

SMBC Group Annual Report 2018

YEAR ENDED MARCH 31, 2018

Our Mission

At Sumitomo Mitsui Financial Group, 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 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.



Takeshi Kunibe
Director President and Group CEO
Sumitomo Mitsui Financial Group, Inc.



Makoto Takashima
President and CEO
Sumitomo Mitsui Banking Corporation



Contents

About SMBC Group

- 4 History of SMBC Group
- 6 Financial Highlights
- 7 ESG Highlights
- 10 SMBC Group's Value Creation Process

To Our Stakeholders

- 12 Message from the Group CEO
 - 20 Core Policies of Medium-Term Management Plan (fiscal 2017–2019)
- 22 Message from the Group CFO
- 27 Our New Group Brand Strategy

Business Strategies for Creating Value

- 28 Group Structure
- 30 Retail Business Unit
- 32 Wholesale Business Unit
- 34 International Business Unit
- 36 Global Markets Business Unit
- 38 Special Feature: Realization of a Cashless Society
- 40 Special Feature: Branch Reorganizations—Transformation into Next-Generation Branches
- 42 Special Feature: Support for Ambitions of Start-Ups and Growing Industries

Editorial Policy

SMBC Group Report 2018 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 CSR activities can be found on the Company's corporate website.

Scope of Report

Period covered:

Fiscal 2017 (April 2017 to March 2018)
Some subsequent information is also included.

Organizations covered:

Sumitomo Mitsui Financial Group and its subsidiaries and affiliates

Published

August 2018



Corporate Infrastructure Supporting Value Creation

44	Corporate Governance	68	Risk Management
	52 Outside Director Interview	72	Compliance
	54 Sumitomo Mitsui Financial Group Directors	74	Human Resources Strategy
58	Towards Sustainable Development of Society	78	Communication with Stakeholders
64	Customer-Oriented Initiatives	80	Financial Review
67	Internal Audits		

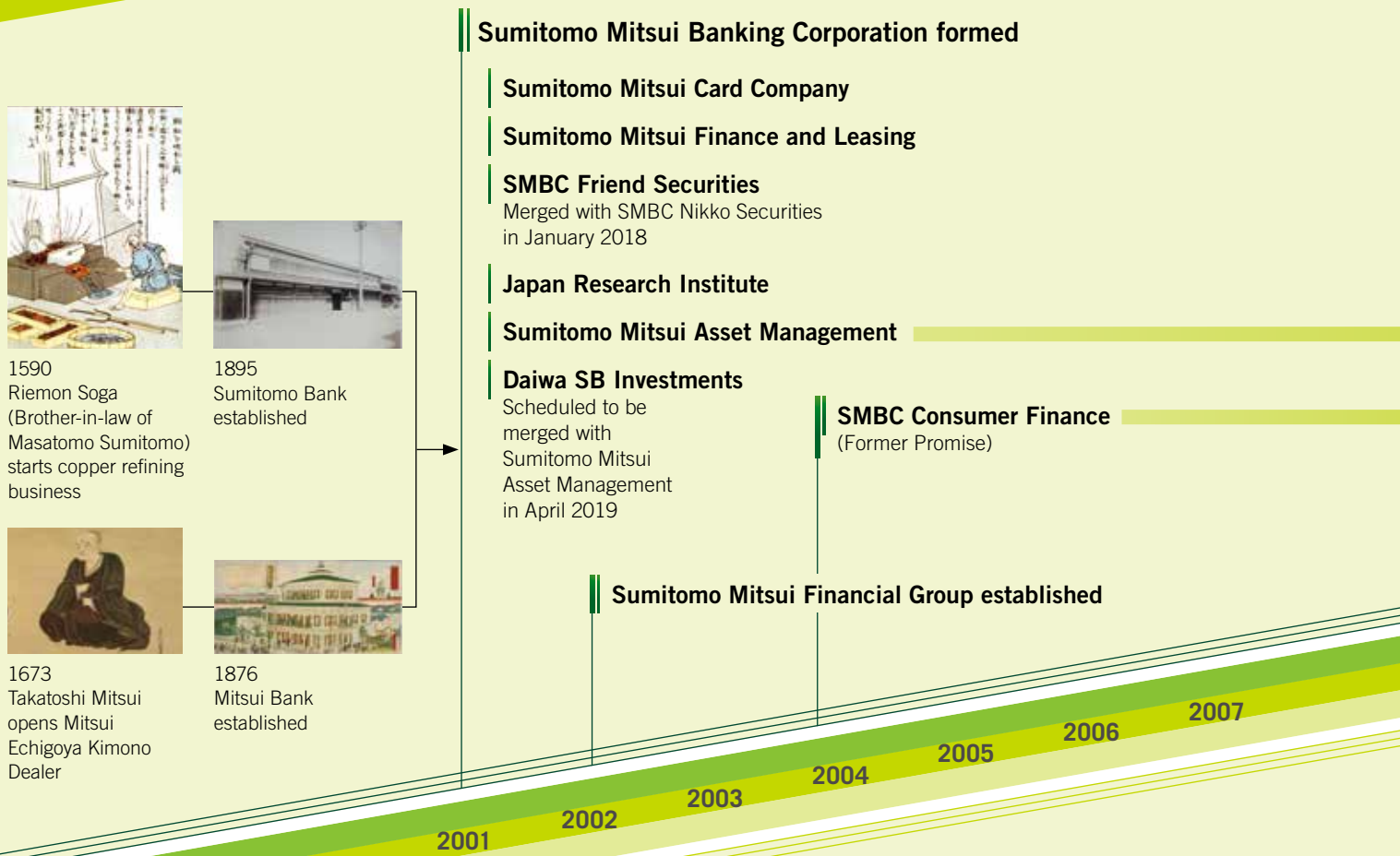
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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.

