

# Message from Top Management

Dear Fellow Stakeholders,

We sincerely thank you for your continued support and patronage. We would like to present the initiatives we implemented in fiscal 2014 (fiscal year ended March 2015) and our management policies going forward.

## Principal Initiatives in Fiscal 2014

In fiscal 2014, the Japanese economy continued to recover moderately after a temporary dip in economic activity due to a slump in consumer demand after the rush of purchasing ahead of the consumption tax rate hike in April 2014. Outside Japan, although emerging countries lacked growth momentum, economies continued to recover led by developed countries. The U.S. economy continued to improve driven by domestic demand, and the European economies moderately recovered despite sovereign debt issues.

Against this backdrop, we implemented the following initiatives to achieve the management goals of our medium-term management plan for the three years from fiscal 2014 to fiscal 2016, which we announced in May 2014.

First, we fully revised the domestic business structure of Sumitomo Mitsui Banking Corporation (SMBC) in April 2014 for the first time since its establishment, with the

aim of enhancing our capability to address our clients' needs, which are becoming more diverse and sophisticated, and to deliver higher value-added services.

Specifically, for large corporate clients, we enhanced our business structure with the aim of quickly making proposals tailored to their needs, responding to their businesses becoming global and more cross-border. Measures we implemented at SMBC include increasing the number of Corporate Banking Departments, intensifying the collaboration with SMBC Nikko Securities, further promoting a seamless operation between its domestic and international offices, and leveraging our extensive knowledge of various industries on a global basis.

For medium and small-sized corporate clients, we actively extended loans and tailored our services to meet the financial needs of each individual company. In addition, with the aim of quickly and comprehensively addressing the needs of business owners both as a corporate manager and as an individual, we established a new area marketing structure, Area Main Offices, within SMBC. Furthermore, we launched a "Japan Growth Strategy Cross-Functional Team" as an organization-wide body, in order to contribute to the economic growth of Japan by supporting clients in sectors, such as agriculture, healthcare, energy and infrastructure, that will underpin the Japanese economy five and ten years from now.

Regarding individual clients, we endeavored to increase the number of accounts and assets under management through initiatives such as expanding the business model, where SMBC and SMBC Nikko Securities



**Koichi Miyata**

President  
Sumitomo Mitsui Financial Group, Inc.

introduce each other's clients, to all offices and broadening our lineup of investment products. Further, we set up official accounts on social networking services to grow and strengthen our client base.

In the international business, we have been transforming our business model to be less dependent on lending volume and utilize our asset more efficiently in order to achieve sustainable growth. To this end, we promoted cross-selling of deposits, foreign exchange, derivatives and bond underwriting, in addition to lending, to non-Japanese corporate clients by bolstering our capability to meet their needs. We also accelerated the seamless operation between the domestic and international offices and responded quickly to the needs of Japanese corporate clients; expanded our global office network into markets where future growth is expected; and strengthened our relationship with leading financial institutions in each country, including investing in ACLEDA Bank in Cambodia and acquiring additional shares of The Bank of East Asia in Hong Kong.

In addition, for institutional investors, we established and enhanced a group-wide framework to originate and distribute financial products through measures such as SMBC and SMBC Nikko Securities creating a structure for regional banks to jointly finance overseas project financing led by SMBC. We also promoted the "SMBC" brand by SMBC becoming a special sponsor of the Nippon Series professional baseball championship.

As a result of these initiatives, we made a good start in the first year of our medium-term management plan. Regarding the financial results of Sumitomo Mitsui Financial Group (SMFG), the consolidated ordinary profit was ¥1,321.2 billion and consolidated net income was ¥753.6 billion, exceeding the targets announced in November 2014 by ¥121.2 billion and ¥53.6 billion respectively. Moreover, we are on track to achieving all the financial targets of the plan.

**Takeshi Kunibe**  
President and CEO  
Sumitomo Mitsui Banking Corporation

#### Progress of financial targets in the medium-term management plan (SMFG consolidated basis)

		FY3/14	FY3/15	FY3/17 Targets
Growth	Growth rate of Consolidated gross profit	—	<b>+2.8%</b>	Around +15%*1
Profitability	Consolidated ROE	13.8%	<b>11.2%</b>	Around 10%
	Consolidated net income RORA	1.4%	<b>1.1%</b>	Around 1%
	Consolidated overhead ratio	54.2%	<b>55.7%</b>	In the mid 50%
Soundness	Common Equity Tier 1 Capital Ratio*2	10.3%	<b>12.0%</b>	Around 10%

\*1 FY3/17 targeted consolidated gross profit increase in comparison with FY3/14 figure

\*2 Basel III fully-loaded basis. Based on the definition as of March 31, 2019

#### Vision for the next decade and three-year management goals (announced in May 2014)

##### Vision for the next decade

We will become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region

We will become  
a truly Asia-centric institution

We will develop  
the best-in-class earnings base in Japan

We will realize true globalization and continue to evolve our business model

##### Three-year management goals

- ① Develop and evolve client-centric business models for main domestic and international businesses
- ② Build a platform for realizing Asia-centric operations and capture growth opportunities
- ③ Realize sustainable growth of top-line profit while maintaining soundness and profitability
- ④ Upgrade corporate infrastructure to support next stage of growth



## Management Policies for Fiscal 2015

Our basic policy for fiscal 2015, the second year of the medium-term management plan, is as follows: “accelerate key initiatives in accordance with management goals, produce results, and move reform forward vigorously” and “anticipate changes and be proactive, make a difference with SMFG/SMBC’s on-the-ground capabilities, and create business opportunities.” We will continue to firmly contribute to the Japanese economy as a leading financial institution in Japan, as various measures for economic revitalization are progressed by public and private sectors. At the same time, we will move initiatives forward for our sustainable growth, including corporate governance. There is a movement toward strengthening and improving corporate governance in Japan, as demonstrated by the implementation of the Corporate Governance Code for listed companies in June 2015. We will increase our corporate value over the mid to long term by further strengthening and improving the management structure for transparent, fair, timely and decisive decision-making through initiatives including increasing the number of SMFG’s outside directors in line with our policy that one-third or more of the board comprise of independent outside directors with diverse knowledge and experience.

