a report on the results of the procedure performed within the scope agreed upon between the external auditor and us. It constitutes neither part of the audit of consolidated financial statements nor part of the audit of our internal control over financial reporting.  
“Consolidated Capital Ratio and Leverage Ratio Information” was prepared principally based on the Notification, and the terms and details in the section may differ from those in other sections of this report.

■ Scope of Consolidation

1. Consolidated Capital Ratio Calculation

- Number of consolidated subsidiaries: 184  
Please refer to “Principal Subsidiaries and Affiliates” on page 182 for their names and business outline.
- Scope of consolidated subsidiaries for calculation of the consolidated capital ratio is based on the scope of consolidated subsidiaries for preparing consolidated financial statements.
- There are no affiliates to which the proportionate consolidation method is applied.

2. Restrictions on Movement of Funds and Capital within Holding Company Group

There are no special restrictions on movement of funds and capital among us and its group companies.

3. Names of companies among subsidiaries of bank-holding companies (other financial institutions), with the Basel Capital Accord required amount, and total shortfall amount

Not applicable.

■ Capital Ratio Information (Consolidated)

The consolidated capital ratio is calculated using the method stipulated in “Standards for Bank Holding Company to Examine the Adequacy of Its Capital Based on Assets, Etc. Held by It and Its Subsidiaries Pursuant to Article 52-25 of the Banking Act” (Notification No. 20 issued by the Japanese Financial Services Agency in 2006; hereinafter referred to as “the Notification”).  
In addition to the method stipulated in the Notification to calculate the consolidated capital ratio (referred to as “International Standard” in the Notification), we have adopted the Advanced Internal Ratings-Based (AIRB) approach for calculating credit risk-weighted asset amounts and the Advanced Measurement Approach (AMA) for calculating the operational risk equivalent amount.

■ CC1: Composition of regulatory capital

(Millions of yen, except percentages)				
Basel III Template No.	Items	a  As of March 31, 2023	b  As of March 31, 2022	c  Reference to Template CC2
Common Equity Tier 1 capital: instruments and reserves (1)				
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	10,140,313	9,794,672	
1a	of which: capital and capital surplus	3,036,589	3,035,543	
2	of which: retained earnings	7,423,600	6,916,468	
1c	of which: treasury stock (-)	151,798	13,402	
26	of which: national specific regulatory adjustments (earnings to be distributed) (-)	168,077	143,936	
	of which: other than the above	—	—	
1b	Stock acquisition rights to common shares	1,145	1,475	
3	Accumulated other comprehensive income and other disclosed reserves	2,372,074	2,159,606	(a)
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	1,404	1,231	
6	Common Equity Tier 1 capital: instruments and reserves (A)	12,514,937	11,956,985	
Common Equity Tier 1 capital: regulatory adjustments (2)				
8+9	Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	841,089	849,602	
8	of which: goodwill (including those equivalent)	405,810	438,657	
9	of which: other intangibles other than goodwill and mortgage servicing rights	435,279	410,945	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,899	11,334	
11	Net deferred gains or losses on hedges	(74,959)	(79,373)	
12	Shortfall of eligible provisions to expected losses	—	—	
13	Securitisation gain on sale	52,939	56,744	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	47,781	23,109	
15	Net defined benefit asset	489,035	432,092	
16	Investments in own shares (excluding those reported in the Net assets section)	7,205	4,317	
17	Reciprocal cross-holdings in common equity	—	—	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	187,705	200,779	
19+20+21	Amount exceeding the 10% threshold on specified items	118,285	—	
19	of which: significant investments in the common stock of financials	118,285	—	
20	of which: mortgage servicing rights	—	—	
21	of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	
22	Amount exceeding the 15% threshold on specified items	—	—	
23	of which: significant investments in the common stock of financials	—	—	
24	of which: mortgage servicing rights	—	—	
25	of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—	
28	Common Equity Tier 1 capital: regulatory adjustments (B)	1,675,982	1,498,608	
Common Equity Tier 1 capital (CET1)				
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	10,838,955	10,458,377	

(Millions of yen, except percentages)

Basel III Template No.		Items	a	b	c
			As of March 31, 2023	As of March 31, 2022	Reference to Template CC2
Additional Tier 1 capital: instruments (3)					
30	31a	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—	—	
	31b	Stock acquisition rights to Additional Tier 1 instruments	—	—	
	32	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	766,214	733,998	
		Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	
34-35		Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group AT1)	29,268	22,104	
33+35		Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments	—	—	
33		of which: instruments issued by bank holding companies and their special purpose vehicles	—	—	
35		of which: instruments issued by subsidiaries (excluding bank holding companies' special purpose vehicles)	—	—	
36		Additional Tier 1 capital: instruments (D)	795,482	756,102	
Additional Tier 1 capital: regulatory adjustments					
37		Investments in own Additional Tier 1 instruments	—	—	
38		Reciprocal cross-holdings in Additional Tier 1 instruments	—	—	
39		Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	2,547	2,729	
40		Significant investments in the Additional Tier 1 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	82,978	25,525	
42		Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—	—	
43		Additional Tier 1 capital: regulatory adjustments (E)	85,526	28,255	
Additional Tier 1 capital (AT1)					
44		Additional Tier 1 capital ((D)-(E)) (F)	709,956	727,847	
Tier 1 capital (T1 = CET1 + AT1)					
45		Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	11,548,912	11,186,225	
Tier 2 capital: instruments and provisions (4)					
46	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown		—	—	
	Stock acquisition rights to Tier 2 instruments		—	—	
	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards		766,438	753,571	
	Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities		—	—	
48-49		Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in group T2)	5,825	4,722	
47+49		Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and provisions	—	—	
47		of which: instruments issued by bank holding companies and their special purpose vehicles	—	—	
49		of which: instruments issued by subsidiaries (excluding bank holding companies' special purpose vehicles)	—	—	
50		Total of general reserve for possible loan losses and eligible provisions included in Tier 2	105,858	108,729	
50a		of which: general reserve for possible loan losses	79,073	69,589	
50b		of which: eligible provisions	26,784	39,139	
51		Tier 2 capital: instruments and provisions (H)	878,121	867,023	



(Millions of yen, except percentages)

Basel III Template No.	Items	a	b	c
		As of March 31, 2023	As of March 31, 2022	Reference to Template CC2
Tier 2 capital: regulatory adjustments (5)				
52	Investments in own Tier 2 instruments	0	0	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	—	—	
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	36,190	32,765	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions	—	—	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	40,062	36,723	
57	Tier 2 capital: regulatory adjustments (I)	76,252	69,488	
Tier 2 capital (T2)				
58	Tier 2 capital (T2) ((H)-(I)) (J)	801,869	797,534	
Total capital (TC = T1 + T2)				
59	Total capital (TC = T1 + T2) ((G)+(J)) (K)	12,350,781	11,983,759	
Risk weighted assets (6)				
60	Total risk-weighted assets (RWA) (L)	77,285,048	72,350,071	
Capital ratios (consolidated) and buffers (7)				
61	Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	14.02%	14.45%	
62	Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))	14.94%	15.46%	
63	Total risk-weighted capital ratio (consolidated) ((K)/(L))	15.98%	16.56%	
64	CET1 specific buffer requirement	3.60%	3.53%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical buffer requirement	0.10%	0.03%	
67	of which: G-SIB/D-SIB additional requirement	1.00%	1.00%	
68	CET1 available after meeting the minimum capital requirements	7.98%	8.56%	
Regulatory adjustments (8)				
72	Non-significant investments in the capital and other TLAC liabilities of other financials that are below the thresholds for deduction (before risk weighting)	1,114,494	1,065,915	
73	Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	1,095,724	1,044,534	
74	Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—	
75	Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	199,927	130,489	
Provisions included in Tier 2 capital: instruments and provisions (9)				
76	Provisions (general reserve for possible loan losses)	85,077	71,960	
77	Cap on inclusion of provisions (general reserve for possible loan losses)	79,073	69,589	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) (if the amount is negative, report as “nil”)	26,784	39,139	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	326,973	321,224	
Capital instruments subject to transitional arrangements (10)				
82	Current cap on AT1 instruments subject to transitional arrangements	—	—	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as “nil”)	—	—	
84	Current cap on T2 instruments subject to transitional arrangements	—	—	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as “nil”)	—	—	

(Millions of yen)

Items	As of March 31, 2023	As of March 31, 2022
Required capital ((L) × 8%)	6,182,803	5,788,005

Overview of RWA (OV1)

(Millions of yen)

OV1: Overview of RWA					
Basel III Template No.		a	b	c	d
		RWA		Minimum capital requirements	
		As of March 31, 2023	As of March 31, 2022	As of March 31, 2023	As of March 31, 2022
1	Credit risk (CR) (excluding counterparty credit risk)	48,133,282	47,216,303	4,043,801	3,970,735
2	Of which: Standardised Approach (SA)	3,650,094	3,234,291	292,007	258,743
3	Of which: internal ratings-based (IRB) approach	40,237,209	40,298,246	3,412,115	3,417,291
	Of which: significant investments in commercial entities	—	—	—	—
	Of which: lease residual value	36,042	42,158	2,883	3,372
	Other assets	4,209,936	3,641,606	336,794	291,328
4	Counterparty credit risk (CCR)	5,247,547	5,086,633	427,703	414,124
5	Of which: standardised approach for counterparty credit risk (SA-CCR)	—	—	—	—
	Of which: current exposure method (CEM)	1,503,981	1,535,455	126,501	128,947
6	Of which: Expected Positive Exposure (EPE)	—	—	—	—
	Of which: Credit Valuation Adjustment (CVA)	2,594,370	2,567,540	207,549	205,403
	Of which: Central Counterparty (CCP)	284,745	144,150	22,779	11,532
	Others	864,450	839,486	70,872	68,241
7	Equity positions in banking book under market-based approach	847,614	960,416	71,877	81,443
8	Equity investments in funds – look-through approach	2,550,305	2,209,787	204,024	176,783
9	Equity investments in funds – mandate-based approach	—	—	—	—
	Equity investments in funds – simple approach (subject to 250% risk weight)	85,894	44,598	7,083	3,637
	Equity investments in funds – simple approach (subject to 400% risk weight)	550,764	413,050	45,946	34,836
10	Equity investments in funds – fall-back approach	271,158	189,538	21,692	15,163
11	Settlement risk	255	113	21	9
12	Securitisation exposures in banking book	1,311,406	1,409,040	104,912	112,723
13	Of which: securitisation IRB approach (SEC-IRBA) or internal assessment approach (IAA)	1,074,905	1,216,667	85,992	97,333
14	Of which: securitisation external ratings-based approach (SEC-ERBA)	218,204	168,987	17,456	13,519
15	Of which: securitisation standardised approach (SEC-SA)	4,111	5,741	328	459
	Of which: Risk weight (RW) 1250% is applied	14,184	17,644	1,134	1,411
16	Market risk	4,474,842	3,052,578	357,987	244,206
17	Of which: standardised approach (SA)	1,607,836	1,081,295	128,626	86,503
18	Of which: internal model approaches (IMA)	2,867,006	1,971,282	229,360	157,702
19	Operational risk	4,870,622	4,356,154	389,649	348,492
20	Of which: Basic Indicator Approach	1,112,261	970,096	88,980	77,607
21	Of which: Standardised Approach	—	—	—	—
22	Of which: Advanced Measurement Approach	3,758,360	3,386,058	300,668	270,884
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	3,239,127	2,937,560	273,891	248,567
	RWA subject to transitional arrangements	—	—	—	—
24	Floor adjustment	2,927,635	1,716,046	234,210	137,283
25	Total (after applying scaling factors)	77,285,048	72,350,071	6,182,803	5,788,005

■ Credit Quality of Assets

1. Overview of Criteria for Accounting Provisions and Write-Offs

(1) Policies and Methods of Provisions and Write-Offs

For “Policies and Methods of Provisions and Write-Offs,” please refer to pages 154 to 158 (Risk Management - 3. Credit Risk Management Methods - (1) Credit Risk Assessment and Quantification, (4) Self-Assessment, Write-Offs and Provisions, Non-Performing Loans Disclosure).

(2) Extent of the Number of Delinquency Days of “Past Due Loans of Three Months or More” that are Allowed Not to Classify Their Loan Category as “Doubtful Assets” or Below (or Not to Judge as Loans to Parties Classified as Potentially Bankrupt Borrowers or Below) and Reasons Thereof

At SMBC, as a core bank of SMBC Group, the delinquency period of past due loans of three months or more that are allowed not to classify loans as doubtful assets or below (or not to judge as loans to parties classified as potentially bankrupt borrowers or below) is generally less than six months, and they are loans to parties that are expected to improve business conditions. If there are any past due loans of six months or more, they shall be in principle classified as loans to potentially bankrupt borrowers or below.

(3) Definition of Loans Whose Loan Terms and Conditions were Restructured

At SMBC, as a core bank of SMBC Group, loans whose loan terms and conditions were restructured are defined as loans with interest rate reduction, deferred payment of interest, deferred repayment of principal amount, abandonment of loans, or other arrangements that are advantageous for the obligors, for the purpose of business rehabilitation or support for the obligors. Obligors with loans whose loan terms and conditions were restructured may not be classified as doubtful assets or below depending on the outlook for business conditions, financial statements and loan terms and conditions. If the borrower category deteriorates due to restructuring of loan terms and conditions, provisions will increase.

(4) Key Differences in Parameters of Credit Risks Used to Calculate Provisions and Capital Ratio, Respectively

SMBC, as a core bank of SMBC Group, uses Probability of Default and loan-loss ratio as parameters for calculation of provisions. Probability of Default is calculated based on the actual performance in the past of the deterioration rate for one year from each borrower category to potentially bankrupt borrowers or below (regarding the deterioration rate to potentially bankrupt borrowers, the deterioration transition rates equivalent to three accumulated years from potentially bankrupt borrowers to virtually bankrupt borrowers or below are included). For the PD used to calculate the capital ratio, deterioration to substandard borrowers or below is defined as default, and assuming a long-term average value of the default rate, conservative estimation for some portfolios is conducted, which is the major difference from the Probability of Default used to calculate provisions. Loan-loss ratio is calculated using the loan-loss amount including direct write-offs and indirect write-offs incurred during the year for each borrower category to the amount of initial existing exposure by borrower category. For details of parameters used to calculate the capital ratio, please refer to pages 206 to 207 “3. Overview of Internal Rating System (2) Parameter Estimation and Its Validation System.”

2. Credit Quality of Assets (CR1)

(Millions of yen)									
CR1: Credit quality of assets		As of March 31, 2023				As of March 31, 2022			
Item No.		a	b	c	d	a	b	c	d
		Gross carrying values of:		Allowances	Net values (a+b-c)	Gross carrying values of:		Allowances	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures			Defaulted exposures	Non-defaulted exposures		
On-balance sheet assets									
1	Loans	916,540	96,078,487	732,290	96,262,737	1,128,501	89,119,744	811,223	89,437,022
2	Securities (of which: debt securities)	4,100	25,370,319	—	25,374,419	7,203	30,539,190	—	30,546,393
3	Other on-balance sheet assets (of which: debt-based assets)	144,231	85,292,570	46,659	85,390,142	17,575	82,092,045	35,072	82,074,547
4	Subtotal (1+2+3)	1,064,872	206,741,377	778,949	207,027,300	1,153,280	201,750,979	846,296	202,057,963
Off-balance sheet assets									
5	Acceptances and guarantees, etc.	7,625	14,455,696	60,430	14,402,891	22,930	12,599,237	62,782	12,559,385
6	Commitments, etc.	40,257	31,232,414	70,620	31,202,052	17,381	28,562,640	73,920	28,506,101
7	Subtotal (5+6)	47,883	45,688,111	131,051	45,604,943	40,311	41,161,878	136,702	41,065,487
Total									
8	Total (4+7)	1,112,756	252,429,488	910,000	252,632,244	1,193,592	242,912,857	982,998	243,123,450

3. Changes in stock of defaulted loans and securities (of which: debt securities) (CR2)

(Millions of yen)			
CR2: Changes in stock of defaulted loans and securities (of which: debt securities)			
Item No.		Amount	
1	Stock of loans and securities (of which: debt securities) that were placed in defaulted status as of March 31, 2022	1,153,280	
2			
3	Changes in loans and securities (of which: debt securities) by factors during the current interim period	Amounts defaulted	230,238
4		Amounts returned to non-defaulted status	68,744
5		Amounts written off	202,950
		Other changes	(46,951)
6	Stock of loans and securities (of which: debt securities) that were placed in defaulted status as of March 31, 2023 (1+2-3-4+5)	1,064,872	

Note: The major factor for other changes is due to decreases in stock by collection and sale of receivables that were placed in defaulted status at the end of the previous fiscal year.

(Millions of yen)			
CR2: Changes in stock of defaulted loans and securities (of which: debt securities)			
Item No.		Amount	
1	Stock of loans and securities (of which: debt securities) that were placed in defaulted status as of March 31, 2021	967,121	
2			
3	Changes in loans and securities (of which: debt securities) by factors during the current interim period	Amounts defaulted	472,807
4		Amounts returned to non-defaulted status	81,536
5		Amounts written off	139,874
		Other changes	(65,237)
6	Stock of loans and securities (of which: debt securities) that were placed in defaulted status as of March 31, 2022 (1+2-3-4+5)	1,153,280	

Note: The major factor for other changes is due to decreases in stock by collection and sale of receivables that were placed in defaulted status at the end of the previous fiscal year.

4. Term-End Balance of Exposures by Category and Their Breakdown by Major Type of Assets

(1) Exposure Balance by Type of Assets, Geographic Region and Industry (Millions of yen)

Category	As of March 31, 2023				As of March 31, 2022			
	Loans, commitments and other off-balance sheet exposures except derivatives	Bonds	Others	Total	Loans, commitments and other off-balance sheet exposures except derivatives	Bonds	Others	Total
Domestic operations (excluding offshore banking accounts)	135,864,846	18,647,976	9,389,132	163,901,956	131,238,735	24,335,658	8,581,732	164,156,126
Manufacturing	12,086,282	122,856	1,996,652	14,205,791	11,389,309	168,802	2,084,962	13,643,074
Agriculture, forestry, fishery and mining	262,150	6,430	3,004	271,585	402,771	3,276	2,833	408,881
Construction	1,228,917	34,605	134,809	1,398,333	1,102,453	34,918	140,264	1,277,636
Transport, information, communications and utilities	7,418,455	230,885	499,411	8,148,753	7,161,426	247,477	472,431	7,881,335
Wholesale and retail	6,623,832	135,308	410,348	7,169,489	6,280,039	154,234	402,540	6,836,814
Financial and insurance	67,197,664	2,194,188	330,061	69,721,915	66,595,377	1,574,982	307,134	68,477,494
Real estate, goods rental and leasing	15,043,141	1,238,633	83,117	16,364,892	13,778,672	1,195,797	101,684	15,076,154
Services	4,863,194	266,010	96,019	5,225,224	4,878,199	283,175	98,923	5,260,298
Local municipal corporations	1,830,028	171,204	1,644	2,002,877	1,569,565	110,854	1,537	1,681,957
Other industries	19,311,178	14,247,852	5,834,061	39,393,093	18,080,919	20,562,140	4,969,420	43,612,480
Overseas operations and offshore banking accounts	76,529,143	6,741,578	2,288,716	85,559,437	67,505,444	6,219,476	2,239,462	75,964,383
Sovereigns	17,505,424	4,490,993	8,363	22,004,781	14,102,811	4,133,539	5,708	18,242,059
Financial institutions	7,966,317	1,225,126	456,111	9,647,555	7,242,864	1,104,151	444,797	8,791,814
C&I companies	42,702,686	611,797	—	43,314,484	37,961,552	683,279	—	38,644,831
Others	8,354,714	413,660	1,824,240	10,592,615	8,198,215	298,506	1,788,956	10,285,678
Total	212,393,990	25,389,554	11,677,848	249,461,394	198,744,179	30,555,135	10,821,195	240,120,510

Notes: 1. The above amounts are exposures after Credit Risk Mitigation (CRM).  
2. The above amounts do not include “securitisation exposures” and “credit RWA under Article 145 of the Notification.”  
3. “Domestic operations” comprises the operations of us, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. “Overseas operations” comprises the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.



(2) Exposure Balance by Type of Assets and Residual Term (Millions of yen)

Category	As of March 31, 2023				As of March 31, 2022			
	Loans, commitments and other off-balance sheet exposures except derivatives	Bonds	Others	Total	Loans, commitments and other off-balance sheet exposures except derivatives	Bonds	Others	Total
To 1 year	59,067,939	9,188,027	26,399	68,282,365	52,956,794	10,379,103	24,942	63,360,840
More than 1 year to 3 years	25,907,221	3,566,043	—	29,473,265	23,302,223	6,169,758	—	29,471,981
More than 3 years to 5 years	22,835,840	3,933,771	—	26,769,612	19,573,478	3,621,204	—	23,194,683
More than 5 years to 7 years	9,114,056	1,647,817	—	10,761,873	8,281,524	3,282,357	—	11,563,881
More than 7 years	23,001,636	7,053,894	—	30,055,531	23,081,915	7,102,711	—	30,184,627
No fixed maturity	72,467,295	—	11,651,449	84,118,745	71,548,243	—	10,796,252	82,344,495
Total	212,393,990	25,389,554	11,677,848	249,461,394	198,744,179	30,555,135	10,821,195	240,120,510

Notes: 1. The above amounts are exposures after CRM.  
2. The above amounts do not include “securitisation exposures” and “credit RWA under Article 145 of the Notification.”  
3. “No fixed maturity” includes exposures not classified by residual term.

5. Amounts of Reserves and Write-offs Corresponding to the Term-End Balance of Obligors’ Exposures Related to Loans Prescribed in the Provisions of Article 4, Paragraph 2 (Bankrupt and Quasi-Bankrupt Assets), Paragraph 3 (Doubtful Assets) or Paragraph 4 (Substandard Loans) of the Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of Financial Functions, as well as Breakdown by Each of the Following Categories

(1) By Geographic Region (Billions of yen)

	Fiscal 2022			Fiscal 2021		
	Term-end balance	Term-end Reserves	Write-offs for the year	Term-end balance	Term-end Reserves	Write-offs for the year
Domestic operations (excluding offshore banking accounts)	781.7	203.4	78.3	997.9	368.3	67.6
Overseas operations and offshore banking accounts	522.5	234.2	28.2	904.5	207.3	23.6
Asia	290.2	156.8	25.3	620.0	121.8	34.1
North America	92.6	26.5	1.8	91.8	21.0	(0.4)
Other regions	139.7	50.9	1.2	192.7	64.6	(10.1)
Total	1,304.2	437.6	106.5	1,902.3	575.6	91.2

(2) By Industry (Billions of yen)

	Fiscal 2022			Fiscal 2021		
	Term-end balance	Term-end Reserves	Write-offs for the year	Term-end balance	Term-end Reserves	Write-offs for the year
Domestic operations (excluding offshore banking accounts)	781.7	203.4	78.3	997.9	368.3	67.6
Manufacturing	136.4	43.6	11.6	298.5	184.7	(2.0)
Agriculture, forestry, fishery and mining	2.7	1.6	0.7	3.8	0.8	(1.0)
Construction	8.4	2.0	0.2	8.6	2.1	0.1
Transport, information, communications and utilities	45.1	17.7	0.0	46.8	15.9	0.3
Wholesale and retail	69.8	22.1	0.4	90.4	36.9	2.0
Financial and insurance	6.5	0.2	0.0	7.9	0.7	0.0
Real estate, goods rental and leasing	42.2	5.8	(0.2)	50.4	7.4	(0.4)
Services	114.4	34.3	(1.4)	120.1	36.9	(0.4)
Other industries	356.0	76.2	67.1	371.4	82.8	69.0
Overseas operations and offshore banking accounts	522.5	234.2	28.2	904.5	207.3	23.6
Financial institutions	17.8	16.7	0.0	17.0	15.4	15.3
C&I companies	415.7	193.8	6.4	676.7	159.8	(4.6)
Others	89.0	23.7	21.9	210.8	32.2	12.9
Total	1,304.2	437.6	106.5	1,902.3	575.6	91.2

Notes: 1. Term-end Reserves include partial direct write-offs (direct reduction).  
2. “Domestic operations” comprises the operations of SMBC Group (excluding overseas branches) and domestic consolidated subsidiaries. “Overseas operations” comprises the operations of SMBC Group’s overseas branches and overseas consolidated subsidiaries, and the term-end balances are calculated based on the obligor’s domicile country.

6. Term-End Balance of Exposures by Past Due Periods

(Billions of yen)

Fiscal 2022				
Less than 1 month	1 month or more to less than 2 months	2 months or more to less than 3 months	3 months or more	Total
144.3	63.4	24.7	80.9	313.4

Notes: 1. Bankrupt and Quasi-Bankrupt Assets prescribed in Article 4, Paragraph 2 of the Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of Financial Functions and doubtful assets prescribed in Paragraph 3 of the said Article are excluded.  
2. Items that are not accompanied by deterioration of business conditions/cash flows are excluded.

(Billions of yen)

Fiscal 2021				
Less than 1 month	1 month or more to less than 2 months	2 months or more to less than 3 months	3 months or more	Total
455.9	62.1	38.2	99.9	656.2

Notes: 1. Bankrupt and Quasi-Bankrupt Assets prescribed in Article 4, Paragraph 2 of the Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of Financial Functions and doubtful assets prescribed in Paragraph 3 of the said Article are excluded.  
2. Items that are not accompanied by deterioration of business conditions/cash flows are excluded.

7. Term-End Balance of Exposures of Obligors Whose Loan Conditions were Restructured for Business Rehabilitation or Support; of Which Amounts of Increased Reserves for Such Exposures and Other Amounts due to the Restructuring of the Loan Conditions

(Billions of yen)

Fiscal 2022			Fiscal 2021		
Term-end balance	Of which: amounts of increased Reserves for such exposures due to the restructuring of the loan conditions	Of which: other amounts	Term-end balance	Of which: amounts of increased Reserves for such exposures due to the restructuring of the loan conditions	Of which: other amounts
393.0	393.0	0.0	494.4	494.4	0.0

Note: Bankrupt and Quasi-Bankrupt Assets prescribed in Article 4, Paragraph 2 of the Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of Financial Functions, doubtful assets prescribed in Paragraph 3 of the said Article, and loans past due three months or more prescribed in Paragraph 4 of the said Article are excluded.

Internal Ratings-Based (IRB) Approach

1. Background on Determining the Scope of Application of Internal Ratings-Based (IRB) Approach

When the criteria of materiality defined by us according to business characteristics and business conditions, etc. are met, in principle, the IRB approach is adopted by the unit of our asset class or by the unit of the affiliated group companies. In addition, for the asset class or group companies that meet the quantitative criteria specified by the authorities, the IRB approach is in principle adopted regardless of whether the criteria of materiality are met.

For adopting the IRB approach, the Advanced Internal Ratings-Based (AIRB) approach is in principle adopted. However, for group companies which were judged unnecessary or inappropriate to adopt the AIRB approach in light of the scale, business contents, etc., the Foundation Internal Ratings-Based (FIRB) approach is adopted.

2. Scope

We and the following consolidated subsidiaries have adopted the Advanced Internal Ratings-Based (AIRB) approach for exposures as of March 31, 2009.

(1) Domestic Operations

Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Card Company, Limited and SMBC Guarantee Co., Ltd., and SMBC Trust Bank Ltd.

(2) Overseas Operations

SMBC Bank International plc, Sumitomo Mitsui Banking Corporation (China) Limited, Banco Sumitomo Mitsui Brasileiro S.A., JSC Sumitomo Mitsui Rus Bank, Sumitomo Mitsui Banking Corporation Malaysia Berhad, SMBC Leasing and Finance, Inc., SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited, SMBC Capital Markets (Asia) Limited, SMBC Bank EU AG, PT Bank BTPN Tbk and SMBC Leasing (UK) Limited.

SMBC Finance Service Co., Ltd. has adopted the Foundation Internal Ratings-Based (FIRB) approach.

Note: Directly controlled SPCs and limited partnerships for investment of consolidated subsidiaries using the AIRB approach have also adopted the AIRB approach. Further, the AIRB approach is applied to equity exposures on a group basis, including equity exposures of consolidated subsidiaries applying the standardised approach.

3. Overview of Internal Rating System

(1) Rating Procedures

(A) Corporate Exposures

- “Corporate, sovereign and bank exposures” includes credits to domestic and overseas commercial/industrial (C&I) companies, individuals for business purposes (domestic only), sovereigns, public sector entities, and financial institutions. Business loans such as apartment construction loans are, in principle, included in “retail exposures.” However, credits of more than ¥100 million are treated as corporate exposures in accordance with the Notification.
- An obligor is assigned an obligor grade by first assigning a financial grade using a financial strength grading model and data obtained from the obligor’s financial statements. The financial grade is then adjusted taking into account the actual state of the obligor’s balance sheet and qualitative factors to derive the obligor grade (for details, please refer to “Credit Risk Assessment and Quantification” on pages 154 to 155). Different rating series are used for domestic and overseas obligors — J1 ~ J10 for domestic obligors and G1 ~ G10 for overseas obligors — as shown in the table following page due to differences in actual default rate levels and portfolios’ grade distribution. Different Probability of Default (PD) values are applied also.
- In addition to the above basic rating procedure which builds on the financial grade assigned at the beginning, in some cases, the obligor grade is assigned based on the parent company’s credit quality or credit ratings published by external rating agencies. The Japanese government, local authorities and other public sector entities with special basis for existence and unconventional financial statements are assigned obligor grades based on their attributes (for example, “local municipal corporations”), as the data on these obligors are not suitable for conventional grading models. Further, credits to individuals for business purposes and business loans are assigned obligor grades using grading models developed specifically for these exposures.
- PDs used for calculating credit risk-weighted assets are estimated based on the default experience for each grade and taking into account the possibility of estimation errors. In addition to internal data, external data are used to estimate and validate PDs. The definition of default is the definition stipulated in the Notification (an event that would lead to an exposure being classified as “substandard loans,” “doubtful assets” or “bankrupt and quasi-bankrupt assets” occurring to the obligor).
- Loss Given Defaults (LGDs) and exposure at default (EAD) used in the calculation of credit risk-weighted assets are estimated based on historical loss experience of credits in default, taking into account the possibility of estimation errors.

Obligor Grade		
Domestic Corporate	Definition	Borrower Category
J1	Very high certainty of debt repayment	Normal Borrowers
J2	High certainty of debt repayment	
J3	Satisfactory certainty of debt repayment	
J4	Debt repayment is likely but this could change in cases of significant changes in economic trends or business environment depending on the situation	Borrowers Requiring Caution
J5	No problem with debt repayment over the short term, but not satisfactory over the mid to long term and the situation could change in cases of any changes in economic trends or business environment	
J6	Currently no problem with debt repayment, but it is highly likely that this could change in cases of significant changes in economic trends or business environment	
J7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish/unstable business, or financial problems	Substandard Borrowers
J7R	Borrowers Requiring Caution identified as Substandard Borrowers	
J8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring, and highly likely to go bankrupt	Potentially Bankrupt Borrowers
J9	Though not yet legally or formally bankrupt, has serious business difficulties and rehabilitation is unlikely; thus, effectively bankrupt	Virtually Bankrupt Borrowers
J10	Legally or formally bankrupt	Bankrupt Borrowers

Obligor Grade		
Overseas Corporate	Definition	Borrower Category
G1	Very high certainty or high certainty of debt repayment	Normal Borrowers
G2	Satisfactory certainty of debt repayment	
G3	Debt repayment is likely but this could change in cases of significant changes in economic trends or business environment depending on the situation	
G4	Debt repayment is likely but this could change in cases of significant changes in economic trends or business environment	Borrowers Requiring Caution
G5	No problem with debt repayment over the short term, but not satisfactory over the mid to long term and the situation could change in cases of any changes in economic trends or business environment	
G6	Currently no problem with debt repayment, but it is highly likely that this could change in cases of significant changes in economic trends or business environment	
G7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish/unstable business, or financial problems	Substandard Borrowers
G7R	Borrowers Requiring Caution identified as Substandard Borrowers	
G8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring, and highly likely to go bankrupt	Potentially Bankrupt Borrowers
G9	Though not yet legally or formally bankrupt, has serious business difficulties and rehabilitation is unlikely; thus, effectively bankrupt	Virtually Bankrupt Borrowers
G10	Legally or formally bankrupt	Bankrupt Borrowers

- “Specialized lending” is sub-classified into “project finance,” “object finance,” “commodity finance,” “income-producing real estate” (IPRE) and “high-volatility commercial real estate” (HVCRE) in accordance with the Notification. Project finance is financing of a single project, such as a power plant or transportation infrastructure, and cash flows generated by the project are the primary source of repayment. Object finance includes aircraft finance and ship finance, and IPRE and HVCRE include real estate finance (a primary example is non-recourse real estate finance). There were no commodity finance exposures as of March 31, 2023.
- Each SL product is classified as either a facility assigned a PD grade and LGD grade or a facility assigned a grade based primarily on the expected loss ratio, both using grading models and qualitative assessment. The former has the same grading structure as that of corporate, and the latter has ten grade levels as with obligor grades but the definition of each grade differs from that of the obligor grade which is focused on PD.  
For the credit risk-weighted asset amount for the SL category, the former facility is calculated in a manner similar to corporate exposures, while the latter facility is calculated by mapping the expected loss-based facility grades to the five categories (hereinafter the “slotting criteria”) of the Notification because it does not satisfy the requirements for PD application specified in the Notification.



(B) Retail Exposures

- “Residential mortgage exposures” includes mortgage loans to individuals and some real estate loans in which the property consists of both residential and commercial facilities such as a store or rental apartment units, but excludes apartment construction loans.
- Mortgage loans are rated as follows.

Mortgage loans are allocated to a portfolio segment with similar risk characteristics in terms of default risk determined using loan contract information, a borrower category under self-assessment in accordance with an exclusive grading model, and recovery risk at the time of default determined using Loan To Value (LTV) calculated based on the assessment value of collateral real estate. PDs and LGDs are estimated based on the default experience for each segment and taking into account the possibility of estimation errors.

Further, the portfolio is subdivided based on the lapse of years from the contract date, and the effectiveness of segmentation in terms of default risk and recovery risk is validated periodically.

Internal data are used to estimate and validate PDs and LGDs. The definition of default is the definition stipulated in the Notification.

- “Qualifying revolving retail exposures” includes card loans and credit card balances.
- Card loans and credit card balances are rated as follows.

Card loans and credit card balances are allocated to a portfolio segment with similar risk characteristics determined based, for card loans, on the credit quality of the loan guarantee company, credit limit, settlement account balance and payment history, and, for credit card balances, on repayment history and frequency of use.

PDs and LGDs used to calculate credit risk-weighted asset amounts are estimated based on the default experience for each segment and taking into account the possibility of estimation errors.

Further, the effectiveness of segmentation in terms of default risk and recovery risk is validated periodically.

Internal data are used to estimate and validate PDs and LGDs. The definition of default is the definition stipulated in the Notification.

- “Other retail exposures” includes business loans such as apartment construction loans and consumer loans such as My Car Loan.
- Business loans and consumer loans are rated as follows.

a. Business loans are allocated to a portfolio segment with similar risk characteristics in terms of default risk determined using loan contract information, a borrower category under self-assessment in accordance with an exclusive grading model, and recovery risk determined based on LTV for business loans.

PDs and LGDs are estimated based on the default experience for each segment and taking into account the possibility of estimation errors.

b. Rating procedures for consumer loans depends on whether the loan is collateralized. Collateralized consumer loans are allocated to a portfolio segment using the same standards as for mortgage loans of “Residential Mortgage Exposures.” Uncollateralized consumer loans are allocated to a portfolio segment based on account history. PDs and LGDs are estimated based on the default experience for each segment and taking into account the possibility of estimation errors.

Further, the effectiveness of segmentation in terms of default risk and recovery risk is validated periodically.

Internal data are used to estimate and validate PDs and LGDs. The definition of default is the definition stipulated in the Notification.

(C) Equity Exposures

When acquiring equities subject to the PD/LGD approach, issuers are assigned obligor grades using the same rules as those of general credits to C&I companies, sovereigns and financial institutions. The obligors are monitored (for details, please refer to page 155) and their grades are revised if necessary (credit risk-weighted asset amount is set to 1.5 times when they are not monitored individually). In the case there is no credit transaction with the issuer or it is difficult to obtain financial information, internal grades are assigned using ratings of external rating agencies if it is a qualifying investment.

In the case it is difficult to obtain financial information and it is not a qualifying investment, the simple risk weight method under the market-based approach is applied.

(2) Parameter Estimation and Its Validation System

A. PD

This is defined as the probability that obligors could default over one year. PD is estimated as the expected value in the long term regardless of the business cycle using the default rate for each fiscal year based on the historical data for five consecutive fiscal years or more. In principle, the default rate for each fiscal year is measured by the initial number of target obligors as the denominator and the number of defaults occurred during the fiscal year as the numerator.

For assets and ratings applicable to LDP (LDP: Low Default Portfolio), conservative PD is estimated by creating virtual rating transition data based on Monte Carlo simulation and by using the floor value proposed under Basel Capital Accord.

For most portfolios, the actual default rates are lower than PD estimate values applied for the respective periods, because the long-term average value including the recession period is estimated, and also because the possibility of estimation errors is taken into account.

Validation consists of two systems: “backtesting” to retrospectively compare and validate the parameter estimated value and the actual value for the respective applicable period, and “pretesting” to validate before applying the parameter for the purpose of complementing the “backtesting.” The overview for each is as follows.

(a) Backtesting

This is to compare the estimated value with the actual value at least once a year, and to validate that the degree of divergence is within the statistically assumed range.

In case of hitting the predetermined excess criteria as a result of validation, reviews shall be taken including revising the estimation method or rating system.

(b) Pretesting

This is to compare and validate the estimated value to be applied and the historical value. In the case of hitting the predetermined excess criteria, the estimated value shall be conservatively corrected.

The purpose is to prevent underestimation by making adjustments, if necessary.

B. LGD

This is defined as the ratio of loss amounts after default to the amount of receivable at the time of default. LGD is estimated as a long-term average value calculated based on historical data over seven consecutive fiscal years (for retail, five fiscal years) or more. However, in the case where a high positive correlation with the default rate is observed, LGD shall be in principle the value taking into account the possibility that the loss rate of the recession period will exceed the long-term average value, and it is estimated mainly by one of the following methods.

- By taking into account the influence of the recession period on the interest rate to customers constituting the discount rate for calculating the economic loss to be used for estimation
- By taking into account the influence of the recession period by modeling the relationship between the loss ratio and economic and financial indicators, etc.

For the purpose of estimating LGD using economic loss based on requirement of Basel Capital Accord, discount rate is estimated using recovery cost. The averaged period from the time of default to the termination of recovery is used as discount period.

As for validation, backtesting and pretesting are conducted as in A. PD.

C. EAD

This is defined as the amount of exposure at the time of default. EAD is estimated as a long-term average value calculated based on the historical data over seven consecutive fiscal years (for retail, five fiscal years) or more. For estimation, the possibility that the default balance may exceed the latest balance is assumed and taken into account, and EAD is estimated by one of the following methods.

- By estimating the conversion factor that is the ratio of actually drawn amount to the amount associated with undrawn commitments one year before the time of default
- By estimating the conversion factor that is the ratio of the average outstandings of the default borrowers to the average outstandings of the non-default borrowers of the whole limit-type credit subject to the estimation
- By estimating an increased amount by comparing the initial outstandings with ones at the time of default and taking the average for each segment

As for validation, backtesting and pretesting are conducted as in A. PD.