History of SMBC Group

Our business can be traced back more than 400 years.



Operating Environment

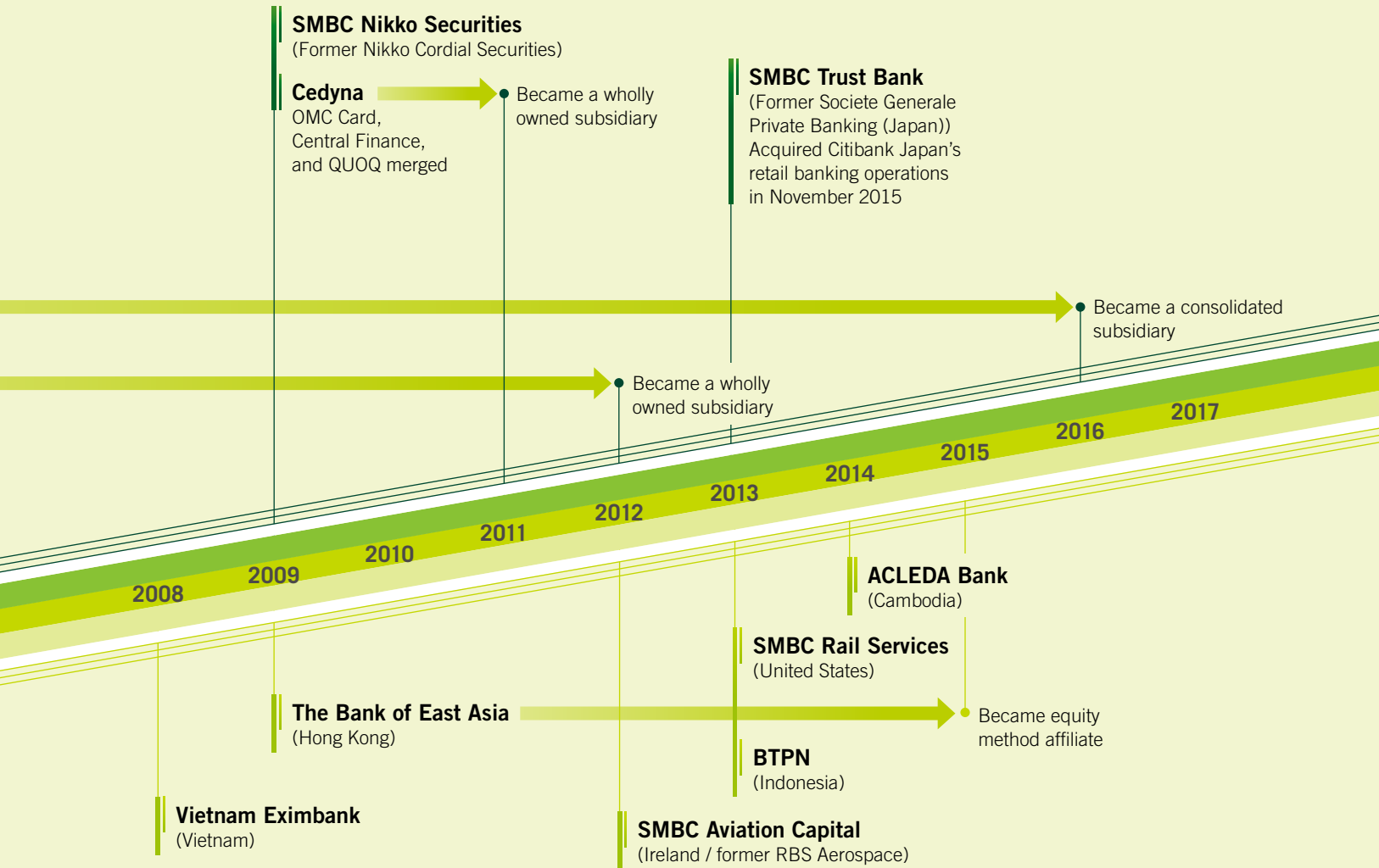
Japan

- “Program for Financial Revival” commenced → Disposal of non-performing loans conducted
- Lift the ban of securities intermediary
- Blanket guarantee of deposits fully lifted
- Zero interest rate policy rescinded by the Bank of Japan
- Financial Instruments and Exchange Act enacted
- Full lift of the insurance products sale by banks
- Japan Post privatized

Global

- Collapse of the IT bubble
- Implementation of Basel II
- Subprime mortgage crisis

Expansion of Business Domain

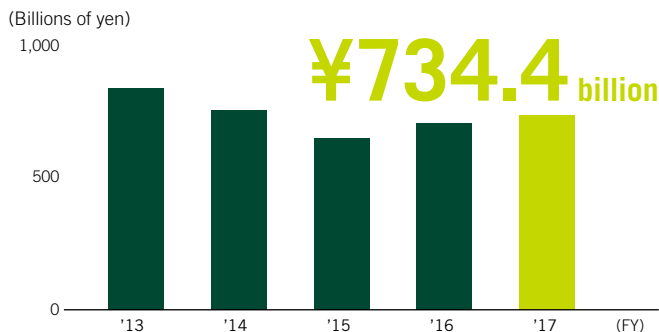


Expansion of Regional Coverage

- Firewall regulations between banking and securities alleviated
- Start of "Abenomics"
- Japan's Corporate Governance Code instituted
- Great East Japan Earthquake