### © Initiatives to achieve the management goals

#### (1) Develop and evolve client-centric business models for main domestic and international businesses

We will enhance our capability to address the increasingly diverse and sophisticated needs of our clients by creating a stronger franchise both domestically and internationally. We will achieve this by fine tuning our domestic business which was developed through the restructuring last fiscal year and fully implementing the transformation of our international business model.

For large corporate clients, we will continue to strengthen the collaboration between SMBC and SMBC Nikko Securities and accelerate the seamless operation of domestic and international offices, in an aim to deliver higher quality services to a wider range of clients.

For medium and small-sized corporate clients, we

aim to enhance our capability to meet the financial needs of each individual company by reinforcing our on-the-ground capabilities through the development of talented professionals capable of supporting their wide-ranging needs. As for business owners, we strive to provide added value by accelerating initiatives to comprehensively address their needs, both as a corporate manager and as an individual, through one-stop-services. Moreover, we will proactively contribute to the growth of the Japanese economy by providing financial services leveraging our extensive knowledge and information on agriculture, healthcare, energy, infrastructure, and other growth industries led by the Japan Growth Strategy Cross-Functional Team. We will also sponsor the Tokyo Olympic and Paralympic Games in 2020 as a Gold Partner in the “Banking” category as one of our initiatives to contribute to the growth of the Japanese economy.

For individual clients, we aim to fully meet their diversifying asset management needs by further promoting the collaboration between SMBC and SMBC Nikko Securities. We will also strengthen our capability to meet the needs of affluent individuals through the retail banking business of Citibank Japan, scheduled to be acquired by SMBC Trust Bank in November 2015 subject to regulatory approvals. Further, we aim to enhance our presence and services targeting mass-affluent clients with SMBC advertising products and services and disseminating information through social networking services, and enhancing services utilizing smartphones. In the consumer finance business, we will further strengthen the collaboration between SMBC and SMBC Consumer Finance, and develop the business on a group basis.

For globally operating non-Japanese corporate clients, we will enhance our products providing capability and promoting collaboration among offices in western countries and Asia in order to strengthen relationships and promote cross-selling.

In addition to the above, for institutional investors, we will continue to build and strengthen the group-wide framework for originating and distributing financial products. Regarding information and communication technology (ICT) and transaction banking business, important

underpinnings for our business base, we aim to offer new leading-edge services by enhancing our capabilities internally and utilizing external resources, including forging alliances with leading ICT players.

**(2) Build a platform for realizing Asia-centric operations and capture growth opportunities**

In order to enhance our Asia business, which is the principal strategy for the whole group, we will steadily build a business platform in Asia by prioritizing the allocation of resources, including human capital and system infrastructure, to the region. Specifically, we plan to strengthen our capability to provide comprehensive services by centralizing and enhancing transaction banking product sales functions and solution-providing functions within Asia. Through these initiatives, we will intensify our group's presence in Asia. We will also accelerate our multi-franchise strategy, which is to firmly establish a full-scale commercial banking franchise in Asia, as highlighted by our continued collaboration in the retail business with Bank Tabungan Pensiunan Nasional in Indonesia, our equity method affiliate.

**(3) Realize sustainable growth of top-line profit while maintaining soundness and profitability**

Underpinned by the stable financial base, we aim to realize the sustainable growth of our consolidated gross profit by continuing to develop and evolve our business models and allocate resources into growth fields, while focusing on maintaining financial soundness and high profitability, as well as complying with the tightening of global financial regulations.

**(4) Upgrade corporate infrastructure to support the next stage of growth**

We intend to further reinforce our management platform to support our business as it develops and grows globally, through initiatives such as strengthening corporate governance, upgrading our risk management system, enhancing our responsiveness to comply with domestic and international laws and regulations, and promoting diversity.

Specifically, we believe the diversity of human capital is a source of competitiveness and will promote appointments of locally hired officers and women in managerial positions. We will also further strengthen and improve the structure for transparent, fair, timely and decisive decision-making, with due attention to the needs and perspectives of stakeholders, including our shareholders, clients, staff (including directors and corporate auditors) and local communities, and increase our corporate value over the mid to long term, in accordance with the corporate governance guideline we created in May 2015.

**© Capital and shareholder return policies**

We aim to achieve a sustainable increase in shareholder value by realizing higher profitability and growth by investing for the future. We also intend to enhance shareholder return by implementing measures such as raising dividend per share in a stable manner. In line with this policy, the ordinary dividend per share on common stock was ¥140 in fiscal 2014, a year-on-year increase of ¥20.

For fiscal 2015, for SMFG, we forecast consolidated ordinary profit of ¥1,240 billion and consolidated profit attributable to owners of parent of ¥760 billion, and an annual dividend per share of ¥150, a year-on-year increase of ¥10, and the half of which, ¥75, will be paid as an interim dividend.

We believe that we can meet your expectations through the initiatives we have described. We hope that we can continue to count on your understanding and support in the years ahead.

August 2015



Koichi Miyata  
President  
Sumitomo Mitsui  
Financial Group, Inc.



Takeshi Kunibe  
President and CEO  
Sumitomo Mitsui  
Banking Corporation