4. Percentage of EAD by Asset Class by Type of Approach for Calculating Credit RWA to Total EAD

	As of March 31, 2023	As of March 31, 2022
IRB approach	94.78 %	95.38 %
Corporate exposures (Advanced Internal Ratings-Based (AIRB) approach)	83.42 %	83.97 %
Corporate exposures (Foundation Internal Ratings-Based (FIRB) approach)	0.27 %	0.26 %
Retail exposures	5.93 %	5.99 %
Equity exposures	1.87 %	2.10 %
Purchased receivables (AIRB approach)	1.12 %	1.13 %
Purchased receivables (FIRB approach)	0.00 %	0.00 %
Other assets, etc.	2.15 %	1.89 %
SA	5.21 %	4.61 %
Total	100.00 %	100.00 %

5. CR Exposures by Portfolio and PD (CR6)

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2023											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF (Credit Conversion Factor) and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Sovereign exposures (AIRB approach)													
1	0.00 to <0.15	93,633,322	152,011	62.93	96,065,791	0.00	0.4	33.40	3.7	146,695	0.15	226	
2	0.15 to <0.25	641,893	171,767	46.32	717,071	0.15	0.2	31.41	1.9	169,520	23.64	353	
3	0.25 to <0.50	47,656	9,765	50.27	25,766	0.38	0.0	28.16	1.2	7,646	29.67	28	
4	0.50 to <0.75	12	—	—	12	0.74	0.0	35.00	1.0	5	49.63	0	
5	0.75 to <2.50	91,561	69,840	92.37	69,790	1.42	0.0	30.65	3.2	50,525	72.39	292	
6	2.50 to <10.00	60,383	17,214	45.97	14,565	4.15	0.0	28.93	1.5	12,816	87.98	173	
7	10.00 to <100.00	11,100	—	—	9,865	13.24	0.0	29.84	1.0	12,890	130.66	389	
8	100.00 (Default)	126,344	—	—	126,344	100.00	0.0	54.76	1.0	58,914	46.63	69,196	
9	Subtotal	94,612,274	420,599	60.05	97,029,207	0.13	0.7	33.41	3.7	459,014	0.47	70,661	2,942
Sovereign exposures (FIRB approach)													
1	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
2	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	—	—	—	—	—	—	—	—	—	—	—	—
Bank exposures (AIRB approach)													
1	0.00 to <0.15	5,007,954	1,469,203	86.70	6,797,378	0.03	0.6	29.82	2.3	986,019	14.50	778	
2	0.15 to <0.25	719,494	180,362	57.32	811,622	0.15	0.2	28.25	1.2	168,624	20.77	365	
3	0.25 to <0.50	150,391	39,981	43.34	147,431	0.40	0.0	28.19	0.9	46,905	31.81	171	
4	0.50 to <0.75	10,000	2,526	45.97	11,161	0.74	0.0	35.00	1.0	7,155	64.10	28	
5	0.75 to <2.50	547,721	155,635	47.90	552,579	1.17	0.2	31.63	1.2	366,716	66.36	2,103	
6	2.50 to <10.00	192,480	23,557	79.32	162,701	4.11	0.0	26.56	1.0	130,810	80.39	1,776	
7	10.00 to <100.00	5,600	—	—	4,541	17.14	0.0	30.00	0.4	6,413	141.23	233	
8	100.00 (Default)	593	—	—	593	100.00	0.0	79.25	1.0	80	13.63	470	
9	Subtotal	6,634,145	1,871,267	79.56	8,488,008	0.22	1.2	29.71	2.0	1,712,726	20.17	5,928	10,967
Bank exposures (FIRB approach)													
1	0.00 to <0.15	48,945	—	—	48,945	0.03	0.0	45.00	5.0	17,362	35.47	6	
2	0.15 to <0.25	102	—	—	102	0.16	0.0	45.00	5.0	82	81.01	0	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	1,210	—	—	1,210	0.74	0.0	45.00	5.0	1,769	146.22	4	
5	0.75 to <2.50	2,280	—	—	2,280	2.21	0.1	45.00	5.0	4,027	176.65	22	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	52,537	—	—	52,537	0.14	0.1	45.00	5.0	23,242	44.23	33	78
Corporate exposures (AIRB approach)													
1	0.00 to <0.15	32,446,992	16,125,650	54.49	46,608,362	0.05	7.2	33.65	2.4	7,381,597	15.83	8,043	
2	0.15 to <0.25	17,474,685	14,497,451	54.79	22,772,210	0.16	6.2	28.58	2.2	5,775,865	25.36	10,450	
3	0.25 to <0.50	7,496,947	3,705,167	53.71	7,856,228	0.34	4.1	28.99	2.3	3,012,585	38.34	7,911	
4	0.50 to <0.75	542,767	103,539	51.66	585,699	0.73	0.7	34.40	2.5	394,277	67.31	1,491	
5	0.75 to <2.50	5,163,341	2,196,914	52.55	5,530,634	1.40	2.5	26.19	3.2	3,772,093	68.20	20,927	
6	2.50 to <10.00	1,150,151	553,464	53.14	1,267,564	5.99	0.7	26.40	2.6	1,218,636	96.13	20,893	
7	10.00 to <100.00	726,466	270,960	56.03	759,742	16.09	0.3	24.33	2.7	911,538	119.97	29,705	
8	100.00 (Default)	500,246	49,206	100.00	469,093	100.00	0.3	46.29	2.1	155,954	33.24	217,189	
9	Subtotal	65,501,599	37,502,355	54.46	85,849,536	0.97	22.2	31.29	2.4	22,622,549	26.35	316,611	383,182

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2023											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Corporate exposures (FIRB approach)													
1	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
2	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	—	—	—	—	—	—	—	—	—	—	—	
Mid-sized corporations and small-medium enterprises (SMEs) exposures (AIRB approach)													
1	0.00 to <0.15	776,693	64,803	47.23	818,090	0.07	1.3	24.93	2.6	105,407	12.88	146	
2	0.15 to <0.25	1,419,695	298,513	54.52	1,271,292	0.15	4.8	27.11	3.2	287,753	22.63	541	
3	0.25 to <0.50	1,546,558	159,696	56.51	1,356,274	0.34	8.1	26.12	3.7	461,011	33.99	1,222	
4	0.50 to <0.75	444,790	23,191	86.87	412,121	0.72	3.5	26.65	3.6	195,144	47.35	796	
5	0.75 to <2.50	1,523,124	63,969	51.38	1,161,869	1.75	21.3	25.98	3.5	649,625	55.91	5,293	
6	2.50 to <10.00	205,223	10,103	47.59	159,210	8.24	1.2	20.60	2.6	107,495	67.51	2,619	
7	10.00 to <100.00	136,914	2,627	52.83	78,198	24.42	2.3	35.92	2.2	126,219	161.40	6,899	
8	100.00 (Default)	213,184	5,795	100.00	156,446	100.00	3.0	45.54	1.8	23,438	14.98	71,258	
9	Subtotal	6,266,185	628,701	55.45	5,413,504	4.05	45.7	26.72	3.3	1,956,096	36.13	88,778	
Mid-sized corporations and SMEs exposures (FIRB approach)													
1	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
2	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	—	—	—	—	—	—	—	—	—	—	—	
Specialized lending (SL)													
1	0.00 to <0.15	3,348,460	80,085	46.35	3,361,496	0.04	—	21.88	3.4	366,921	10.91	324	
2	0.15 to <0.25	2,592,890	810,476	51.95	2,862,094	0.16	—	19.67	3.6	587,658	20.53	905	
3	0.25 to <0.50	2,498,862	1,272,789	52.05	2,755,888	0.35	—	22.21	3.7	969,636	35.18	2,229	
4	0.50 to <0.75	54,253	—	—	54,253	0.74	—	22.53	2.0	20,914	38.54	90	
5	0.75 to <2.50	1,792,728	588,769	61.07	1,761,163	1.18	—	21.96	3.4	907,825	51.54	4,621	
6	2.50 to <10.00	266,936	23,310	54.99	214,130	4.11	—	31.80	3.2	233,964	109.26	2,799	
7	10.00 to <100.00	288,326	87,257	55.39	227,656	15.58	—	35.27	3.4	420,003	184.49	12,788	
8	100.00 (Default)	93,302	20,664	100.00	56,209	100.00	—	52.07	2.9	26,210	46.63	29,273	
9	Subtotal	10,935,760	2,883,352	54.17	11,292,893	1.22	—	22.03	3.5	3,533,135	31.28	53,032	
Equity exposures													
1	0.00 to <0.15	3,675,024	—	—	3,675,024	0.04	1.1	90.00	5.0	3,771,067	102.61	—	
2	0.15 to <0.25	488,369	—	—	488,369	0.15	0.4	90.00	5.0	603,393	123.55	—	
3	0.25 to <0.50	79,138	—	—	79,138	0.41	0.2	90.00	5.0	151,111	190.94	—	
4	0.50 to <0.75	1,563	—	—	1,563	0.74	0.0	90.00	5.0	3,579	228.96	—	
5	0.75 to <2.50	20,093	—	—	20,093	1.55	0.0	90.00	5.0	60,161	299.40	—	
6	2.50 to <10.00	6,319	—	—	6,319	8.89	0.0	90.00	5.0	33,052	523.01	—	
7	10.00 to <100.00	269	—	—	269	24.92	0.0	90.00	5.0	2,148	796.56	—	
8	100.00 (Default)	821	—	—	821	100.00	0.0	90.00	5.0	9,242	1,125.00	—	
9	Subtotal	4,271,600	—	—	4,271,600	0.10	1.9	90.00	5.0	4,633,756	108.47	—	



(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2023											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Purchased receivables (corporates) (the amount equivalent to default risks) (AIRB approach)													
1	0.00 to <0.15	1,453,903	266,886	99.81	1,707,106	0.05	7.3	35.30	1.1	234,702	13.74	763	
2	0.15 to <0.25	432,523	127,816	99.55	555,738	0.16	5.9	32.86	1.0	115,625	20.80	309	
3	0.25 to <0.50	166,977	145,865	100.00	310,355	0.36	10.0	43.09	1.1	138,458	44.61	497	
4	0.50 to <0.75	4,981	34,666	100.00	39,594	0.64	4.5	61.70	1.0	31,915	80.60	156	
5	0.75 to <2.50	43,848	101,131	100.00	144,504	1.45	17.8	55.34	1.1	145,764	100.87	1,131	
6	2.50 to <10.00	3,649	5,022	100.00	8,639	5.73	0.8	51.70	1.0	13,151	152.22	246	
7	10.00 to <100.00	106	1,768	100.00	1,874	60.52	0.2	63.38	1.0	3,065	163.50	713	
8	100.00 (Default)	4,249	106	100.00	4,308	100.00	0.1	72.93	1.0	587	13.63	3,142	
9	Subtotal	2,110,239	683,263	99.84	2,772,122	0.40	46.9	37.23	1.1	683,271	24.64	6,960	7,672
Purchased receivables (corporates) (the amount equivalent to dilution risks) (AIRB approach)													
1	0.00 to <0.15	996,337	858	45.48	996,728	0.05	0.1	33.03	1.2	109,091	10.94	192	
2	0.15 to <0.25	428,001	—	—	428,001	0.16	0.0	32.63	1.1	85,867	20.06	222	
3	0.25 to <0.50	164,610	—	—	164,610	0.27	0.0	33.43	1.0	45,642	27.72	152	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	18,339	—	—	18,339	1.72	0.0	28.32	1.0	9,914	54.06	84	
6	2.50 to <10.00	1,975	—	—	1,975	5.76	0.0	28.40	1.0	1,766	89.41	34	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	549	—	—	549	100.00	0.0	45.23	1.0	74	13.63	248	
9	Subtotal	1,609,814	858	45.48	1,610,205	0.16	0.2	32.91	1.1	252,356	15.67	934	1,378
Purchased receivables (corporates) (the amount equivalent to default risks) (FIRB approach)													
1	0.00 to <0.15	—	90	100.00	90	0.11	0.0	45.00	1.0	18	19.97	0	
2	0.15 to <0.25	—	169	100.00	169	0.20	0.0	45.00	1.0	51	30.23	0	
3	0.25 to <0.50	—	1,659	100.00	1,659	0.42	0.0	45.00	1.0	668	40.26	3	
4	0.50 to <0.75	—	787	100.00	787	0.61	0.0	45.00	1.0	373	47.45	2	
5	0.75 to <2.50	—	1,191	100.00	1,191	1.00	0.0	45.00	1.0	687	57.64	5	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	89	—	—	88	100.00	0.0	45.00	1.0	—	0.00	39	
9	Subtotal	89	3,898	100.00	3,986	2.81	0.1	45.00	1.0	1,797	45.10	50	21
Purchased receivables (corporates) (the amount equivalent to dilution risks) (FIRB approach)													
1	0.00 to <0.15	86	—	—	86	0.11	0.0	45.00	1.0	17	19.97	0	
2	0.15 to <0.25	0	—	—	0	0.20	0.0	45.00	1.0	0	30.02	0	
3	0.25 to <0.50	1	—	—	1	0.49	0.0	45.00	1.0	0	51.59	0	
4	0.50 to <0.75	0	—	—	0	0.61	0.0	45.00	1.0	0	57.94	0	
5	0.75 to <2.50	0	—	—	0	1.09	0.0	45.00	1.0	0	76.03	0	
6	2.50 to <10.00	0	—	—	0	2.70	0.0	45.00	1.0	0	106.02	0	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	88	—	—	88	0.11	0.0	45.00	1.0	18	20.61	0	0
Purchased receivables (retail) (the amount equivalent to default risks)													
1	0.00 to <0.15	4,543	—	—	4,543	0.08	0.3	65.00	—	642	14.13	2	
2	0.15 to <0.25	2,370	—	—	2,370	0.20	0.1	65.00	—	624	26.32	3	
3	0.25 to <0.50	1,753	—	—	1,753	0.34	0.2	50.88	—	520	29.68	3	
4	0.50 to <0.75	244	—	—	244	0.60	0.0	64.25	—	125	51.55	0	
5	0.75 to <2.50	78	20	100.00	98	0.95	0.0	63.71	—	61	62.92	0	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	8,990	20	100.00	9,010	0.19	0.8	62.21	—	1,974	21.91	10	20

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2023											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Purchased receivables (retail) (the amount equivalent to dilution risks) (AIRB approach)													
1	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
2	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	—	—	—	—	—	—	—	—	—	—	—	—
Qualifying revolving retail exposures (QRRE)													
1	0.00 to <0.15	81,876	279,145	6.41	361,021	0.08	4,883.2	67.52		12,722	3.52	205	
2	0.15 to <0.25	386,287	496,656	15.75	882,944	0.18	5,491.6	69.74		61,291	6.94	1,131	
3	0.25 to <0.50	698,222	317,206	9.12	1,015,428	0.38	3,994.0	68.73		125,864	12.39	2,678	
4	0.50 to <0.75	2,907	7,065	6.32	9,972	0.62	141.3	66.64		1,756	17.61	41	
5	0.75 to <2.50	565,432	55,876	14.23	621,308	1.67	655.8	75.79		262,840	42.30	7,864	
6	2.50 to <10.00	711,871	139,334	5.49	851,206	4.14	1,518.2	73.04		656,599	77.13	25,754	
7	10.00 to <100.00	37,445	5,246	8.92	42,692	50.95	86.5	70.87		73,235	171.54	15,424	
8	100.00 (Default)	76,728	6,776	100.00	83,504	100.00	240.4	74.39		92,246	110.46	62,124	
9	Subtotal	2,560,771	1,307,308	33.79	3,868,080	4.05	17,011.3	71.07		1,286,558	33.26	115,224	121,424
Residential mortgage exposures													
1	0.00 to <0.15	—	—	—	31,928	0.05	3.8	38.92		8,074	25.28	6	
2	0.15 to <0.25	—	—	—	1,831	0.16	0.1	77.51		691	37.74	2	
3	0.25 to <0.50	7,434,456	4,487	100.00	7,439,509	0.31	434.7	24.04		992,857	13.34	5,560	
4	0.50 to <0.75	813,742	858	100.00	814,627	0.58	48.6	25.45		179,374	22.01	1,202	
5	0.75 to <2.50	735,074	1,490	100.00	704,721	0.92	58.2	31.33		269,095	38.18	2,135	
6	2.50 to <10.00	—	—	—	—	—	—	—		—	—	—	
7	10.00 to <100.00	20,041	594	100.00	18,128	20.93	1.8	26.56		25,983	143.32	994	
8	100.00 (Default)	65,530	59	100.00	65,589	100.00	5.2	19.96		11,713	17.85	13,096	
9	Subtotal	9,068,846	7,490	100.00	9,076,336	1.14	552.8	24.77		1,487,791	16.39	23,000	24,711
Other retail exposures													
1	0.00 to <0.15	1	2	100.00	4	0.08	0.0	66.64		0	14.01	0	
2	0.15 to <0.25	104,804	13	100.00	104,817	0.15	2.5	34.35		11,957	11.40	54	
3	0.25 to <0.50	270,659	113	100.00	270,772	0.34	8.2	35.22		54,891	20.27	331	
4	0.50 to <0.75	156,479	351,047	100.00	507,526	0.64	335.4	50.97		213,666	42.09	1,670	
5	0.75 to <2.50	617,465	151,086	90.32	768,551	1.33	1,439.4	53.66		467,719	60.85	5,557	
6	2.50 to <10.00	15,641	139,233	100.00	154,875	2.78	124.0	46.21		98,185	63.39	1,978	
7	10.00 to <100.00	13,686	6,121	97.02	19,807	23.78	38.2	53.88		23,667	119.48	2,526	
8	100.00 (Default)	41,472	640	61.95	42,112	100.00	99.7	57.95		94,264	223.83	24,405	
9	Subtotal	1,220,209	648,258	100.00	1,868,467	3.52	2,047.7	48.66		964,351	51.61	36,523	29,983
Total (all portfolios)		204,853,153	45,957,374	58.21	231,605,586	0.72	19,732.3	33.28	—	39,618,642	17.10	717,750	759,180

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2022											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF (Credit Conversion Factor) and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Sovereign exposures (AIRB approach)													
1	0.00 to <0.15	96,723,291	159,205	73.09	99,695,142	0.00	0.5	34.03	3.8	189,191	0.18	226	
2	0.15 to <0.25	572,528	112,751	45.96	624,423	0.15	0.2	33.25	2.0	160,338	25.67	325	
3	0.25 to <0.50	32,158	1,498	100.00	27,257	0.39	0.0	32.73	1.3	9,740	35.73	35	
4	0.50 to <0.75	244	—	—	244	0.50	0.0	35.00	1.1	102	42.07	0	
5	0.75 to <2.50	329,222	85,201	80.75	266,601	1.77	0.0	33.74	3.9	255,890	95.98	1,612	
6	2.50 to <10.00	53,405	7,024	62.15	22,243	4.12	0.0	33.76	1.2	22,049	99.13	307	
7	10.00 to <100.00	728	16,525	45.97	7,748	13.36	0.0	35.00	2.4	12,816	165.39	362	
8	100.00 (Default)	8	—	—	8	100.00	0.0	33.58	1.0	3	38.88	2	
9	Subtotal	97,711,588	382,206	65.53	100,643,669	0.00	0.8	34.02	3.8	650,132	0.64	2,873	5,442
Sovereign exposures (FIRB approach)													
1	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
2	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	—	—	—	—	—	—	—	—	—	—	—	—
Bank exposures (AIRB approach)													
1	0.00 to <0.15	4,414,736	1,159,053	84.04	5,756,408	0.04	0.6	30.89	2.1	838,538	14.56	709	
2	0.15 to <0.25	685,316	175,015	53.23	759,618	0.15	0.2	31.77	1.3	189,734	24.97	384	
3	0.25 to <0.50	175,179	23,351	41.31	168,197	0.35	0.0	33.78	2.1	90,522	53.81	206	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	759,694	174,284	45.31	720,484	1.43	0.3	34.66	0.8	500,210	69.42	3,580	
6	2.50 to <10.00	32,919	4,919	70.80	33,686	4.09	0.0	18.88	1.7	20,796	61.73	260	
7	10.00 to <100.00	2,676	—	—	1,566	13.36	0.0	34.99	0.0	2,614	166.90	73	
8	100.00 (Default)	248	—	—	248	100.00	0.0	79.82	1.0	32	13.13	198	
9	Subtotal	6,070,770	1,536,624	75.45	7,440,210	0.21	1.3	31.36	1.9	1,642,450	22.07	5,412	9,887
Bank exposures (FIRB approach)													
1	0.00 to <0.15	70,541	—	—	70,541	0.03	0.0	45.00	5.0	25,004	35.44	9	
2	0.15 to <0.25	54	—	—	54	0.16	0.0	45.00	5.0	44	81.01	0	
3	0.25 to <0.50	190	—	—	190	0.26	0.0	45.00	5.0	191	100.37	0	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	5,217	—	—	5,217	2.15	0.1	45.00	5.0	9,386	179.90	50	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	76,004	—	—	76,004	0.17	0.2	45.00	5.0	34,626	45.55	60	136
Corporate exposures (AIRB approach)													
1	0.00 to <0.15	30,298,457	15,121,634	53.95	42,995,830	0.06	6.9	34.76	2.4	7,810,994	18.16	9,073	
2	0.15 to <0.25	14,584,399	11,445,232	53.98	19,823,294	0.16	6.1	30.29	2.2	5,339,500	26.93	9,637	
3	0.25 to <0.50	5,643,341	3,286,811	51.55	6,426,017	0.31	2.9	28.77	2.3	2,320,875	36.11	5,887	
4	0.50 to <0.75	933,388	116,695	54.80	978,304	0.50	1.0	31.45	2.4	502,087	51.32	1,539	
5	0.75 to <2.50	5,918,358	2,979,153	52.12	5,282,925	1.38	3.5	29.11	2.8	3,767,199	71.30	21,518	
6	2.50 to <10.00	1,331,901	603,415	48.44	1,093,599	6.09	0.8	25.56	2.8	1,030,711	94.24	17,521	
7	10.00 to <100.00	816,187	357,971	52.39	936,751	15.66	0.3	24.29	2.9	1,138,221	121.50	36,755	
8	100.00 (Default)	700,074	50,699	100.00	678,490	100.00	0.3	47.03	2.3	166,659	24.56	319,123	
9	Subtotal	60,226,109	33,961,614	53.52	78,215,214	1.33	22.1	32.56	2.4	22,076,249	28.22	421,055	473,640

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2022											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Corporate exposures (FIRB approach)													
1	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
2	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	22	—	—	22	100.00	0.0	45.00	5.0	—	0.00	9	
9	Subtotal	22	—	—	22	100.00	0.0	45.00	5.0	—	0.00	9	2
Mid-sized corporations and small-medium enterprises (SMEs) exposures (AIRB approach)													
1	0.00 to <0.15	774,513	20,737	49.92	786,506	0.07	1.2	25.03	2.6	106,554	13.54	155	
2	0.15 to <0.25	1,295,368	186,331	57.38	1,264,867	0.16	4.9	28.99	3.4	323,828	25.60	588	
3	0.25 to <0.50	1,160,836	75,405	50.17	1,036,508	0.30	5.6	28.33	3.7	369,071	35.60	915	
4	0.50 to <0.75	595,140	7,801	50.14	539,328	0.51	3.6	25.47	3.4	207,863	38.54	719	
5	0.75 to <2.50	2,278,120	222,310	57.38	1,692,140	1.57	28.2	26.95	3.5	943,436	55.75	7,183	
6	2.50 to <10.00	354,651	130,505	55.26	184,540	8.33	1.3	21.46	2.6	130,195	70.55	3,188	
7	10.00 to <100.00	155,218	1,019	59.27	95,875	24.23	2.5	34.77	2.2	151,018	157.51	8,096	
8	100.00 (Default)	237,281	6,040	100.00	177,427	100.00	3.2	44.38	1.8	24,940	14.05	78,757	
9	Subtotal	6,851,130	650,152	56.19	5,777,195	4.34	51.0	27.74	3.3	2,256,908	39.06	99,605	103,699
Mid-sized corporations and SMEs exposures (FIRB approach)													
1	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
2	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	—	—	—	—	—	—	—	—	—	—	—	—
Specialized lending (SL)													
1	0.00 to <0.15	2,694,097	120,291	46.32	2,709,030	0.04	—	22.08	3.6	317,937	11.73	284	
2	0.15 to <0.25	2,442,460	662,790	55.09	2,716,398	0.16	—	22.48	4.0	694,468	25.56	982	
3	0.25 to <0.50	2,043,120	868,846	53.04	1,957,947	0.35	—	25.60	3.8	792,835	40.49	1,793	
4	0.50 to <0.75	67,931	—	—	67,931	0.50	—	23.15	2.6	26,099	38.42	78	
5	0.75 to <2.50	1,558,543	406,602	59.24	1,503,812	1.13	—	22.75	3.5	808,198	53.74	3,915	
6	2.50 to <10.00	294,445	68,369	66.22	248,053	4.09	—	40.79	3.6	355,239	143.21	4,139	
7	10.00 to <100.00	316,005	119,402	49.37	290,221	14.80	—	35.81	3.8	538,747	185.63	15,149	
8	100.00 (Default)	89,265	12,490	100.00	50,493	100.00	—	52.12	3.6	19,631	38.88	26,317	
9	Subtotal	9,505,870	2,258,793	54.87	9,543,888	1.39	—	24.09	3.7	3,553,158	37.22	52,660	70,974
Equity exposures													
1	0.00 to <0.15	3,670,673	—	—	3,670,673	0.04	1.2	90.00	5.0	3,759,112	102.40	—	
2	0.15 to <0.25	437,422	—	—	437,422	0.15	0.4	90.00	5.0	543,521	124.25	—	
3	0.25 to <0.50	103,772	—	—	103,772	0.41	0.1	90.00	5.0	241,061	232.29	—	
4	0.50 to <0.75	20,760	—	—	20,760	0.50	0.0	90.00	5.0	42,597	205.18	—	
5	0.75 to <2.50	17,228	—	—	17,228	1.72	0.1	90.00	5.0	50,919	295.55	—	
6	2.50 to <10.00	12,284	—	—	12,284	7.94	0.0	90.00	5.0	62,561	509.27	—	
7	10.00 to <100.00	302	—	—	302	24.89	0.0	90.00	5.0	2,479	818.64	—	
8	100.00 (Default)	1,899	—	—	1,899	100.00	0.0	90.00	5.0	21,373	1,125.00	—	
9	Subtotal	4,264,344	—	—	4,264,344	0.14	2.0	90.00	5.0	4,723,627	110.77	—	—



(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2022											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Purchased receivables (corporates) (the amount equivalent to default risks) (AIRB approach)													
1	0.00 to <0.15	1,162,248	81,482	97.96	1,218,624	0.06	6.9	35.24	1.1	162,365	13.32	337	
2	0.15 to <0.25	802,642	56,412	96.72	849,143	0.16	5.8	29.94	1.0	153,318	18.05	415	
3	0.25 to <0.50	210,561	45,512	100.00	252,850	0.35	5.2	36.09	1.0	85,239	33.71	317	
4	0.50 to <0.75	19,818	64,832	100.00	84,403	0.55	8.4	55.01	1.0	56,673	67.14	258	
5	0.75 to <2.50	159,954	107,686	97.30	263,925	1.65	17.5	40.61	1.1	201,466	76.33	1,656	
6	2.50 to <10.00	1,456	4,700	100.00	6,134	5.54	0.8	54.17	1.0	9,523	155.25	175	
7	10.00 to <100.00	84	1,421	100.00	1,505	58.11	0.2	58.60	1.0	2,406	159.89	507	
8	100.00 (Default)	4,549	346	100.00	4,837	100.00	0.1	72.22	1.2	635	13.13	3,493	
9	Subtotal	2,361,314	362,395	98.23	2,681,423	0.51	45.3	34.92	1.1	671,629	25.04	7,163	6,957
Purchased receivables (corporates) (the amount equivalent to dilution risks) (AIRB approach)													
1	0.00 to <0.15	875,005	3,349	45.48	876,528	0.06	0.1	32.25	1.1	106,349	12.13	199	
2	0.15 to <0.25	460,898	8,412	45.48	464,724	0.16	0.0	31.26	1.0	86,608	18.63	232	
3	0.25 to <0.50	316,960	–	–	316,960	0.27	0.0	29.65	1.0	91,128	28.75	254	
4	0.50 to <0.75	14,030	–	–	14,030	0.50	0.0	35.00	1.0	6,997	49.87	24	
5	0.75 to <2.50	48,262	–	–	48,262	1.56	0.0	27.66	1.2	25,103	52.01	198	
6	2.50 to <10.00	1,013	–	–	1,013	8.38	0.0	34.32	1.0	1,260	124.43	29	
7	10.00 to <100.00	6,478	–	–	6,478	13.36	0.0	25.00	1.0	7,087	109.40	216	
8	100.00 (Default)	23,581	–	–	23,581	100.00	0.0	40.59	1.0	3,096	13.13	9,573	
9	Subtotal	1,746,230	11,762	45.48	1,751,579	1.57	0.2	31.50	1.0	327,632	18.70	10,728	2,190
Purchased receivables (corporates) (the amount equivalent to default risks) (FIRB approach)													
1	0.00 to <0.15	–	60	100.00	60	0.07	0.0	45.00	1.0	9	15.02	0	
2	0.15 to <0.25	–	251	100.00	251	0.20	0.0	45.00	1.0	68	27.39	0	
3	0.25 to <0.50	–	514	100.00	514	0.33	0.0	45.00	1.0	187	36.37	0	
4	0.50 to <0.75	–	1,862	100.00	1,862	0.57	0.0	45.00	1.0	887	47.63	4	
5	0.75 to <2.50	–	987	100.00	987	0.99	0.0	45.00	1.0	578	58.62	4	
6	2.50 to <10.00	–	37	100.00	37	2.82	0.0	45.00	1.0	40	107.58	0	
7	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
8	100.00 (Default)	102	–	–	100	100.00	0.0	45.00	1.0	–	0.00	45	
9	Subtotal	102	3,714	100.00	3,815	3.26	0.0	45.00	1.0	1,771	46.43	56	20
Purchased receivables (corporates) (the amount equivalent to dilution risks) (FIRB approach)													
1	0.00 to <0.15	100	–	–	100	0.11	0.0	45.00	1.0	20	19.97	0	
2	0.15 to <0.25	0	–	–	0	0.20	0.0	45.00	1.0	0	30.02	0	
3	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	
4	0.50 to <0.75	1	–	–	1	0.52	0.0	45.00	1.0	0	53.46	0	
5	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	
6	2.50 to <10.00	0	–	–	0	2.82	0.0	45.00	1.0	0	107.58	0	
7	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
8	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
9	Subtotal	102	–	–	102	0.11	0.0	45.00	1.0	21	20.51	0	0
Purchased receivables (retail) (the amount equivalent to default risks)													
1	0.00 to <0.15	3,620	–	–	3,620	0.08	0.0	60.00	–	469	12.96	1	
2	0.15 to <0.25	1,232	–	–	1,232	0.20	0.0	60.00	–	299	24.30	1	
3	0.25 to <0.50	1,819	–	–	1,819	0.32	0.1	44.28	–	452	24.88	2	
4	0.50 to <0.75	443	–	–	443	0.57	0.0	59.65	–	205	46.30	1	
5	0.75 to <2.50	37	20	100.00	58	1.09	0.0	57.95	–	35	60.76	0	
6	2.50 to <10.00	9	–	–	9	2.82	0.0	60.00	–	7	82.92	0	
7	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
8	100.00 (Default)	1	–	–	1	100.00	0.0	79.82	–	0	13.13	0	
9	Subtotal	7,165	20	100.00	7,185	0.22	0.1	55.98	–	1,470	20.46	8	15

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2022											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Purchased receivables (retail) (the amount equivalent to dilution risks) (AIRB approach)													
1	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
2	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	—	—	—	—	—	—	—	—	—	—	—	—
Qualifying revolving retail exposures (QRRE)													
1	0.00 to <0.15	75,285	261,676	6.31	336,961	0.08	4,581.6	68.41		12,153	3.60	197	
2	0.15 to <0.25	336,510	444,126	15.89	780,637	0.18	5,042.8	70.68		56,009	7.17	1,038	
3	0.25 to <0.50	553,081	298,003	9.40	851,085	0.37	3,894.5	69.91		106,140	12.47	2,253	
4	0.50 to <0.75	2,801	6,833	6.45	9,635	0.61	136.6	67.46		1,696	17.60	39	
5	0.75 to <2.50	539,903	48,894	13.69	588,798	1.67	586.6	76.84		253,312	43.02	7,591	
6	2.50 to <10.00	662,949	132,829	5.46	795,779	3.97	1,447.9	74.71		609,275	76.56	23,522	
7	10.00 to <100.00	30,955	3,994	8.10	34,950	49.58	70.7	71.81		61,328	175.47	12,488	
8	100.00 (Default)	71,663	6,756	100.00	78,420	100.00	191.6	75.48		83,326	106.25	59,192	
9	Subtotal	2,273,152	1,203,115	34.60	3,476,268	4.09	15,952.6	72.35		1,183,241	34.03	106,323	107,328
Residential mortgage exposures													
1	0.00 to <0.15	—	—	—	37,966	0.06	4.4	39.04		10,238	26.96	9	
2	0.15 to <0.25	—	—	—	2,358	0.16	0.2	63.10		949	40.27	2	
3	0.25 to <0.50	7,253,693	5,644	100.00	7,259,383	0.31	437.5	24.81		999,967	13.77	5,602	
4	0.50 to <0.75	841,055	1,048	100.00	842,120	0.57	49.9	26.38		192,193	22.82	1,288	
5	0.75 to <2.50	805,915	1,842	100.00	770,247	0.94	62.4	32.35		307,940	39.97	2,462	
6	2.50 to <10.00	—	—	—	—	—	—	—		—	—	—	
7	10.00 to <100.00	22,106	687	100.00	19,916	22.42	2.0	27.63		29,856	149.90	1,215	
8	100.00 (Default)	78,828	59	100.00	78,888	100.00	6.1	21.18		14,644	18.56	16,708	
9	Subtotal	9,001,599	9,282	100.00	9,010,882	1.31	562.7	25.64		1,555,790	17.26	27,289	25,439
Other retail exposures													
1	0.00 to <0.15	1	2	100.00	4	0.08	0.0	67.46		0	14.19	0	
2	0.15 to <0.25	106,436	11	100.00	106,448	0.16	2.6	34.52		12,765	11.99	58	
3	0.25 to <0.50	289,482	159	100.00	289,641	0.36	8.8	35.47		61,244	21.14	377	
4	0.50 to <0.75	126,554	350,326	100.00	476,881	0.66	336.5	54.38		216,913	45.48	1,715	
5	0.75 to <2.50	682,910	133,694	88.26	816,605	1.35	1,677.8	53.59		499,113	61.12	6,032	
6	2.50 to <10.00	18,674	142,131	100.00	160,806	2.82	129.2	46.66		103,117	64.12	2,105	
7	10.00 to <100.00	11,425	4,352	95.42	15,778	23.13	35.7	55.25		19,097	121.03	2,004	
8	100.00 (Default)	42,977	657	67.32	43,634	100.00	93.9	56.48		91,116	208.81	24,647	
9	Subtotal	1,278,463	631,337	100.00	1,909,800	3.52	2,284.7	49.47		1,003,369	52.53	36,941	29,101
Total (all portfolios)		201,373,972	41,011,020	57.12	224,801,607	0.81	18,923.6	34.29	—	39,682,079	17.65	770,189	834,837

6. Effect on Credit RWA of Credit Derivatives Used as CRM Techniques (CR7)

(Millions of yen)

CR7: IRB – Effect on credit RWA of credit derivatives used as CRM techniques					
		As of March 31, 2023		As of March 31, 2022	
Item No.	Portfolio	a	b	a	b
		Pre-credit derivatives credit RWA	Actual credit RWA	Pre-credit derivatives credit RWA	Actual credit RWA
1	Sovereign exposures - FIRB	—	—	—	—
2	Sovereign exposures - AIRB	385,671	385,671	560,055	560,055
3	Bank exposures - FIRB	23,242	23,242	34,626	34,626
4	Bank exposures - AIRB	1,631,397	1,631,397	1,581,450	1,581,450
5	Corporate exposures (excluding SL) - FIRB	—	—	—	—
6	Corporate exposures (excluding SL) - AIRB	24,615,146	24,614,964	24,371,426	24,371,130
7	SL - FIRB	622,798	622,798	624,336	624,336
8	SL- AIRB	3,647,258	3,647,258	3,658,093	3,658,093
9	Retail - QRRE	1,286,558	1,286,558	1,183,241	1,183,241
10	Retail - Residential mortgage exposures	1,487,791	1,487,791	1,555,790	1,555,790
11	Retail - Other retail exposures	964,351	964,351	1,003,369	1,003,369
12	Equity - FIRB	—	—	—	—
13	Equity - AIRB	5,481,371	5,481,371	5,684,044	5,684,044
14	Purchased receivables - FIRB	1,816	1,816	1,792	1,792
15	Purchased receivables - AIRB	937,602	937,602	1,000,732	1,000,732
16	Total	41,085,004	41,084,823	41,258,959	41,258,663

7. RWA flow statements of credit risk exposures under IRB approach (CR8)

(One hundred billions of yen)

CR8: RWA flow statements of credit risk exposures under IRB approach			
Item No.		RWA amounts	
1	RWA as of March 31, 2022		412
2	Breakdown of variations in the credit risk-weighted assets	Asset size	16
3		Asset quality	(31)
4		Model updates	—
5		Methodology and policy	—
6		Acquisitions and disposals	—
7		Foreign exchange movements	12
8		Other	—
9	RWA as of March 31, 2023		410

(One hundred billions of yen)

CR8: RWA flow statements of credit risk exposures under IRB approach			
Item No.		RWA amounts	
1	RWA as of March 31, 2021		392
2	Breakdown of variations in the credit risk-weighted assets	Asset size	14
3		Asset quality	(8)
4		Model updates	—
5		Methodology and policy	—
6		Acquisitions and disposals	—
7		Foreign exchange movements	13
8		Other	—
9	RWA as of March 31, 2022		412

8. Backtesting of Probability of Default (PD) per Portfolio (CR9)

(%, the number of data)

CR9: IRB - Backtesting of PD per portfolio													
a	b	c					d	e	f		g	h	i
Portfolio	PD Range	External rating equivalent					Weighted average PD (EAD weighted)	Arithmetic average PD (by obligors)	Number of obligors		Number of defaulted obligors in the year	Of which: number of new defaulted obligors in the year	Average historical annual default rate (5 years)
		S&P	Moody's	Fitch	R&I	JCR			As of March 31, 2022	As of March 31, 2021			
Corporates	0.00 to < 0.05	AAA~A+	Aaa~A1	AAA~A+	AAA~AA-	AAA~AA-	0.00%	0.02%	427	427	0	0	0.02%
	0.05 to < 0.10	A~A-	A2~A3	A~A-	A+~BBB-	A+~BBB-	0.06%	0.07%	5,832	5,832	1	0	0.02%
	0.10 to < 0.50	BBB+~BB	Baa1~Ba2	BBB+~BB	to BB+	to BB+	0.21%	0.22%	12,898	12,898	23	0	0.12%
	0.50 to < 2.50	BB~B	Ba3~B2	BB~B	to BB+	to BB+	1.25%	1.64%	27,802	27,802	102	0	0.35%
	2.50 to < 100.00	to B-	to B3	to B-	to BB+	to BB+	10.54%	18.41%	3,848	3,844	640	4	11.66%
Qualifying revolving retail	0.00 to < 0.05						—	—	—	—	—	—	—
	0.05 to < 0.10						—	—	—	—	—	—	0.08%
	0.10 to < 0.50						0.27%	0.22%	15,258,274	15,254,470	19,376	3,837	0.16%
	0.50 to < 2.50						1.59%	1.40%	739,258	752,003	11,039	2,095	0.68%
	2.50 to < 100.00						6.07%	6.68%	1,530,944	1,524,535	77,547	3,086	4.77%
Residential mortgage	0.00 to < 0.05						—	—	—	—	—	—	—
	0.05 to < 0.10						—	—	—	—	—	—	—
	0.10 to < 0.50						0.30%	0.30%	628,545	636,976	623	8	0.11%
	0.50 to < 2.50						0.75%	0.79%	144,161	150,845	489	8	0.37%
	2.50 to < 100.00						22.85%	23.78%	2,007	2,269	246	0	9.60%
Other retail	0.00 to < 0.05						—	—	—	—	—	—	—
	0.05 to < 0.10						—	—	—	—	—	—	—
	0.10 to < 0.50						0.31%	0.32%	13,342	14,594	2	0	0.09%
	0.50 to < 2.50						1.28%	1.17%	2,247,946	2,250,369	8,937	111	0.46%
	2.50 to < 100.00						4.76%	7.86%	178,429	178,320	8,367	289	4.20%

- Notes: 1. IRB model presented in this table covers all models used within the scope of regulatory consolidation.
2. Applicable portfolios of each IRB model take into account the portfolio classification under Basel Capital Accord. “Corporates” include “Sovereign,” “Banks,” “Specialized lending,” “Equity (PD/LGD approach)” and “Purchased receivables (corporates),” and “Residential mortgage” and “Other retail” include “Purchased receivables (retail).” Therefore, the same classifications are used in this table.
3. A maximum of ten categories of obligor rating in the internal rating system are consolidated into five categories as PD categories.
4. For the external ratings associated with, external ratings equivalent to the PD of non-Japanese companies mainly are listed in the columns of S&P, Moody’s, and Fitch, and external ratings equivalent to the PD of Japanese companies mainly are listed in the columns of R&I and JCR.
5. The number of obligors of “Qualifying revolving retail,” “Residential mortgage” and “Other retail” states the number of receivables.
6. The proportion of credit risk-weighted assets subject to the IRB approach is that “Corporates” accounts for 89.19 percent, “Qualifying revolving retail” accounts for 2.94 percent, “Residential mortgage” accounts for 3.83 percent, and “Other retail” accounts for 2.49 percent.