- Introduction of quantitative and qualitative monetary easing
- Introduction of negative interest rate policy
- NISA introduced
- Consumption tax rate raised to 8%
- "Principles for Customer-Oriented Business Conduct" released
- European sovereign debt crisis
- Dodd-Frank Act enacted in the U.S.
- Implementation of Basel III
- U.S. federal funds rate raised for the first time in nine and a half years
- Finalization of the Basel III reform
- Financial crisis
- U.K. announces withdrawal from the European Union

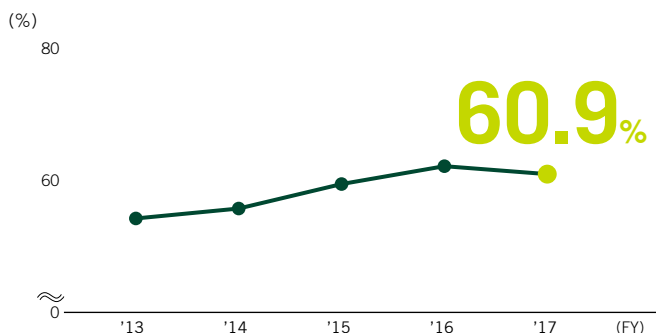
Financial Highlights

Profit attributable to owners of parent



Profit attributable to owners of parent increased by ¥27.8 billion year-on-year in fiscal 2017 and was ¥104.4 billion higher than targeted due to top-line growth driven by the Retail Business Unit and the International Business Unit as well as the decreased credit cost and increased gains on stocks.

