[NEWS RELEASE]

January 27, 2020

Sumitomo Mitsui Financial Group

Expanded Disclosure in Response to Recommendations by the Task Force on Climate-related Financial Disclosures

Sumitomo Mitsui Financial Group ("SMBC Group", President & Group CEO: Jun Ohta) will strengthen its climate change scenario analysis through review of its climate change risk management framework and related initiatives in response to recommendations by the Task Force on Climate-related Financial Information Disclosures (TCFD).

The TCFD is a task force established by the Financial Stability Board (FSB) in December 2015 to help companies understand and disclose the financial impact of climate change. SMBC Group announced its support for the TCFD in December 2017, and in April 2019, disclosed its approach to climate change for each of the four basic disclosure items recommended by the TCFD, namely "Governance", "Strategy", "Risk Management" and "Metrics and Targets".
SMBC Group will now enhance its contents of disclosure by introducing new initiatives in response to the TCFD recommendation.

Details will be posted on SMBC Group's website.

● Strengthening the Climate Change Risk Management Framework

As a framework for risk management, SMBC Group follows the procedures of PDCA (Plan, Do, Check, Act) to identify external environmental and risk events, analyze their impact, and establish a system to undertake necessary management.

Recently, events related to climate change, such as the occurrence of large-scale disasters due to extreme weather and the deterioration of carbon-related assets in accordance with transition to a low-carbon society, have been newly selected as top risks. Under this framework, efforts to strengthen scenario analysis and consider countermeasures at the management level have begun. These measures are reported to the Management Committee and the Risk Committee and reviewed by external directors at Board of Directors meetings.

● Enhancing Climate Change Scenario Analysis

Sumitomo Mitsui Banking Corporation (“SMBC”, Chairman and CEO: Makoto Takashima), the core company of SMBC Group, performs scenario analyses for “physical risk” (risks caused by natural disasters due to climate change) and conducts financial analysis on climate change. After quantitatively estimating its impact, the results are disclosed.

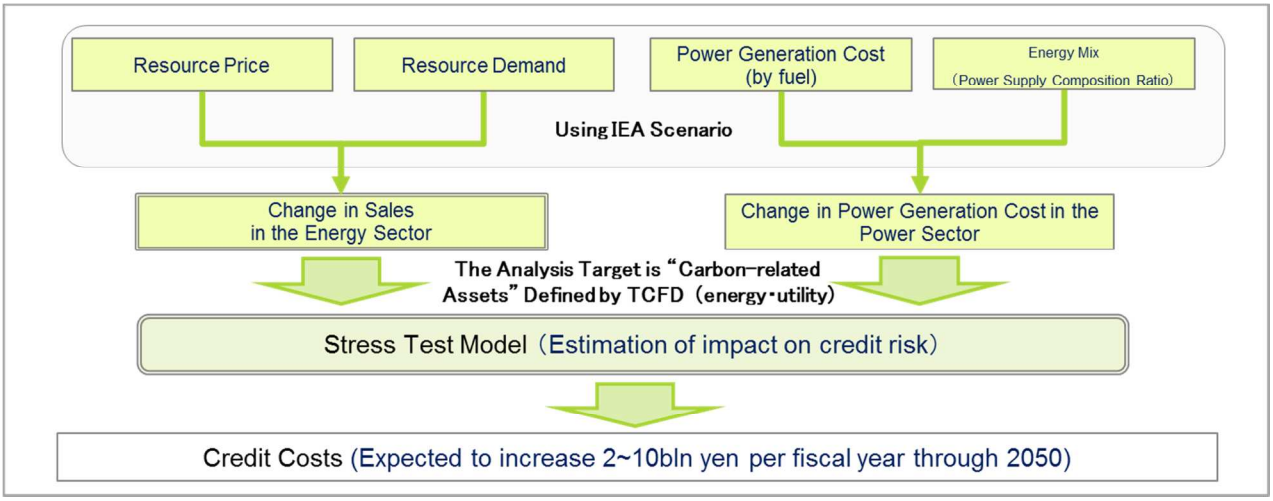
SMBC Group has now conducted a new scenario analysis on “transition risk” (risks arising from climate change policies, regulations and technological innovation, etc. associated with the transition to a low-carbon society) and analyzed its impact expected by 2050.

The analysis focused on sectors defined as carbon-related assets for which disclosure is recommended in the TCFD Recommendations (energy, electric power, etc.), Stated Policies Scenario[*1] and 2℃scenario[*2], which are stated by the International Energy Agency (IEA), were utilized. In addition, by estimating the impact on credit risk of each sector from the expected changes in resource prices, and power generation costs[*3] in each scenario, total credit costs expected by 2050 have been estimated. Under the 2℃ scenario, estimated credit costs are expected to increase approximately 2~10bln yen per fiscal year on or before 2050, compared with stated policy scenarios.

The assumptions used in the scenario analysis are based on certain premises and do not take into account factors such as the innovation expected to resolve climate change issue and the anticipated transformation of ESG strategies and business models for individual companies, as well as support for such changes in corporate activities. This is first step in the scenario analysis, and SMBC Group will continue to strive to enhance it. Going forward, SMBC Group will demonstrate leadership to measures against climate change through support for its customers' efforts to transition to a low-carbon society.

*1. A scenario assuming that energy plans currently stated by governments will be implemented
*2. A scenario in which the global average temperature increase from before the Industrial Revolution to 2100 is held to 2℃ with a probability of at least 50%
*3. In Japan, the restarting of nuclear power plant is considered in align with the IEA scenario.

● Scenario Analysis Process Diagram



● Initiatives in Response to Recommendations by the TCFD (* enhanced disclosures)

Item	Recommended Disclosure	Status of Initiatives
Governance	Organizational governance of climate-related risks and opportunities	➢ Establishment of the "Group Environmental Policy" ➢ Reflecting response to climate change in management strategies in the Corporate Sustainability Committee ➢ Climate change risks will be reported to the Management Committee and the Risk Committee, an internal committee of the Board of Directors *
Strategy	Impacts of climate-related risks and opportunities on business, strategy, and fiscal planning	➢ Conduct climate change scenario analysis [Physical Risk] • Analyzed estimated credit costs at the time of flood disaster under the RCP 2.6 scenario (2 ° C scenario) and RCP 8.5 scenario (4 ° C scenario), targeting SMBC's domestic corporate customers. The total is expected to be 30 ~ 40bln yen through 2050 [Transition Risk] • Analyzed estimated credit costs under the IEA 2 ° C scenario, targeting energy and power sectors in SMBC and overseas local subsidiaries. Compared with stated policy scenarios, costs are expected to increase approximately 2 ~ 10bln yen per fiscal year through 2050 * ➢ Estimated carbon-related asset exposure ratio (7.8%) ➢ Aggressive approach towards renewable energy finance and green bond issuance
Risk Management	How climate-related risks are identified, assessed and managed	➢ Identify climate change risk as one of top risks, and conduct impact analysis through stress tests * ➢ Conduct environmental and social risk assessments based on the Equator Principles ➢ Manage financing for coal-fired power generation and mining • Introduction of business specific policies for coal-fired power generation at Group companies • SMBC has expanded the scope of environmental and social risk assessments for loans for coal mining
Indicators and Targets	Indicators and targets used to assess and manage climate-related risks and opportunities	➢ Disclose greenhouse gas emissions

End.