9. SL (Slotting Criteria Approach) and Equity Exposures (Market-Based Approach, etc.) (CR10)

(Millions of yen, except percentages)

CR10: IRB - SL (slotting criteria approach) and equity exposures (market-based approach, etc.)		As of March 31, 2023									
a	b	c	d	e	f	g	h	i	j	k	l
SL (slotting criteria approach)											
Other than high-volatility commercial real estate (HVCRE)											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount (EAD)					Credit RWA amount	Expected losses
					PF	OF	CF	IPRE	Total		
Strong	Less than 2.5 years	—	52,428	50%	52,428	—	—	—	52,428	26,214	—
	Equal to or more than 2.5 years	24,249	—	70%	15,950	8,299	—	—	24,249	16,974	96
Good	Less than 2.5 years	22,694	1,111	70%	23,205	—	—	—	23,205	16,243	92
	Equal to or more than 2.5 years	126,803	7,836	90%	130,618	—	—	—	130,618	117,557	1,044
Satisfactory		9,534	2,716	115%	10,783	—	—	—	10,783	12,400	301
Weak		—	—	250%	—	—	—	—	—	—	—
Default		3,847	—	—	3,847	—	—	—	3,847	—	1,923
Total		187,129	64,093	—	236,833	8,299	—	—	245,132	189,390	3,460
HVCRE											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW					Exposure amount (EAD)	Credit RWA amount	Expected losses
Strong	Less than 2.5 years	19,866	8,181	70%					23,627	16,539	94
	Equal to or more than 2.5 years	6,321	6,537	95%					9,326	8,860	37
Good	Less than 2.5 years	106,166	23,675	95%					117,099	111,244	468
	Equal to or more than 2.5 years	135,532	10,158	120%					142,639	171,167	570
Satisfactory		68,118	20,061	140%					86,689	121,364	2,427
Weak		—	—	250%					—	—	—
Default		—	—	—					—	—	—
Total		336,004	68,613	—					379,382	429,176	3,598
Equity exposures (market-based approach, etc.)											
Equity exposures subject to market-based approach											
Categories		On-balance sheet amount	Off-balance sheet amount	RW					Exposure amount (EAD)	Credit RWA amount	
Simple risk weight method –listed shares		30,856	—	300%					30,856	92,570	
Simple risk weight method –unlisted shares		75,418	43,997	400%					95,859	383,438	
Internal models approach		287,621	—	129%					287,621	371,605	
Total		393,896	43,997	—					414,337	847,614	
Equity exposures subject to 100% risk weight											
Equity exposures subject to 100% risk weight pursuant to the provisions of Article 166, Paragraph 1 of the Notification No. 19 issued by the Japan Financial Service Agency in 2006		—	—	100%					—	—	

(Millions of yen, except percentages)

CR10: IRB - SL (slotting criteria approach) and equity exposures (market-based approach, etc.)		As of March 31, 2022									
a	b	c	d	e	f	g	h	i	j	k	l
SL (slotting criteria approach)											
Other than high-volatility commercial real estate (HVCRE)											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount (EAD)					Credit RWA amount	Expected losses
					PF	OF	CF	IPRE	Total		
Strong	Less than 2.5 years	2,353	3,412	50%	3,924	—	—	—	3,924	1,962	—
	Equal to or more than 2.5 years	25,991	3,399	70%	22,932	4,628	—	—	27,561	19,292	110
Good	Less than 2.5 years	5,456	—	70%	5,456	—	—	—	5,456	3,819	21
	Equal to or more than 2.5 years	105,885	16,657	90%	113,717	—	—	—	113,717	102,345	909
Satisfactory		5,298	30,911	115%	36,194	—	—	—	36,194	41,624	1,013
Weak		4,931	10,279	250%	9,657	—	—	—	9,657	24,144	772
Default		3,537	—	—	3,537	—	—	—	3,537	—	1,768
Total		153,455	64,660	—	195,420	4,628	—	—	200,049	193,188	4,596
HVCRE											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW					Exposure amount (EAD)	Credit RWA amount	Expected losses
Strong	Less than 2.5 years	1,590	2,355	70%					2,672	1,870	10
	Equal to or more than 2.5 years	16,119	12,349	95%					21,795	20,706	87
Good	Less than 2.5 years	116,035	31,522	95%					132,113	125,507	528
	Equal to or more than 2.5 years	114,778	23,079	120%					125,884	151,061	503
Satisfactory		72,547	22,430	140%					88,451	123,832	2,476
Weak		—	—	250%					—	—	—
Default		—	—	—					—	—	—
Total		321,071	91,736	—					370,918	422,979	3,606
Equity exposures (market-based approach, etc.)											
Equity exposures subject to market-based approach											
Categories		On-balance sheet amount	Off-balance sheet amount	RW					Exposure amount (EAD)	Credit RWA amount	
Simple risk weight method –listed shares		86,685	—	300%					86,685	260,055	
Simple risk weight method –unlisted shares		67,923	21,249	400%					77,692	310,768	
Internal models approach		509,387	122,618	61%					632,005	389,592	
Total		663,996	143,867	—					796,383	960,416	
Equity exposures subject to 100% risk weight											
Equity exposures subject to 100% risk weight pursuant to the provisions of Article 166, Paragraph 1 of the Notification No. 19 issued by the Japan Financial Service Agency in 2006		—	—	100%					—	—	

10. Credit Risk-Weighted Assets under Article 145 of the Notification

Exposures under Article 145 of the Notification include investments to funds. In the case of such exposures, in principle, each underlying asset of the fund is assigned an obligor grade to calculate the asset’s credit risk-weighted asset amount and the amounts are totaled to derive the credit risk-weighted asset amount of the fund. When it is difficult to calculate the credit risk-weighted asset amount of individual underlying assets, the weighted average of the risk weight of individual underlying assets is calculated, where risk weight of 250%/ 400% is applied if the result of such calculation proved to be 250%/400% or less, while 1,250% is applied otherwise.

(Millions of yen)

Calculation method	As of March 31, 2023	As of March 31, 2022
Look-through approach	1,056,257	1,337,001
Mandate-based approach	—	—
Simple approach (subject to 250% risk weight)	34,357	17,839
Simple approach (subject to 400% risk weight)	137,691	103,262
Fall-back approach	21,408	15,163

■ Standardised Approach

1. Scope

The following consolidated subsidiaries have adopted the standardised approach for exposures as of March 31, 2023 (i.e. consolidated subsidiaries not listed in the “Internal Ratings-Based (IRB) Approach: 1. Scope” on page 204).

(1) Consolidated Subsidiaries Planning to Adopt Phased Rollout of the AIRB Approach  
SMBC Consumer Finance Co., Ltd.

(2) Consolidated Subsidiaries Planning to Adopt Phased Rollout of the FIRB Approach  
SMBC Nikko Securities Inc.

(3) Other Consolidated Subsidiaries  
These are consolidated subsidiaries judged not to be significant in terms of credit risk management based on the type of business, scale, and other factors. These subsidiaries will adopt the standardised approach on a permanent basis.

2. Credit Risk-Weighted Asset Calculation Methodology

A 100% risk weight is applied to claims on corporates in accordance with Article 45 of the Notification, and risk weights corresponding to country risk scores published by the Organization for Economic Co-operation and Development (OECD) are applied to claims on sovereigns and financial institutions.

3. CR Exposure and Credit Risk Mitigation (CRM) Effects (CR4)

(Millions of yen, except percentages)

CR4: SA – CR exposure and CRM effects		As of March 31, 2023					
Item No.		a	b	c	d	e	f
		Exposures pre-CCF and pre-CRM On-balance sheet amount	Off-balance sheet amount	Exposures post-CCF and post-CRM On-balance sheet amount	Off-balance sheet amount	Credit RWA amount	RWA density
1	Cash	30,923	—	30,923	—	0	0.00%
2	Government of Japan and Bank of Japan (BOJ)	3,832,051	—	3,832,051	—	0	0.00%
3	Foreign central governments and foreign central banks	2,212,839	—	2,212,839	—	42,135	1.90%
4	Bank for International Settlements, etc.	10	—	10	—	0	0.00%
5	Local governments of Japan	126,273	—	126,273	—	0	0.00%
6	Foreign non-central government public sector entities (PSEs)	3,965	—	3,965	—	793	20.00%
7	Multilateral development banks (MDBs)	1,392	—	1,392	—	0	0.00%
8	Japan Finance Organization for Municipalities (JFM)	—	—	—	—	—	—
9	Government- affiliated agencies of Japan	96,971	—	96,971	—	9,697	10.00%
10	The three local public corporations	—	—	—	—	—	—
11	Banks entities and financial instruments business operators engaged in Type I Financial Instruments Business	1,216,433	—	1,216,433	—	295,453	24.28%
12	Corporates	906,830	348,485	893,080	116,774	1,050,444	104.01%
13	SMEs and retail	1,980,133	945,356	1,980,133	629,180	1,956,985	75.00%
14	Residential mortgage loans	209,296	—	209,296	—	73,253	35.00%
15	Real estate acquisition activities	—	—	—	—	—	—
16	Past due loans (three months or more),etc. (excluding residential mortgage loans)	155,899	170	155,715	170	221,261	141.93%
17	Past due loans (three months or more) (residential mortgage loans)	69	—	69	—	69	100.00%
18	Bills in the course of collection	—	—	—	—	—	—
19	Guaranteed by credit guarantee associations, etc.	—	—	—	—	—	—
20	Guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—	—	—	—	—
21	Investments, etc. (excluding significant investments)	—	—	—	—	—	—
22	Total	10,773,090	1,294,012	10,759,156	746,125	3,650,094	31.72%



(Millions of yen, except percentages)

CR4: SA – CR exposure and CRM effects		As of March 31, 2022					
Item No.		a	b	c	d	e	f
		Exposures pre-CCF and pre-CRM	Exposures post-CCF and post-CRM			Credit RWA amount	RWA density
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1	Cash	27,088	—	27,088	—	0	0.00%
2	Government of Japan and Bank of Japan (BOJ)	2,753,076	—	2,753,076	—	0	0.00%
3	Foreign central governments and foreign central banks	2,018,063	—	2,018,063	—	2,789	0.13%
4	Bank for International Settlements, etc.	9	—	9	—	0	0.00%
5	Local governments of Japan	54,550	—	54,550	—	0	0.00%
6	Foreign non-central government public sector entities (PSEs)	4,112	—	4,112	—	822	20.00%
7	Multilateral development banks (MDBs)	1,381	—	1,381	—	0	0.00%
8	Japan Finance Organization for Municipalities (JFM)	—	—	—	—	—	—
9	Government- affiliated agencies of Japan	92,682	—	92,682	—	9,268	10.00%
10	The three local public corporations	—	—	—	—	—	—
11	Banks entities and financial instruments business operators engaged in Type I Financial Instruments Business	1,429,248	—	1,429,248	—	336,063	23.51%
12	Corporates	764,321	285,007	762,644	89,546	874,057	102.56%
13	SMEs and retail	1,726,816	927,241	1,726,816	619,562	1,759,784	75.00%
14	Residential mortgage loans	189,189	—	189,189	—	66,216	35.00%
15	Real estate acquisition activities	—	—	5	—	5	100.00%
16	Past due loans (three months or more),etc. (excluding residential mortgage loans)	129,396	226	129,167	226	185,186	143.11%
17	Past due loans (three months or more) (residential mortgage loans)	97	—	97	—	97	100.00%
18	Bills in the course of collection	—	—	—	—	—	—
19	Guaranteed by credit guarantee associations, etc.	—	—	—	—	—	—
20	Guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—	—	—	—	—
21	Investments, etc. (excluding significant investments)	—	—	—	—	—	—
22	Total	9,190,035	1,212,475	9,188,135	709,335	3,234,291	32.67%

4. CR Exposures by Asset Classes and Risk Weights (CR5)

(Millions of yen)

CR5: SA – CR exposures by asset classes and risk weights		As of March 31, 2023										
Item No.		a	b	c	d	e	f	g	h	i	j	k
		CR exposure amounts (post-CCF and CRM)										
	Asset classes	0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	Total
1	Cash	30,923	—	—	—	—	—	—	—	—	—	30,923
2	Government of Japan and BOJ	3,832,051	—	—	—	—	—	—	—	—	—	3,832,051
3	Foreign central governments and foreign central banks	2,128,569	—	—	—	84,270	—	—	—	—	—	2,212,839
4	Bank for International Settlements, etc.	10	—	—	—	—	—	—	—	—	—	10
5	Local governments of Japan	126,273	—	—	—	—	—	—	—	—	—	126,273
6	Foreign non-central government PSEs	—	—	3,965	—	—	—	—	—	—	—	3,965
7	MDBs	1,392	—	—	—	—	—	—	—	—	—	1,392
8	JFM	—	—	—	—	—	—	—	—	—	—	—
9	Government- affiliated agencies of Japan	—	96,971	—	—	—	—	—	—	—	—	96,971
10	The three local public corporations	—	—	—	—	—	—	—	—	—	—	—
11	Banks and financial instruments business operators engaged in Type I Financial Instruments Business	—	—	1,125,692	—	40,851	—	49,889	—	—	—	1,216,433
12	Corporates	3,669	—	1,161	—	—	—	1,005,024	—	—	—	1,009,855
13	SMEs and retail	—	—	—	—	—	2,609,313	—	—	—	—	2,609,313
14	Residential mortgage loans	—	—	—	209,296	—	—	—	—	—	—	209,296
15	Real estate acquisition activities	—	—	—	—	—	—	—	—	—	—	—
16	Past due loans (three months or more), etc. (excluding residential mortgage loans)	—	—	—	—	7,303	—	10,526	138,055	—	—	155,885
17	Past due loans (three months or more) (residential mortgage loans)	—	—	—	—	—	—	69	—	—	—	69
18	Bills in the course of collection	—	—	—	—	—	—	—	—	—	—	—
19	Guaranteed by credit guarantee associations, etc.	—	—	—	—	—	—	—	—	—	—	—
20	Guaranteed by REVIC of Japan, etc.	—	—	—	—	—	—	—	—	—	—	—
21	Investments, etc. (excluding significant investments)	—	—	—	—	—	—	—	—	—	—	—
22	Total	6,122,890	96,971	1,130,818	209,296	132,425	2,609,313	1,065,510	138,055	—	—	11,505,282

(Millions of yen)

CR5: SA – CR exposures by asset classes and risk weights		As of March 31, 2022										
Item No.		a	b	c	d	e	f	g	h	i	j	k
		CR exposure amounts (post-CCF and CRM)										
	Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	Total
1	Cash	27,088	–	–	–	–	–	–	–	–	–	27,088
2	Government of Japan and BOJ	2,753,076	–	–	–	–	–	–	–	–	–	2,753,076
3	Foreign central governments and foreign central banks	2,012,483	–	–	–	5,579	–	–	–	–	–	2,018,063
4	Bank for International Settlements, etc.	9	–	–	–	–	–	–	–	–	–	9
5	Local governments of Japan	54,550	–	–	–	–	–	–	–	–	–	54,550
6	Foreign non-central government PSEs	–	–	4,112	–	–	–	–	–	–	–	4,112
7	MDBs	1,381	–	–	–	–	–	–	–	–	–	1,381
8	JFM	–	–	–	–	–	–	–	–	–	–	–
9	Government- affiliated agencies of Japan	–	92,682	–	–	–	–	–	–	–	–	92,682
10	The three local public corporations	–	–	–	–	–	–	–	–	–	–	–
11	Banks and financial instruments business operators engaged in Type I Financial Instruments Business	–	–	1,332,961	–	53,631	–	42,655	–	–	–	1,429,248
12	Corporates	2,073	–	3,953	–	–	–	846,164	–	–	–	852,191
13	SMEs and retail	–	–	–	–	–	2,346,378	–	–	–	–	2,346,378
14	Residential mortgage loans	–	–	–	189,189	–	–	–	–	–	–	189,189
15	Real estate acquisition activities	–	–	–	–	–	–	5	–	–	–	5
16	Past due loans (three months or more), etc. (excluding residential mortgage loans)	32	–	–	–	8,716	–	277	120,366	–	–	129,393
17	Past due loans (three months or more) (residential mortgage loans)	–	–	–	–	–	–	97	–	–	–	97
18	Bills in the course of collection	–	–	–	–	–	–	–	–	–	–	–
19	Guaranteed by credit guarantee associations, etc.	–	–	–	–	–	–	–	–	–	–	–
20	Guaranteed by REVIC of Japan, etc.	–	–	–	–	–	–	–	–	–	–	–
21	Investments, etc. (excluding significant investments)	–	–	–	–	–	–	–	–	–	–	–
22	Total	4,850,697	92,682	1,341,026	189,189	67,927	2,346,378	889,200	120,366	–	–	9,897,470

Note: As the sum of the respective risk weight of the original obligor and the original obligee are applied for the risk weight for loan participation transactions by a bank adopting the SA, the credit RWA amount calculated by summing up the exposure amount multiplied by the corresponding risk weights in the above table does not match with the credit RWA amount shown in column e of CR4 (SA-CR exposure and CRM effects).

■ Credit Risk Mitigation (CRM) Techniques

1. Overview of Risk Characteristics, Risk Management Policy, Risk Management Procedures and Risk Management System

In calculating credit risk-weighted asset amounts, we take into account credit risk mitigation (CRM) techniques. Specifically, amounts are adjusted for eligible financial or real estate collateral, guarantees, and credit derivatives. The methods and scope of these adjustments and methods of management are as follows.

(1) Scope and Management

A. Collateral (Eligible Financial or Real Estate Collateral)

SMBC designates deposits and securities as eligible financial collateral, and land and buildings as eligible real estate collateral. Real estate collateral is evaluated by taking into account its fair value, appraisal value, and current condition, as well as our lien position. Real estate collateral must maintain sufficient collateral value in the event security rights must be exercised due to delinquency. However, during the period from acquiring the rights to exercising the rights, the property may deteriorate or suffer damage from earthquakes or other natural disasters, or there may be changes in the lien position due to, for example, attachment or establishment of liens by a third party. Therefore, the regular monitoring of collateral is implemented according to the type of property and the type of security interest.

B. Guarantees and Credit Derivatives

Guarantors are sovereigns, municipal corporations, credit guarantee corporations and other public entities, financial institutions, and C&I companies. Counterparties to credit derivative transactions are mostly domestic and overseas banks and securities companies. Credit risk-weighted asset amounts are calculated taking into account credit risk mitigation of guarantees and credit derivatives acquired from entities with sufficient ability to provide protection such as sovereigns, municipal corporations and other public sector entities of comparable credit quality, and financial institutions and C&I companies with sufficient credit ratings.

(2) Concentration of Credit Risk and Market Risk under Credit Risk Mitigation Techniques

There is a framework in place for controlling concentration of risk in obligors with large exposures which includes large exposure limit lines, risk concentration monitoring, and reporting to the Credit Risk Committee (please refer to pages 153 to 158). Further, exposures to these obligors are monitored on a group basis, taking into account risk concentration in their parent companies in cases that exposures to the obligors are guaranteed by the parent companies for risk mitigation. In addition, when marketable financial products (for example, credit derivatives) are used as credit risk mitigants, market risk generated by these products is controlled by setting upper limits. As credit risk mitigation techniques, eligible real estate collateral and guarantees have shown a certain effect.

2. Credit Risk Mitigation Techniques (CR3)

(Millions of yen)

CR3: CRM techniques		As of March 31, 2023				
Item No.		a	b	c	d	e
		Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	66,405,972	29,856,764	13,274,199	10,516,994	32,138
2	Securities (of which: Debt securities)	24,985,159	389,260	134,580	10,685	—
3	Other on-balance sheet assets (of which: debt-based assets)	85,006,276	383,866	11,101	259,468	—
4	Total (1+2+3)	176,397,408	30,629,891	13,419,881	10,787,148	32,138
5	Of which: defaulted	814,442	250,429	83,170	46,275	—



(Millions of yen)

CR3: CRM techniques		As of March 31, 2022				
Item No.		a	b	c	d	e
		Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	60,030,223	29,406,799	13,027,563	10,461,219	17,845
2	Securities (of which: Debt securities)	30,046,627	499,766	163,865	21,749	—
3	Other on-balance sheet assets (of which: debt-based assets)	81,729,726	344,821	6,750	295,726	—
4	Total (1+2+3)	171,806,576	30,251,386	13,198,178	10,778,695	17,845
5	Of which: defaulted	912,770	240,510	93,617	43,855	—

Counterparty Credit Risk

1. Overview of Risk Characteristics

Counterparty credit risk is actualized when counterparties become default in a condition where derivative transactions, etc. have a positive value, and risks fluctuate according to the credit quality of counterparties and related market indicators.

2. Risk Management Policy and Procedures

(1) Risk Management Policy

For counterparty credit risks, credit limits are set according to the frameworks of credit management in each SMBC Group company. For transactions with CCP, credit risks are managed after validating the financial base and the default management process, etc.

(2) Policy on Collateral Security and Impact of Deterioration of Our Credit Quality

Collateralized derivative is a CRM technique in which collateral is delivered or received regularly in accordance with replacement cost. The Group conducts collateralized derivative transactions as necessary, thereby reducing credit risk. In the event our credit quality deteriorates, however, the counterparty may demand additional collateral, but its impact is deemed to be insignificant.

(3) Netting

Netting is another CRM technique, and “close-out netting” is the main type of netting. In close-out netting, when a default event, such as bankruptcy, occurs to the counterparty, all claims against, and obligations to, the counterparty, regardless of maturity and currency, are netted out to create a single claim or obligation. Close-out netting is applied to foreign exchange and swap transactions covered under a master agreement with a net-out clause or other means of securing legal effectiveness, and the effect of CRM is taken into account only for such claims and obligations.

3. Amount of Counter Party Credit Risk (CCR) Exposure by Approach (CCR1)

(Millions of yen)

CCR1: Amount of CCR exposure by approach		As of March 31, 2023					
Item No.		a	b	c	d	e	f
		Replacement cost	PFE	Effective EPE (EEPE)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR	—	—		1.4	—	—
	CEM	2,402,391	3,857,731			6,260,123	1,503,981
2	Expected exposure method (IMM)			—	—	—	—
3	Simple approach for CRM					—	—
4	Comprehensive approach for CRM					8,324,288	864,450
5	Exposure fluctuation estimation model					—	—
6	Total						2,368,432

(Millions of yen)

CCR1: Amount of CCR exposure by approach		As of March 31, 2022					
Item No.		a	b	c	d	e	f
		Replacement cost	PFE	Effective EPE (EEPE)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR	—	—		1.4	—	—
	CEM	2,971,841	3,002,516			5,974,358	1,535,455
2	Expected exposure method (IMM)			—	—	—	—
3	Simple approach for CRM					—	—
4	Comprehensive approach for CRM					6,735,277	839,486
5	Exposure fluctuation estimation model					—	—
6	Total						2,374,942

4. CVA Capital Charge (CCR2)

(Millions of yen)

CCR2: CVA risk capital charge		As of March 31, 2023		As of March 31, 2022	
Item No.		a	b	a	b
		EAD post-CRM	RWA (Amount calculated by dividing CVA capital charge by 8%)	EAD post-CRM	RWA (Amount calculated by dividing CVA capital charge by 8%)
1	Total portfolios subject to the advanced CVA capital charge	—	—	—	—
2	(i) VaR component (including the 3×multiplier)		—		—
3	(ii) Stressed VaR component (including the 3×multiplier)		—		—
4	Total portfolios subject to the standardised CVA capital charge	5,735,518	2,594,370	5,439,583	2,567,540
5	Total subject to the CVA capital charge	5,735,518	2,594,370	5,439,583	2,567,540

5. CCR Exposures by Regulatory Portfolio and Risk Weights (CCR3)

(Millions of yen)

CCR3: CCR exposures by regulatory portfolio and risk weights		As of March 31, 2023								
Item No.	Regulatory portfolio / Risk weight	a	b	c	d	e	f	g	h	i
		Credit equivalent amounts (post-CRM)								
		0%	10%	20%	50%	75%	100%	150%	Others	Total
1	Government of Japan and BOJ	191,331	—	—	—	—	—	—	—	191,331
2	Foreign central governments and foreign central banks	—	—	—	—	—	—	—	—	—
3	Bank for International Settlements, etc.	—	—	—	—	—	—	—	—	—
4	Local governments of Japan	1,057	—	—	—	—	—	—	—	1,057
5	Foreign non-central government PSEs	—	—	—	—	—	—	—	—	—
6	MDBs	—	—	—	—	—	—	—	—	—
7	JFM	—	—	—	—	—	—	—	—	—
8	Government- affiliated agencies of Japan	—	—	—	—	—	—	—	—	—
9	The three local public corporations	—	—	—	—	—	—	—	—	—
10	Banks and financial instruments business operators engaged in Type I Financial Instruments Business	—	—	419,720	227	—	—	—	—	419,947
11	Corporates	—	—	—	—	—	511,671	—	—	511,671
12	SMEs and retail	—	—	—	—	72,229	—	—	—	72,229
13	Other than the above	—	—	—	—	—	72,721	—	—	72,721
14	Total	192,389	—	419,720	227	72,229	584,393	—	—	1,268,959

(Millions of yen)

CCR3: CCR exposures by regulatory portfolio and risk weights		As of March 31, 2022								
Item No.	Regulatory portfolio / Risk weight	a	b	c	d	e	f	g	h	i
		Credit equivalent amounts (post-CRM)								
		0%	10%	20%	50%	75%	100%	150%	Others	Total
1	Government of Japan and BOJ	34,480	—	—	—	—	—	—	—	34,480
2	Foreign central governments and foreign central banks	—	—	—	—	—	—	—	—	—
3	Bank for International Settlements, etc.	—	—	—	—	—	—	—	—	—
4	Local governments of Japan	1,104	—	—	—	—	—	—	—	1,104
5	Foreign non-central government PSEs	—	—	—	—	—	—	—	—	—
6	MDBs	—	—	—	—	—	—	—	—	—
7	JFM	—	—	—	—	—	—	—	—	—
8	Government- affiliated agencies of Japan	—	—	—	—	—	—	—	—	—
9	The three local public corporations	—	—	—	—	—	—	—	—	—
10	Banks and financial instruments business operators engaged in Type I Financial Instruments Business	—	—	827,290	322	—	—	—	—	827,613
11	Corporates	—	—	—	—	—	567,905	—	—	567,905
12	SMEs and retail	—	—	—	—	79,383	—	—	—	79,383
13	Other than the above	—	—	—	—	—	83,122	—	—	83,122
14	Total	35,584	—	827,290	322	79,383	651,027	—	—	1,593,609



6. IRB Approach – CCR Exposures by Portfolio and PD Scale (CCR4)

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2023						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
Sovereign exposures (AIRB approach)								
1	0.00 to <0.15	773,434	0.00	0.3	9.66	1.5	549	0.07
2	0.15 to <0.25	148,880	0.15	0.0	10.84	0.5	7,079	4.75
3	0.25 to <0.50	3	0.48	0.0	35.00	1.0	1	39.67
4	0.50 to <0.75	2,858	0.74	0.0	1.00	3.2	75	2.64
5	0.75 to <2.50	—	—	0.0	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	925,176	0.02	0.4	9.83	1.4	7,706	0.83
Sovereign exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—
Bank exposures (AIRB approach)								
1	0.00 to <0.15	6,386,190	0.03	28.5	20.72	1.8	617,464	9.66
2	0.15 to <0.25	847,877	0.15	2.2	11.53	1.3	136,054	16.04
3	0.25 to <0.50	1,783	0.37	0.0	32.98	2.3	848	47.58
4	0.50 to <0.75	—	—	0.0	—	—	—	—
5	0.75 to <2.50	90,487	1.38	0.3	5.46	0.2	11,447	12.65
6	2.50 to <10.00	—	—	0.0	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	7,326,339	0.06	31.2	19.47	1.7	765,815	10.45
Bank exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2023						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
Corporate exposures (AIRB approach)								
1	0.00 to <0.15	3,117,081	0.04	51.0	17.48	1.5	232,383	7.45
2	0.15 to <0.25	1,192,759	0.15	24.8	23.69	2.2	292,501	24.52
3	0.25 to <0.50	208,887	0.36	14.2	32.72	2.7	101,593	48.63
4	0.50 to <0.75	6,711	0.74	1.1	35.00	2.6	4,469	66.58
5	0.75 to <2.50	125,219	1.21	2.9	31.14	1.9	83,831	66.94
6	2.50 to <10.00	21,694	8.35	0.9	34.26	2.2	29,565	136.28
7	10.00 to <100.00	2,453	23.15	0.0	33.86	1.3	4,281	174.46
8	100.00 (Default)	107	100.00	0.0	51.66	1.7	40	37.57
9	Subtotal	4,674,915	0.17	95.3	20.22	1.7	748,666	16.01
Corporate exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—
Mid-sized corporations and SMEs exposures (AIRB approach)								
1	0.00 to <0.15	11,391	0.07	1.8	33.90	3.5	2,679	23.52
2	0.15 to <0.25	18,354	0.16	4.1	32.84	3.6	5,988	32.62
3	0.25 to <0.50	19,723	0.35	4.1	34.72	3.7	9,835	49.86
4	0.50 to <0.75	4,114	0.74	0.9	35.00	2.8	2,478	60.24
5	0.75 to <2.50	3,499	1.92	3.4	34.83	2.6	2,554	73.01
6	2.50 to <10.00	639	8.95	0.1	35.02	4.0	908	141.98
7	10.00 to <100.00	42	23.81	0.0	35.00	3.4	72	170.95
8	100.00 (Default)	58	100.00	0.0	46.13	3.5	7	13.63
9	Subtotal	57,822	0.57	14.9	34.00	3.5	24,525	42.41
Mid-sized corporations and SMEs exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2023						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of counterparties	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
SL								
1	0.00 to <0.15	33,872	0.04	0.1	7.95	4.7	2,760	8.14
2	0.15 to <0.25	145,048	0.15	0.5	16.75	4.7	31,162	21.48
3	0.25 to <0.50	104,682	0.35	2.0	17.73	4.7	33,735	32.22
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	40,458	1.09	0.2	16.00	4.4	16,929	41.84
6	2.50 to <10.00	4,389	4.11	0.0	51.49	4.9	8,576	195.38
7	10.00 to <100.00	2,130	15.79	0.0	48.37	4.8	5,644	264.99
8	100.00 (Default)	617	100.00	0.0	54.77	4.9	287	46.63
9	Subtotal	331,198	0.66	3.1	16.80	4.7	99,096	29.92
Equity exposures								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—
Other retail exposures								
1	0.00 to <0.15	—	—	—	—		—	—
2	0.15 to <0.25	—	—	—	—		—	—
3	0.25 to <0.50	—	—	—	—		—	—
4	0.50 to <0.75	—	—	—	—		—	—
5	0.75 to <2.50	—	—	—	—		—	—
6	2.50 to <10.00	—	—	—	—		—	—
7	10.00 to <100.00	—	—	—	—		—	—
8	100.00 (Default)	—	—	—	—		—	—
9	Subtotal	—	—	—	—		—	—
Total (sum of portfolios)		13,315,452	0.11	145.1	19.06	1.8	1,645,809	12.36

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2022						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
Sovereign exposures (AIRB approach)								
1	0.00 to <0.15	327,300	0.00	0.4	10.14	1.3	618	0.18
2	0.15 to <0.25	62,469	0.15	0.0	33.13	0.3	8,360	13.38
3	0.25 to <0.50	1,339	0.26	0.0	1.07	4.7	30	2.24
4	0.50 to <0.75	3	0.50	0.0	35.00	1.0	1	40.57
5	0.75 to <2.50	11,306	2.27	0.0	1.02	1.0	316	2.80
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	402,420	0.09	0.5	13.42	1.1	9,327	2.31
Sovereign exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—
Bank exposures (AIRB approach)								
1	0.00 to <0.15	6,342,965	0.04	23.5	17.65	1.1	430,467	6.78
2	0.15 to <0.25	820,555	0.15	3.3	18.53	1.4	163,213	19.89
3	0.25 to <0.50	935	0.31	0.1	35.26	1.8	378	40.42
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	45,988	1.67	0.2	5.33	0.2	5,620	12.22
6	2.50 to <10.00	0	4.09	0.0	35.00	1.0	0	114.94
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	7,210,443	0.06	27.3	17.68	1.2	599,679	8.31
Bank exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2022						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
Corporate exposures (AIRB approach)								
1	0.00 to <0.15	1,805,759	0.05	50.9	22.14	1.6	185,308	10.26
2	0.15 to <0.25	886,930	0.15	22.8	31.10	3.3	310,565	35.01
3	0.25 to <0.50	107,310	0.35	8.2	34.66	3.1	62,943	58.65
4	0.50 to <0.75	4,852	0.50	1.6	32.42	3.2	2,819	58.10
5	0.75 to <2.50	163,236	1.09	4.3	33.86	1.9	113,684	69.64
6	2.50 to <10.00	10,679	5.21	0.5	33.18	2.0	12,413	116.23
7	10.00 to <100.00	2,877	20.10	0.1	33.98	2.0	4,974	172.88
8	100.00 (Default)	2,143	100.00	0.0	38.89	1.6	556	25.96
9	Subtotal	2,983,789	0.26	88.8	25.97	2.2	693,265	23.23
Corporate exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—
Mid-sized corporations and SMEs exposures (AIRB approach)								
1	0.00 to <0.15	55,759	0.08	1.9	12.35	0.3	2,779	4.98
2	0.15 to <0.25	6,542	0.16	3.9	34.79	3.5	2,191	33.49
3	0.25 to <0.50	4,158	0.26	1.8	34.85	3.7	1,795	43.16
4	0.50 to <0.75	3,890	0.50	1.6	33.87	3.8	2,285	58.74
5	0.75 to <2.50	6,187	1.37	3.3	34.98	4.0	4,747	76.72
6	2.50 to <10.00	521	8.90	0.1	33.94	4.1	680	130.46
7	10.00 to <100.00	13	24.89	0.0	35.00	2.3	20	158.51
8	100.00 (Default)	189	100.00	0.0	64.70	4.6	24	13.13
9	Subtotal	77,261	0.53	13.0	18.63	1.2	14,525	18.80
Mid-sized corporations and SMEs exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2022						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of counterparties	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
SL								
1	0.00 to <0.15	70,018	0.04	0.2	17.83	4.6	10,311	14.72
2	0.15 to <0.25	192,568	0.15	0.5	21.84	4.7	54,132	28.11
3	0.25 to <0.50	101,573	0.35	1.9	20.99	4.7	38,062	37.47
4	0.50 to <0.75	197	0.50	0.0	35.00	1.4	87	44.36
5	0.75 to <2.50	56,622	1.14	0.2	24.47	4.7	38,379	67.78
6	2.50 to <10.00	13,712	4.09	0.1	47.74	4.7	24,639	179.69
7	10.00 to <100.00	7,055	14.31	0.0	42.75	4.7	16,206	229.72
8	100.00 (Default)	361	100.00	0.0	40.62	4.8	140	38.88
9	Subtotal	442,110	0.74	3.1	22.50	4.7	181,960	41.15
Equity exposures								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—
Other retail exposures								
1	0.00 to <0.15	—	—	—	—		—	—
2	0.15 to <0.25	—	—	—	—		—	—
3	0.25 to <0.50	—	—	—	—		—	—
4	0.50 to <0.75	—	—	—	—		—	—
5	0.75 to <2.50	—	—	—	—		—	—
6	2.50 to <10.00	—	—	—	—		—	—
7	10.00 to <100.00	—	—	—	—		—	—
8	100.00 (Default)	—	—	—	—		—	—
9	Subtotal	—	—	—	—		—	—
Total (sum of portfolios)		11,116,026	0.14	132.9	19.95	1.6	1,498,757	13.48



7. Composition of Collateral for CCR Exposure (CCR5)

(Millions of yen)

CCR5: Composition of collateral for CCR exposure		As of March 31, 2023					
Item No.		a	b	c	d	e	f
		Collateral used in derivative transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash (domestic currency)	12,837	230,100	—	171,595	6,123,681	8,235,330
2	Cash (other currencies)	103	632,101	—	474,897	5,054,287	6,599,823
3	Domestic sovereign debt	292	52,392	—	125,658	4,169,561	6,472,875
4	Other sovereign debt	992	183,265	—	72,289	2,789,246	3,974,426
5	Government agency debt	6	—	—	—	521,855	19,854
6	Corporate bonds	5,576	—	—	—	5,929,154	474,996
7	Equity securities	5,939	—	—	—	2,150,791	804,390
8	Other collateral	—	—	—	—	—	—
9	Total	25,748	1,097,859	—	844,441	26,738,578	26,581,697

(Millions of yen)

CCR5: Composition of collateral for CCR exposure		As of March 31, 2022					
Item No.		a	b	c	d	e	f
		Collateral used in derivative transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash (domestic currency)	11,720	58,864	—	615,276	8,937,625	9,712,771
2	Cash (other currencies)	41	262,432	—	480,909	5,591,725	1,998,023
3	Domestic sovereign debt	1,130	179,495	—	1,707	6,088,798	9,647,647
4	Other sovereign debt	1,163	72,162	—	—	2,232,531	5,031,358
5	Government agency debt	158	—	—	—	891,860	25,207
6	Corporate bonds	5,284	—	—	—	94,588	210,256
7	Equity securities	4,687	—	—	—	3,038,195	1,743,593
8	Other collateral	—	—	—	—	5,148	—
9	Total	24,187	572,954	—	1,097,893	26,880,472	28,368,859

8. Credit Derivative Transaction Exposures (CCR6)

(Millions of yen)

CCR6: Credit derivative transaction exposures		As of March 31, 2023		As of March 31, 2022	
Item No.		a	b	a	b
		Protection bought	Protection sold	Protection bought	Protection sold
Notionals					
1	Single-name credit default swaps	400,301	608,659	465,905	601,039
2	Index credit default swaps	845,493	748,559	910,056	625,379
3	Total return swaps	—	—	—	—
4	Credit options	120,186	—	85,687	—
5	Other credit derivatives	—	—	—	—
6	Total notionals	1,365,980	1,357,219	1,461,648	1,226,418
Fair values					
7	Positive fair value (asset)	4,724	12,718	11,197	164,206
8	Negative fair value (liability)	12,923	10,094	246,617	14,229

9. RWA flow statements of CCR exposures under the Expected exposure method (IMM) (CCR7)

Not applicable.

10. Exposures to Central Counterparties (CCR8)

(Millions of yen)

CCR8: Exposures to central counterparties (CCP)		As of March 31, 2023		As of March 31, 2022	
Item No.		a	b	a	b
		EAD to CCP (post-CRM)	RWA	EAD to CCP (post-CRM)	RWA
1	Exposures to qualifying central counterparties (QCCPs) (total)		158,031		129,483
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	3,784,452	75,696	2,908,794	58,301
3	(i) OTC derivatives	3,075,359	61,507	2,433,329	48,666
4	(ii) Exchange-traded derivatives	666,754	13,341	432,718	8,779
5	(iii) SFTs	42,338	846	42,746	854
6	(iv) Netting sets where cross-product netting has been approved	—	—	—	—
7	Segregated initial margin	—		—	
8	Non-segregated initial margin	381,938	7,638	265,354	5,307
9	Pre-funded default fund contributions	202,805	74,696	189,627	65,875
10	Unfunded default fund contributions	—	—	—	—
11	Exposures to non-QCCPs (total)		126,714		14,666
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	517,076	126,710	20,187	14,666
13	(i) OTC derivatives	394,002	88,186	6,906	6,906
14	(ii) Exchange-traded derivatives	106,782	22,233	13,280	7,759
15	(iii) SFTs	16,290	16,290	—	—
16	(iv) Netting sets where cross-product netting has been approved	—	—	—	—
17	Segregated initial margin	—		—	
18	Non-segregated initial margin	3	3	0	0
19	Pre-funded default fund contributions	—	—	—	—
20	Unfunded default fund contributions	—	—	—	—

■ Securitisation Transactions

1. Overview of Risk Characteristics

Securitisation exposures have, in addition to credit risk and market risk, the following intrinsic risks, which are properly managed based on the nature of each risk.

(1) Dilution Risk

Means the risk of a decrease in purchased receivables due to cancellation or termination of the original contract for the purchased receivables, or netting of debts between the original obligor and the original obligee.

(2) Servicer Risk

A. Commingling Risk

Means the risk of uncollectible funds, which should be collected from the underlying assets, due to the bankruptcy of the servicer before the delivery of the funds collected from the obligor of the receivables.

B. Performance Risk

Means the risk of difficulty in maintenance and collection due to the servicer's failure to properly and accurately perform its clerical duties and procedures.

(3) Liquidity Risk

Means the risk that cash flows related to the underlying assets may be insufficient for paying the principal and interest of the securitisation exposure due to a timing mismatch between the securitisation conduit's receipt of the cash flows related to the underlying assets and payment of the securitisation exposure of the principal and interest, etc.

(4) Fraud Risk

Means the risk of a decrease in or complete loss of the receivables subject to collection due to a fraud, prejudicial or other malicious act by a customer or a third-party obligor.

2. Overview of Risk Management Policy and Procedures

Definition of securitisation exposure has been clarified in order to properly identify, measure, evaluate and report risks, and a risk management department, independent of business units, has been established to centrally manage risks from recognizing securitisation exposures to measuring, evaluating and reporting risks.

Securitisation transactions are subject to the following policies.

- Undertake those which allow separate assessment of underlying short-term assets by making credit decisions on individual underlying assets.
- Undertake those which cover short-term receivables, etc., by creating a framework mainly to estimate the default rate of the underlying assets based on the historical loan-loss ratio and ensure that they have sufficient subordination.
- Undertake others such as those requiring special management by implementing additional management, such as an analysis of the market environment. Particularly, with respect to securitisation transactions backed by retail loans whose creditworthiness is relatively inferior, such as subprime loans in the U.S., the Group deals only with transactions that are sufficiently structured by taking into account not only the above policies, but others such as the underlying asset selection criteria of the originator and the average life.

The Group shall basically not conduct resecuritisation transactions.

Its policy is to conduct securitisation transactions by verifying effectiveness in mitigating credit risk through the use of the asset transfer type or synthetic type securitisation transactions covering domestic and foreign exposures and using them as underlying exposures if securitisation transactions are used as an approach for credit risk mitigation.

The Group takes one of the following positions for securitisation transactions.

- Originator (a direct or indirect originator of underlying assets or a sponsor of an ABCP conduit or a similar program that acquires exposures from third-party entities)
- Investor
- Others (for example, provider of swap for preventing a mismatch between the dividend on trust beneficiary rights and cash flows generated by underlying assets on which the rights are issued)

3. Name of Securitisation Conduit and Whether or Not It Possesses Securitisation Exposure Related to Securitisation Transactions, as well as Names of Subsidiaries and Affiliated Companies of us Which Hold Securitisation Exposures Related to Securitisation Transactions Conducted by us and we Engage in the Management of the Company or Provides Advice

In order to undertake securitisation transactions related to third-party assets, the Group mainly uses a special purpose company (SPC) as a securitisation conduit.

- Manhattan Asset Funding Company LLC
- Chelsea Capital Corporation
- Forest Corporation
- Spur Funding Corporation
- Deccan Funding GK
- Taeguk Funding Designated Activity Company
- Feathertop Funding Limited

Excluding consolidated subsidiaries, subsidiaries or affiliated companies holding securitisation exposures related to the security transactions conducted by the Holding Company Group are as follows:

- PayPay Bank Corporation

4. Name of Securitisation Conduit that Provides Non-Contractual Credit Enhancement, etc. and Impacts on Capital by Such Non-Contractual Credit Enhancement, etc. for Each Securitisation Conduit

Not applicable.

5. Accounting Policy on Securitisation Transactions

The recognition of the generation and extinguishment of financial assets and financial liabilities associated with securitisation transactions and the valuation and accounting treatment thereof are mainly governed by the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

6. Names of Qualifying External Ratings Agencies

In order to calculate the amount of credit risk weighted asset for securitisation exposure with the external ratings-based approach or the standardised approach, or to calculate the amount of market risk associated with specific risk, the risk weights are determined by mapping the ratings of qualifying rating agencies to the risk weights stipulated in the Notification. The qualifying rating agencies are Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), S&P Global Ratings (S&P), and Fitch Ratings Ltd. (Fitch).

When more than one rating is available for an exposure, the second smallest risk weight is used, in accordance with the Notification.

7. Securitisation Exposures in the Banking Book (SEC1)

(Millions of yen)

SEC1: Securitisation exposures in the banking book		As of March 31, 2023								
Item No.	Type of underlying asset	a	b	c	d	e	f	g	h	i
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
1	Retail (total) - of which	423,084	—	423,084	872,771	—	872,771	1,408,177	—	1,408,177
2	Residential mortgage	423,084	—	423,084	—	—	—	358,947	—	358,947
3	Credit card	—	—	—	60,000	—	60,000	272,935	—	272,935
4	Other retail exposures	—	—	—	812,771	—	812,771	776,295	—	776,295
5	Re-securitisation	—	—	—	—	—	—	—	—	—
6	Wholesale (total) - of which	228,117	5	228,122	688,106	—	688,106	2,197,777	—	2,197,777
7	Loans to corporates	228,117	5	228,122	—	—	—	1,931,250	—	1,931,250
8	Commercial mortgage	—	—	—	—	—	—	1,134	—	1,134
9	Lease and receivables	—	—	—	605,079	—	605,079	179,099	—	179,099
10	Other wholesale	—	—	—	83,026	—	83,026	86,293	—	86,293
11	Re-securitisation	—	—	—	—	—	—	—	—	—

(Millions of yen)

SEC1: Securitisation exposures in the banking book		As of March 31, 2022								
Item No.	Type of underlying asset	a	b	c	d	e	f	g	h	i
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
1	Retail (total) - of which	453,676	—	453,676	686,473	—	686,473	1,217,831	—	1,217,831
2	Residential mortgage	453,676	—	453,676	—	—	—	388,042	—	388,042
3	Credit card	—	—	—	3,060	—	3,060	295,418	—	295,418
4	Other retail exposures	—	—	—	683,413	—	683,413	534,370	—	534,370
5	Re-securitisation	—	—	—	—	—	—	—	—	—
6	Wholesale (total) - of which	190,216	5	190,222	731,519	—	731,519	1,829,165	—	1,829,165
7	Loans to corporates	190,216	5	190,222	2,562	—	2,562	1,558,955	—	1,558,955
8	Commercial mortgage	—	—	—	—	—	—	1,411	—	1,411
9	Lease and receivables	—	—	—	723,956	—	723,956	161,106	—	161,106
10	Other wholesale	—	—	—	5,000	—	5,000	107,691	—	107,691
11	Re-securitisation	—	—	—	—	—	—	—	—	—

8. Securitisation Exposures in the Trading Book (SEC2)

(Millions of yen)

SEC2: Securitisation exposures in the trading book		As of March 31, 2023								
Item No.	Type of underlying asset	a	b	c	d	e	f	g	h	i
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
1	Retail (total) - of which	—	—	—	—	—	—	27,671	—	27,671
2	Residential mortgage	—	—	—	—	—	—	26,372	—	26,372
3	Credit card	—	—	—	—	—	—	—	—	—
4	Other retail exposures	—	—	—	—	—	—	1,299	—	1,299
5	Re-securitisation	—	—	—	—	—	—	—	—	—
6	Wholesale (total) - of which	—	—	—	—	—	—	5,322	—	5,322
7	Loans to corporates	—	—	—	—	—	—	5,322	—	5,322
8	Commercial mortgage	—	—	—	—	—	—	—	—	—
9	Lease and receivables	—	—	—	—	—	—	—	—	—
10	Other wholesale	—	—	—	—	—	—	—	—	—
11	Re-securitisation	—	—	—	—	—	—	—	—	—

(Millions of yen)

SEC2: Securitisation exposures in the trading book		As of March 31, 2022								
Item No.	Type of underlying asset	a	b	c	d	e	f	g	h	i
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
1	Retail (total) - of which	—	—	—	—	—	—	12,056	—	12,056
2	Residential mortgage	—	—	—	—	—	—	—	—	—
3	Credit card	—	—	—	—	—	—	587	—	587
4	Other retail exposures	—	—	—	—	—	—	11,468	—	11,468
5	Re-securitisation	—	—	—	—	—	—	—	—	—
6	Wholesale (total) - of which	—	—	—	—	—	—	19,739	—	19,739
7	Loans to corporates	—	—	—	—	—	—	6,227	—	6,227
8	Commercial mortgage	—	—	—	—	—	—	13,448	—	13,448
9	Lease and receivables	—	—	—	—	—	—	64	—	64
10	Other wholesale	—	—	—	—	—	—	—	—	—
11	Re-securitisation	—	—	—	—	—	—	—	—	—

9. Securitisation Exposures in the Banking Book and Associated Regulatory Capital Requirements  
(Bank Acting as Originator or as Sponsor) (SEC3)

(Millions of yen)

SEC3: Securitisation exposures in the banking book and associated capital regulatory requirements (bank acting as originator or sponsor) (1/2)		As of March 31, 2023							
Item No.		a	b	c	d	e	f	g	h
		Total	Traditional securitisation (subtotal)	Securitisation	Retail underlying		Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)									
1	≤20% RW	1,533,766	1,533,766	1,533,766	671,075	862,690	—	—	—
2	>20% to 50% RW	276,143	276,143	276,143	249,733	26,410	—	—	—
3	>50% to 100% RW	256,214	256,214	256,214	234,420	21,793	—	—	—
4	>100% to <1250% RW	145,497	145,497	145,497	140,626	4,871	—	—	—
5	1250% RW	462	457	457	—	457	—	—	—
Exposure values (by regulatory approach)									
6	SEC-IRBA or IAA	2,095,625	2,095,620	2,095,620	1,250,887	844,732	—	—	—
7	SEC-ERBA	106,210	106,210	106,210	34,719	71,491	—	—	—
8	SEC-SA	10,248	10,248	10,248	10,248	—	—	—	—
9	1250% RW	—	—	—	—	—	—	—	—
Credit RWA amounts (by regulatory approach)									
10	SEC-IRBA or IAA	650,715	650,652	650,652	497,349	153,302	—	—	—
11	SEC-ERBA	28,742	28,742	28,742	8,055	20,686	—	—	—
12	SEC-SA	4,111	4,111	4,111	4,111	—	—	—	—
13	1250% RW	—	—	—	—	—	—	—	—
Capital charge after cap (by regulatory approach)									
14	SEC-IRBA or IAA	52,057	52,052	52,052	39,787	12,264	—	—	—
15	SEC-ERBA	2,299	2,299	2,299	644	1,654	—	—	—
16	SEC-SA	328	328	328	328	—	—	—	—
17	1250% RW	—	—	—	—	—	—	—	—



(Millions of yen)

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements (bank acting as originator or sponsor) (2/2)		As of March 31, 2023						
Item No.		i	j	k	l	m	n	o
		Synthetic securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)								
1	≤20% RW	—	—	—	—	—	—	—
2	>20% to 50% RW	—	—	—	—	—	—	—
3	>50% to 100% RW	—	—	—	—	—	—	—
4	>100% to <1250% RW	—	—	—	—	—	—	—
5	1250% RW	5	5	—	5	—	—	—
Exposure values (by regulatory approach)								
6	SEC-IRBA or IAA	5	5	—	5	—	—	—
7	SEC-ERBA	—	—	—	—	—	—	—
8	SEC-SA	—	—	—	—	—	—	—
9	1250% RW	—	—	—	—	—	—	—
Credit RWA amounts (by regulatory approach)								
10	SEC-IRBA or IAA	63	63	—	63	—	—	—
11	SEC-ERBA	—	—	—	—	—	—	—
12	SEC-SA	—	—	—	—	—	—	—
13	1250% RW	—	—	—	—	—	—	—
Capital requirement values (by regulatory approach)								
14	SEC-IRBA or IAA	5	5	—	5	—	—	—
15	SEC-ERBA	—	—	—	—	—	—	—
16	SEC-SA	—	—	—	—	—	—	—
17	1250% RW	—	—	—	—	—	—	—

(Millions of yen)

SEC3: Securitisation exposures in the banking book and associated capital regulatory requirements (bank acting as originator or sponsor) (1/2)		As of March 31, 2022							
Item No.		a	b	c	d	e	f	g	h
		Total	Traditional securitisation (subtotal)				Re-securitisation	Senior	Non-senior
				Securitisation	Retail underlying	Wholesale			
Exposure values (by RW bands)									
1	≤20% RW	1,161,851	1,161,851	1,161,851	452,931	708,920	—	—	—
2	>20% to 50% RW	435,492	435,492	435,492	364,062	71,429	—	—	—
3	>50% to 100% RW	255,873	255,873	255,873	227,124	28,748	—	—	—
4	>100% to <1250% RW	208,282	208,282	208,282	96,031	112,250	—	—	—
5	1250% RW	391	385	385	—	385	—	—	—
Exposure values (by regulatory approach)									
6	SEC-IRBA or IAA	1,893,846	1,893,840	1,893,840	1,063,912	829,928	—	—	—
7	SEC-ERBA	156,339	156,339	156,339	64,531	91,807	—	—	—
8	SEC-SA	11,706	11,706	11,706	11,706	—	—	—	—
9	1250% RW	—	—	—	—	—	—	—	—
Credit RWA amounts (by regulatory approach)									
10	SEC-IRBA or IAA	833,257	833,184	833,184	438,883	394,300	—	—	—
11	SEC-ERBA	41,163	41,163	41,163	14,217	26,945	—	—	—
12	SEC-SA	5,741	5,741	5,741	5,741	—	—	—	—
13	1250% RW	—	—	—	—	—	—	—	—
Capital charge after cap (by regulatory approach)									
14	SEC-IRBA or IAA	66,660	66,654	66,654	35,110	31,544	—	—	—
15	SEC-ERBA	3,293	3,293	3,293	1,137	2,155	—	—	—
16	SEC-SA	459	459	459	459	—	—	—	—
17	1250% RW	—	—	—	—	—	—	—	—

(Millions of yen)

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements (bank acting as originator or sponsor) (2/2)		As of March 31, 2022						
Item No.		i	j	k	l	m	n	o
		Synthetic securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)								
1	≤20% RW	—	—	—	—	—	—	—
2	>20% to 50% RW	—	—	—	—	—	—	—
3	>50% to 100% RW	—	—	—	—	—	—	—
4	>100% to <1250% RW	—	—	—	—	—	—	—
5	1250% RW	5	5	—	5	—	—	—
Exposure values (by regulatory approach)								
6	SEC-IRBA or IAA	5	5	—	5	—	—	—
7	SEC-ERBA	—	—	—	—	—	—	—
8	SEC-SA	—	—	—	—	—	—	—
9	1250% RW	—	—	—	—	—	—	—
Credit RWA amounts (by regulatory approach)								
10	SEC-IRBA or IAA	73	73	—	73	—	—	—
11	SEC-ERBA	—	—	—	—	—	—	—
12	SEC-SA	—	—	—	—	—	—	—
13	1250% RW	—	—	—	—	—	—	—
Capital requirement values (by regulatory approach)								
14	SEC-IRBA or IAA	5	5	—	5	—	—	—
15	SEC-ERBA	—	—	—	—	—	—	—
16	SEC-SA	—	—	—	—	—	—	—
17	1250% RW	—	—	—	—	—	—	—

10. Securitisation Exposures in the Banking Book Associated Capital Requirements  
(Bank Acting as Investor) (SEC4)

(Millions of yen)

SEC4: Securitisation exposures in the banking book and associated capital requirements (bank acting as investor) (1/2)		As of March 31, 2023							
Item No.		a	b	c	d	e	f	g	h
		Total	Traditional securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)									
1	≤20% RW	3,421,361	3,421,361	3,421,361	1,382,524	2,038,837	—	—	—
2	>20% to 50% RW	70,476	70,476	70,476	3,706	66,770	—	—	—
3	>50% to 100% RW	95,271	95,271	95,271	20,551	74,720	—	—	—
4	>100% to <1250% RW	17,710	17,710	17,710	1,395	16,315	—	—	—
5	1250% RW	1,134	1,134	1,134	—	1,134	—	—	—
Exposure values (by regulatory approach)									
6	SEC-IRBA or IAA	2,963,084	2,963,084	2,963,084	1,035,412	1,927,672	—	—	—
7	SEC-ERBA	641,736	641,736	641,736	372,765	268,970	—	—	—
8	SEC-SA	—	—	—	—	—	—	—	—
9	1250% RW	1,134	1,134	1,134	—	1,134	—	—	—
Credit RWA amounts (by regulatory approach)									
10	SEC-IRBA or IAA	424,189	424,189	424,189	134,050	290,139	—	—	—
11	SEC-ERBA	189,462	189,462	189,462	72,860	116,602	—	—	—
12	SEC-SA	—	—	—	—	—	—	—	—
13	1250% RW	14,184	14,184	14,184	—	14,184	—	—	—
Capital charge after cap (by regulatory approach)									
14	SEC-IRBA or IAA	33,935	33,935	33,935	10,724	23,211	—	—	—
15	SEC-ERBA	15,157	15,157	15,157	5,828	9,328	—	—	—
16	SEC-SA	—	—	—	—	—	—	—	—
17	1250% RW	1,134	1,134	1,134	—	1,134	—	—	—

(Millions of yen)								
SEC4: Securitisation exposures in the banking book and associated capital requirements (bank acting as investor) (2/2)		As of March 31, 2023						
		i	j	k	l	m	n	o
		Synthetic securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Item No.								
Exposure values (by RW bands)								
1	≤20% RW	—	—	—	—	—	—	—
2	>20% to 50% RW	—	—	—	—	—	—	—
3	>50% to 100% RW	—	—	—	—	—	—	—
4	>100% to <1250% RW	—	—	—	—	—	—	—
5	1250% RW	—	—	—	—	—	—	—
Exposure values (by regulatory approach)								
6	SEC-IRBA or IAA	—	—	—	—	—	—	—
7	SEC-ERBA	—	—	—	—	—	—	—
8	SEC-SA	—	—	—	—	—	—	—
9	1250% RW	—	—	—	—	—	—	—
Credit RWA amounts (by regulatory approach)								
10	SEC-IRBA or IAA	—	—	—	—	—	—	—
11	SEC-ERBA	—	—	—	—	—	—	—
12	SEC-SA	—	—	—	—	—	—	—
13	1250% RW	—	—	—	—	—	—	—
Capital charge after cap (by regulatory approach)								
14	SEC-IRBA or IAA	—	—	—	—	—	—	—
15	SEC-ERBA	—	—	—	—	—	—	—
16	SEC-SA	—	—	—	—	—	—	—
17	1250% RW	—	—	—	—	—	—	—

(Millions of yen)

SEC4: Securitisation exposures in the banking book and associated capital requirements (bank acting as investor) (1/2)		As of March 31, 2022							
Item No.		a	b	c	d	e	f	g	h
		Total	Traditional securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)									
1	≤20% RW	2,920,953	2,920,953	2,920,953	1,130,337	1,790,616	—	—	—
2	>20% to 50% RW	84,735	84,735	84,735	78,370	6,364	—	—	—
3	>50% to 100% RW	24,202	24,202	24,202	6,684	17,518	—	—	—
4	>100% to <1250% RW	15,693	15,693	15,693	2,438	13,254	—	—	—
5	1250% RW	1,411	1,411	1,411	—	1,411	—	—	—
Exposure values (by regulatory approach)									
6	SEC-IRBA or IAA	2,497,149	2,497,149	2,497,149	847,892	1,649,256	—	—	—
7	SEC-ERBA	548,435	548,435	548,435	369,938	178,497	—	—	—
8	SEC-SA	—	—	—	—	—	—	—	—
9	1250% RW	1,411	1,411	1,411	—	1,411	—	—	—
Credit RWA amounts (by regulatory approach)									
10	SEC-IRBA or IAA	383,409	383,409	383,409	131,865	251,544	—	—	—
11	SEC-ERBA	127,824	127,824	127,824	72,896	54,928	—	—	—
12	SEC-SA	—	—	—	—	—	—	—	—
13	1250% RW	17,644	17,644	17,644	—	17,644	—	—	—
Capital charge after cap (by regulatory approach)									
14	SEC-IRBA or IAA	30,672	30,672	30,672	10,549	20,123	—	—	—
15	SEC-ERBA	10,225	10,225	10,225	5,831	4,394	—	—	—
16	SEC-SA	—	—	—	—	—	—	—	—
17	1250% RW	1,411	1,411	1,411	—	1,411	—	—	—



(Millions of yen)

SEC4: Securitisation exposures in the banking book and associated capital requirements (bank acting as investor) (2/2)		As of March 31, 2022						
Item No.		i	j	k	l	m	n	o
		Synthetic securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)								
1	≤20% RW	—	—	—	—	—	—	—
2	>20% to 50% RW	—	—	—	—	—	—	—
3	>50% to 100% RW	—	—	—	—	—	—	—
4	>100% to <1250% RW	—	—	—	—	—	—	—
5	1250% RW	—	—	—	—	—	—	—
Exposure values (by regulatory approach)								
6	SEC-IRBA or IAA	—	—	—	—	—	—	—
7	SEC-ERBA	—	—	—	—	—	—	—
8	SEC-SA	—	—	—	—	—	—	—
9	1250% RW	—	—	—	—	—	—	—
Credit RWA amounts (by regulatory approach)								
10	SEC-IRBA or IAA	—	—	—	—	—	—	—
11	SEC-ERBA	—	—	—	—	—	—	—
12	SEC-SA	—	—	—	—	—	—	—
13	1250% RW	—	—	—	—	—	—	—
Capital charge after cap (by regulatory approach)								
14	SEC-IRBA or IAA	—	—	—	—	—	—	—
15	SEC-ERBA	—	—	—	—	—	—	—
16	SEC-SA	—	—	—	—	—	—	—
17	1250% RW	—	—	—	—	—	—	—

Equity Exposures

1. Overview of Risk Management Policy and Procedures

Securities in the banking book are properly managed, for example, by setting upper limits on the allowable amount of risk under the market or credit risk management framework selected according to their holding purpose and risk characteristics.

For securities held as “available-for-sale securities,” the upper limits are also set in terms of price fluctuation risk and default risk.

In addition, regarding stocks of subsidiaries, assets and liabilities of subsidiaries are categorized into corresponding risk categories and risk-managed on a consolidated basis, in light of the upper limits set for each risk.

As for stocks of affiliates, risks related to gains and losses from investments are managed with the upper limits.

The limits are established within the maximum amount of overall risk capital, taking into account the financial and business situations of SMBC Group.

2. Valuation of Securities and Other Significant Accounting Policies

Stocks of non-consolidated subsidiaries and affiliates not accounted for by the equity method are carried at amortized cost using the moving-average method. Available-for-sale securities are carried at their market prices (cost of securities sold is calculated using primarily the moving-average method), and those with no available market prices are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities and net of income taxes are reported as a component of “net assets.”

Market Risk

1. Scope

The following approaches are used to calculate market risk equivalent amounts.

(1) Internal Models Method

General market risk of SMBC, SMBC Bank International plc, SMBC Bank EU AG, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited, and SMBC Capital Markets (Asia) Limited

(2) Standardized Measurement Method

- Specific risk
- General market risk of consolidated subsidiaries other than SMBC, SMBC Bank International plc, SMBC Bank EU AG, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited, and SMBC Capital Markets (Asia) Limited
- A portion of general market risk of SMBC

2. Market Risk under standardised approach (MR1)

(Millions of yen)

MR1: Market risk under standardised approach			
		As of March 31, 2023	As of March 31, 2022
Item No.		RWA (Amounts calculated by dividing risk equivalent amounts by 8%)	RWA (Amounts calculated by dividing risk equivalent amounts by 8%)
1	Interest rate risk (general and specific)	711,369	630,810
2	Equity risk (general and specific)	600,099	199,056
3	Foreign exchange risk	44,410	124,600
4	Commodity risk	0	429
Options			
5	Simplified approach	—	—
6	Delta-plus method	78,546	108,768
7	Scenario approach	—	—
8	Specific risk related to securitisation exposures	173,410	17,628
9	Total	1,607,836	1,081,295

3. RWA flow statements of market risk exposures under an IMA (MR2)

(Billions of yen)

MR2: RWA flow statements of market risk exposures under an IMA							
		As of March 31, 2023					
Item No.		a VaR	b Stressed VaR	c IRC	d CRM	e Other	f Total RWA
1a	RWA as of March 31, 2022	542	1,429	—	—		1,971
1b	Ratio of 1a / 1c	2.5	2.3	—	—		2.4
1c	RWA at end of March 31, 2022	210	602	—	—		813
2	Breakdown of variations in the market risk-weighted assets	Movement in risk levels	54	86	—	—	141
3		Model updates/changes	—	—	—	—	—
4		Methodology and policy	—	—	—	—	—
5		Acquisitions and disposals	—	—	—	—	—
6		Foreign exchange movements	3	(4)	—	—	(1)
7		Other	18	—	—	—	18
8a	RWA at end of March 31, 2023	286	684	—	—		971
8b	Ratio of 8c / 8a	3.4	2.7	—	—		2.9
8c	RWA as of March 31, 2023	1,001	1,865	—	—		2,867

(Billions of yen)

		As of March 31, 2022					
Item No.		a VaR	b Stressed VaR	c IRC	d CRM	e Other	f Total RWA
1a	RWA as of March 31, 2021	390	1,216	—	—		1,607
1b	Ratio of 1a / 1c	3.0	2.7	—	—		2.8
1c	RWA at end of March 31, 2021	130	434	—	—		564
2	Breakdown of variations in the market risk-weighted assets	Movement in risk levels	71	(14)	—	—	57
3		Model updates/changes	—	—	—	—	—
4		Methodology and policy	—	—	—	—	—
5		Acquisitions and disposals	—	—	—	—	—
6		Foreign exchange movements	20	182	—	—	202
7		Other	(11)	—	—	—	(11)
8a	RWA at end of March 31, 2022	210	602	—	—		813
8b	Ratio of 8c / 8a	2.5	2.3	—	—		2.4
8c	RWA as of March 31, 2022	542	1,429	—	—		1,971

4. IMA values for trading portfolios (MR3)

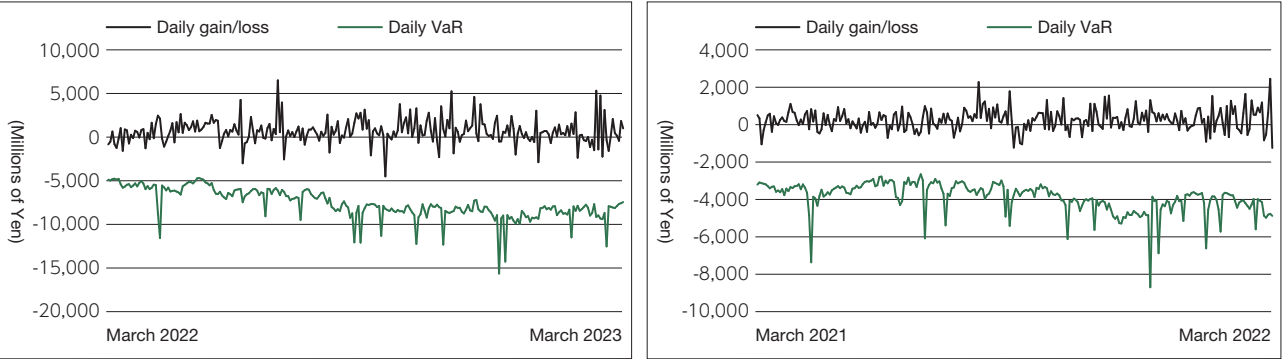
(Millions of yen)

MR3: IMA values for trading portfolios			
		Fiscal 2022	Fiscal 2021
Item No.			
VaR (holding period of 10 business days, one-sided confidence level of 99%)			
1	Maximum value	31,912	17,841
2	Average value	23,331	12,256
3	Minimum value	14,784	8,392
4	Period end	22,944	16,849
Stressed VaR (holding period of 10 business days, one-sided confidence level of 99%)			
5	Maximum value	85,369	59,603
6	Average value	50,753	39,090
7	Minimum value	35,967	20,654
8	Period end	54,793	39,505
Incremental risk value (one-sided confidence level of 99.9%)			
9	Maximum value	—	—
10	Average value	—	—
11	Minimum value	—	—
12	Period end	—	—
Comprehensive risk value (one-sided confidence level of 99.9%)			
13	Maximum value	—	—
14	Average value	—	—
15	Minimum value	—	—
16	Period end	—	—
17	Floor (modified standardized measurement method)	—	—

Note: The VaR and the stressed VaR are calculated using the historical simulation method. Specifically, they are calculated on a daily basis, assuming a one-sided confidence level of 99.0% and a one-day holding period, based on profit and loss simulation on a scenario-specific basis generated from historical data (the full valuation method, in principle), and they are adjusted to a 10-day holding period using the square root of time method. Under this method, the VaR and the stressed VaR use observation periods of four years immediately preceding, and 12 months including the stress period, respectively.

5. Backtesting results by the internal models approach (MR4)

The status of backtesting of trading for Fiscal 2022 and 2021 is as follows. “Daily gain/loss” represents the actual gain/loss incurred, and “Daily VaR” represents the daily VaR calculated using the risk measurement model with a one-day holding period. In the past 250 business days, the number of times loss exceeded VaR was 0, and the VaR model (one-sided confidence level of 99.0%) is considered to have sufficient accuracy.



Interest Rate Risk in the Banking Book

1. Overview of Risk Management Policy and Procedures

Interest rate risk in the banking book is the risk to the present value of a bank’s assets and liabilities and/or the future earnings (interest income) from the rate-sensitive instruments when interest rates change. SMBC Group recognizes interest rate risk as a significant risk and manages it in an integrated manner, together with other market risks (equity position risk, etc.) (For details, please refer to pages 158 to 159). Interest rate risk management is conducted using basis point value (BPV) as a measure of the risk, which denotes the change of present value given a basis point rise in the interest rate. Appropriate limits on BPVs are set for each significant subsidiary including SMBC according to its capital and business plan, and BPVs are monitored daily for risk management. BPVs are managed not only by changing the balance and term structures of assets and liabilities, but also by using hedging instruments such as interest rate swaps and futures.

2. Calculation Method of Interest Rate Risk

Interest rate risk in the banking book is measured based on the future cash flows of the bank’s assets and liabilities. Especially, the method of recognizing the maturity of demand deposits (current accounts and ordinary deposit accounts that can be withdrawn at any time) and the method of estimating the time of cancellation prior to maturity of time deposits and mortgage loans affect the risk significantly. Key assumptions for measuring interest rate risk of such instruments are as follows.

Method of recognizing the maturity of demand deposits

The amount of the bank’s core deposits is identified as the amount of demand deposits expected to be left with the bank after 5 years (with 50% of the lowest balance during the past 5 years as the upper limit). The maturity of the core deposits is regarded to be 5 years as the maximum term (2.5 years on average). The maturity of the bank’s demand deposits is regarded to be 5 years as the maximum term (0.8 year on average).

Method of estimating the time of cancellation prior to maturity of time deposits and mortgage loans

Cash flows of mortgage loans tend to be different from the initial scheduled ones, as customers may exercise their prepayment options to redeem early in a bonus month or as time passes. Similarly, time deposits may be canceled prior to maturity. For such instruments, interest rate risk is managed by using statistical models to estimate cash flows for each instrument, considering the seasonality, elapsed years, interest rate levels at the effective time, etc. These models are validated and reviewed regularly.



3. Interest Rate Risk

Table IRRBB1 shows changes in economic value of equity (ΔEVE) and net interest income (ΔNII) in the banking book, simulated based on a set of prescribed interest rate shock scenarios.

As stipulated under the Pillar 2 of Basel Framework (Supervisory Review Process), in order to identify banks that may have taken too large interest rate risk, the Japan FSA applies “materiality test” as comparing the bank’s ΔEVE with 15% of its Tier 1 capital, under a set of prescribed interest rate shock scenarios. The measurement result of SMBC Group’s ΔEVE shows that the economic value of equity declines when interest rates rise and the maximum change amount is under the prescribed parallel shock up scenario. SMBC Groups’ ΔEVE is 2.5% of our Tier 1 capital, not larger than 15%.

As for ΔNII, net interest income declines under the prescribed parallel shock down scenario and increases under the parallel shock up scenario. Due to the assumption of zero floor on the interest rate of customer’s deposits in JPY, which limits reduction of the funding cost when interest rate down, the change amount is larger under the parallel shock down scenario.

The measurement scope, the definition of each figure and the calculation assumption are as follows.

Scope

- The consolidated subsidiary banks of SMBC
- ΔEVE is calculated by simple aggregation of the decrease in economic value for all currencies.
  - ΔNII is calculated by simple aggregation of the change amount of interest income for each currency (JPY and USD) which covers 5% or more of the total amount of interest rate-sensitive assets and liabilities.

Definition of Each Figure and Calculation Assumption

- ΔEVE  
Decrease in economic value (EVE, Economic Value on Equity) against interest rate shock (excluding the credit spread).
- ΔNII  
Decrease in 1 year interest income (NII, Net Interest Income) under each the interest rate shock. It is calculated under the constant balance sheet, which means that the balance sheet does not change through a year. In each simulation, we do not allow negative interest rate for domestic yen deposits and loans in any scenario.

(Millions of yen)

IRRBB1: Interest rate risk					
Item No.		a	b	c	d
		ΔEVE		ΔNII	
		As of March 31, 2023	As of March 31, 2022	As of March 31, 2023	As of March 31, 2022
1	Parallel up	287,092	446,108	(462,516)	(339,392)
2	Parallel down	85,466	3,324	664,372	546,591
3	Steepener	165,125	256,565		
4	Flattener	36,163	133,193		
5	Short rate up	64,628	201,194		
6	Short rate down	67,412	50,896		
7	Maximum	287,092	446,108	664,372	546,591
		e		f	
		As of March 31, 2023		As of March 31, 2022	
8	Tier 1 capital	11,548,912		11,186,225	

Note: Interest rate shocks of deposits with central banks is considered to be the same with the standardized interest rate shocks when calculating ΔNII.

■ Operational Risk

1. Operational Risk Equivalent Amount Calculation Methodology

Sumitomo Mitsui Financial Group adopted the Advanced Measurement Approach (AMA) for exposures as of March 31, 2008. The following consolidated subsidiaries have also adopted the AMA, and the remaining consolidated subsidiaries have adopted the Basic Indicator Approach (BIA).

Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Card Company, Limited, The Japan Research Institute, Limited, SMBC Finance Service Co., Ltd., SMBC Guarantee Co., Ltd., SMBC Operation Service Co., Ltd., SMBC Green Service Co., Ltd., SMBC Bank International plc, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Nikko Securities Inc., and SMBC Consumer Finance Co., Ltd.

2. Outline of the AMA

For the “Outline of the AMA,” please refer to pages 161 to 163.

3. Usage of Insurance to Mitigate Risk

Sumitomo Mitsui Financial Group had not taken measures to mitigate operational risk through insurance coverage for exposures.

■ CC2: Reconciliation of regulatory capital to balance sheet

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

(Millions of yen)				
Items	a		b	c
	Consolidated balance sheet as in published financial statements		Reference to Template CC1	Reference to appended table
	As of March 31, 2023	As of March 31, 2022		
(Assets)				
Cash and due from banks	75,913,960	74,792,123		
Call loans and bills bought	5,684,812	1,965,134		
Receivables under resale agreements	5,785,945	6,035,507		
Receivables under securities borrowing transactions	5,576,612	5,649,632		
Monetary claims bought	5,558,287	5,370,377		
Trading assets	8,751,204	7,351,878		7-a
Money held in trust	12,957	310		
Securities	33,213,165	38,538,724		3-b,7-b
Loans and bills discounted	98,404,137	90,834,056		7-c
Foreign exchanges	1,942,764	2,812,104		
Lease receivables and investment assets	226,302	228,608		
Other assets	13,243,899	10,175,873		7-d
Tangible fixed assets	1,494,527	1,457,254		
Intangible fixed assets	897,848	898,817		3-a
Net defined benefit asset	704,654	623,045		4
Deferred tax assets	74,084	66,720		5-a
Customers' liabilities for acceptances and guarantees	13,693,771	11,722,239		
Reserve for possible loan losses	(750,369)	(817,784)		
Total assets	270,428,564	257,704,625		
(Liabilities)				
Deposits	158,770,253	148,585,460		
Negotiable certificates of deposit	13,025,555	13,069,796		
Call money and bills sold	2,569,055	1,129,999		
Payables under repurchase agreements	16,772,716	19,359,965		
Payables under securities lending transactions	1,521,271	1,580,580		
Commercial paper	2,349,956	1,866,366		
Trading liabilities	8,066,745	6,377,968		7-e
Borrowed money	13,674,830	18,877,990		9-a
Foreign exchanges	1,465,847	1,216,893		
Short-term bonds	424,000	442,000		
Bonds	10,365,003	9,808,107		9-b
Due to trust account	2,413,464	2,443,873		
Other liabilities	11,923,748	8,415,621		7-f
Reserve for employee bonuses	96,254	89,894		
Reserve for executive bonuses	3,307	4,064		
Net defined benefit liability	35,449	40,864		
Reserve for executive retirement benefits	1,133	1,087		
Reserve for point service program	28,659	25,000		
Reserve for reimbursement of deposits	10,845	5,767		
Reserve for losses on interest repayment	128,378	135,084		
Reserves under the special laws	3,902	3,902		
Deferred tax liabilities	265,354	275,570		5-b
Deferred tax liabilities for land revaluation	27,952	29,193		5-c
Acceptances and guarantees	13,693,771	11,722,239		
Total liabilities	257,637,458	245,507,293		
(Net assets)				
Capital stock	2,342,537	2,341,878		1-a
Capital surplus	694,052	693,664		1-b
Retained earnings	7,423,600	6,916,468		1-c
Treasury stock	(151,798)	(13,402)		1-d
Total stockholders' equity	10,308,391	9,938,608		
Net unrealized gains or losses on other securities	1,373,521	1,632,080		
Net deferred gains or losses on hedges	(13,293)	(80,061)		6
Land revaluation excess	35,005	36,320		
Foreign currency translation adjustments	843,614	450,143		
Accumulated remeasurements of defined benefit plans	133,226	121,123		
Total accumulated other comprehensive income	2,372,074	2,159,606	(a)	
Stock acquisition rights	1,145	1,475		2,8-a
Non-controlling interests	109,495	97,641		8-b
Total net assets	12,791,106	12,197,331		
Total liabilities and net assets	270,428,564	257,704,625		

Note: The regulatory scope of consolidation is the same as the accounting scope of consolidation.

(Appended Table)

1. Stockholders' equity

(1) Consolidated balance sheet

(Millions of yen)				Ref. No.
Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Capital stock	2,342,537	2,341,878		1-a
Capital surplus	694,052	693,664		1-b
Retained earnings	7,423,600	6,916,468		1-c
Treasury stock	(151,798)	(13,402)		1-d
Total stockholders' equity	10,308,391	9,938,608		

(2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Directly issued qualifying common share capital plus related capital surplus and retained earnings	10,308,391	9,938,608	Stockholders' equity attributable to common shares (before adjusting national specific regulatory adjustments (earnings to be distributed))	
	of which: capital and capital surplus	3,036,589	3,035,543	1a
	of which: retained earnings	7,423,600	6,916,468	2
	of which: treasury stock (–)	151,798	13,402	1c
	of which: other than the above	—	—	
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—	—	Stockholders' equity attributable to preferred shares with a loss absorbency clause upon entering into effectively bankruptcy	31a

2. Stock acquisition rights

(1) Consolidated balance sheet

(Millions of yen)				Ref. No.
Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Stock acquisition rights	1,145	1,475		2
of which: Stock acquisition rights issued by bank holding company	1,145	1,475		

(2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Stock acquisition rights to common shares	1,145	1,475		1b
Stock acquisition rights to Additional Tier 1 instruments	—	—		31b
Stock acquisition rights to Tier 2 instruments	—	—		46

3. Intangible fixed assets

(1) Consolidated balance sheet

(Millions of yen)				Ref. No.
Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Intangible fixed assets	897,848	898,817		3-a
Securities	33,213,165	38,538,724		3-b
of which: goodwill attributable to equity-method investees	128,509	122,801		

Income taxes related to above

	185,267	172,017	
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(2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Goodwill (including those equivalent)	405,810	438,657		8
Other intangibles other than goodwill and mortgage servicing rights	435,279	410,945	Software and other	9
Mortgage servicing rights	—	—		
Amount exceeding the 10% threshold on specified items	—	—		20
Amount exceeding the 15% threshold on specified items	—	—		24
Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—		74

4. Net defined benefit asset

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	Ref. No.
Net defined benefit asset	704,654	623,045		4

Income taxes related to above	215,618	190,952	
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(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	Basel III Template No.
Net defined benefit asset	489,035	432,092		15

5. Deferred tax assets

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	Ref. No.
Deferred tax assets	74,084	66,720		5-a
Deferred tax liabilities	265,354	275,570		5-b
Deferred tax liabilities for land revaluation	27,952	29,193		5-c

Tax effects on intangible fixed assets	185,267	172,017	
Tax effects on net defined benefit asset	215,618	190,952	

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	Basel III Template No.
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,899	11,334	This item does not agree with the amount reported on the consolidated balance sheet due to offsetting of assets and liabilities.	10
Deferred tax assets arising from temporary differences (net of related tax liability)	199,927	130,489	This item does not agree with the amount reported on the consolidated balance sheet due to offsetting of assets and liabilities.	
Amount exceeding the 10% threshold on specified items	—	—		21
Amount exceeding the 15% threshold on specified items	—	—		25
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	199,927	130,489		75

6. Deferred gains or losses on derivatives under hedge accounting

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	Ref. No.
Net deferred gains or losses on hedges	(13,293)	(80,061)		6

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	Basel III Template No.
Net deferred gains or losses on hedges	(74,959)	(79,373)	Excluding those items whose valuation differences arising from hedged items are recognized as “Accumulated other comprehensive income”	11

7. Items associated with investments in the capital of financial institutions

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	Ref. No.
Trading assets	8,751,204	7,351,878	Including trading account securities and derivatives for trading assets	7-a
Securities	33,213,165	38,538,724		7-b
Loans and bills discounted	98,404,137	90,834,056	Including subordinated loans	7-c
Other assets	13,243,899	10,175,873	Including derivatives	7-d
Trading liabilities	8,066,745	6,377,968	Including trading account securities sold and derivatives for trading liabilities	7-e
Other liabilities	11,923,748	8,415,621	Including derivatives	7-f

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	Basel III Template No.
Investments in own capital instruments	7,205	4,317		
Common Equity Tier 1 capital	7,205	4,317		16
Additional Tier 1 capital	—	—		37
Tier 2 capital	0	0		52
Reciprocal cross-holdings in the capital of banking, financial and insurance entities	—	—		
Common Equity Tier 1 capital	—	—		17
Additional Tier 1 capital	—	—		38
Tier 2 capital and other TLAC liabilities	—	—		53
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	1,340,937	1,302,189		
Common Equity Tier 1 capital	187,705	200,779		18
Additional Tier 1 capital	2,547	2,729		39
Tier 2 capital and other TLAC liabilities	36,190	32,765		54
Non-significant investments in the capital and other TLAC liabilities of other financials that are below the thresholds for deductions (before risk weighting)	1,114,494	1,065,915		72
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	1,337,050	1,106,783		
Amount exceeding the 10% threshold on specified items	118,285	—		19
Amount exceeding the 15% threshold on specified items	—	—		23
Additional Tier 1 capital	82,978	25,525		40
Tier 2 capital and other TLAC liabilities	40,062	36,723		55
Significant investments in the common stock of other financials that are below the thresholds for deductions (before risk weighting)	1,095,724	1,044,534		73

8. Non-controlling interests

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	Ref. No.
Stock acquisition rights	1,145	1,475		8-a
Non-controlling interests	109,495	97,641		8-b

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	Basel III Template No.
Amount allowed in group CET1	1,404	1,231	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)	5
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)	30-31ab-32
Amount allowed in group AT1	29,268	22,104	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)	34-35
Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)	46
Amount allowed in group T2	5,825	4,722	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)	48-49



9. Other capital instruments

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks
Borrowed money	13,674,830	18,877,990	
Bonds	10,365,003	9,808,107	
Total	24,039,833	28,686,097	

Ref. No.
9-a
9-b

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	766,214	733,998	
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	766,438	753,571	

Basel III Template No.
32
46

■ Linkages between Regulatory Exposure Amounts and Carrying Values in Consolidated Financial Statements  
Differences between Regulatory Exposure Amounts and Carrying Values in Consolidated Financial Statements and Explanations of the Factors

1. Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Consolidated Financial Statement Categories with Regulatory Risk Categories (LI1)

(Millions of yen)

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of consolidated financial statement categories with regulatory risk categories	As of March 31, 2023						
	a	b	c	d	e	f	g
	Carrying values as reported in published Consolidated financial statement	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			CR (excluding amounts relevant to d and e)	CCR	Securitisation (excluding amounts relevant to f) (Note 2)	Market risk (Note 3)	Items not subject to capital requirements or subject to deduction from capital
Assets							
Cash and due from banks	75,913,960	75,913,960	75,913,960	—	—	—	—
Call loans and bills bought	5,684,812	5,684,812	5,684,812	—	—	—	—
Receivables under resale agreements	5,785,945	5,785,945	—	5,785,945	—	—	—
Receivables under securities borrowing transactions	5,576,612	5,576,612	—	5,576,612	—	—	—
Monetary claims bought	5,558,287	5,558,287	3,392,899	—	2,165,387	—	—
Trading assets (Note 1)	8,751,204	8,751,204	—	4,255,026	—	8,751,204	104,098
Money held in trust	12,957	12,957	12,957	—	—	—	—
Securities	33,213,165	33,213,165	31,822,569	—	1,060,822	—	329,773
Loans and bills discounted	98,404,137	98,404,137	96,694,351	—	1,669,723	—	40,062
Foreign exchanges	1,942,764	1,942,764	1,942,764	—	—	—	—
Lease receivables and investment assets	226,302	226,302	226,302	—	—	—	—
Other assets	13,243,899	13,243,899	5,352,635	6,795,876	5,384	—	1,090,002
Tangible fixed assets	1,494,527	1,494,527	1,494,527	—	—	—	—
Intangible fixed assets	897,848	897,848	185,267	—	—	—	712,580
Net defined benefit asset	704,654	704,654	215,618	—	—	—	489,035
Deferred tax assets	74,084	74,084	34,067	—	—	—	40,016
Customers' liabilities for acceptances and guarantees	13,693,771	13,693,771	13,693,310	—	461	—	—
Reserve for possible loan losses	(750,369)	(750,369)	(750,369)	—	—	—	—
Total assets	270,428,564	270,428,564	235,915,675	22,413,460	4,901,780	8,751,204	2,805,569
Liabilities							
Deposits	158,770,253	158,770,253	2,928	—	—	—	158,767,325
Negotiable certificates of deposit	13,025,555	13,025,555	—	—	—	—	13,025,555
Call money and bills sold	2,569,055	2,569,055	—	—	—	—	2,569,055
Payables under repurchase agreements	16,772,716	16,772,716	—	8,373,336	—	—	8,399,380
Payables under securities lending transactions	1,521,271	1,521,271	—	1,327,441	—	—	193,830
Commercial paper	2,349,956	2,349,956	—	—	—	—	2,349,956
Trading liabilities	8,066,745	8,066,745	—	4,779,599	—	8,066,745	395,649
Borrowed money	13,674,830	13,674,830	—	—	—	—	13,674,830
Foreign exchanges	1,465,847	1,465,847	—	—	—	—	1,465,847
Short-term bonds	424,000	424,000	—	—	—	—	424,000
Bonds	10,365,003	10,365,003	—	—	—	—	10,365,003
Due to trust account	2,413,464	2,413,464	—	—	—	—	2,413,464
Other liabilities	11,923,748	11,923,748	—	3,456,398	—	—	8,467,349
Reserve for employee bonuses	96,254	96,254	—	—	—	—	96,254
Reserve for executive bonuses	3,307	3,307	—	—	—	—	3,307
Net defined benefit liability	35,449	35,449	—	—	—	—	35,449
Reserve for executive retirement benefits	1,133	1,133	—	—	—	—	1,133
Reserve for point service program	28,659	28,659	—	—	—	—	28,659
Reserve for reimbursement of deposits	10,845	10,845	—	—	—	—	10,845
Reserve for losses on interest repayment	128,378	128,378	—	—	—	—	128,378
Reserve under the special laws	3,902	3,902	—	—	—	—	3,902
Deferred tax liabilities	265,354	265,354	—	—	—	—	265,354
Deferred tax liabilities for land revaluation	27,952	27,952	—	—	—	—	27,952
Acceptances and guarantees	13,693,771	13,693,771	—	—	—	—	13,693,771
Total liabilities	257,637,458	257,637,458	2,928	17,936,775	—	8,066,745	236,806,256

(Millions of yen)

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of consolidated financial statement categories with regulatory risk categories	As of March 31, 2022						
	a	b	c	d	e	f	g
	Carrying values as reported in published Consolidated financial statement	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			CR (excluding amounts relevant to d and e)	CCR	Securitisation (excluding amounts relevant to f) (Note 2)	Market risk (Note 3)	Items not subject to capital requirements or subject to deduction from capital
Assets							
Cash and due from banks	74,792,123	74,792,123	74,792,123	—	—	—	—
Call loans and bills bought	1,965,134	1,965,134	1,965,134	—	—	—	—
Receivables under resale agreements	6,035,507	6,035,507	—	6,035,507	—	—	—
Receivables under securities borrowing transactions	5,649,632	5,649,632	—	5,649,632	—	—	—
Monetary claims bought	5,370,377	5,370,377	3,242,722	—	2,127,655	—	—
Trading assets (Note 1)	7,351,878	7,351,878	—	3,629,942	—	7,351,878	87,129
Money held in trust	310	310	310	—	—	—	—
Securities	38,538,724	38,538,724	37,364,857	—	1,025,539	—	148,327
Loans and bills discounted	90,834,056	90,834,056	89,682,349	—	1,114,983	—	36,723
Foreign exchanges	2,812,104	2,812,104	2,812,104	—	—	—	—
Lease receivables and investment assets	228,608	228,608	228,608	—	—	—	—
Other assets	10,175,873	10,175,873	5,093,699	4,054,583	28	—	1,027,561
Tangible fixed assets	1,457,254	1,457,254	1,457,254	—	—	—	—
Intangible fixed assets	898,817	898,817	172,017	—	—	—	726,800
Net defined benefit asset	623,045	623,045	190,952	—	—	—	432,092
Deferred tax assets	66,720	66,720	12,724	—	—	—	53,996
Customers' liabilities for acceptances and guarantees	11,722,239	11,722,239	11,721,852	—	387	—	—
Reserve for possible loan losses	(817,784)	(817,784)	(817,784)	—	—	—	—
Total assets	257,704,625	257,704,625	227,918,926	19,369,666	4,268,595	7,351,878	2,512,631
Liabilities							
Deposits	148,585,460	148,585,460	2,690	—	—	—	148,582,769
Negotiable certificates of deposit	13,069,796	13,069,796	—	—	—	—	13,069,796
Call money and bills sold	1,129,999	1,129,999	—	—	—	—	1,129,999
Payables under repurchase agreements	19,359,965	19,359,965	—	12,318,326	—	—	7,041,639
Payables under securities lending transactions	1,580,580	1,580,580	—	1,528,379	—	—	52,200
Commercial paper	1,866,366	1,866,366	—	—	—	—	1,866,366
Trading liabilities	6,377,968	6,377,968	—	3,200,262	—	6,377,968	183,179
Borrowed money	18,877,990	18,877,990	—	—	—	—	18,877,990
Foreign exchanges	1,216,893	1,216,893	—	—	—	—	1,216,893
Short-term bonds	442,000	442,000	—	—	—	—	442,000
Bonds	9,808,107	9,808,107	—	—	—	—	9,808,107
Due to trust account	2,443,873	2,443,873	—	—	—	—	2,443,873
Other liabilities	8,415,621	8,415,621	—	2,585,681	165	—	5,829,773
Reserve for employee bonuses	89,894	89,894	—	—	—	—	89,894
Reserve for executive bonuses	4,064	4,064	—	—	—	—	4,064
Net defined benefit liability	40,864	40,864	—	—	—	—	40,864
Reserve for executive retirement benefits	1,087	1,087	—	—	—	—	1,087
Reserve for point service program	25,000	25,000	—	—	—	—	25,000
Reserve for reimbursement of deposits	5,767	5,767	—	—	—	—	5,767
Reserve for losses on interest repayment	135,084	135,084	—	—	—	—	135,084
Reserve under the special laws	3,902	3,902	—	—	—	—	3,902
Deferred tax liabilities	275,570	275,570	—	—	—	—	275,570
Deferred tax liabilities for land revaluation	29,193	29,193	—	—	—	—	29,193
Acceptances and guarantees	11,722,239	11,722,239	—	—	—	—	11,722,239
Total liabilities	245,507,293	245,507,293	2,690	19,632,649	165	6,377,968	222,877,260

Notes: 1. Transactions in the trading book including derivative transactions extend over multiple risk categories, since they are subject to both market risks and counterparty credit risks.  
2. Account titles including monetary claims boughts are subject to securitisation products if they have a characteristic of securitisation products, otherwise they are subject to CR, therefore, they extend over multiple risk categories.  
3. Foreign exchange risk and commodities risk in the banking book are not included in column f "Market risk," since it is difficult to link them with account titles.

## 2. Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Consolidated Financial Statements (LI2)

(Millions of yen)

LI2: Main sources of differences between regulatory exposure amounts and carrying values in consolidated financial statements amounts		As of March 31, 2023				
Item No.		a	b	c	d	e
		Total	Items subject to:			
			CR (excluding amounts relevant to c and d)	CCR	Securitisation (excluding amounts relevant to e)	Market risk
1	Asset carrying value amount under scope of regulatory consolidation	267,622,995	235,915,675	22,413,460	4,901,780	8,751,204
2	Liabilities carrying value amount under scope of regulatory consolidation	20,831,201	2,928	17,936,775	—	8,066,745
3	Total net amount under regulatory scope of consolidation	246,791,794	235,912,746	4,476,685	4,901,780	684,458
4	Off-balance sheet amounts	21,588,505	13,660,974 (Note 1)	7,022,364	905,166	—
5	Differences due to consideration of provisions and write-offs	859,820	859,820 (Note 2)	—	—	—
6	Differences due to derivative transactions	7,865,093	—	8,670,123 (Note 3)	11,093	—
7	Differences due to SFTs	(688,168)	—	(688,168)	—	—
8	Other differences	231,294	241,610	(10,316)	—	—
9	Regulatory exposure amounts	276,648,339	250,675,152	19,470,688	5,818,040	684,458

(Millions of yen)

LI2: Main sources of differences between regulatory exposure amounts and carrying values in consolidated financial statements amounts		As of March 31, 2022				
Item No.		a	b	c	d	e
		Total	Items subject to:			
			CR (excluding amounts relevant to c and d)	CCR	Securitisation (excluding amounts relevant to e)	Market risk
1	Asset carrying value amount under scope of regulatory consolidation	255,191,993	227,918,926	19,369,666	4,268,595	7,351,878
2	Liabilities carrying value amount under scope of regulatory consolidation	22,630,033	2,690	19,632,649	165	6,377,968
3	Total net amount under regulatory scope of consolidation	232,561,960	227,916,236	(262,983)	4,268,429	973,909
4	Off-balance sheet amounts	18,645,139	12,227,177 (Note 1)	5,587,886	830,075	—
5	Differences due to consideration of provisions and write-offs	922,221	922,221 (Note 2)	—	—	—
6	Differences due to derivative transactions	7,944,895	—	7,600,880 (Note 3)	10,384	—
7	Differences due to SFTs	3,143,353	—	3,143,353	—	—
8	Other differences	533,179	508,716	24,462	—	—
9	Regulatory exposure amounts	263,750,748	241,574,351	16,093,599	5,108,888	973,909

Notes: 1. This mainly comprises exposures due to commitment lines.  
2. This mainly comprises assets subject to the IRB approach added with specific reserve and partial direct write-offs.  
3. This mainly comprises the aggregation of the addition of derivative liabilities and regulatory add-on amounts, and the deduction of regulatory netting effect.

Countercyclical buffer requirement by country or region

Countercyclical buffer requirement by country or region

(Millions of yen, except percentages)

CCyB1: Countercyclical buffer (CCyB) requirement by country or region				
	As of March 31, 2023			
	a	b	c	d
Geographical breakdown	Applicable CCyB ratio in effect	RWAs used in the computation of CCyB ratio	Bank-specific CCyB ratio	CCyB amount
Australia	1.00%	951,173		
Germany	0.75%	616,014		
Hong Kong	1.00%	1,529,589		
Luxembourg	0.50%	487,357		
Sweden	1.00%	40,071		
U.K.	1.00%	2,933,276		
Subtotal		6,557,480		
Total		57,404,494	0.10%	61,597

(Millions of yen, except percentages)

CCyB1: Countercyclical buffer (CCyB) requirement by country or region				
	As of March 31, 2022			
	a	b	c	d
Geographical breakdown	Applicable CCyB ratio in effect	RWAs used in the computation of CCyB ratio	Bank-specific CCyB ratio	CCyB amount
Hong Kong	1.00%	1,608,333		
Luxembourg	0.50%	343,523		
Subtotal		1,951,856		
Total		55,344,904	0.03%	17,800

Note: While credit risk-weighted asset shall be calculated on an ultimate risk basis where feasible, some assets including funds and other assets or portion of assets subject to standardized approach, are calculated on an obligor basis or on a country of undertaking basis.

Indicators for assessing Global Systemically Important Banks (G-SIBs)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Indicators for assessing Global Systemically Important Banks (G-SIBs)

(Millions of yen)

GSIB1: G-SIB indicators				
Basel III Template No.			As of March 31, 2023	As of March 31, 2022
1	Cross-jurisdictional activity	Cross-jurisdictional claims	86,194,529	73,516,381
2		Cross-jurisdictional liabilities	73,695,197	67,596,129
3	Size	Total exposures	291,673,049	278,082,730
4	Mutual relevance	Intra-financial system assets	51,152,083	42,247,617
5		Intra-financial system liabilities	25,471,036	22,611,775
6		Securities outstanding	33,447,629	30,555,904
7	Substitutability/ financial institution infrastructure	Assets under custody	16,110,817	14,481,827
8		Annual total amount of payments settled through settlement systems	5,454,562,907	4,344,694,781
9		Annual total amount of underwritten transactions in debt and equity markets	5,084,242	11,135,703
10		Total amount of trading volume	102,325,402	125,298,442
11	Complexity	Total amount of notional amount of OTC derivatives and long settlement transactions with other financial institutions	1,603,772,144	1,085,323,445
12		Level 3 assets	506,004	495,618
13		Held-for-trading (HFT) securities and available-for-sale (AFS) securities, excluding HFT and AFS securities that meet the definition of Level 1 assets and Level 2 assets with haircuts	12,007,752	12,004,699

Note: Terms in this form shall, unless otherwise prescribed separately, be used in accordance with the terminology used in the Notification as well as the Bank Holding Company Equity Capital Adequacy Notification.

- a. Basel III Template No. (hereinafter referred to as “Item No.” in this form) 3 “Total exposures” shall state the total amount of the following.
- (1) The amount of on-balance sheet assets (total assets reported in the non-consolidated balance sheet or the consolidated balance sheet, less the amount of customers’ liabilities for acceptance and guarantees, less the amounts reported with respect to (2) and (3) reported in the non-consolidated balance sheet or the consolidated balance sheet)
  - (2) The amount of derivative transactions, etc. (referring to forward contract, swap, option, and other derivatives and long settlement transactions; hereinafter the same in (2) and (4)) (the amount of exposure calculated in respect of derivative transactions, etc. (the amount of replacement cost calculated by using current exposure method or the standardized approach for counterparty credit risk (SA-CCR) (which shall be zero if such amount turned out to be a negative value), added by the add-on amount, as well as the notional amount of the credit derivative that provides protection), added by the consideration of the margin deposited in cash in connection with derivative transactions, etc.)
  - (3) The amount of SFTs (amount of cash receivables in SFTs added by the amount of exposure at the counterparty of transaction calculated for each unit of SFTs (which shall be zero if such amount turned out to be a negative value))
  - (4) The amount of off-balance sheet transactions (excluding derivative transactions, etc., and SFTs) (the amount of credit risk exposure at the counterparty of transaction, added by the amount of exposure arising from the underlying asset, as well as the amount of securitisation exposure)
- b. Item No.4 “Mutual relevance - Intra-financial system assets” shall state the total amount of the following balances concerning the credit granted to financial institutions, etc. (including financial instruments business operators prescribed under Article 2, Paragraph 9 of the Financial Instruments and Exchange Act, insurance companies, central counterparty, pension funds and other business operators of the similar kind; hereinafter the same in b. and c.).
- (1) Funds deposited with or lent to other financial institutions and undrawn committed lines extended to other financial institutions
  - (2) Holdings of securities issued by other financial institutions (referring to secured bonds, general unsecured bonds, subordinated bonds, short-term bonds, negotiable certificates of deposit and stock; hereinafter the same in Item No. 6)
  - (3) Net positive current exposure of SFTs with other financial institutions (which can take into account the effect of legally binding netting contracts, but cannot have a negative value)
  - (4) The add-on amount calculated based on the amount measured at fair value and by using the current exposure method or SA-CCR as adopted for the derivative instruments transactions and long settlement transactions with other financial institutions, without involving financial instruments markets as defined under Article 2, Paragraph 14 of the Financial



- Instruments and Exchange Act, and foreign financial instruments markets as defined under Article 2, Paragraph 8, Item 3(b) of the same Act (which can take into account the effect of legally valid bilateral netting contracts, but cannot have a negative value; hereinafter collectively referred to as “financial instruments markets, etc.” in Item No. 11 and c.)
- c. Item No. 5 “Mutual relevance - Intra-financial system liabilities” shall state the total amount of the following balances.
- (1) Deposits due to, and loans obtained from other financial institutions (including undrawn committed lines)
- (2) Net negative current exposure of SFTs with other financial institutions (which can take into account the effect of legally valid bilateral netting contracts, but cannot exceed zero)
- (3) The add-on amount calculated based on the amount measured at fair value and by using the current exposure method or SA-CCR as adopted for the derivative instruments transactions and long settlement transactions with other financial institutions, without involving financial instruments markets, etc. (which can take into account the effect of legally valid bilateral netting contracts, but cannot exceed zero)
- d. Item No. 8 “Substitutability/financial infrastructure – the annual total amount of payments through settlement systems” shall state the annual total amount of payments settled through the BOJ-NET, the Japanese Banks’ Payment Clearing Network and other similar settlement systems but excluding intra-group payments in the most recently ended fiscal year.
- e. Item No.9 “Substitutability/financial infrastructure – the annual total amount of underwritten transactions in debt and equity markets” shall state the annual total amount of transactions underwritten in debt and equity markets in the most recently ended fiscal year (referring to securities underwriting as prescribed in Article 2, Paragraph 8, Item 6 of the Financial Instruments and Exchange Act).
- f. Item No. 10 “Substitutability/financial infrastructure – Total amount of trading volume” shall state the annual total amount of trading volume of securities (gross basis) in the most recently ended fiscal year.
- g. Financial institutions mentioned in Item No. 11 “Complexity – Total amount of notional amount of OTC derivatives and long settlement transactions with other financial institutions” refer to financial institutions, etc. as defined in b. above.
- h. Item No.13 “Complexity – Held-for-trading (HFT) securities and available-for-sale (AFS) securities” shall state the total amount of balances of Held-for-trading (HFT) securities and available-for-sale (AFS) securities (excluding HFT and AFS securities that are considered to have high liquidity).
- i. In each item in this form, if there is no specific applicable amount in the submitting financial institution, the item in question shall not be deleted but just be marked with { - }.
- j. In this form, all amounts shall be stated in the designated unit herein, and any fraction less than such unit shall be rounded down.
- k. This form shall be prepared only by a bank subject to the uniform international standards (excluding a bank that is a consolidated subsidiary of a bank as well as a bank that is a consolidated subsidiary not of a bank but of a banking holding company, and a consolidated subsidiary of a regulated foreign entity), or a holding company subject to the uniform international standards that states in Item No. 3 an equivalent to an amount in excess of 200 billion euros at the exchange rate as at the end of its most recently ended fiscal year, or that is designated by the Commissioner of the Financial Services Agency of Japan as an equivalent to a bank or a holding company subject to the uniform international standards.

■ Composition of Leverage Ratio

(In million yen, %)				
Corresponding line # on Basel III disclosure template (Table2)	Corresponding line # on Basel III disclosure template (Table1)	Items	As of March 31, 2023	As of March 31, 2022
On-balance sheet exposures (1)				
1		On-balance sheet exposures before deducting adjustment items	175,221,153	166,341,091
1a	1	Total assets reported in the consolidated balance sheet	210,008,235	197,228,681
1b	2	The amount of assets of subsidiaries that are not included in the scope of the leverage ratio on a consolidated basis (-)	—	—
1c	7	The amount of assets of subsidiaries that are included in the scope of the leverage ratio on a consolidated basis (except those included in the total assets reported in the consolidated balance sheet)	—	—
1d	3	The amount of assets that are deducted from the total assets reported in the consolidated balance sheet (except adjustment items) (-)	34,787,082	30,887,589
2	7	The amount of adjustment items pertaining to Tier 1 capital (-)	1,735,746	1,526,382
3		Total on-balance sheet exposures (a)	173,485,406	164,814,709
Exposures related to derivative transactions (2)				
4		Replacement cost associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)		
		Replacement cost associated with derivatives transactions, etc.	4,790,390	3,527,325
5		Add-on amount for potential future exposure associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)		
		Add-on amount associated with derivatives transactions, etc.	5,435,663	5,084,780
		The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.	981,452	1,111,871
6		The amount of receivables arising from providing collateral, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework		
		The amount of receivables arising from providing cash margin, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework	—	—
7		The amount of deductions of receivables (out of those arising from providing cash variation margin) (-)	145,156	457,683
8		The amount of client-cleared trade exposures for which a bank or bank holding company acting as clearing member is not obliged to make any indemnification (-)		
9		Adjusted effective notional amount of written credit derivatives	1,330,211	1,226,418
10		The amount of deductions from effective notional amount of written credit derivatives (-)	1,168,020	1,099,912
11	4	Total exposures related to derivative transactions (b)	11,224,540	9,392,799
Exposures related to repo transactions (3)				
12		The amount of assets related to repo transactions, etc.	11,362,558	11,685,139
13		The amount of deductions from the assets above (line 12) (-)	—	—
14		The exposures for counterparty credit risk for repo transactions, etc.	453,886	1,137,324
15		The exposures for agent repo transaction		
16	5	Total exposures related to repo transactions, etc. (c)	11,816,444	12,822,464
Exposures related to off-balance sheet transactions (4)				
17		Notional amount of off-balance sheet transactions	81,463,037	75,178,234
18		The amount of adjustments for conversion in relation to off-balance sheet transactions (-)	48,472,455	46,127,804
19	6	Total exposures related to off-balance sheet transactions (d)	32,990,581	29,050,429
Leverage ratio on a consolidated basis (5)				
20		The amount of capital (Tier 1 capital) (e)	11,548,912	11,186,225
21	8	Total exposures ((a)+(b)+(c)+(d)) (f)	229,516,974	216,080,403
22		Leverage ratio on a consolidated basis ((e)/(f))	5.03%	5.17%
		Minimum leverage ratio requirement	3.00%	3.00%
		Applicable leverage buffer requirement	0.50%	
Leverage ratio on a consolidated basis (including deposits with the Bank of Japan) (6)				
		Total exposures (f)	229,516,974	216,080,403
		The amount of deposits with the Bank of Japan	60,420,329	60,475,944
		Total exposures (including deposits with the Bank of Japan) (f')	289,937,303	276,556,348
		Leverage ratio on a consolidated basis (including deposits with the Bank of Japan) ((e)/(f'))	3.98%	4.04%

TLAC information

TLAC1: TLAC composition for G-SIBs (at resolution group level)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries (Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2023	As of March 31, 2022
Preferred resolution strategy (1)			
The SPE (Single Point of Entry) resolution strategy is considered to be the preferred resolution strategy for Sumitomo Mitsui Financial Group, Inc. (SMFG) and its subsidiaries. More concretely, at the time of a stress, following the relevant authority’s determination that one or more of the material sub-groups, i.e. Sumitomo Mitsui Banking Corporation and SMBC Nikko Securities Inc., have reached the point of non-viability, losses incurred to them would be passed to SMFG, the ultimate holding company. While this could lead to a resolution of SMFG, the material sub-groups are expected to continue their business as usual under the Specified Bridge Financial Institution, etc. incorporated by the Deposit Insurance Corporation of Japan (DICJ) to which SMFG transfers its business.			
Regulatory capital elements of TLAC and adjustments (2)			
1	Common Equity Tier 1 capital (CET1) (A)	10,838,955	10,458,377
2	Additional Tier 1capital (AT1) before TLAC adjustments (B)	709,956	727,847
3	AT1 ineligible as TLAC as issued out of subsidiaries to third parties (C)	—	—
4	Other adjustments (D)	29,268	22,104
5	AT1 instruments eligible under the TLAC framework ((B) - (C) - (D)) (E)	680,688	705,743
6	Tier 2 capital (T2) before TLAC adjustments (F)	801,869	797,534
7	Amortised portion of T2 instruments where remaining maturity > 1 year (G)	(373,829)	(242,608)
8	T2 capital ineligible as TLAC as issued out of subsidiaries to third parties (H)	—	—
9	Other adjustments (I)	5,825	4,722
10	T2 instruments eligible under the TLAC framework ((F) - (G) - (H) - (I)) (J)	1,169,873	1,035,421
11	TLAC arising from regulatory capital ((A) + (E) + (J)) (K)	12,689,517	12,199,542
Non-regulatory capital elements of TLAC (3)			
12	External TLAC instruments issued directly by the bank and subordinated to excluded liabilities (L)	6,930,885	5,896,263
13	External TLAC instruments issued directly by the bank which are not subordinated to excluded liabilities but meet all other TLAC term sheet requirements		
14	Of which: amount eligible as TLAC after application of the caps		
15	External TLAC instruments issued by funding vehicles prior to 1 January 2022		
16	Eligible ex ante commitments to recapitalise a G-SIB in resolution (M)	2,704,976	2,532,252
17	TLAC arising from non-regulatory capital instruments before adjustments ((L) + (M)) (N)	9,635,862	8,428,515
Non-regulatory capital elements of TLAC: adjustments (4)			
18	TLAC before deductions ((K) + (N)) (O)	22,325,379	20,628,057
19	Deductions of exposures between MPE resolution groups that correspond to items eligible for TLAC (not applicable to SPE G-SIBs) (P)	—	—
20	Deduction of investments in own other TLAC liabilities (Q)	315	—
21	Other adjustment to TLAC (R)	—	—
22	TLAC after deductions ((O) - (P) - (Q) - (R)) (S)	22,325,063	20,628,057
Risk-weighted assets and leverage exposure measure for TLAC purposes (5)			
23	Total risk-weighted assets (RWA) (T)	77,285,048	72,350,071
24	Total exposures (U)	229,516,974	216,080,403
TLAC ratios and buffers (6)			
25	TLAC before deduction of CET1 specific buffer requirement (as a percentage of RWA) ((S) / (T))	28.88%	28.51%
25a	TLAC (as a percentage of RWA)	25.28%	24.98%
26	TLAC (as a percentage of total exposures) ((S) / (U))	9.72%	9.54%
27	CET1 available after meeting the minimum capital requirements	7.98%	8.56%
28	CET1 specific buffer requirement	3.60%	3.53%
29	of which: capital conservation buffer requirement	2.50%	2.50%
30	of which: countercyclical buffer requirement	0.10%	0.03%
31	of which: G-SIB/D-SIB additional requirement	1.00%	1.00%
TLAC (as a percentage of total exposures) (including deposits with the Bank of Japan) (7)			
	Total exposures (U)	229,516,974	216,080,403
	The amount of deposits with the Bank of Japan	60,420,329	60,475,944
	Total exposures (including deposits with the Bank of Japan) (U’)	289,937,303	276,556,348
	TLAC (as a percentage of total exposures) (including deposits with the Bank of Japan) ((S)/(U’))	7.69%	7.45%

TLAC2: - Material subgroup entity - creditor ranking at legal entity level

Sumitomo Mitsui Banking Corporation (Millions of yen)

		As of March 31, 2023							
Basel III Template No.	Items	Creditor ranking							
		1		2		3		4	
		(most junior)						(most senior)	
1	Is the resolution entity the creditor/investor?	Yes	No	Yes	No	Yes	No	Yes	No
2	Description of creditor ranking	Common share capital		Additional Tier 1 instruments		Tier 2 instruments		Other internal TLAC liabilities	
3	Total capital and liabilities net of credit risk mitigation (A)	3,545,551	—	1,267,000	—	1,140,483	—	7,385,780	—
4	Subset of row 3 that are excluded liabilities (B)	—	—	—	—	—	—	—	—
5	Total capital and liabilities less excluded liabilities ((A)-(B))	3,545,551	—	1,267,000	—	1,140,483	—	7,385,780	—
6	Subset of row 5 that are eligible as TLAC	3,545,551	—	1,267,000	—	1,140,483	—	6,808,792	—
7	1 year ≤ residual maturity < 2 years	—	—	—	—	346,695	—	789,388	—
8	2 years ≤ residual maturity < 5 years	—	—	—	—	347,000	—	3,429,669	—
9	5 years ≤ residual maturity < 10 years	—	—	—	—	333,279	—	2,023,061	—
10	10 years ≤ residual maturity (excluding perpetual securities)	—	—	—	—	113,509	—	566,673	—
11	Perpetual securities	3,545,551	—	1,267,000	—	—	—	—	—

SMBC Nikko Securities Inc.

(Millions of yen)

		As of March 31, 2023					
Basel III Template No.	Items	Creditor ranking					
		1		2		3	
		(most junior)				(most senior)	
1	Is the resolution entity the creditor/investor?	Yes	No	Yes	No	Yes	No
2	Description of creditor ranking	Common share capital		Subordinated debts		Other internal TLAC liabilities	
3	Total capital and liabilities net of credit risk mitigation (A)	467,714	—	—	—	—	—
4	Subset of row 3 that are excluded liabilities (B)	—	—	—	—	—	—
5	Total capital and liabilities less excluded liabilities ((A)-(B))	467,714	—	—	—	—	—
6	Subset of row 5 that are eligible as TLAC	467,714	—	—	—	—	—
7	1 year ≤ residual maturity < 2 years	—	—	—	—	—	—
8	2 years ≤ residual maturity < 5 years	—	—	—	—	—	—
9	5 years ≤ residual maturity < 10 years	—	—	—	—	—	—
10	10 years ≤ residual maturity (excluding perpetual securities)	—	—	—	—	—	—
11	Perpetual securities	467,714	—	—	—	—	—

Sumitomo Mitsui Banking Corporation (Millions of yen)

Basel III Template No.		Items	As of March 31, 2022									Sum of 1 to 4
			Creditor ranking									
			1		2		3		4			
(most junior)		(most senior)										
1	Is the resolution entity the creditor/investor?	Yes	No	Yes	No	Yes	No	Yes	No			
2	Description of creditor ranking	Common share capital		Additional Tier 1 instruments		Tier 2 instruments		Other internal TLAC liabilities				
3	Total capital and liabilities net of credit risk mitigation (A)	3,545,551	–	1,235,000	–	996,519	–	6,834,878	–	12,611,948		
4	Subset of row 3 that are excluded liabilities (B)	–	–	–	–	–	–	–	–	–		
5	Total capital and liabilities less excluded liabilities ((A)-(B))	3,545,551	–	1,235,000	–	996,519	–	6,834,878	–	12,611,948		
6	Subset of row 5 that are eligible as TLAC	3,545,551	–	1,235,000	–	996,519	–	5,898,275	–	11,675,346		
7	1 year ≤ residual maturity < 2 years	–	–	–	–	–	–	530,502	–	530,502		
8	2 years ≤ residual maturity < 5 years	–	–	–	–	574,217	–	2,758,104	–	3,332,322		
9	5 years ≤ residual maturity < 10 years	–	–	–	–	318,253	–	2,084,896	–	2,403,149		
10	10 years ≤ residual maturity (excluding perpetual securities)	–	–	–	–	104,048	–	524,771	–	628,820		
11	Perpetual securities	3,545,551	–	1,235,000	–	–	–	–	–	4,780,551		

SMBC Nikko Securities Inc. (Millions of yen)

			As of March 31, 2022						
			Creditor ranking						Sum of 1 to 3
			1		2		3		
Basel III Template No.	Items	(most junior)		(most senior)					
1	Is the resolution entity the creditor/investor?	Yes	No	Yes	No	Yes	No		
2	Description of creditor ranking	Common share capital		Subordinated debts		Other internal TLAC liabilities			
3	Total capital and liabilities net of credit risk mitigation (A)	467,714	—	—	—	—	—	467,714	
4	Subset of row 3 that are excluded liabilities (B)	—	—	—	—	—	—	—	
5	Total capital and liabilities less excluded liabilities ((A)-(B))	467,714	—	—	—	—	—	467,714	
6	Subset of row 5 that are eligible as TLAC	467,714	—	—	—	—	—	467,714	
7	1 year ≤ residual maturity < 2 years	—	—	—	—	—	—	—	
8	2 years ≤ residual maturity < 5 years	—	—	—	—	—	—	—	
9	5 years ≤ residual maturity < 10 years	—	—	—	—	—	—	—	
10	10 years ≤ residual maturity (excluding perpetual securities)	—	—	—	—	—	—	—	
11	Perpetual securities	467,714	—	—	—	—	—	467,714	

■ TLAC3: Creditor ranking of external TLAC, etc.

Sumitomo Mitsui Financial Group, Inc. (Millions of yen)

			As of March 31, 2023				
			Creditor ranking				Sum of 1 to 4
			1	2	3	4	
Basel III Template No.	Items	(most junior)	(most senior)				
1	Description of creditor ranking	Common share capital	Additional Tier 1 instruments	Tier 2 instruments	Unsecured senior bonds *1		
2	Total capital and liabilities net of credit risk mitigation (A)	3,906,550	767,000	1,140,483	7,585,036	13,399,070	
3	Subset of row 2 that are excluded liabilities *2 (B)	—	—	—	64,304	64,304	
4	Total capital and liabilities less excluded liabilities ((A)-(B))	3,906,550	767,000	1,140,483	7,520,731	13,334,765	
5	Subset of row 4 that are eligible as TLAC	3,906,550	767,000	1,140,483	6,943,743	12,757,777	
6	1 year ≤ residual maturity < 2 years	—	—	346,695	858,888	1,205,583	
7	2 years ≤ residual maturity < 5 years	—	—	347,000	3,466,408	3,813,408	
8	5 years ≤ residual maturity < 10 years	—	—	333,279	2,048,388	2,381,667	
9	10 years ≤ residual maturity (excluding perpetual securities)	—	—	113,509	570,058	683,567	
10	Perpetual securities	3,906,550	767,000	—	—	4,673,550	

\*1 Excluding those owed to group companies

\*2 Conservatively estimated in light of quantitative materiality

Sumitomo Mitsui Financial Group, Inc. (Millions of yen)

Basel III Template No.			As of March 31, 2022				
			Creditor ranking				Sum of 1 to 4
			1	2	3	4	
Items		(most junior)	(most senior)				
1	Description of creditor ranking	Common share capital	Additional Tier 1 instruments	Tier 2 instruments	Unsecured senior bonds *1		
2	Total capital and liabilities net of credit risk mitigation (A)	3,905,233	735,000	996,519	6,889,809	12,526,562	
3	Subset of row 2 that are excluded liabilities *2 (B)	—	—	—	50,392	50,392	
4	Total capital and liabilities less excluded liabilities ((A)-(B))	3,905,233	735,000	996,519	6,839,417	12,476,169	
5	Subset of row 4 that are eligible as TLAC	3,905,233	735,000	996,519	5,902,814	11,539,567	
6	1 year ≤ residual maturity < 2 years	—	—	—	530,502	530,502	
7	2 years ≤ residual maturity < 5 years	—	—	574,217	2,759,616	3,333,833	
8	5 years ≤ residual maturity < 10 years	—	—	318,253	2,084,896	2,403,149	
9	10 years ≤ residual maturity (excluding perpetual securities)	—	—	104,048	527,799	631,848	
10	Perpetual securities	3,905,233	735,000	—	—	4,640,233	

\*1 Excluding those owed to group companies

\*2 Conservatively estimated in light of quantitative materiality



Liquidity Coverage Ratio Information (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Since March 31, 2015, the “Liquidity Coverage Ratio” (hereinafter referred to as “LCR”), the liquidity ratio regulation under the Basel III, has been introduced in Japan. In addition to the application of uniform international standards, Sumitomo Mitsui Financial Group calculates its consolidated LCR using the calculation formula stipulated in the “Criteria for Evaluating the Soundness of Liquidity Status Set Forth by a Bank Holding Company as a Benchmark for Judging the Soundness of Management of Itself and its Subsidiaries, etc., Based on the Provision of Article 52-25 of the Banking Act, and Which Are Also the Criteria to be Referred to for Judging the Soundness of Management in Banks” (Notification No. 62 issued by the Japanese Financial Services Agency in 2014; hereinafter referred to as the “Liquidity Ratio Notification”).

Disclosure of Qualitative Information about Liquidity Coverage Ratio

1. Intra-period Changes in Consolidated LCR

As described on the following page, the LCR has remained stable since the introduction of the liquidity ratio regulation on March 31, 2015.

2. Assessment of Consolidated LCR

The Liquidity Ratio Notification stipulates the minimum requirement of the LCR at 100%. The LCR of Sumitomo Mitsui Financial Group (consolidated) exceeds the minimum requirements of the LCR, having no cause for concern. In terms of the future LCR forecasts, Sumitomo Mitsui Financial Group does not expect significant deviations from the disclosed ratios. In addition, the actual LCR does not differ significantly from the initial forecast.

3. Composition of High-Quality Liquid Assets

Regarding the high-quality liquid assets allowed to be included in the calculation, there are no significant changes in locations and properties of currency denominations, categories and so on. In addition, in respect of major currencies (those of which the aggregate amount of liabilities denominated in a certain currency accounts for 5% or more of Sumitomo Mitsui Financial Group’s total liabilities on the consolidated basis), there is no significant mismatch in currency denomination between the total amount of the high-quality liquid assets allowed to be included in the calculation and the amount of net cash outflows.

4. Other Information Concerning Consolidated LCR

Sumitomo Mitsui Financial Group has not applied “special provisions concerning qualifying operational deposits” prescribed in Article 28 of the Liquidity Ratio Notification and “increased liquidity needs related to market valuation changes on derivative or other transactions simulated through Scenario Approach” prescribed in Article 37 of the Liquidity Ratio Notification. Meanwhile, Sumitomo Mitsui Financial Group records “due to trust account,” etc. under “cash outflows based on other contracts” prescribed in Article 59 of the Liquidity Ratio Notification.

Disclosure of Quantitative Information about Liquidity Coverage Ratio (Consolidated)

(In million yen, %, the number of data)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)		Prior Quarter (From 2022/10/1 To 2022/12/31)	
High-Quality Liquid Assets (1)					
1	Total high-quality liquid assets (HQLA)	80,150,918		79,404,764	
Cash Outflows (2)		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
2	Cash outflows related to unsecured retail funding	61,179,680	4,766,056	60,870,757	4,747,364
3	of which, Stable deposits	19,349,431	582,405	19,176,770	577,352
4	of which, Less stable deposits	41,830,248	4,183,650	41,693,987	4,170,012
5	Cash outflows related to unsecured wholesale funding	91,220,784	46,429,418	91,315,452	46,423,484
6	of which, Qualifying operational deposits	—	—	—	—
7	of which, Cash outflows related to unsecured wholesale funding other than qualifying operational deposits and debt securities	84,423,623	39,632,257	85,023,797	40,131,829
8	of which, Debt securities	6,797,161	6,797,161	6,291,654	6,291,654
9	Cash outflows related to secured funding, etc.		293,877		288,727
10	Cash outflows related to derivative transactions, etc. funding programs, credit and liquidity facilities	34,835,137	12,144,525	35,621,538	12,430,452
11	of which, Cash outflows related to derivative transactions, etc.	2,183,937	2,183,937	2,399,495	2,399,495
12	of which, Cash outflows related to funding programs	420,341	420,341	357,150	357,150
13	of which, Cash outflows related to credit and liquidity facilities	32,230,858	9,540,247	32,864,892	9,673,806
14	Cash outflows related to contractual funding obligations, etc.	12,336,029	9,226,027	11,507,657	8,795,102
15	Cash outflows related to contingencies	82,387,279	1,950,039	83,476,054	2,223,081
16	Total cash outflows		74,809,944		74,908,213
Cash Inflows (3)		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
17	Cash inflows related to secured lending, etc.	7,951,685	858,311	7,091,061	834,733
18	Cash inflows related to collection of loans, etc.	14,665,456	9,705,732	14,228,592	9,494,856
19	Other cash inflows	4,657,445	2,830,310	4,767,112	2,893,902
20	Total cash inflows	27,274,587	13,394,354	26,086,766	13,223,492
Consolidated Liquidity Coverage Ratio (4)					
21	Total HQLA allowed to be included in the calculation		80,150,918		79,404,764
22	Net cash outflows		61,415,590		61,684,720
23	Consolidated liquidity coverage ratio (LCR)		130.5%		128.7%
24	The number of data used to calculate the average value		60		62

- Notes: 1. The data after the introduction of the liquidity ratio regulation on March 31, 2015 is available on Sumitomo Mitsui Financial Group’s website. ([https://www.smfg.co.jp/english/investor/financial/basel\\_3.html](https://www.smfg.co.jp/english/investor/financial/basel_3.html))
2. The average values are calculated based on daily data in accordance with Notification No. 7 issued by the Japanese Financial Services Agency in 2015. Some data, such as attribute information of customers and data on consolidated subsidiaries, is updated on the monthly or quarterly basis.

Breakdown of High-Quality Liquid Assets

(In million yen)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)	Prior Quarter (From 2022/10/1 To 2022/12/31)
1	Cash and due from banks	72,771,661	71,732,711
2	Securities	7,379,257	7,672,052
3	of which, government bonds, etc.	4,390,198	4,654,372
4	of which, municipal bonds, etc.	204,398	210,739
5	of which, other bonds	877,544	876,485
6	of which, stocks	1,907,115	1,930,453
7	Total high-quality liquid assets (HQLA)	80,150,918	79,404,764

Note: The above amounts are those of high-quality liquid assets in accordance with the liquidity ratio regulation under the Basel III and do not correspond to the financial amounts. The amounts stated are those after multiplying factors in the liquidity ratio regulation under the Basel III.

Net Stable Funding Ratio Information (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Since September 30, 2021, the “Net Stable Funding Ratio” (hereinafter referred to as “NSFR”), the liquidity ratio regulation under the Basel III, has been introduced in Japan. In addition to the application of uniform international standards, Sumitomo Mitsui Financial Group calculates its consolidated NSFR using the calculation formula stipulated in the “Criteria for Evaluating the Soundness of Liquidity Status Set Forth by a Bank Holding Company as a Benchmark for Judging the Soundness of Management of Itself and its Subsidiaries, etc., Based on the Provision of Article 52-25 of the Banking Act, and Which Are Also the Criteria to be Referred to for Judging the Soundness of Management in Banks” (Notification No. 62 issued by the Japanese Financial Services Agency in 2014; hereinafter referred to as the “Liquidity Ratio Notification”).

■ Disclosure of Qualitative Information about Net Stable Funding Ratio

1. Intra-period Changes in Consolidated NSFR

As described on the following page, the NSFR has remained stable since the introduction of the liquidity ratio regulation on September 30, 2021.

2. Special Provisions Pertaining to Interdependent Assets and Liabilities

Sumitomo Mitsui Financial Group has not applied the “special provisions pertaining to interdependent assets and liabilities” prescribed in Article 99 of the Liquidity Ratio Notification to its NSFR.

3. Other Information Concerning Consolidated NSFR

The Liquidity Ratio Notification stipulates the minimum requirement of the NSFR at 100%. The NSFR of Sumitomo Mitsui Financial Group (consolidated) exceeds the minimum requirements of the NSFR, having no cause for concern. In terms of the future NSFR forecasts, Sumitomo Mitsui Financial Group does not expect significant deviations from the disclosed ratios. In addition, the actual NSFR does not differ significantly from the initial forecast.

■ Disclosure of Quantitative Information about Net Stable Funding Ratio (Consolidated)

(In million yen, %)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)					Prior Quarter (From 2022/10/1 To 2022/12/31)				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) items (1)											
1	Capital; of which:	12,718,109	0	0	1,844,262	14,562,371	12,402,115	0	0	1,871,819	14,273,935
2	Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (excluding the proportion of Tier 2 instruments with residual maturity of less than one year) before the application of capital deductions	12,718,109	0	0	1,470,433	14,188,542	12,402,115	0	0	1,529,204	13,931,320
3	Other capital instruments that are not included in the above category	0	0	0	373,829	373,829	0	0	0	342,614	342,614
4	Funding from retail and small business customers; of which:	61,494,865	37,883	0	24,687	56,387,459	61,668,050	37,687	0	0	56,541,691
5	Stable deposits	19,665,960	0	0	0	18,682,662	20,130,532	0	0	0	19,124,006
6	Less stable deposits	41,828,905	37,883	0	24,687	37,704,797	41,537,517	37,687	0	0	37,417,685
7	Wholesale funding; of which:	69,030,012	61,647,438	5,610,102	20,082,693	59,913,915	65,243,911	61,935,035	4,475,965	17,101,072	54,588,077
8	Operational deposits	—	—	—	—	—	—	—	—	—	—
9	Other wholesale funding	69,030,012	61,647,438	5,610,102	20,082,693	59,913,915	65,243,911	61,935,035	4,475,965	17,101,072	54,588,077
10	Liabilities with matching interdependent assets	—	—	—	—	—	—	—	—	—	—
11	Other liabilities; of which:	723,401	11,483,564	0	692,525	72,997	1,045,378	11,408,918	0	831,919	73,448
12	Derivative liabilities				411,185					596,135	
13	All other liabilities and equity not included in the above categories	723,401	11,483,564	0	281,340	72,997	1,045,378	11,408,918	0	235,784	73,448
14	Total available stable funding					130,936,744					125,477,152
Required stable funding (RSF) items (2)											
15	HQLA					3,483,332					2,935,973
16	Deposits held at financial institutions for operational purposes	317,900	29,016	0	0	173,458	393,134	33,893	0	0	213,513
17	Loans, repo transactions-related assets, securities and other similar assets; of which:	1,548,415	37,729,957	9,825,672	72,135,457	79,782,792	1,685,137	39,864,863	9,306,190	72,490,204	80,780,331
18	Loans to- and repo transactions with- financial institutions (secured by level 1 HQLA)	0	7,083,651	13,812	32,259	55,236	0	6,828,354	24,074	3,052	40,289
19	Loans to- and repo transactions with- financial institutions (not included in item 18)	242,403	6,592,154	2,381,538	11,736,943	14,001,492	375,415	8,312,547	2,248,322	11,770,395	14,403,452
20	Loans and repo transactions-related assets (not included in item 18, 19 and 22); of which:	889,227	22,724,631	6,555,772	46,403,796	53,670,594	897,196	23,296,993	6,283,139	46,666,229	54,195,931
21	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	726	3,527,273	346,258	1,180,461	1,873,962	147	3,350,126	301,164	1,293,116	1,999,202
22	Residential mortgages; of which:	0	292,222	290,990	10,624,058	8,002,447	0	291,306	290,906	10,538,905	7,943,873
23	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	0	159,199	158,961	6,598,039	4,447,806	0	158,331	157,937	6,526,512	4,400,367
24	Securities that are not in default and do not qualify as HQLA and other similar assets	416,784	1,037,297	583,558	3,338,399	4,053,022	412,525	1,135,660	459,746	3,511,622	4,196,784
25	Assets with matching interdependent liabilities	—	—	—	—	—	—	—	—	—	—
26	Other assets; of which:	3,812,248	1,469,644	91,507	15,350,413	19,574,153	3,343,731	1,407,190	88,364	15,271,687	19,027,356
27	Physical traded commodities, including gold	0				0	0				0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs (including those that are not recorded on consolidated balance sheet)				1,085,792	922,923				1,133,010	963,059
29	Derivative assets				0	0				0	0
30	Derivative liabilities (before deduction of variation margin posted)				235,962	235,962				262,144	262,144
31	All other assets not included in the above categories	3,812,248	1,469,644	91,507	14,028,658	18,415,267	3,343,731	1,407,190	88,364	13,876,532	17,802,153
32	Off-balance sheet items				118,576,027	2,428,914				115,951,984	2,433,315
33	Total required stable funding					105,442,652					105,390,490
34	Consolidated net stable funding ratio (NSFR)					124.1%					119.0%

## Financial Highlights

Financial Data (Excerpt from Securities Report) of Sumitomo Mitsui Banking Corporation can be found on our website.  
URL: [https://www.smfg.co.jp/english/investor/library/annual/cy2023annu\\_eng\\_smfg.html](https://www.smfg.co.jp/english/investor/library/annual/cy2023annu_eng_smfg.html)

### Sumitomo Mitsui Banking Corporation

#### ■ Consolidated

	Millions of yen				
Year ended March 31	2023	2022	2021	2020	2019
For the Year:					
Ordinary income.....	¥ 4,991,948	¥ 2,990,450	¥ 2,786,647	¥ 3,469,068	¥ 3,369,898
Ordinary profit .....	1,125,928	867,849	534,722	770,491	894,501
Profit attributable to owners of parent .....	807,042	568,244	406,093	517,750	617,493
Comprehensive income .....	952,014	327,943	1,238,547	222,122	548,236
At Year-End:					
Total net assets .....	¥ 9,735,509	¥ 9,219,858	¥ 9,256,369	¥ 8,368,349	¥ 8,986,749
Total assets .....	252,567,523	242,105,934	228,066,567	206,089,633	190,690,293
Total capital ratio (BIS guidelines).....	15.34%	15.78%	17.72%	18.06%	20.32%
Tier 1 capital ratio (BIS guidelines).....	14.15%	14.53%	15.89%	15.80%	17.57%
Common equity Tier 1 capital ratio (BIS guidelines) .....	12.43%	12.67%	13.98%	13.70%	15.17%
Number of employees.....	59,399	58,041	58,127	57,961	58,527

Note: “Number of employees” has been reported on the basis of full-time workers. “Number of employees” includes locally hired overseas staff members but excludes contract employees and temporary staff.

#### ■ Non-consolidated

	Millions of yen				
Year ended March 31	2023	2022	2021	2020	2019
For the Year:					
Ordinary income.....	¥ 4,133,627	¥ 2,477,287	¥ 2,283,356	¥ 2,851,162	¥ 2,805,840
Trust fees .....	2,451	2,254	2,076	2,110	2,250
Gross banking profit (A) .....	1,699,474	1,579,178	1,481,662	1,412,007	1,395,586
Expenses (excluding nonrecurring losses) (B) .....	883,603	857,233	816,488	808,052	811,533
Overhead ratio (B) / (A).....	52.0%	54.3%	55.1%	57.2%	58.2%
Banking profit (before provision for general reserve for possible loan losses) .....	815,871	721,944	665,173	603,955	584,053
Core banking profit .....	902,618	764,309	585,189	529,752	581,176
Core banking profit (excluding gains or losses on cancellation of investment trusts) .....	863,278	722,805	551,401	505,785	535,229
Banking profit.....	797,003	715,731	502,679	586,741	584,053
Ordinary profit .....	865,797	745,950	436,062	483,944	649,647
Net income.....	634,154	546,294	338,036	317,381	477,367
At Year-End:					
Total net assets.....	¥ 7,394,955	¥ 7,546,483	¥ 8,065,866	¥ 7,496,219	¥ 7,962,185
Total assets.....	235,337,464	227,964,729	215,846,732	193,963,791	179,348,654
Deposits .....	149,948,880	141,015,245	134,685,582	119,973,324	116,091,103
Loans and bills discounted .....	94,307,397	87,671,294	81,937,725	80,187,382	76,401,807
Securities .....	32,210,394	38,238,579	36,487,225	27,058,633	24,336,638
Trust assets and liabilities.....	5,108,905	4,622,304	4,484,901	4,261,245	3,842,641
Loans and bills discounted.....	1,070,590	751,760	671,654	662,844	477,094
Securities in trust account (excluding electronically recorded transferable rights on securities in trust account) .....	900,799	889,179	922,114	1,164,251	1,330,384
Crypto-assets in trust account and performance-guarantee crypto-assets .....	—	—	—	—	—
Electronically recorded transferable rights on securities in trust account .....	—	—	—	—	—
Capital stock .....	1,770,996	1,770,996	1,770,996	1,770,996	1,770,996
Number of shares issued (in thousands) Common stock.....	106,248	106,248	106,248	106,248	106,248
Preferred stock.....	70	70	70	70	70
Dividend payout ratio .....	73.46%	70.61%	77.79%	167.61%	73.09%
Total capital ratio (BIS guidelines).....	13.97%	14.77%	16.96%	17.61%	20.28%
Tier 1 capital ratio (BIS guidelines).....	12.63%	13.49%	15.08%	15.23%	17.37%
Common equity Tier 1 capital ratio (BIS guidelines) .....	10.81%	11.53%	13.09%	13.01%	14.85%
Number of employees.....	27,839	27,851	28,104	27,957	28,482

Notes: 1. Core banking profit = Banking profit (Before provision of general reserve for possible loan losses) – Gains (losses) on bonds  
2. “Number of employees” has been reported on the basis of full-time workers. “Number of employees” includes locally hired overseas staff members but excludes contract employees, temporary staff, and executive officers who do not concurrently serve as Directors.

## Basel III Information

### Capital Ratio and Leverage Ratio Information (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

#### ■ CC1: Composition of regulatory capital

(Millions of yen, except percentages)				
Basel III Template No.	Items	a	b	c
		As of March 31,2023	As of March 31,2022	Reference to Template CC2
Common Equity Tier 1 capital: instruments and reserves (1)				
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	7,694,942	7,351,294	
1a	of which: capital and capital surplus	3,526,676	3,527,198	
2	of which: retained earnings	4,239,771	3,867,551	
1c	of which: treasury stock (–)	—	—	
26	of which: national specific regulatory adjustments (earnings to be distributed) (–)	71,505	43,455	
	of which: other than the above	—	—	
1b	Stock acquisition rights to common shares	—	—	
3	Accumulated other comprehensive income and other disclosed reserves	1,821,091	1,695,697	(a)
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	1,404	1,231	
6	Common Equity Tier 1 capital: instruments and reserves (A)	9,517,439	9,048,223	
Common Equity Tier 1 capital: regulatory adjustments (2)				
8+9	Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	254,563	228,199	
8	of which: goodwill (including those equivalent)	3,801	6,003	
9	of which: other intangibles other than goodwill and mortgage servicing rights	250,761	222,195	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,292	4,452	
11	Net deferred gains or losses on hedges	(77,631)	(73,356)	
12	Shortfall of eligible provisions to expected losses	—	—	
13	Securitisation gain on sale	52,939	56,744	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	45,592	22,099	
15	Net defined benefit asset	485,094	427,347	
16	Investments in own shares (excluding those reported in the Net assets section)	—	—	
17	Reciprocal cross-holdings in common equity	—	—	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	
19+20+21	Amount exceeding the 10% threshold on specified items	—	—	
19	of which: significant investments in the common stock of financials	—	—	
20	of which: mortgage servicing rights	—	—	
21	of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	
22	Amount exceeding the 15% threshold on specified items	—	—	
23	of which: significant investments in the common stock of financials	—	—	
24	of which: mortgage servicing rights	—	—	
25	of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—	
28	Common Equity Tier 1 capital: regulatory adjustments (B)	761,851	665,487	
Common Equity Tier 1 capital (CET1)				
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	8,755,588	8,382,735	



(Millions of yen, except percentages)

Basel III Template No.		Items	a	b	c
			As of March 31,2023	As of March 31,2022	Reference to Template CC2
Additional Tier 1 capital: instruments (3)					
30	31a	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—	—	
	31b	Stock acquisition rights to Additional Tier 1 instruments	—	—	
	32	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	1,267,000	1,235,000	
		Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	
34-35	Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group AT1)		23,597	20,588	
33+35	Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments		—	—	
33	of which: instruments issued by banks and their special purpose vehicles		—	—	
35	of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles)		—	—	
36	Additional Tier 1 capital: instruments (D)		1,290,597	1,255,588	
Additional Tier 1 capital: regulatory adjustments					
37	Investments in own Additional Tier 1 instruments		—	—	
38	Reciprocal cross-holdings in Additional Tier 1 instruments		—	—	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		—	—	
40	Significant investments in the Additional Tier 1 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		82,978	25,525	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		—	—	
43	Additional Tier 1 capital: regulatory adjustments (E)		82,978	25,525	
Additional Tier 1 capital (AT1)					
44	Additional Tier 1 capital ((D)-(E)) (F)		1,207,618	1,230,062	
Tier 1 capital (T1 = CET1 + AT1)					
45	Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)		9,963,206	9,612,798	
Tier 2 capital: instruments and provisions (4)					
46	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown		—	—	
	Stock acquisition rights to Tier 2 instruments		—	—	
	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards		766,614	753,772	
	Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities		—	—	
48-49	Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in group T2)		4,491	4,365	
47+49	Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and provisions		—	—	
47	of which: instruments issued by banks and their special purpose vehicles		—	—	
49	of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles)		—	—	
50	Total of general reserve for possible loan losses and eligible provisions included in Tier 2		108,065	102,903	
50a	of which: general reserve for possible loan losses		17,293	11,647	
50b	of which: eligible provisions		90,771	91,255	
51	Tier 2 capital: instruments and provisions (H)		879,171	861,041	

(Millions of yen, except percentages)

Basel III Template No.	Items	a	b	c
		As of March 31,2023	As of March 31,2022	Reference to Template CC2
Tier 2 capital: regulatory adjustments (5)				
52	Investments in own Tier 2 instruments	—	—	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	—	—	
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	—	—	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	40,062	36,723	
57	Tier 2 capital: regulatory adjustments (I)	40,062	36,723	
Tier 2 capital (T2)				
58	Tier 2 capital (T2) ((H)-(I)) (J)	839,109	824,318	
Total capital (TC = T1 + T2)				
59	Total capital (TC = T1 + T2) ((G)+(J)) (K)	10,802,315	10,437,117	
Risk weighted assets (6)				
60	Total risk-weighted assets (RWA) (L)	70,401,996	66,120,492	
Capital ratios (consolidated) (7)				
61	Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	12.43%	12.67%	
62	Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))	14.15%	14.53%	
63	Total risk-weighted capital ratio (consolidated) ((K)/(L))	15.34%	15.78%	
Regulatory adjustments (8)				
72	Non-significant investments in the capital and other TLAC liabilities of other financials that are below the thresholds for deduction (before risk weighting)	532,660	623,375	
73	Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	597,865	534,426	
74	Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—	
75	Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	48,842	27,386	
Provisions included in Tier 2 capital: instruments and provisions (9)				
76	Provisions (general reserve for possible loan losses)	17,293	11,647	
77	Cap on inclusion of provisions (general reserve for possible loan losses)	30,464	23,965	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) (if the amount is negative, report as “nil”)	90,771	91,255	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	296,379	292,945	
Capital instruments subject to transitional arrangements (10)				
82	Current cap on AT1 instruments subject to transitional arrangements	—	—	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as “nil”)	—	—	
84	Current cap on T2 instruments subject to transitional arrangements	—	—	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as “nil”)	—	—	

(Millions of yen)

Items	As of March 31,2023	As of March 31,2022
Required capital ((L) × 8%)	5,632,159	5,289,639

## ■ CC2: Reconciliation of regulatory capital to balance sheet

Sumitomo Mitsui Banking Corporation and Subsidiaries

Items	a		b	c
	Consolidated balance sheet as in published financial statements		Reference to Template CC1	Reference to appended table
	As of March 31, 2023	As of March 31, 2022		
(Assets)				
Cash and due from banks	73,403,912	72,742,334		
Call loans and bills bought	6,374,812	3,265,134		
Receivables under resale agreements	4,603,145	3,856,984		
Receivables under securities borrowing transactions	1,612,415	1,874,221		
Monetary claims bought	5,549,887	5,363,980		
Trading assets	4,084,755	3,780,424		6-a
Money held in trust	0	0		
Securities	32,074,167	37,465,859		2-b,6-b
Loans and bills discounted	99,823,911	92,472,845		6-c
Foreign exchanges	1,940,736	2,799,157		
Lease receivables and investment assets	226,302	228,608		
Other assets	8,753,186	6,312,402		6-d
Tangible fixed assets	1,337,805	1,297,011		
Intangible fixed assets	354,939	314,145		2-a
Net defined benefit asset	698,974	616,206		3
Deferred tax assets	57,428	52,543		4-a
Customers' liabilities for acceptances and guarantees	12,278,891	10,342,818		
Reserve for possible loan losses	(607,747)	(678,743)		
Total assets	252,567,523	242,105,934		
(Liabilities)				
Deposits	159,251,139	149,249,696		
Negotiable certificates of deposit	13,252,060	13,460,296		
Call money and bills sold	786,055	704,999		
Payables under repurchase agreements	14,194,027	16,350,836		
Payables under securities lending transactions	438,094	305,779		
Commercial paper	2,320,969	1,856,909		
Trading liabilities	4,234,268	2,788,884		6-e
Borrowed money	22,246,521	26,887,509		8-a
Foreign exchanges	1,496,765	1,265,002		
Bonds	681,821	812,303		8-b
Due to trust account	2,413,464	2,443,873		
Other liabilities	8,811,706	5,980,727		6-f
Reserve for employee bonuses	52,102	44,526		
Reserve for executive bonuses	1,623	1,497		
Net defined benefit liability	6,367	10,985		
Reserve for executive retirement benefits	596	580		
Reserve for point service program	1,140	870		
Reserve for reimbursement of deposits	10,845	5,767		
Deferred tax liabilities	325,598	343,017		4-b
Deferred tax liabilities for land revaluation	27,952	29,193		4-c
Acceptances and guarantees	12,278,891	10,342,818		
Total liabilities	242,832,013	232,886,075		
(Net assets)				
Capital stock	1,770,996	1,770,996		1-a
Capital surplus	1,965,682	1,966,205		1-b
Retained earnings	4,239,771	3,867,551		1-c
Treasury stock	(210,003)	(210,003)		1-d
Total stockholders' equity	7,766,447	7,394,750		
Net unrealized gains or losses on other securities	972,941	1,253,370		
Net deferred gains or losses on hedges	(15,964)	(74,044)		5
Land revaluation excess	35,005	36,320		
Foreign currency translation adjustments	697,887	361,502		
Accumulated remeasurements of defined benefit plans	131,222	118,548		
Total accumulated other comprehensive income	1,821,091	1,695,697	(a)	
Non-controlling interests	147,969	129,411		7-b
Total net assets	9,735,509	9,219,858		
Total liabilities and net assets	252,567,523	242,105,934		

Note: The regulatory scope of consolidation is the same as the accounting scope of consolidation.

(Appended Table)

## 1. Stockholders' equity

## (1) Consolidated balance sheet

(Millions of yen)				Ref. No.
Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Capital stock	1,770,996	1,770,996	Including eligible Tier 1 capital instruments subject to transitional arrangement	1-a
Capital surplus	1,965,682	1,966,205	Including eligible Tier 1 capital instruments subject to transitional arrangement	1-b
Retained earnings	4,239,771	3,867,551		1-c
Treasury stock	(210,003)	(210,003)	Eligible Tier 1 capital instruments subject to transitional arrangement	1-d
Total stockholders' equity	7,766,447	7,394,750		

## (2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Directly issued qualifying common share capital plus related capital surplus and retained earnings	7,766,447	7,394,750	Stockholders' equity attributable to common shares (before adjusting national specific regulatory adjustments (earnings to be distributed))	
of which: capital and capital surplus	3,526,676	3,527,198		1a
of which: retained earnings	4,239,771	3,867,551		2
of which: treasury stock (-)	—	—		1c
of which: other than the above	—	—		
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—	—	Stockholders' equity attributable to preferred shares with a loss absorbency clause upon entering into effectively bankruptcy	31a

## 2. Intangible fixed assets

## (1) Consolidated balance sheet

(Millions of yen)				Ref. No.
Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Intangible fixed assets	354,939	314,145		2-a
Securities	32,074,167	37,465,859		2-b
of which: goodwill attributable to equity-method investees	3,801	6,003		

Income taxes related to above

	104,177	91,950	
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## (2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Goodwill (including those equivalent)	3,801	6,003		8
Other intangibles other than goodwill and mortgage servicing rights	250,761	222,195	Software and other	9
Mortgage servicing rights	—	—		
Amount exceeding the 10% threshold on specified items	—	—		20
Amount exceeding the 15% threshold on specified items	—	—		24
Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—		74

## 3. Net defined benefit asset

## (1) Consolidated balance sheet

(Millions of yen)				Ref. No.
Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Net defined benefit asset	698,974	616,206		3

Income taxes related to above

	213,879	188,858	
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## (2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks
Net defined benefit asset	485,094	427,347	

Basel III Template No.
15

## 4. Deferred tax assets

## (1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks
Deferred tax assets	57,428	52,543	
Deferred tax liabilities	325,598	343,017	
Deferred tax liabilities for land revaluation	27,952	29,193	

Ref. No.
4-a
4-b
4-c

Tax effects on intangible fixed assets	104,177	91,950	
Tax effects on net defined benefit asset	213,879	188,858	

## (2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,292	4,452	This item does not agree with the amount reported on the consolidated balance sheet due to offsetting of assets and liabilities.
Deferred tax assets arising from temporary differences (net of related tax liability)	48,842	27,386	This item does not agree with the amount reported on the consolidated balance sheet due to offsetting of assets and liabilities.
Amount exceeding the 10% threshold on specified items	—	—	
Amount exceeding the 15% threshold on specified items	—	—	
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	48,842	27,386	

Basel III Template No.
10

21
25
75

## 5. Deferred gains or losses on derivatives under hedge accounting

## (1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks
Net deferred gains or losses on hedges	(15,964)	(74,044)	

Ref. No.
5

## (2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks
Net deferred gains or losses on hedges	(77,631)	(73,356)	Excluding those items whose valuation differences arising from hedged items are recognized as “Accumulated other comprehensive income”

Basel III Template No.
11

## 6. Items associated with investments in the capital of financial institutions

## (1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks
Trading assets	4,084,755	3,780,424	Including trading account securities and derivatives for trading assets
Securities	32,074,167	37,465,859	
Loans and bills discounted	99,823,911	92,472,845	Including subordinated loans
Other assets	8,753,186	6,312,402	Including derivatives
Trading liabilities	4,234,268	2,788,884	Including trading account securities sold and derivatives for trading liabilities
Other liabilities	8,811,706	5,980,727	Including derivatives

Ref. No.
6-a
6-b
6-c
6-d
6-e
6-f

## (2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks
Investments in own capital instruments	—	—	
Common Equity Tier 1 capital	—	—	
Additional Tier 1 capital	—	—	
Tier 2 capital	—	—	
Reciprocal cross-holdings in the capital of banking, financial and insurance entities	—	—	
Common Equity Tier 1 capital	—	—	
Additional Tier 1 capital	—	—	
Tier 2 capital and other TLAC liabilities	—	—	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	532,660	623,375	
Common Equity Tier 1 capital	—	—	
Additional Tier 1 capital	—	—	
Tier 2 capital and other TLAC liabilities	—	—	
Non-significant investments in the capital and other TLAC liabilities of other financials that are below the thresholds for deductions (before risk weighting)	532,660	623,375	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	720,906	596,675	
Amount exceeding the 10% threshold on specified items	—	—	
Amount exceeding the 15% threshold on specified items	—	—	
Additional Tier 1 capital	82,978	25,525	
Tier 2 capital and other TLAC liabilities	40,062	36,723	
Significant investments in the common stock of other financials that are below the thresholds for deductions (before risk weighting)	597,865	534,426	

Basel III Template No.
16
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## 7. Non-controlling interests

## (1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks
Non-controlling interests	147,969	129,411	

Ref. No.
7-b

## (2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks
Amount allowed in group CET1	1,404	1,231	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)
Amount allowed in group AT1	23,597	20,588	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)
Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)
Amount allowed in group T2	4,491	4,365	After reflecting amounts eligible for inclusion (Non-Controlling Interest after adjustments)

Basel III Template No.
5

30-31ab-32
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34-35
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48-49
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8. Other capital instruments

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks
Borrowed money	22,246,521	26,887,509	
Bonds	681,821	812,303	
Total	22,928,343	27,699,812	

Ref. No.
8-a
8-b

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	1,267,000	1,235,000	
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	766,614	753,772	

Basel III Template No.
32
46

■ Composition of Leverage Ratio

(In million yen, %)

Corresponding line # on Basel III disclosure template (Table2)	Corresponding line # on Basel III disclosure template (Table1)	Items	As of March 31, 2023	As of March 31, 2022
On-balance sheet exposures (1)				
1		On-balance sheet exposures before deducting adjustment items	166,362,969	159,674,384
1a	1	Total assets reported in the consolidated balance sheet	193,518,055	182,384,803
1b	2	The amount of assets of subsidiaries that are not included in the scope of the leverage ratio on a consolidated basis (-)	—	—
1c	7	The amount of assets of subsidiaries that are included in the scope of the leverage ratio on a consolidated basis (except those included in the total assets reported in the consolidated balance sheet)	—	—
1d	3	The amount of assets that are deducted from the total assets reported in the consolidated balance sheet (except adjustment items) (-)	27,155,086	22,710,418
2	7	The amount of adjustment items pertaining to Tier 1 capital (-)	823,929	685,525
3		Total on-balance sheet exposures (a)	165,539,040	158,988,858
Exposures related to derivative transactions (2)				
4		Replacement cost associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)		
		Replacement cost associated with derivatives transactions, etc.	4,065,961	3,052,855
5		Add-on amount for potential future exposure associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)		
		Add-on amount associated with derivatives transactions, etc.	4,495,701	3,989,441
		The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.	864,127	975,368
6		The amount of receivables arising from providing collateral, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework		
		The amount of receivables arising from providing cash margin, provided where deducted from the consolidated balance sheet pursuant to the operative accounting framework	—	—
7		The amount of deductions of receivables (out of those arising from providing cash variation margin) (-)	145,156	465,971
8		The amount of client-cleared trade exposures for which a bank acting as clearing member is not obliged to make any indemnification (-)		
9		Adjusted effective notional amount of written credit derivatives	73,650	44,354
10		The amount of deductions from effective notional amount of written credit derivatives (-)	—	—
11	4	Total exposures related to derivative transactions (b)	9,354,284	7,596,048
Exposures related to repo transactions (3)				
12		The amount of assets related to repo transactions, etc.	6,215,561	5,731,206
13		The amount of deductions from the assets above (line 12) (-)	—	—
14		The exposures for counterparty credit risk for repo transactions, etc.	299,578	251,370
15		The exposures for agent repo transaction		
16	5	Total exposures related to repo transactions, etc. (c)	6,515,139	5,982,576
Exposures related to off-balance sheet transactions (4)				
17		Notional amount of off-balance sheet transactions	75,774,180	69,458,000
18		The amount of adjustments for conversion in relation to off-balance sheet transactions (-)	45,111,909	42,604,277
19	6	Total exposures related to off-balance sheet transactions (d)	30,662,270	26,853,722
Leverage ratio on a consolidated basis (5)				
20		The amount of capital (Tier 1 capital) (e)	9,963,206	9,612,798
21	8	Total exposures ((a)+(b)+(c)+(d)) (f)	212,070,734	199,421,206
22		Leverage ratio on a consolidated basis ((e)/(f))	4.69%	4.82%
		Minimum leverage ratio requirement	3.00%	3.00%
Leverage ratio on a consolidated basis (including deposits with the Bank of Japan) (6)				
		Total exposures (f)	212,070,734	199,421,206
		The amount of deposits with the Bank of Japan	59,049,467	59,721,131
		Total exposures (including deposits with the Bank of Japan) (f')	271,120,202	259,142,337
		Leverage ratio on a consolidated basis (including deposits with the Bank of Japan) ((e)/(f'))	3.67%	3.70%

Liquidity Coverage Ratio Information (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Since March 31, 2015, the “Liquidity Coverage Ratio” (hereinafter referred to as “LCR”), the liquidity ratio regulation under the Basel III, has been introduced in Japan. In addition to the application of uniform international standards, SMBC calculates its consolidated LCR using the calculation formula stipulated in the “Criteria for Evaluating the Soundness of Liquidity Status Set Forth by a Bank as a Benchmark for Judging its Soundness of Management, Based on the Provision of Article 14-2 of the Banking Act” (Notification No. 60 issued by the Japanese Financial Services Agency in 2014; hereinafter referred to as the “Liquidity Ratio Notification”).

■ Disclosure of Qualitative Information about Liquidity Coverage Ratio

1. Intra-period Changes in Consolidated LCR

As described on the following page, the LCR has remained stable since the introduction of the liquidity ratio regulation on March 31, 2015.

2. Assessment of Consolidated LCR

The Liquidity Ratio Notification stipulates the minimum requirement of the LCR at 100%. The LCR of SMBC (consolidated) exceeds the minimum requirements of the LCR, having no cause for concern. In terms of the future LCR forecasts, SMBC does not expect significant deviations from the disclosed ratios. In addition, the actual LCR does not differ significantly from the initial forecast.

3. Composition of High-Quality Liquid Assets

Regarding the high-quality liquid assets allowed to be included in the calculation, there are no significant changes in locations and properties of currency denominations, categories and so on. In addition, in respect of major currencies (those of which the aggregate amount of liabilities denominated in a certain currency accounts for 5% or more of SMBC’s total liabilities on the consolidated basis), there is no significant mismatch in currency denomination between the total amount of the high-quality liquid assets allowed to be included in the calculation and the amount of net cash outflows.

4. Other Information Concerning Consolidated LCR

SMBC has not applied “special provisions concerning qualifying operational deposits” prescribed in Article 29 of the Liquidity Ratio Notification and “increased liquidity needs related to market valuation changes on derivative or other transactions simulated through Scenario Approach” prescribed in Article 38 of the Liquidity Ratio Notification. Meanwhile, SMBC records “due to trust account,” etc. under “cash outflows based on other contracts” prescribed in Article 60 of the Liquidity Ratio Notification.

■ Disclosure of Quantitative Information about Liquidity Coverage Ratio (Consolidated)

(In million yen, %, the number of data)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)		Prior Quarter (From 2022/10/1 To 2022/12/31)	
High-Quality Liquid Assets (1)					
1	Total high-quality liquid assets (HQLA)	78,518,496		77,855,627	
Cash Outflows (2)		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
2	Cash outflows related to unsecured retail funding	61,179,751	4,766,059	60,870,837	4,747,368
3	of which, Stable deposits	19,349,485	582,406	19,176,830	577,354
4	of which, Less stable deposits	41,830,265	4,183,652	41,694,007	4,170,014
5	Cash outflows related to unsecured wholesale funding	90,957,552	46,164,754	91,516,907	46,623,860
6	of which, Qualifying operational deposits	–	–	–	–
7	of which, Cash outflows related to unsecured wholesale funding other than qualifying operational deposits and debt securities	84,338,876	39,546,079	85,336,461	40,443,414
8	of which, Debt securities	6,618,675	6,618,675	6,180,445	6,180,445
9	Cash outflows related to secured funding, etc.		137,940		142,636
10	Cash outflows related to derivative transactions, etc. funding programs, credit and liquidity facilities	34,609,764	11,851,365	35,454,454	12,181,522
11	of which, Cash outflows related to derivative transactions, etc.	1,845,585	1,845,585	2,096,001	2,096,001
12	of which, Cash outflows related to funding programs	420,341	420,341	357,150	357,150
13	of which, Cash outflows related to credit and liquidity facilities	32,343,837	9,585,438	33,001,302	9,728,370
14	Cash outflows related to contractual funding obligations, etc.	8,954,089	6,309,664	8,350,390	6,044,471
15	Cash outflows related to contingencies	78,086,576	1,821,550	79,134,419	2,095,533
16	Total cash outflows		71,051,335		71,835,392
Cash Inflows (3)		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
17	Cash inflows related to secured lending, etc.	3,013,872	106,042	2,879,226	67,123
18	Cash inflows related to collection of loans, etc.	15,764,663	11,161,766	14,945,294	10,547,455
19	Other cash inflows	3,452,595	1,798,551	3,769,357	2,005,317
20	Total cash inflows	22,231,131	13,066,360	21,593,878	12,619,896
Consolidated Liquidity Coverage Ratio (4)					
21	Total HQLA allowed to be included in the calculation		78,518,496		77,855,627
22	Net cash outflows		57,984,975		59,215,495
23	Consolidated liquidity coverage ratio (LCR)		135.4%		131.4%
24	The number of data used to calculate the average value		60		62

Notes: 1. The data after the introduction of the liquidity ratio regulation on March 31, 2015 is available on Sumitomo Mitsui Financial Group’s website. ([https://www.smfg.co.jp/english/investor/financial/basel\\_3.html](https://www.smfg.co.jp/english/investor/financial/basel_3.html))  
2. The average values are calculated based on daily data in accordance with Notification No. 7 issued by the Japanese Financial Services Agency in 2015. Some data, such as attribute information of customers and data on consolidated subsidiaries, is updated on the monthly or quarterly basis.

■ Breakdown of High-Quality Liquid Assets

(In million yen)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)	Prior Quarter (From 2022/10/1 To 2022/12/31)
1	Cash and due from banks	71,815,706	70,791,062
2	Securities	6,702,790	7,064,564
3	of which, government bonds, etc.	4,369,849	4,640,745
4	of which, municipal bonds, etc.	115,629	185,908
5	of which, other bonds	869,527	870,959
6	of which, stocks	1,347,783	1,366,950
7	Total high-quality liquid assets (HQLA)	78,518,496	77,855,627

Note: The above amounts are those of high-quality liquid assets in accordance with the liquidity ratio regulation under the Basel III and do not correspond to the financial amounts. The amounts stated are those after multiplying factors in the liquidity ratio regulation under the Basel III.

Net Stable Funding Ratio Information (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Since September 30, 2021, the “Net Stable Funding Ratio” (hereinafter referred to as “NSFR”), the liquidity ratio regulation under the Basel III, has been introduced in Japan. In addition to the application of uniform international standards, SMBC calculates its consolidated NSFR using the calculation formula stipulated in the “Criteria for Evaluating the Soundness of Liquidity Status Set Forth by a Bank as a Benchmark for Judging its Soundness of Management, Based on the Provision of Article 14-2 of the Banking Act” (Notification No. 60 issued by the Japanese Financial Services Agency in 2014; hereinafter referred to as the “Liquidity Ratio Notification”).

■ Disclosure of Qualitative Information about Net Stable Funding Ratio

1. Intra-period Changes in Consolidated NSFR

As described on the following page, the NSFR has remained stable since the introduction of the liquidity ratio regulation on September 30, 2021.

2. Special Provisions Pertaining to Interdependent Assets and Liabilities

SMBC has not applied the “special provisions pertaining to interdependent assets and liabilities” prescribed in Article 101 of the Liquidity Ratio Notification to its NSFR.

3. Other Information Concerning Consolidated NSFR

The Liquidity Ratio Notification stipulates the minimum requirement of the NSFR at 100%. The NSFR of SMBC (consolidated) exceeds the minimum requirements of the NSFR, having no cause for concern. In terms of the future NSFR forecasts, SMBC does not expect significant deviations from the disclosed ratios. In addition, the actual NSFR does not differ significantly from the initial forecast.

■ Disclosure of Quantitative Information about Net Stable Funding Ratio (Consolidated)

(In million yen, %)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)					Prior Quarter (From 2022/10/1 To 2022/12/31)				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) items (1)											
1	Capital; of which:	9,617,033	0	0	2,444,042	12,061,076	9,173,127	0	0	2,325,565	11,498,692
2	Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (excluding the proportion of Tier 2 instruments with residual maturity of less than one year) before the application of capital deductions	9,617,033	0	0	2,070,174	11,687,207	9,173,127	0	0	1,982,859	11,155,986
3	Other capital instruments that are not included in the above category	0	0	0	373,868	373,868	0	0	0	342,705	342,705
4	Funding from retail and small business customers; of which:	61,510,742	37,883	0	24,687	56,402,542	61,675,534	37,687	0	0	56,548,429
5	Stable deposits	19,681,837	0	0	0	18,697,745	20,130,591	0	0	0	19,124,061
6	Less stable deposits	41,828,905	37,883	0	24,687	37,704,797	41,544,943	37,687	0	0	37,424,368
7	Wholesale funding; of which:	69,537,380	55,372,729	5,465,886	19,879,733	59,655,637	65,535,019	57,586,889	4,330,130	16,959,961	54,390,968
8	Operational deposits	—	—	—	—	—	—	—	—	—	—
9	Other wholesale funding	69,537,380	55,372,729	5,465,886	19,879,733	59,655,637	65,535,019	57,586,889	4,330,130	16,959,961	54,390,968
10	Liabilities with matching interdependent assets	—	—	—	—	—	—	—	—	—	—
11	Other liabilities; of which:	802,710	4,517,587	0	894,690	118,476	1,128,670	4,361,561	0	1,078,679	121,511
12	Derivative liabilities	—	—	—	701,452	—	—	—	—	938,173	—
13	All other liabilities and equity not included in the above categories	802,710	4,517,587	0	193,238	118,476	1,128,670	4,361,561	0	140,505	121,511
14	Total available stable funding	—	—	—	—	128,237,733	—	—	—	—	122,559,601
Required stable funding (RSF) items (2)											
15	HQLA	—	—	—	—	2,863,005	—	—	—	—	2,706,479
16	Deposits held at financial institutions for operational purposes	317,900	29,016	0	0	173,458	393,134	33,893	0	0	213,513
17	Loans, repo transactions-related assets, securities and other similar assets; of which:	1,548,545	37,683,253	10,268,519	69,221,030	77,883,555	1,685,192	40,324,132	9,564,493	69,956,569	79,266,461
18	Loans to- and repo transactions with- financial institutions (secured by level 1 HQLA)	0	4,751,498	13,812	51,622	89,656	0	4,081,277	24,074	3,052	68,393
19	Loans to- and repo transactions with- financial institutions (not included in item 18)	242,534	9,348,002	2,838,124	10,461,698	13,368,048	375,469	11,792,942	2,517,695	10,723,504	14,013,362
20	Loans and repo transactions-related assets (not included in item 18, 19 and 22); of which:	889,227	21,962,713	6,545,211	45,052,240	52,494,030	897,196	22,728,144	6,273,113	45,358,730	53,051,741
21	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	726	2,784,708	346,258	1,180,461	1,861,178	147	2,795,620	301,164	1,293,116	1,978,570
22	Residential mortgages; of which:	0	292,222	290,990	10,624,058	8,002,447	0	291,306	290,906	10,538,905	7,943,873
23	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	0	159,199	158,961	6,598,039	4,447,806	0	158,331	157,937	6,526,512	4,400,367
24	Securities that are not in default and do not qualify as HQLA and other similar assets	416,784	1,328,816	580,379	3,031,409	3,929,371	412,525	1,430,460	458,702	3,332,375	4,189,089
25	Assets with matching interdependent liabilities	—	—	—	—	—	—	—	—	—	—
26	Other assets; of which:	3,805,991	934,490	91,507	7,680,326	11,921,967	3,301,577	794,524	88,364	7,671,495	11,477,851
27	Physical traded commodities, including gold	0	—	—	—	0	0	—	—	—	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs (including those that are not recorded on consolidated balance sheet)	—	—	—	923,316	784,818	—	—	—	953,783	810,716
29	Derivative assets	—	—	—	0	0	—	—	—	0	0
30	Derivative liabilities (before deduction of variation margin posted)	—	—	—	230,373	230,373	—	—	—	153,375	153,375
31	All other assets not included in the above categories	3,805,991	934,490	91,507	6,526,636	10,906,775	3,301,577	794,524	88,364	6,564,336	10,513,759
32	Off-balance sheet items	—	—	—	112,878,664	2,279,288	—	—	—	110,235,400	2,282,782
33	Total required stable funding	—	—	—	—	95,121,276	—	—	—	—	95,947,088
34	Consolidated net stable funding ratio (NSFR)	—	—	—	—	134.8%	—	—	—	—	127.7%



## Capital Ratio and Leverage Ratio Information (Non-consolidated)

Sumitomo Mitsui Banking Corporation

### ■ CC1: Composition of regulatory capital

(Millions of yen, except percentages)

Basel III Template No.	Items	a	b	c
		As of March 31,2023	As of March 31,2022	Reference to Template CC2
Common Equity Tier 1 capital: instruments and reserves (1)				
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	6,540,958	6,371,952	
1a	of which: capital and capital surplus	3,335,548	3,335,548	
2	of which: retained earnings	3,276,915	3,079,860	
1c	of which: treasury stock (–)	—	—	
26	of which: national specific regulatory adjustments (earnings to be distributed) (–)	71,505	43,455	
	of which: other than the above	—	—	
1b	Stock acquisition rights to common shares	—	—	
3	Valuation and translation adjustment and other disclosed reserves	782,492	1,131,074	(a)
6	Common Equity Tier 1 capital: instruments and reserves (A)	7,323,450	7,503,027	
Common Equity Tier 1 capital: regulatory adjustments (2)				
8+9	Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	198,417	173,276	
8	of which: goodwill	—	—	
9	of which: other intangibles other than goodwill and mortgage servicing rights	198,417	173,276	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	—	
11	Net deferred gains or losses on hedges	(344,457)	(182,290)	
12	Shortfall of eligible provisions to expected losses	—	—	
13	Securitisation gain on sale	52,939	56,744	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	32,631	16,670	
15	Prepaid pension cost	344,352	297,060	
16	Investments in own shares (excluding those reported in the Net assets section)	—	—	
17	Reciprocal cross-holdings in common equity	—	—	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	
19+20+21	Amount exceeding the 10% threshold on specified items	—	—	
19	of which: significant investments in the common stock of financials	—	—	
20	of which: mortgage servicing rights	—	—	
21	of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	
22	Amount exceeding the 15% threshold on specified items	—	—	
23	of which: significant investments in the common stock of financials	—	—	
24	of which: mortgage servicing rights	—	—	
25	of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—	
28	Common Equity Tier 1 capital: regulatory adjustments (B)	283,884	361,462	
Common Equity Tier 1 capital (CET1)				
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	7,039,566	7,141,565	

(Millions of yen, except percentages)

Basel III Template No.		Items	a	b	c
			As of March 31,2023	As of March 31,2022	Reference to Template CC2
Additional Tier 1 capital: instruments (3)					
30	31a	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—	—	
	31b	Stock acquisition rights to Additional Tier 1 instruments	—	—	
	32	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	1,267,000	1,235,000	
		Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—	
33+35	Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments		—	—	
36	Additional Tier 1 capital: instruments (D)		1,267,000	1,235,000	
Additional Tier 1 capital: regulatory adjustments					
37	Investments in own Additional Tier 1 instruments		—	—	
38	Reciprocal cross-holdings in Additional Tier 1 instruments		—	—	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		—	—	
40	Significant investments in the Additional Tier 1 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		82,978	25,525	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		—	—	
43	Additional Tier 1 capital: regulatory adjustments (E)		82,978	25,525	
Additional Tier 1 capital (AT1)					
44	Additional Tier 1 capital ((D)-(E)) (F)		1,184,021	1,209,474	
Tier 1 capital (T1 = CET1 + AT1)					
45	Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)		8,223,587	8,351,039	
Tier 2 capital: instruments and provisions (4)					
46	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown		—	—	
	Stock acquisition rights to Tier 2 instruments		—	—	
	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards		766,614	753,772	
	Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities		—	—	
47+49	Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and provisions		—	—	
50	Total of general reserve for possible loan losses and eligible provisions included in Tier 2		148,246	75,445	
50a	of which: general reserve for possible loan losses		—	—	
50b	of which: eligible provisions		148,246	75,445	
51	Tier 2 capital: instruments and provisions (H)		914,860	829,217	

(Millions of yen, except percentages)

Basel III Template No.	Items	a	b	c
		As of March 31,2023	As of March 31,2022	Reference to Template CC2
Tier 2 capital: regulatory adjustments (5)				
52	Investments in own Tier 2 instruments	—	—	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	—	—	
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	—	—	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	40,062	36,723	
57	Tier 2 capital: regulatory adjustments (I)	40,062	36,723	
Tier 2 capital (T2)				
58	Tier 2 capital (T2) ((H)-(I)) (J)	874,798	792,494	
Total capital (TC = T1 + T2)				
59	Total capital (TC = T1 + T2) ((G)+(J)) (K)	9,098,386	9,143,534	
Risk weighted assets (6)				
60	Total risk-weighted assets (RWA) (L)	65,103,047	61,895,306	
Capital ratios (7)				
61	Common Equity Tier 1 risk-weighted capital ratio ((C)/(L))	10.81%	11.53%	
62	Tier 1 risk-weighted capital ratio ((G)/(L))	12.63%	13.49%	
63	Total risk-weighted capital ratio ((K)/(L))	13.97%	14.77%	
Regulatory adjustments (8)				
72	Non-significant investments in the capital and other TLAC liabilities of other financials that are below the thresholds for deduction (before risk weighting)	526,616	591,649	
73	Significant investments in the common stock of other financials that are below the thresholds for deduction (before risk weighting)	271,975	297,088	
74	Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—	
75	Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	61	—	
Provisions included in Tier 2 capital: instruments and provisions (9)				
76	Provisions (general reserve for possible loan losses)	—	—	
77	Cap on inclusion of provisions (general reserve for possible loan losses)	5,010	2,638	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) (if the amount is negative, report as “nil”)	148,246	75,445	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	291,919	293,978	
Capital instruments subject to transitional arrangements (10)				
82	Current cap on AT1 instruments subject to transitional arrangements	—	—	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as “nil”)	—	—	
84	Current cap on T2 instruments subject to transitional arrangements	—	—	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) (if the amount is negative, report as “nil”)	—	—	

(Millions of yen)

Items	As of March 31,2023	As of March 31,2022
Required capital ((L) × 8%)	5,208,243	4,951,624

## ■ CC2: Reconciliation of regulatory capital to balance sheet

Sumitomo Mitsui Banking Corporation

(Millions of yen)

Items	a		b	c
	Balance sheet as in published financial statements		Reference to Template CC1	Reference to appended table
	As of March 31, 2023	As of March 31, 2022		
(Assets)				
Cash and due from banks	70,818,701	70,840,809		
Call loans	5,285,838	2,234,818		
Receivables under resale agreements	1,437,595	1,645,410		
Receivables under securities borrowing transactions	1,598,124	1,863,080		
Monetary claims bought	1,944,291	2,290,607		
Trading assets	2,379,930	2,025,767		6-a
Securities	32,210,394	38,238,579		6-b
Loans and bills discounted	94,307,397	87,671,294		6-c
Foreign exchanges	1,824,364	2,721,735		
Other assets	7,129,287	5,291,974		6-d
Tangible fixed assets	737,253	766,477		
Intangible fixed assets	285,986	249,750		2
Prepaid pension cost	496,328	428,164		3
Customers' liabilities for acceptances and guarantees	15,405,856	12,285,466		
Reserve for possible loan losses	(523,888)	(589,208)		
Total assets	235,337,464	227,964,729		
(Liabilities)				
Deposits	149,948,880	141,015,245		
Negotiable certificates of deposit	12,929,824	13,108,797		
Call money	774,968	680,893		
Payables under repurchase agreements	12,041,367	14,626,237		
Payables under securities lending transactions	370,514	305,779		
Commercial paper	1,292,198	1,229,180		
Trading liabilities	1,643,213	1,558,679		6-e
Borrowed money	21,905,262	26,700,215		7-a
Foreign exchanges	1,516,160	1,339,163		
Bonds	641,410	720,847		7-b
Due to trust account	2,277,046	2,321,699		
Other liabilities	6,991,747	4,255,764		6-f
Reserve for employee bonuses	13,542	12,584		
Reserve for executive bonuses	1,202	1,150		
Reserve for point service program	1,140	870		
Reserve for reimbursement of deposits	9,998	4,974		
Deferred tax liabilities	150,223	221,503		4-a
Deferred tax liabilities for land revaluation	27,952	29,193		4-b
Acceptances and guarantees	15,405,856	12,285,466		
Total liabilities	227,942,508	220,418,246		
(Net assets)				
Capital stock	1,770,996	1,770,996		1-a
Capital surplus	1,774,554	1,774,554		1-b
Retained earnings	3,276,915	3,079,860		1-c
Treasury stock	(210,003)	(210,003)		1-d
Total stockholders' equity	6,612,463	6,415,408		
Net unrealized gains or losses on other securities	1,040,472	1,288,414		
Net deferred gains or losses on hedges	(282,793)	(182,902)		5
Land revaluation excess	24,813	25,563		
Total valuation and translation adjustments	782,492	1,131,074	(a)	
Total net assets	7,394,955	7,546,483		
Total liabilities and net assets	235,337,464	227,964,729		

Note: The regulatory balance sheet is the same as the accounting balance sheet.

(Appended Table)

## 1. Stockholders' equity

## (1) Balance sheet

(Millions of yen)				Ref. No.
Balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Capital stock	1,770,996	1,770,996	Including eligible Tier 1 capital instruments subject to transitional arrangement	1-a
Capital surplus	1,774,554	1,774,554	Including eligible Tier 1 capital instruments subject to transitional arrangement	1-b
Retained earnings	3,276,915	3,079,860		1-c
Treasury stock	(210,003)	(210,003)	Eligible Tier 1 capital instruments subject to transitional arrangement	1-d
Total stockholders' equity	6,612,463	6,415,408		

## (2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Directly issued qualifying common share capital plus related capital surplus and retained earnings	6,612,463	6,415,408	Stockholders' equity attributable to common shares (before adjusting national specific regulatory adjustments (earnings to be distributed))	
of which: capital and capital surplus	3,335,548	3,335,548		1a
of which: retained earnings	3,276,915	3,079,860		2
of which: treasury stock (-)	—	—		1c
of which: other than the above	—	—		
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—	—	Stockholders' equity attributable to preferred shares with a loss absorbency clause upon entering into effectively bankruptcy	31a

## 2. Intangible fixed assets

## (1) Balance sheet

(Millions of yen)				Ref. No.
Balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Intangible fixed assets	285,986	249,750		2

Income taxes related to above	87,569	76,473	
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## (2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Goodwill	—	—		8
Other intangibles other than goodwill and mortgage servicing rights	198,417	173,276	Software and other	9
Mortgage servicing rights	—	—		
Amount exceeding the 10% threshold on specified items	—	—		20
Amount exceeding the 15% threshold on specified items	—	—		24
Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—		74

## 3. Prepaid pension cost

## (1) Balance sheet

(Millions of yen)				Ref. No.
Balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Prepaid pension cost	496,328	428,164		3

Income taxes related to above	151,975	131,104	
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## (2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Prepaid pension cost	344,352	297,060		15

## 4. Deferred tax assets

## (1) Balance sheet

(Millions of yen)				Ref. No.
Balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Deferred tax liabilities	150,223	221,503		4-a
Deferred tax liabilities for land revaluation	27,952	29,193		4-b

Tax effects on intangible fixed assets	87,569	76,473	
Tax effects on prepaid pension cost	151,975	131,104	

## (2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	—	This item does not agree with the amount reported on the balance sheet due to offsetting of assets and liabilities.	10
Deferred tax assets arising from temporary differences (net of related tax liability)	61	—	This item does not agree with the amount reported on the balance sheet due to offsetting of assets and liabilities.	
Amount exceeding the 10% threshold on specified items	—	—		21
Amount exceeding the 15% threshold on specified items	—	—		25
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	61	—		75

## 5. Deferred gains or losses on derivatives under hedge accounting

## (1) Balance sheet

(Millions of yen)				Ref. No.
Balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Net deferred gains or losses on hedges	(282,793)	(182,902)		5

## (2) Composition of capital

(Millions of yen)				Basel III Template No.
Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	
Net deferred gains or losses on hedges	(344,457)	(182,290)	Excluding those items whose valuation differences arising from hedged items are recognized as "Total valuation and translation adjustments"	11

## 6. Items associated with investments in the capital of financial institutions

## (1) Balance sheet

(Millions of yen)				Ref. No.
Balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	
Trading assets	2,379,930	2,025,767	Including trading account securities and derivatives for trading assets	6-a
Securities	32,210,394	38,238,579		6-b
Loans and bills discounted	94,307,397	87,671,294	Including subordinated loans	6-c
Other assets	7,129,287	5,291,974	Including derivatives	6-d
Trading liabilities	1,643,213	1,558,679	Including trading account securities sold and derivatives for trading liabilities	6-e
Other liabilities	6,991,747	4,255,764	Including derivatives	6-f



## (2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	Basel III Template No.
Investments in own capital instruments	—	—		16
Common Equity Tier 1 capital	—	—		37
Additional Tier 1 capital	—	—		52
Tier 2 capital	—	—		
Reciprocal cross-holdings in the capital of banking, financial and insurance entities	—	—		17
Common Equity Tier 1 capital	—	—		38
Additional Tier 1 capital	—	—		53
Tier 2 capital and other TLAC liabilities	—	—		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	526,616	591,649		
Common Equity Tier 1 capital	—	—		18
Additional Tier 1 capital	—	—		39
Tier 2 capital and other TLAC liabilities	—	—		54
Non-significant investments in the capital and other TLAC liabilities of other financials that are below the thresholds for deductions (before risk weighting)	526,616	591,649		72
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	395,016	359,337		
Amount exceeding the 10% threshold on specified items	—	—		19
Amount exceeding the 15% threshold on specified items	—	—		23
Additional Tier 1 capital	82,978	25,525		40
Tier 2 capital and other TLAC liabilities	40,062	36,723		55
Significant investments in the common stock of other financials that are below the thresholds for deductions (before risk weighting)	271,975	297,088		73

## 7. Other capital instruments

## (1) Balance sheet

(Millions of yen)

Balance sheet items	As of March 31, 2023	As of March 31, 2022	Remarks	Ref. No.
Borrowed money	21,905,262	26,700,215		7-a
Bonds	641,410	720,847		7-b
Total	22,546,672	27,421,062		

## (2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2023	As of March 31, 2022	Remarks	Basel III Template No.
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	1,267,000	1,235,000		32
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	766,614	753,772		46

## ■ Composition of Leverage Ratio

(In million yen, %)

Corresponding line # on Basel III disclosure template (Table2)	Corresponding line # on Basel III disclosure template (Table1)	Items	As of March 31, 2023	As of March 31, 2022
On-balance sheet exposures (1)				
1		On-balance sheet exposures before deducting adjustment items	151,924,241	148,005,600
1a	1	Total assets reported in the balance sheet	177,795,337	169,370,816
1b	3	The amount of assets that are deducted from the total assets reported in the balance sheet (except adjustment items) (-)	25,871,095	21,365,216
2	7	The amount of adjustment items pertaining to Tier 1 capital (-)	625,749	495,863
3		Total on-balance sheet exposures (a)	151,298,492	147,509,736
Exposures related to derivative transactions (2)				
4		Replacement cost associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)		
		Replacement cost associated with derivatives transactions, etc.	1,984,843	1,823,389
5		Add-on amount for potential future exposure associated with derivatives transactions, etc. (with the 1.4 alpha factor applied)		
		Add-on amount associated with derivatives transactions, etc.	3,326,932	2,623,161
		The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.	799,059	1,075,654
6		The amount of receivables arising from providing collateral, provided where deducted from the balance sheet pursuant to the operative accounting framework		
		The amount of receivables arising from providing cash margin, provided where deducted from the balance sheet pursuant to the operative accounting framework	—	—
7		The amount of deductions of receivables (out of those arising from providing cash variation margin) (-)	99,504	688,742
8		The amount of client-cleared trade exposures for which a bank acting as clearing member is not obliged to make any indemnification (-)		
9		Adjusted effective notional amount of written credit derivatives	—	—
10		The amount of deductions from effective notional amount of written credit derivatives (-)	—	—
11	4	Total exposures related to derivative transactions (b)	6,011,330	4,833,463
Exposures related to repo transactions (3)				
12		The amount of assets related to repo transactions, etc.	3,035,720	3,508,491
13		The amount of deductions from the assets above (line 12) (-)	—	—
14		The exposures for counterparty credit risk for repo transactions, etc.	239,786	209,839
15		The exposures for agent repo transaction		
16	5	Total exposures related to repo transactions, etc. (c)	3,275,507	3,718,330
Exposures related to off-balance sheet transactions (4)				
17		Notional amount of off-balance sheet transactions	70,838,317	81,550,515
18		The amount of adjustments for conversion in relation to off-balance sheet transactions (-)	39,153,765	52,501,700
19	6	Total exposures related to off-balance sheet transactions (d)	31,684,551	29,048,815
Leverage ratio (5)				
20		The amount of capital (Tier 1 capital) (e)	8,223,587	8,351,039
21	8	Total exposures ((a)+(b)+(c)+(d)) (f)	192,269,881	185,110,346
22		Leverage ratio ((e)/(f))	4.27%	4.51%
		Minimum leverage ratio requirement	3.00%	3.00%
Leverage ratio (including deposits with the Bank of Japan) (6)				
		Total exposures (f)	192,269,881	185,110,346
		The amount of deposits with the Bank of Japan	57,542,126	58,593,913
		Total exposures (including deposits with the Bank of Japan) (f')	249,812,008	243,704,259
		Leverage ratio (including deposits with the Bank of Japan) ((e)/(f'))	3.29%	3.42%

Liquidity Coverage Ratio Information (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Since March 31, 2015, the “Liquidity Coverage Ratio” (hereinafter referred to as “LCR”), the liquidity ratio regulation under the Basel III, has been introduced in Japan. In addition to the application of uniform international standards, SMBC calculates its non-consolidated LCR using the calculation formula stipulated in the “Criteria for Evaluating the Soundness of Liquidity Status Set Forth by a Bank as a Benchmark for Judging its Soundness of Management, Based on the Provision of Article 14-2 of the Banking Act” (Notification No. 60 issued by the Japanese Financial Services Agency in 2014; hereinafter referred to as the “Liquidity Ratio Notification”).

■ Disclosure of Qualitative Information about Liquidity Coverage Ratio

1. Intra-period Changes in Non-consolidated LCR

As described on the following page, the LCR has remained stable since the introduction of the liquidity ratio regulation on March 31, 2015.

2. Assessment of Non-consolidated LCR

The Liquidity Ratio Notification stipulates the minimum requirement of the LCR at 100%. The LCR of SMBC exceeds the minimum requirements of the LCR, having no cause for concern. In terms of the future LCR forecasts, SMBC does not expect significant deviations from the disclosed ratios. In addition, the actual LCR does not differ significantly from the initial forecast.

3. Composition of High-Quality Liquid Assets

Regarding the high-quality liquid assets allowed to be included in the calculation, there are no significant changes in locations and properties of currency denominations, categories and so on. In addition, in respect of major currencies (those of which the aggregate amount of liabilities denominated in a certain currency accounts for 5% or more of SMBC’s total liabilities), there is no significant mismatch in currency denomination between the total amount of the high-quality liquid assets allowed to be included in the calculation and the amount of net cash outflows.

4. Other Information Concerning Non-consolidated LCR

SMBC has not applied “special provisions concerning qualifying operational deposits” prescribed in Article 29 of the Liquidity Ratio Notification and “increased liquidity needs related to market valuation changes on derivative or other transactions simulated through Scenario Approach” prescribed in Article 38 of the Liquidity Ratio Notification. Meanwhile, SMBC records “due to trust account,” etc. under “cash outflows based on other contracts” prescribed in Article 60 of the Liquidity Ratio Notification.

■ Disclosure of Quantitative Information about Liquidity Coverage Ratio (Non-Consolidated)

(In million yen, %, the number of data)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)		Prior Quarter (From 2022/10/1 To 2022/12/31)	
High-Quality Liquid Assets (1)					
1	Total high-quality liquid assets (HQLA)	70,823,624		69,984,803	
Cash Outflows (2)		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
2	Cash outflows related to unsecured retail funding	57,765,469	4,459,193	57,449,310	4,440,242
3	of which, Stable deposits	18,828,281	564,848	18,647,167	559,415
4	of which, Less stable deposits	38,937,187	3,894,344	38,802,142	3,880,827
5	Cash outflows related to unsecured wholesale funding	86,246,864	44,088,998	86,824,411	44,674,151
6	of which, Qualifying operational deposits	—	—	—	—
7	of which, Cash outflows related to unsecured wholesale funding other than qualifying operational deposits and debt securities	79,669,435	37,511,568	80,673,098	38,522,837
8	of which, Debt securities	6,577,429	6,577,429	6,151,313	6,151,313
9	Cash outflows related to secured funding, etc.		137,940		142,636
10	Cash outflows related to derivative transactions, etc. funding programs, credit and liquidity facilities	30,713,064	10,378,354	31,290,996	10,452,030
11	of which, Cash outflows related to derivative transactions, etc.	767,705	767,705	787,705	787,705
12	of which, Cash outflows related to funding programs	420,341	420,341	357,150	357,150
13	of which, Cash outflows related to credit and liquidity facilities	29,525,016	9,190,306	30,146,140	9,307,174
14	Cash outflows related to contractual funding obligations, etc.	8,630,597	4,694,900	8,106,941	4,439,636
15	Cash outflows related to contingencies	79,179,825	1,747,753	80,387,988	2,021,169
16	Total cash outflows		65,507,140		66,169,867
Cash Inflows (3)		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
17	Cash inflows related to secured lending, etc.	957,276	60,272	1,067,210	41,850
18	Cash inflows related to collection of loans, etc.	16,192,531	11,926,675	15,229,605	11,224,146
19	Other cash inflows	2,223,445	1,385,816	2,446,635	1,411,889
20	Total cash inflows	19,373,252	13,372,765	18,743,451	12,677,886
Non-Consolidated Liquidity Coverage Ratio (4)					
21	Total HQLA allowed to be included in the calculation		70,823,624		69,984,803
22	Net cash outflows		52,134,375		53,491,980
23	Non-consolidated liquidity coverage ratio (LCR)		135.8%		130.8%
24	The number of data used to calculate the average value	60		62	

Notes: 1. The data after the introduction of the liquidity ratio regulation on March 31, 2015 is available on Sumitomo Mitsui Financial Group’s website. ([https://www.smfg.co.jp/english/investor/financial/basel\\_3.html](https://www.smfg.co.jp/english/investor/financial/basel_3.html))  
2. The average values are calculated based on daily data in accordance with Notification No. 7 issued by the Japanese Financial Services Agency in 2015. Some data such as attribute information of customers, is updated on the monthly or quarterly basis.

■ Breakdown of High-Quality Liquid Assets

(In million yen)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)	Prior Quarter (From 2022/10/1 To 2022/12/31)
1	Cash and due from banks	65,616,580	64,354,797
2	Securities	5,207,044	5,630,005
3	of which, government bonds, etc.	3,337,964	3,804,778
4	of which, municipal bonds, etc.	74,709	143,986
5	of which, other bonds	446,586	314,290
6	of which, stocks	1,347,783	1,366,950
7	Total high-quality liquid assets (HQLA)	70,823,624	69,984,803

Note: The above amounts are those of high-quality liquid assets in accordance with the liquidity ratio regulation under the Basel III and do not correspond to the financial amounts. The amounts stated are those after multiplying factors in the liquidity ratio regulation under the Basel III.

Net Stable Funding Ratio Information (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Since September 30, 2021, the “Net Stable Funding Ratio” (hereinafter referred to as “NSFR”), the liquidity ratio regulation under the Basel III, has been introduced in Japan. In addition to the application of uniform international standards, SMBC calculates its non-consolidated NSFR using the calculation formula stipulated in the “Criteria for Evaluating the Soundness of Liquidity Status Set Forth by a Bank as a Benchmark for Judging its Soundness of Management, Based on the Provision of Article 14-2 of the Banking Act” (Notification No. 60 issued by the Japanese Financial Services Agency in 2014; hereinafter referred to as the “Liquidity Ratio Notification”).

■ Disclosure of Qualitative Information about Net Stable Funding Ratio

1. Intra-period Changes in Non-consolidated NSFR

As described on the following page, the NSFR has remained stable since the introduction of the liquidity ratio regulation on September 30, 2021.

2. Special Provisions Pertaining to Interdependent Assets and Liabilities

SMBC has not applied the “special provisions pertaining to interdependent assets and liabilities” prescribed in Article 101 of the Liquidity Ratio Notification to its NSFR.

3. Other Information Concerning Non-consolidated NSFR

The Liquidity Ratio Notification stipulates the minimum requirement of the NSFR at 100%. The NSFR of SMBC (non-consolidated) exceeds the minimum requirements of the NSFR, having no cause for concern. In terms of the future NSFR forecasts, SMBC does not expect significant deviations from the disclosed ratios. In addition, the actual NSFR does not differ significantly from the initial forecast.

■ Disclosure of Quantitative Information about Net Stable Funding Ratio (Non-consolidated)

(In million yen, %)

Item		Current Quarter (From 2023/1/1 To 2023/3/31)					Prior Quarter (From 2022/10/1 To 2022/12/31)				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) items (1)											
1	Capital; of which:	7,394,955	0	0	2,484,223	9,879,179	7,025,006	0	0	2,380,508	9,405,515
2	Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (excluding the proportion of Tier 2 instruments with residual maturity of less than one year) before the application of capital deductions	7,394,955	0	0	2,110,355	9,505,311	7,025,006	0	0	2,037,802	9,062,809
3	Other capital instruments that are not included in the above category	0	0	0	373,868	373,868	0	0	0	342,705	342,705
4	Funding from retail and small business customers; of which:	57,936,395	37,883	0	24,695	53,156,441	58,147,184	37,687	0	0	53,344,449
5	Stable deposits	19,097,901	0	0	0	18,143,006	19,561,277	0	0	0	18,583,213
6	Less stable deposits	38,838,494	37,883	0	24,695	35,013,435	38,585,907	37,687	0	0	34,761,235
7	Wholesale funding; of which:	68,132,136	49,404,973	5,290,107	19,801,110	56,867,665	63,866,174	51,806,161	4,103,123	16,907,905	51,406,623
8	Operational deposits	—	—	—	—	—	—	—	—	—	—
9	Other wholesale funding	68,132,136	49,404,973	5,290,107	19,801,110	56,867,665	63,866,174	51,806,161	4,103,123	16,907,905	51,406,623
10	Liabilities with matching interdependent assets	—	—	—	—	—	—	—	—	—	—
11	Other liabilities; of which:	872,026	1,553,904	2,524	11,577	1,262	1,129,949	1,677,188	0	0	0
12	Derivative liabilities				11,577					0	
13	All other liabilities and equity not included in the above categories	872,026	1,553,904	2,524	0	1,262	1,129,949	1,677,188	0	0	0
14	Total available stable funding					119,904,549					114,156,588
Required stable funding (RSF) items (2)											
15	HQLA					2,847,314					2,685,090
16	Deposits held at financial institutions for operational purposes	329,735	0	0	0	164,867	414,795	0	0	0	207,397
17	Loans, repo transactions-related assets, securities and other similar assets; of which:	1,513,028	33,860,902	9,455,543	66,020,875	73,863,596	1,592,048	37,139,916	9,024,591	66,197,721	74,775,000
18	Loans to- and repo transactions with- financial institutions (secured by level 1 HQLA)	0	1,974,750	5,542	0	2,771	0	1,750,504	0	0	6,435
19	Loans to- and repo transactions with- financial institutions (not included in item 18)	231,235	11,043,763	2,903,814	11,493,136	14,667,703	294,599	13,918,733	2,714,004	11,733,681	15,307,343
20	Loans and repo transactions-related assets (not included in item 18, 19 and 22); of which:	865,008	19,278,512	5,805,311	41,416,700	47,779,705	884,923	19,808,319	5,611,029	41,160,944	47,828,858
21	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	726	2,140,746	319,619	948,512	1,372,676	147	2,015,704	298,151	995,664	1,391,327
22	Residential mortgages; of which:	0	292,102	290,846	10,416,813	7,867,606	0	291,296	290,875	10,334,580	7,811,041
23	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	0	159,189	158,928	6,390,795	4,313,075	0	158,321	157,906	6,322,187	4,267,535
24	Securities that are not in default and do not qualify as HQLA and other similar assets	416,784	1,271,773	450,028	2,694,225	3,545,809	412,525	1,371,062	408,682	2,968,515	3,821,321
25	Assets with matching interdependent liabilities	—	—	—	—	—	—	—	—	—	—
26	Other assets; of which:	7,884,646	461,276	81,100	2,867,123	11,130,938	7,872,859	537,636	74,423	2,930,077	11,087,337
27	Physical traded commodities, including gold	0				0	0				0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs (including those that are not recorded on consolidated balance sheet)				548,216	465,984				522,952	444,509
29	Derivative assets				0	0				50,120	50,120
30	Derivative liabilities (before deduction of variation margin posted)				100,493	100,493				109,015	109,015
31	All other assets not included in the above categories	7,884,646	461,276	81,100	2,218,413	10,564,460	7,872,859	537,636	74,423	2,247,989	10,483,692
32	Off-balance sheet items				110,972,819	2,166,577				108,676,241	2,189,870
33	Total required stable funding					90,173,294					90,944,697
34	Non-Consolidated net stable funding ratio (NSFR)					132.9%					125.5%



Glossary

ABL

Abbreviation for Asset Based Lending of having movable assets as col-lateral such as accounts receivable and/or inventory.

Advanced Measurement Approach (AMA)

Based on the operational risk measurement methods used in the internal management of financial institutions, this is a method for obtaining the operational risk equivalent amount by calculating the maximum amount of operational risk loss expected over a period of one year, with a one-sided confidence interval of 99.9%.

Basic Indicator Approach (BIA)

A calculation approach in which an average value for the most recent three years derived by multiplying gross profit for the financial institution as a whole by certain level (15%) is deemed to be the operational risk equivalent amount.

Calculation of credit risk-weighted assets under Article 145 of the Notification

Method used for calculating the credit risk-weighted assets for the fund exposure, etc. There is a method of making the total credit risk-weighted asset of individual underlying asset of funds, etc. as the relevant expo-sure of the credit risk-weighted asset; or a method of applying the risk weight determined based on the formation of underlying assets to the relevant exposure.

Capital adequacy ratio notification (“the Notification”)

Administrative action or written ordinance by which the Financial Services Agency officially informs Japanese banks of regulations regard-ing capital adequacy ratio.

CCF

Abbreviation for Credit Conversion Factor  
Ratio required for converting off-balance sheet items such as guarantees or derivatives into on-balance sheet credit exposure equivalents.

CCP-related exposure

Exposure to a central counterparty (CCP) that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts.

CDS

Abbreviation for Credit Default Swap  
Derivative transactions which transfer the credit risk.

Credit Risk Mitigation (CRM) Techniques

Method of reducing credit risk by guarantees, collateral and purchase of credit derivatives, etc.

Credit risk-weighted assets

Total assets (lending exposures, including credit equivalent amount of off-balance sheet transactions, etc.) which is reevaluated according to the level of credit risk.

Current exposure method

One of the methods for calculating the credit exposure equivalents of derivative transactions, etc. Method of calculating the equivalents by adding the amount (multiplying the notional amount by certain rate, and equivalent to the future exposure fluctuation amount) to the mark-to-market replacement cost calculated by evaluating the market price of the transaction.

CVA (credit value adjustment) amount

Capital charges for market-price fluctuation of derivatives transaction due to deteriorated creditworthiness of a counterparty.

EL

Abbreviation for Expected Loss  
Average loss expected to occur over the coming one year.

Full revaluation approach

An approach for PL simulation by repricing the financial instruments un-der each scenario.

High-quality liquid assets (HQLA)

Liquid assets that can be converted easily and immediately into cash to meet liquidity needs in a specified stress scenario for the subsequent 30 calendar days.

Historical simulation method

A method of simulating future fluctuations without the use of random numbers, by using historical data for risk factors.

Internal models approach

Methods of measuring market risk equivalent amount as the value at risk (VaR) calculated with models determined by each bank.

Internal models method

One of the methods of market-based approach using the VaR model to calculate the loss for shares held by the bank applying the Internal Ratings-Based Approach, and dividing such loss amount by 8% to obtain the credit risk-weighted asset of the equity exposure.

The Internal Ratings-Based (IRB) Approach

A method of calculating the risk asset by applying PD (Probability of Default) estimated internally by financial institution which conducts sophisticated risk management. There are two methods to calculate exposures to corporate client, etc.: the Advanced Internal Ratings-Based (AIRB) Approach and the Foundation Internal Ratings-Based (FIRB) Approach. The former uses self-estimated LGD and EAD values, while the latter uses LGD and EAD values designated by the authorities.

Liquidity Ratio Notification

Administrative action and written ordinance for official notification to the general public of regulations concerning the LCR and NSFR of financial institutions in Japan which are decided by the Japanese Financial Ser-vices Agency based on the Basel Agreement.

LGD

Abbreviation for Loss Given Default  
Percentage of loss assumed in the event of default by obligor; ratio of uncollectible amount of the exposure owned in the event of default.

Market-based approach

Method of calculating the risk assets of equity exposures, etc., by using the simple risk weight method or internal model method.

Market risk equivalent amount

Pursuant to the Basel Capital Accord, the required capital amount im-posed on the market-related risk calculated for the four risk categories of mainly the trading book: interest rates, stocks, foreign exchange and commodities.

Net cash outflows

Net cash flows calculated as total expected cash outflows minus total expected cash inflows in a specified stress scenario for the subsequent 30 calendar days.

Object finance

For providing credit for purchasing ships or aircrafts, the only source of repayments for the financing should be profits generated from the said tangible assets; and the said tangible assets serve as collaterals, and having an appreciable extent of control over the said tangible assets and profits generated from the said tangible assets.

Operational risk equivalent amount

Operational risk capital requirements under the Basel Capital Accord.

Originator

The term “originator” is used in the case that we are directly or indirectly involved in the formation of underlying assets for securitisation transac-tions when we have the securitisation exposure; or the cases of provid-ing the back-up line for ABCP issued by the securitisation conduit for the purpose of obtaining exposure from the third party, or providing ABL to the securitisation conduit (as sponsor).

PD

Abbreviation for Probability of Default  
Probability of becoming default by obligor during one year.

Phased rollout

Under the Basel Capital Accord, it is a transition made by certain group companies planning to apply the Internal Ratings-Based Approach after the implementation of such methods on consolidated-basis.

Project finance

Out of credit provided for specified businesses such as electric power plants and transportation infrastructure, the only source of repayments is profits generated from the said businesses, and the collateral is tangi-ble assets of the said businesses, and having an appreciable extent of control over the said tangible assets and profits generated from the said tangible assets.

Qualifying Revolving Retail Exposures (QRRE)

Exposure which may fluctuate up to the upper limit set forth by an agreement according to the individual's voluntary decision, such as card loan and credit card, etc., and the upper limit of the exposure without any collateral is 10 million yen or less.

Resecuritisation transaction

Out of securitisation transactions, it is a transaction with securitisa-tion exposure for part of or entire underlying assets. However, in the case that all of underlying assets is the single securitisation exposure and the transaction's risk characteristics are substantively unchanged prior to or after the securitisation, the transaction is excluded from the resecuritisation transactions.

Risk capital

The amount of capital required to cover the theoretical maximum potential loss arising from risks of business operations. It differs from the minimum regulatory capital requirements, and it is being used in the risk management framework voluntarily developed by financial institutions for the purpose of internal management.

Risk weight

Indicator which indicates the extent of credit risk determined by the types of assets (claims) owned. Risk weight becomes higher for assets with high risk of default.

Square-root-of-time rule

A method of converting the maximum loss estimated as value at risk (VaR) for a specific holding period into the maximum loss for a shorter or longer time period using statistical assumption.

Securitisation transaction

It is a transaction which stratifies the credit risk for the underlying assets into more than two exposures of senior/subordinated structure and has the quality of transferring part of or entire exposure to the third party.

Servicer risk

The risk of becoming unable to claim for the collectives, in cases of which bankruptcy of the supplier/servicer occurs prior to collecting receivables, in securitisation and purchased claims transactions.

Simple risk weight method

One of market-based approaches for calculating the risk-weighted asset amount for the equity exposure, etc. by multiplying the listed shares and unlisted shares with the risk weights of 300% and 400%, respectively.

Slotting criteria

For risk-weighted asset calculation under the Internal Ratings-Based (IRB) Approach, it is a method of mapping the credit rating to the risk-weight in 5 levels set forth by the Financial Services Agency for Specialised Lending.

Specialized Lending (SL)

General term used for project finance, object finance, commodity finance and lending for commercial real estate.

The Standardised Approach (SA)

Method of calculating risk-weighted assets by multiplying credit equivalent amounts by the risk-weight designated by the authorities for each obligor classification (corporates, financial institution, sovereign, retail, etc.).

Standardised method

Method of calculating market risk using formula determined by the Financial Services Agency.

Underlying assets

General term used for assets which serve as the source of payments for principal and interest for securitisation exposures, etc.

VaR

Abbreviation for Value at Risk  
The maximum loss that can be expected to occur with a certain degree of probability when holding a financial asset portfolio for a given amount of time.

Compensation

Sumitomo Mitsui Financial Group

■ Compensation Framework of Sumitomo Mitsui Financial Group and Its Group Companies

1. Scope of Officers, Employees and Others

The scope of officers, employees and others whose compensation is subject to disclosure under the revised Cabinet Office on Disclosure of Corporate Affairs, etc. and other ordinances are as described below.

(1) Scope of Officers

Officers subject to compensation disclosure are directors and executive officers of Sumitomo Mitsui Financial Group during the fiscal year under review (excluding outside directors).

(2) Scope of Employees and Others

Employees and others subject to compensation disclosure are employees of Sumitomo Mitsui Financial Group and officers and employees of its major consolidated subsidiaries who are highly compensated and have a material influence on the business management or the assets of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries.

a) Scope of major consolidated subsidiaries

A major consolidated subsidiary is a consolidated subsidiary of Sumitomo Mitsui Financial Group with total assets accounting for more than 2% of the total consolidated assets of Sumitomo Mitsui Financial Group and has a material influence on the management of Sumitomo Mitsui Financial Group and its group companies. Specifically, they are Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities Inc., SMBC Guarantee Co., Ltd., Limited and overseas subsidiaries such as SMBC Bank International plc, and Sumitomo Mitsui Banking Corporation (China) Limited.

b) Scope of highly compensated persons

A highly compensated person is an individual whose compensation paid by Sumitomo Mitsui Financial Group or its major subsidiaries is equal to or more than the base amount. The base amount of Sumitomo Mitsui Financial Group is set at ¥60 million which is based on the average amount of compensation paid to the officers of Sumitomo Mitsui Financial Group and SMBC (excluding officers appointed or retired during the fiscal year in question) over the last three fiscal years (hereinafter “executive compensation amount”) and is applied to all group companies. This is because many of the officers of Sumitomo Mitsui Financial Group also serve as officers of SMBC, and their executive compensation amount is determined according to their contribution to the group as a whole. With respect to lump-sum retirement payment for officers serving in Japan, the executive compensation amount for the fiscal year in question is “(his/her executive compensation amount – lump-sum retirement payment) + (lump-sum retirement payment/years of service)” and the executive compensation amount calculated using this formula is compared to the base amount.

c) Material influence on the business management or assets of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries

A person has a material influence on the business management or assets of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries if his/her regular transactions or regular matters managed by him/her have a substantial impact on the business management of Sumitomo Mitsui Financial Group and its group companies, or losses incurred through such actions have a significant impact on the financial situation of Sumitomo Mitsui Financial Group and its group companies. Specifically, persons having such influence are directors, corporate auditors and corporate officers of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries, both domestic and overseas.

2. Names, Compositions, and Duties of the Main Bodies, Such as the Committee Responsible for Supervising Business Execution Concerning the Determination of Compensation, Its Payment and Other Related Matters

(1) Establishment and Maintenance of the Compensation Committee

Sumitomo Mitsui Financial Group, as a Company with a Nomination Committee, has established a Compensation Committee to resolve the “policy to determine individual remuneration for directors and executive officers,” “executive compensation programme and relevant regulations,” and “individual remuneration for Sumitomo Mitsui Financial Group’s directors and corporate executive officers.” The Compensation Committee is a body independent from the influence of business units, chaired by an outside director, with the majority of its members being also outside directors, and tasked to determine and deliberate matters related to executive compensation of Sumitomo Mitsui Financial Group and its group companies. In addition, Sumitomo Mitsui Financial Group Compensation Committee reviews and discusses executive compensation programmes/practices of group companies of Sumitomo Mitsui Financial Group and the individual remuneration for Sumitomo Mitsui Financial Group’s other executive officers. Furthermore, group companies of Sumitomo Mitsui Financial Group respect the details of the deliberations at the Compensation Committee of Sumitomo Mitsui Financial Group and determine the compensation for directors and corporate auditors within the maximum total amount of compensation approved at an ordinary general meeting of shareholders.

(2) For Employees and Others

The amount and type of compensation paid to the employees of Sumitomo Mitsui Financial Group and SMBC and the officers and employees of major consolidated subsidiaries are determined and paid according to the compensation policies established by the boards of directors of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries. Compensation systems based on the compensation policies are designed and documented by the HR departments of respective companies, independent from the influence of business units. The compensation policies of major consolidated subsidiaries are regularly reported to the HR department of Sumitomo Mitsui Financial Group for review. The amount and type of compensation for overseas officers and employees is determined and paid under the compensation system established by the relevant office or subsidiary in accordance with local laws, regulations and employment practices.

(3) Total Amount of Compensation Paid to Compensation Committee Members and Number of Compensation Committee Meetings Held

	Number of Meetings Held (April 1, 2022 to March 31, 2023)
Compensation Committee (Sumitomo Mitsui Financial Group).....	7
Compensation Committee (SMBC Nikko Securities Inc.).....	4

Note: The total amount of compensation is not provided because the portion of the compensation paid to a committee member for services rendered as a committee member cannot be calculated as the amount of compensation paid is based on the committee member’s position in the company.

■ Assessment of Design and Operation of Compensation Structure

Compensation Policies for Officers, Employees and Others

(1) For Officers

Sumitomo Mitsui Financial Group hereby establishes the Executive Compensation Policy (the “Policy”) in order to provide guiding principles for its Compensation Committee to determine individual remuneration for its directors and executive officers (the “Executives”). The Policy’s aim is that executive compensation pursuant to it shall provide the appropriate incentives for the Executives to pursue our Mission while materializing our medium-/long-term vision.

<Basic Concept>

Executive compensation at SMBC Group shall be determined based on the following concept.

- I. SMBC Group’s executive compensation aims at providing appropriate incentives toward the realization of our mission and our vision.
- II. SMBC Group’s executive compensation shall reflect the changing business environment and the short-, medium-and long-term performance of the group, and shall account for the contribution to shareholder value, customer satisfaction, and realisation of sustainable society.
- III. Individual remuneration shall reflect the assigned roles and responsibilities as well as the performance of the respective Executive.
- IV. SMBC Group shall research and review market practices, including the use of third-party surveys, in order to provide its Executives with a competitive remuneration package.
- V. SMBC Group’s executive compensation shall discourage excessive risk-taking and foster a prudent risk culture expected of a financial institution.
- VI. Both external and internal regulations/guidelines on executive compensation shall be observed and respected.
- VII. SMBC Group shall establish appropriate governance and controls of the compensation process, and shall regularly review to update its executive compensation practices according to changing market practices and/or business environment.

<Compensation Programme>

- I. SMBC Group’s executive compensation programme (the “Programme”) shall have three components: base salary, cash bonus, and stock compensation. However, compensation for outside directors and Audit Committee members shall comprise base salary alone, in consideration of the nature of their role of management supervision.
  - II. In order to hold the Executives accountable and provide them with appropriate incentives for the performance of the group, the Programme targets the variable compensation component of total remuneration at 40%, if paid at standard levels. Corresponding with performance of SMBC Group and the degree of contribution to realization of a sustainable society, the variable component could range from 0% to 150% of the standard levels, which shall be determined by corporate titles of the Executives.
  - III. In order to enhance shareholding of the Executives and align their interests with shareholders, the Programme targets its stock-based compensation components at 25% of total remuneration, if paid at standard levels.
  - IV. The above target levels shall be appropriately set in accordance with the roles, responsibilities, etc. of each Executive.
  - V. Base salary shall be periodically paid in cash and shall be, in principle, determined by the corporate titles of each Executive, reflecting the roles, responsibilities, etc.
  - VI. Annual incentives shall be determined based on the performance of previous fiscal year of SMBC Group and the business unit each Executive is accountable for, the degree of contribution to realization of a sustainable society, as well as on the performance of each Executive reviewed both from short-term and medium-/long-term perspectives. 70% of the determined amount shall be, in principle, paid as a cash bonus and the remaining 30% shall be paid under Stock Compensation Plan II (annual performance share plan).
- a. Weight by each target index is as follows:

Target index		Weight
SMBC Banking profit*1	Annual growth/Target achievement	50%
SMBC Net income (Pre-Tax)*2	Annual growth/Target achievement	25%
SMFG Net income*3	Annual growth/Target achievement	25%

\*1 Adding cooperated profit and loss recorded by SMBC Group companies, etc. in a managerial accounting basis to business profit at Sumitomo Mitsui Banking Corporation.  
\*2 Income before income taxes at Sumitomo Mitsui Banking Corporation.

\*3 The Group’s profit attributable to owners of parent.

\*If the Compensation Committee recognizes any element other than the above mentioned target indexes which should be taken into consideration, the Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the compensation to be paid to the employee by a maximum of 5%, plus or minus.

- b. The degree of contribution to realization of a sustainable society shall be reflected as an adjustment to the score determined in a., by a maximum of 10%, plus or minus, based on the annual progress of KPIs and results of major ESG ratings.

- VII. Stock compensation plans consist of Stock Compensation Plan I (the “Plan I”), under which the remuneration of the Executives shall be determined based on the Group’s medium-term performance, etc., Stock Compensation Plan II (the “Plan II”), determined based on the Group’s annual performance, etc. and Stock Compensation Plan III (the “Plan III”), determined based on corporate titles, etc.

- a. Under the stock compensation plans, the Executives shall receive remuneration via shares of the Company’s common stock. The transfer of such stock shall be restricted for appropriately defined periods.
- b. Remuneration under Plan I shall be determined based on the Group’s performance against the Medium-Term Management Plan, performance of the Company’s shares, and the percentage of achievement of KPIs with respect to creating social value after the term the Group’s Medium-Term Management Plan ends. 70% of the evaluation index is determined based on financial index (Medium-Term Management Plan target), 15% is determined based on share index, and 15% is determined based on non-financial index. Weight by each evaluation index is as follows:

Evaluation index *1, 2, 3		Weight
Financial index	ROCE†1*4	20%
	Base expense*5	20%
	Gross profit*6	15%
	Net income	15%
Share index	TSR (Total shareholder return)	15%
Non-financial index	Create social value	15%

\*1 The Compensation Committee determines the evaluation with respect to “Create social value” based on the percentage of achievement of KPIs related to the environment (FE reduction and amount of sustainability financing provided) and employees (employee engagement and DE&I) as well as the progress of initiatives with respect to the materialities identified by the Group (“Environment,” “DE&I/Human Rights,” “Declining Birthrate & Aging Population,” “Japan’s Regrowth,” and “Poverty & Inequality”).



\*2 (Qualitative evaluation) The Compensation Committee determines the score of maximum 5% plus or minus such figure taking into account comprehensively two items, which are "Initiatives in new business areas" and "Compliance, customer-oriented initiatives, and risk management."  
\*3 (Knock-out provision) In case "CET1 ratio (Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities)" falls below a designated level at the end of each fiscal year, "Plan I" for the respective fiscal year becomes null and void.  
\*4 Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities  
\*5 General and administrative expenses excluding "revenue-linked cost," "prior investment cost" and others  
\*6 The Company's consolidated gross profit

- c. Remunerations under Plan II shall be determined based on the performance of the previous fiscal year of SMBC Group and the business unit each Executive is accountable for, the contribution to a sustainable society, as well as on the performance of each Executive reviewed both from a short-term and medium-/long-term perspectives. Remuneration paid by restricted shares, they shall effectively act as deferred compensation.
- d. Remuneration under Plan III shall be determined based on corporate titles, roles, and responsibilities, etc.
- VIII. In the event of material amendments to the financial statements or material reputational damages caused by the Executives, remunerations under the Plans could be reduced or fully forfeited.
- IX. Notwithstanding the above, if the Compensation Committee determines that it is not appropriate to apply the above matters due to the role of an Executive in each Group company or other reasonable circumstances, or if the Compensation Committee determines that it is not appropriate to apply the above matters to an Executive domiciled outside Japan, compensation shall be designed on an individual basis and determined not only in accordance with the above Core Principles, but also with consideration to local regulations, guidelines, and other local market practices, whilst ensuring the compensation should not incentivize for excessive risk-taking.

<Governance and Control of the Compensation Processes>

Sumitomo Mitsui Financial Group, as a Company with a Nomination Committee, establishes a "Compensation Committee" to resolve the following:

- The Policy, executive compensation programme including the aforementioned compensation programme and regulations concerning the Policy
- Individual remunerations for Sumitomo Mitsui Financial Group's directors and corporate executive officers

In addition to the above, the Compensation Committee shall review and discuss the below:

- The individual remuneration for Sumitomo Mitsui Financial Group's corporate officers and other officers.
- Executive compensation programmes/practices of group companies of Sumitomo Mitsui Financial Group.

(2) For Employees and Others

In order to link the business philosophy and strategy of the company to the roles and responsibilities of employees and others, Sumitomo Mitsui Financial Group and its major consolidated subsidiaries determine the domestic compensation taking into account their job responsibilities, business performance and other factors. Compensation for employees and others are determined by the HR departments of respective SMBC Group companies by comprehensively taking into account the surrounding business environment, performance trends, pay history and other factors. Compensation policies for overseas employees are determined following the aforementioned compensation policy for employees and others in Japan as well as in accordance with local laws, regulations and employment practices.

Consistency between Compensation Structure and Risk Management and Link between Compensation and Performance

1. Sumitomo Mitsui Financial Group and SMBC

In determining the compensation for the officers of Sumitomo Mitsui Financial Group, the details of individual compensation for directors and executive officers are determined by the mandatory Compensation Committee, where the majority of the committee members are the outside directors. The compensation for the officers of SMBC are determined within the scope approved at a shareholders' meeting with the President, delegated by the Board of Directors, determining the details of compensation for each individual, reflecting the assigned roles and responsibilities as well as achievements at SMBC, in light of the deliberations of the SMFG Compensation Committee.

In order to hold the Executives accountable and provide them with appropriate incentives for the performance of the group, the Programme targets the variable compensation component of total remuneration at 40%, if paid at standard levels. The Programme shall have three components: base salary, cash bonus, and stock compensation. Cash bonus shall be determined and paid each fiscal year based on the Group's performance in the previous year, as well as on the performance of the respective Executive reviewed both from short-term and medium-/long-term perspectives. Stock compensation is determined and paid based on the progress of targets during the period of the Medium-term Management plan, performance of Sumitomo Mitsui Financial Group shares, and the results of customer satisfaction surveys, etc. Sumitomo Mitsui Financial Group and SMBC allot restricted stocks via the Plans to Executives to effectively defer part of executive compensation.

Stock Compensation Plan I involves removal of the restriction on transfer, after the expiry of Sumitomo Mitsui Financial Group's Medium-term Management Plan. In the event that the finalized amount of compensation falls short of the initially allocated amount, Sumitomo Mitsui Financial Group will retrieve all or part of the allotted shares at nil cost in the case the final amount falls below the initial amount.

Stock Compensation Plan II involves step-by-step removal of the restriction on transfer, one third in each year over the three years following the payment.

Stock Compensation Plan III involves removal of the restriction on transfer, either 30 years after payment or at the time of retirement from the position of officer.

In addition, Sumitomo Mitsui Financial Group and SMBC introduced the malus (forfeiture) of restricted stock and the claw-back of vested stock allocated to the Executives under the Plans in order to restrain excessive risk-taking and foster a prudent risk culture expected of a financial institution. Provisions on malus and clawbacks are included in the Allotment Agreement and they shall be exercised in the event of material amendments to the financial statements or material reputational damage caused by the Executives after thorough review at the Compensation Committee.

In addition, in determining the compensation for employees, their job responsibilities and business performance are taken into account. For variablecompensation, in order to avoid an excessive result-oriented approach, it is determined after comprehensive evaluation based on not only short-term performance results but also qualitative evaluation. Compensation is individually designed with consideration to local regulations, guidelines, and other market practices, whilst ensuring the compensation should not incentivize for excessive risk-taking.

2. Other Major Consolidated Subsidiaries

The compensation for officers and employees of other major subsidiaries of Sumitomo Mitsui Financial Group are determined by comprehensively taking into account the assessment of the subsidiaries' medium- and long-term earnings, and in the case of an overseas subsidiary, local laws, regulations and employment practices, and a compensation structure that could affect the risk management of SMBC Group has not been adopted. While terms of employment presented at the time of recruitment may include the minimum amount of compensation within a reasonable scope under local practice, the compensation structure is

designed to avoid an excessive result-oriented approach. In addition, expenses for employee retention are recorded for employees of certain major consolidated subsidiaries.

Type, Total Amount Paid, and Payment Method of Compensation for Officers, Employees and Others of Sumitomo Mitsui Financial Group and Its Group Companies

Compensation, etc. allocated to the applicable fiscal year

(Headcount, millions of yen)

Item No.			(a)	(b)
			Officers	Employees and others
1	Fixed compensation	Number of applicable officers, employees and others	19	440
2		Total fixed compensation (3+5+7)	1,142	19,677
3		of which: cash compensation	1,039	18,971
4		of which in 3: deferred amount	—	—
5		of which: amount of stock compensation or stock-linked compensation	62	384
6		of which in 5: deferred amount	62	384
7		of which: other compensation	40	321
8		of which in 7: deferred amount	—	—
9	Variable compensation	Number of applicable officers, employees and others	16	440
10		Total variable compensation (11+13+15)	752	16,610
11		of which: cash compensation	350	14,990
12		of which in 11: deferred amount	—	3,308
13		of which: amount of stock compensation or stock-linked compensation	402	1,619
14		of which in 13: deferred amount	402	1,002
15		of which: amount of other compensation	—	—
16		of which in 15: deferred amount	—	—
17	Retirement allowance	Number of applicable officers, employees and others	—	365
18		Amount of retirement allowance	—	1,574
19		of which: deferred amount	—	27
20	Other compensation	Number of applicable officers, employees and others	—	29
21		Amount of other compensation	—	345
22		of which: deferred amount	—	—
23	Total compensation, etc. (2+10+18+21)		1,895	38,208

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.  
2. Stock Compensation Plan III is classified as fixed compensation because the amount allotted depends on the individual's position. Other stock compensation involves an amount of issuance prone to performance-linked fluctuations, and is thus classified as variable compensation.

Special compensation, etc.

(Headcount, millions of yen)

	(a)	(b)	(c)	(d)	(e)	(f)
	Bonus guarantee		One-off recruitment payment		Additional retirement allowance	
	Headcount	Total amount	Headcount	Total amount	Headcount	Total amount
Officers	—	—	—	—	—	—
Employees and others	32	1,744	4	21	8	288

Other Information Regarding Compensation Structures of Sumitomo Mitsui Financial Group and its Group Companies

Deferred compensation, etc.

(Millions of yen)

		(a)	(b)	(c)	(d)	(e)
		Balance of deferred compensation, etc.	Of the amount in (a), balance of deferred compensation, etc. subjected to adjustment or prone to fluctuations	With respect to post allocation compensation, amount of fluctuation after adjustment not linked to fluctuations of criteria in the applicable fiscal year	With respect to post allocation compensation, amount of fluctuation after adjustment linked to fluctuations of criteria in the applicable fiscal year	Amount of deferred compensation, etc. paid in the applicable fiscal year
Officers	Amount of cash compensation	—	—	—	—	—
	Amount of stock compensation or stock-linked compensation	1,666	1,359	—	—	192
	Amount of other compensation	—	—	—	—	—
Employees and others	Amount of cash compensation	4,998	752	—	—	1,518
	Amount of stock compensation or stock-linked compensation	3,491	3,424	—	—	635
	Amount of other compensation	12	12	—	—	10
Total amount		10,169	5,548	—	—	2,356



# Compensation

Sumitomo Mitsui Banking Corporation (SMBC) and Its Group Companies

## ■ Compensation Framework of SMBC Group

### 1. Scope of Officers and Employees

The scope of officers, employees and others whose compensation is subject to disclosure under the revised Cabinet Office on Disclosure of Corporate Affairs, etc. and other ordinances are as described below.

#### (1) Scope of Officers

Officers subject to compensation disclosure are directors and corporate auditors of SMBC during the fiscal year under review.

#### (2) Scope of Employees and Others

Employees and others subject to compensation disclosure are employees of SMBC and officers and employees of its major consolidated subsidiaries who are highly compensated and have a material influence on the business management or the assets of SMBC and its major consolidated subsidiaries.

##### a) Scope of major consolidated subsidiaries

A major consolidated subsidiary is a consolidated subsidiary of SMBC with total assets accounting for more than 2% of the total consolidated assets of SMBC and has a material influence on the management of SMBC and its group companies. Specifically, they are SMBC Guarantee Co., Ltd. and overseas subsidiaries such as SMBC Bank International plc and Sumitomo Mitsui Banking Corporation (China) Limited.

##### b) Scope of highly compensated persons

A highly compensated person is an individual whose compensation paid by SMBC or its major subsidiaries is equal to or more than the base amount. The base amount of SMBC is set at ¥60 million which is based on the average amount of compensation paid to the officers of Sumitomo Mitsui Financial Group and SMBC (excluding officers appointed or retired during the fiscal year in question) over the last three fiscal years (hereinafter “executive compensation amount”) and is applied to all group companies. This is because many of the officers of Sumitomo Mitsui Financial Group also serve as officers of SMBC, and their executive compensation amount is determined according to their contribution to the group as a whole. With respect to lump-sum retirement payment for officers serving in Japan, the executive compensation amount for the fiscal year in question is “(his/her executive compensation amount – lump-sum retirement payment) + (lump-sum retirement payment/years of service)” and the executive compensation amount calculated using this formula is compared to the base amount.

##### c) Material influence on the business management or assets of SMBC and its major consolidated subsidiaries

A person has a material influence on the business management or assets of SMBC and its major consolidated subsidiaries if his/her regular transactions or regular matters managed by him/her have a substantial impact on the business management of SMBC and its group companies, or losses incurred through such actions have a significant impact on the financial situation of SMBC and its group companies. Specifically, persons having such influence are directors, corporate auditors and corporate officers of SMBC and its major consolidated subsidiaries, both domestic and overseas.

## 2. Names, Compositions, and Duties of the Main Bodies, Such as the Committee Responsible for Supervising Business Execution Concerning the Determination of Compensation, Its Payment and Other Related Matters

### (1) Determination of compensation for officers

Compensation for SMBC’s Directors (excluding members of the Audit and Supervisory Committee) is determined within the limit approved at a shareholders’ meeting with the President, delegated by the Board of Directors, determining the amount of compensation for each individual, reflecting the assigned roles and responsibilities as well as achievements at SMBC, in light of the deliberations of the SMFG Compensation Committee.

The details of the above determination are reported to SMBC’s Audit and Supervisory Committee.

Individual compensation for Directors who are members of the Audit and Supervisory Committee is determined within the scope approved at a shareholders’ meeting, through discussion by Directors who are members of the Audit and Supervisory Committee.

### (2) Determination of compensation for employees

Compensation for employees is stated in “Compensation” of Sumitomo Mitsui Financial Group (please refer to “2. Names, Compositions, and Duties of the Main Bodies, Such as the Committee Responsible for Supervising Business Execution Concerning the Determination of Compensation, Its Payment and Other Related Matters (2) For Employees and Others” on page 304).

## ■ Assessment of Design and Operation of Compensation Structure

### Compensation Policy

### Compensation Policies for Officers, Employees and Others

#### (1) For Officers

Sumitomo Mitsui Banking Corporation hereby establishes the Executive Compensation Policy (the “Policy”) in order to provide guiding principles for its Compensation Committee to determine individual remuneration for its directors and executive officers (the “Executives”).  
The Policy’s aim is that executive compensation pursuant to it shall provide the appropriate incentives for the Executives to pursue our Group Mission while materializing our medium-/long-term vision.

<Basic Concept>

Executive compensation at SMBC shall be determined based on the following concept.

- I. SMBC Group’s executive compensation aims at providing appropriate incentives toward the realization of our mission and our vision.
- II. SMBC Group’s executive compensation shall reflect the changing business environment and the short-, medium- and long-term performance of the group, and shall account for the contribution to shareholder value, customer satisfaction, and realization of sustainable society.
- III. Individual remuneration shall reflect the assigned roles and responsibilities as well as the performance of the respective Executive.
- IV. SMBC Group shall research and review market practices, including the use of third-party surveys, in order to provide its Executives with a competitive remuneration package.
- V. SMBC Group’s executive compensation shall discourage excessive risk-taking and foster a prudent risk culture expected of a financial institution.
- VI. Both external and internal regulations/guidelines on executive compensation shall be observed and respected.
- VII. SMBC Group shall establish appropriate governance and controls of the compensation process, and shall regularly review to update its executive compensation practices according to changing market practices and/or business environment.

<Compensation Programme>

- I. SMBC Group’s executive compensation programme (the “Programme”) shall have three components: base salary, cash bonus, and stock compensation. However, compensation for outside directors and Audit Committee members shall comprise base salary alone, in consideration of the nature of their role of management supervision.
- II. In order to hold the Executives accountable and provide them with appropriate incentives for the performance of the group, the Programme targets the variable compensation component of total remuneration at 40%, if paid at standard levels. Corresponding with performance of SMBC Group and the degree of contribution to realization of a sustainable society, the variable component could range from 0% to 150% of the standard levels, which shall be determined by corporate titles of the Executives.
- III. In order to enhance shareholding of the Executives and align their interests with shareholders of Sumitomo Mitsui Financial Group (“SMFG”), the parent, the Programme targets its stock-based compensation components of SMFG stocks at 25% of total remuneration, if paid at standard levels.
- IV. The above target levels shall be appropriately set in accordance with the roles, responsibilities, etc. of each Executive.
- V. Base salary shall be periodically paid in cash and shall be, in principle, determined by the corporate titles of each Executive, reflecting the roles, responsibilities, etc.
- VI. Annual incentives shall be determined based on the performance of previous fiscal year of SMBC Group and the business unit each Executive is accountable for, the degree of contribution to realization of a sustainable society, as well as on the performance of each Executive reviewed both from short-term and medium-/long-term perspectives. 70% of the determined amount shall be, in principle, paid as a cash bonus and the remaining 30% shall be paid under Stock Compensation Plan II (annual performance share plan).

a. Weight by each target index is as follows:

Target index		Weight
SMBC Banking profit*1	Annual growth/Target achievement	50%
SMBC Net income (Pre-Tax)*2	Annual growth/Target achievement	25%
SMFG Net income*3	Annual growth/Target achievement	25%

\*1 Adding cooperated profit and loss recorded by SMBC Group companies, etc. in a managerial accounting basis to business profit at and Sumitomo Mitsui Banking Corporation.

\*2 Income before income taxes at Sumitomo Mitsui Banking Corporation.

\*3 The Group’s profit attributable to owners of parent.

\*If the SMFG Compensation Committee recognizes any element other than the above mentioned target indexes which should be taken into consideration, the SMFG Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the compensation to be paid to the employee by a maximum of 5%, plus or minus.

b. The degree of contribution to realization of a sustainable society shall be reflected as an adjustment to the score determined in a., by a maximum of 10%, plus or minus, based on the annual progress of KPIs and results of major ESG ratings.

- VII. Stock compensation plans consist of Stock Compensation Plan I (the “Plan I”), under which the remuneration of the Executives shall be determined based on the Group’s medium-term performance, etc., Stock Compensation Plan II (the “Plan II”), determined based on the Group’s annual performance, etc. and Stock Compensation Plan III (the “Plan III”), determined based on corporate titles, etc.
- a. Under the stock compensation plans, the Executives shall receive remuneration via shares of the SMFG’s common stock. The transfer of such stock shall be restricted for appropriately defined periods.
- b. Remuneration under Plan I shall be determined based on the Group’s performance against the Medium-Term Management Plan, performance of the Company’s shares, and the percentage of achievement of KPIs with respect to creating social value after the term the Group’s Medium-Term Management Plan ends. 70% of the evaluation index is determined based on financial index (Medium-Term Management Plan target), 15% is determined based on share index, and 15% is determined based on non-financial index. Weight by each evaluation index is as follows:

Evaluation index <sup>*1, 2, 3</sup>		Weight
Financial index	ROCET1 <sup>*4</sup>	20%
	Base expense <sup>*5</sup>	20%
	Gross profit <sup>*6</sup>	15%
	Net income	15%
Share index	TSR (Total shareholder return)	15%
Non-financial index	Create social value	15%

<sup>\*1</sup> The Compensation Committee determines the evaluation with respect to “Create social value” based on the percentage of achievement of KPIs related to the environment (FE reduction and amount of sustainability financing provided) and employees (employee engagement and DE&I) as well as the progress of initiatives with respect to the materialities identified by the Group (“Environment,” “DE&I/Human Rights,” “Declining Birthrate & Aging Population,” “Japan’s Regrowth,” and “Poverty & Inequality”).

<sup>\*2</sup> (Qualitative evaluation) The Compensation Committee determines the score of maximum 5% plus or minus such figure taking into account comprehensively two items, which are “Initiatives in new business areas” and “Compliance, customer-oriented initiatives, and risk management.”

<sup>\*3</sup> (Knock-out provision) In case “CET1 ratio (Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities)” falls below a designated level at the end of each fiscal year, “Plan I” for the respective fiscal year becomes null and void.

<sup>\*4</sup> Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities

<sup>\*5</sup> General and administrative expenses excluding “revenue-linked cost,” “prior investment cost” and others

<sup>\*6</sup> The Company’s consolidated gross profit

- c. Remunerations under Plan II shall be determined based on the performance of the previous fiscal year of SMBC Group and the business unit each Executive is accountable for, the contribution to a sustainable society, as well as on the performance of each Executive reviewed both from a short-term and medium-/long-term perspectives. Remuneration paid by restricted shares, they shall effectively act as deferred compensation.
- d. Remuneration under Plan III shall be determined based on corporate titles, roles, and responsibilities, etc.
- VIII. In the event of material amendments to the financial statements or material reputational damages caused by the Executives, remunerations under the Plans could be reduced or fully forfeited.
- IX. Notwithstanding the above, if the SMFG Compensation Committee determines that it is not appropriate to apply the above matters due to the role of an Executive in each Group company or other reasonable circumstances, or if the SMFG Compensation Committee determines that it is not appropriate to apply the above matters to an Executive domiciled outside Japan, compensation shall be designed on an individual basis and determined not only in accordance with the above Core Principles, but also with consideration to local regulations, guidelines, and other local market practices, whilst ensuring the compensation should not incentivize for excessive risk-taking.

<Governance and Control of the Compensation Processes>

- I. This Policy is determined at SMBC’s Board of Directors in light of the “Executive Compensation Policy” determined by SMFG Compensation Committee.
- II. Compensation for SMBC’s Directors (excluding members of the Audit and Supervisory Committee) is determined within the limit approved at a shareholders’ meeting with the President, delegated by the Board of Directors, determining the amount of compensation for each individual, reflecting the assigned roles and responsibilities as well as achievements at SMBC, in light of the deliberations of the SMFG Compensation Committee.
- III. The details of the determination in II above are reported to SMBC Audit and Supervisory Committee.
- IV. The specific amount, payment period, and method of compensation for SMBC’s executive officers is determined by the President, reflecting the assigned roles and responsibilities as well as achievements at SMBC.
- V. Individual compensation for Directors who are members of the Audit and Supervisory Committee is determined within the limit approved at a shareholders’ meeting, through discussion by Directors who are members of the Audit and Supervisory Committee.

■ Consistency between Compensation Structure and Risk Management and Link between Compensation and Performance

Consistency between compensation structure and risk management and link between compensation and performance is stated in “Compensation” of Sumitomo Mitsui Financial Group (please refer to “Consistency between Compensation Structure and Risk Management and Link between Compensation and Performance” on page 306).

■ Type, Total Amount Paid, and Payment Method of Compensation for Officers, Employees and Others of SMBC and Its Group Companies

1. Compensation Allocated in the Applicable Fiscal Year (SMBC consolidated)

			(Headcount, millions of yen)	
Item No.			(a)	(b)
			Officers	Employees and others
1	Fixed compensation	Number of applicable officers, employees and others	17	436
2		Total fixed compensation (3+5+7)	977	19,373
3		of which: cash compensation	879	18,689
4		of which in 3: deferred amount	—	—
5		of which: amount of stock compensation or stock-linked compensation	54	364
6		of which in 5: deferred amount	54	364
7		of which: other compensation	43	318
8		of which in 7: deferred amount	—	—
9	Variable compensation	Number of applicable officers, employees and others	14	436
10		Total variable compensation (11+13+15)	591	16,483
11		of which: cash compensation	277	14,850
12		of which in 11: deferred amount	—	3,283
13		of which: amount of stock compensation or stock-linked compensation	314	1,633
14		of which in 13: deferred amount	314	1,016
15		of which: amount of other compensation	—	—
16		of which in 15: deferred amount	—	—
17	Retirement allowance	Number of applicable officers, employees and others	—	364
18		Amount of retirement allowance	—	1,547
19		of which: deferred amount	—	—
20	Other compensation	Number of applicable officers, employees and others	—	29
21		Amount of other compensation	—	345
22		of which: deferred amount	—	—
23	Total compensation, etc. (2+10+18+21)		1,569	37,749

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.

2. Stock Compensation Plan III is classified as fixed compensation because the amount allotted depends on the individual’s position. Other stock compensation involves an amount of issuance prone to performance-linked fluctuations, and is thus classified as variable compensation.

2. Special Compensation, Etc.

							(Headcount, millions of yen)
	(a)	(b)	(c)	(d)	(e)	(f)	
	Bonus guarantee		One-off recruitment payment		Additional retirement allowance		
	Headcount	Total amount	Headcount	Total amount	Headcount	Total amount	
Officers	—	—	—	—	—	—	
Employees and others	32	1,744	4	21	8	288	

1. Compensation Allocated in the Applicable Fiscal Year (SMBC non-consolidated)

(Headcount, millions of yen)

Item No.			(a)	(b)
			Officers	Employees and others
1	Fixed compensation	Number of applicable officers, employees and others	17	436
2		Total fixed compensation (3+5+7)	977	19,373
3		of which: cash compensation	879	18,689
4		of which in 3: deferred amount	—	—
5		of which: amount of stock compensation or stock-linked compensation	54	364
6		of which in 5: deferred amount	54	364
7		of which: other compensation	43	318
8		of which in 7: deferred amount	—	—
9	Variable compensation	Number of applicable officers, employees and others	14	436
10		Total variable compensation (11+13+15)	591	16,483
11		of which: cash compensation	277	14,850
12		of which in 11: deferred amount	—	3,283
13		of which: amount of stock compensation or stock-linked compensation	314	1,633
14		of which in 13: deferred amount	314	1,016
15		of which: amount of other compensation	—	—
16		of which in 15: deferred amount	—	—
17	Retirement allowance	Number of applicable officers, employees and others	—	364
18		Amount of retirement allowance	—	1,547
19		of which: deferred amount	—	—
20	Other compensation	Number of applicable officers, employees and others	—	29
21		Amount of other compensation	—	345
22		of which: deferred amount	—	—
23	Total compensation, etc. (2+10+18+21)		1,569	37,749

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.  
2. Stock Compensation Plan III is classified as fixed compensation because the amount allotted depends on the individual's position. Other stock compensation involves an amount of issuance prone to performance-linked fluctuations, and is thus classified as variable compensation.

2. Special Compensation, Etc.

(Headcount, millions of yen)

	(a)	(b)	(c)	(d)	(e)	(f)
	Bonus guarantee		One-off recruitment payment		Additional retirement allowance	
	Headcount	Total amount	Headcount	Total amount	Headcount	Total amount
Officers	—	—	—	—	—	—
Employees and others	32	1,744	4	21	8	288

■ Other Information Regarding Compensation Structures of Sumitomo Mitsui Financial Group and its Group Companies

Amount of Deferred Compensation, Etc. (SMBC consolidated)

Deferred compensation, etc.

(Millions of yen)

		(a)	(b)	(c)	(d)	(e)
		Balance of deferred compensation, etc.	Of the amount in (a), balance of deferred compensation, etc. subjected to adjustment or prone to fluctuations	With respect to post allocation compensation, amount of fluctuation after adjustment not linked to fluctuations of criteria in the applicable fiscal year	With respect to post allocation compensation, amount of fluctuation after adjustment linked to fluctuations of criteria in the applicable fiscal year	Amount of deferred compensation, etc. paid in the applicable fiscal year
Officers	Amount of cash compensation	—	—	—	—	—
	Amount of stock compensation or stock-linked compensation	1,380	1,155	—	—	157
	Amount of other compensation	—	—	—	—	—
Employees and others	Amount of cash compensation	4,815	752	—	—	1,518
	Amount of stock compensation or stock-linked compensation	3,588	3,468	—	—	642
	Amount of other compensation	12	12	—	—	10
Total amount		9,796	5,388	—	—	2,328

Amount of Deferred Compensation, Etc. (SMBC non-consolidated)

Deferred compensation, etc.

(Millions of yen)

		(a)	(b)	(c)	(d)	(e)
		Balance of deferred compensation, etc.	Of the amount in (a), balance of deferred compensation, etc. subjected to adjustment or prone to fluctuations	With respect to post allocation compensation, amount of fluctuation after adjustment not linked to fluctuations of criteria in the applicable fiscal year	With respect to post allocation compensation, amount of fluctuation after adjustment linked to fluctuations of criteria in the applicable fiscal year	Amount of deferred compensation, etc. paid in the applicable fiscal year
Officers	Amount of cash compensation	—	—	—	—	—
	Amount of stock compensation or stock-linked compensation	1,380	1,155	—	—	157
	Amount of other compensation	—	—	—	—	—
Employees and others	Amount of cash compensation	4,815	752	—	—	1,518
	Amount of stock compensation or stock-linked compensation	3,588	3,468	—	—	642
	Amount of other compensation	12	12	—	—	10
Total amount		9,796	5,388	—	—	2,328





**SMBC Group Home Page**

<https://www.smfg.co.jp> (Japanese)

<https://www.smfg.co.jp/english/> (English)



**Medium-Term Management Plan**

<https://www.smfg.co.jp/company/strategy/> (Japanese)

<https://www.smfg.co.jp/english/company/strategy/> (English)



**Investor Relations**

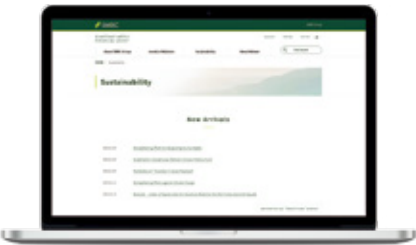
<https://www.smfg.co.jp/investor/> (Japanese)

<https://www.smfg.co.jp/english/investor/> (English)



**Beyond SMBC Group**

<https://www.smfg.co.jp/beyond/>



**Sustainability**

<https://www.smfg.co.jp/sustainability/> (Japanese)

<https://www.smfg.co.jp/english/sustainability/> (English)



**DX-link**

[https://www.smfg.co.jp/dx\\_link/](https://www.smfg.co.jp/dx_link/)