Overhead ratio



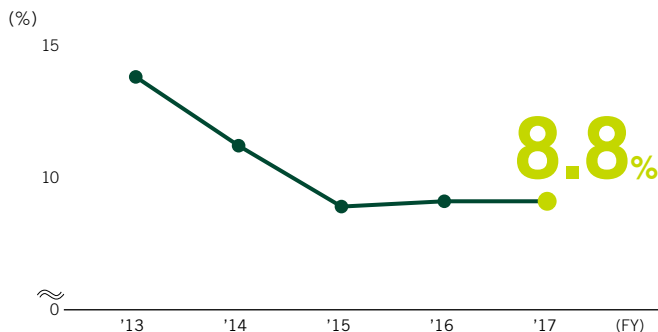
The overhead ratio was 60.9% in fiscal 2017 as a result of effective cost controls and steady growth of top-line profit. This was lower than targeted in the Medium-Term Management Plan: 1% reduction compared with fiscal 2016 (62.1%).

Dividend per share



Dividend per share was ¥170 in fiscal 2017, ¥20 higher than the previous fiscal year and ¥10 higher than our initial forecast since profit attributable to owners of parent was significantly higher than our initial forecast.

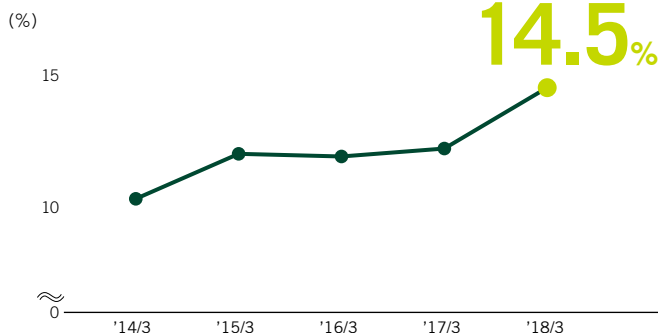
Return on equity (ROE)*



* Calculated using stockholders' equity as the denominator

ROE exceeded the financial target of 7-8% defined in the Medium-Term Management Plan due to the steady progress of the plan and profit attributable to owners of parent exceeding the forecast.

Common Equity Tier 1 capital ratio (CET1 ratio)*



* Basel III fully-loaded basis, based on the definition applicable in March 2019

CET1 ratio increased by 2.3% year-on-year due to the accumulation of retained earnings coupled with the decrease in risk-weighted assets primarily attributable to the conversion of Kansai Urban Banking Corporation and THE MINATO BANK into equity method affiliates.

Credit ratings (As of June 30, 2018)

	Holding company		SMBC	
	Long-term	Short-term	Long-term	Short-term
Moody's	A1	P-1	A1	P-1
S&P	A-	—	A	A-1
Fitch	A	F1	A	F1
R&I	A+	—	AA-	a-1+
JCR	AA-	—	AA	J-1+

ESG Highlights

Accreditation

Received 4.5 star rating
(top 40 companies) in the
NIKKEI Smart Work Management Survey
Sumitomo Mitsui Financial Group



Selected twice as Certified Health and
Productivity Management Organization
(large enterprise category) by the Ministry
of Economy, Trade and Industry
Sumitomo Mitsui Financial Group



Acquired Top Gold Rating in
PRIDE index evaluation for LGBT-related
initiatives from work with Pride
Sumitomo Mitsui Banking Corporation



Certified as “Eruboshi” by the
Ministry of Health, Labour and Welfare
Japan Research Institute and
SMBC Trust Bank (third rank)
Sumitomo Mitsui Banking Corporation
and Cedyne (second rank)



Certified as “Platinum Kurumin” by the
Ministry of Health, Labour and Welfare
Sumitomo Mitsui Banking Corporation
and Japan Research Institute



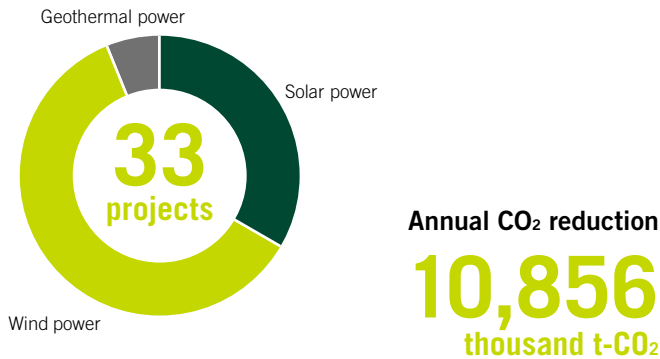
Support for initiatives in Japan and overseas

As a global corporate citizen of the 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 the corporate activities and principles).

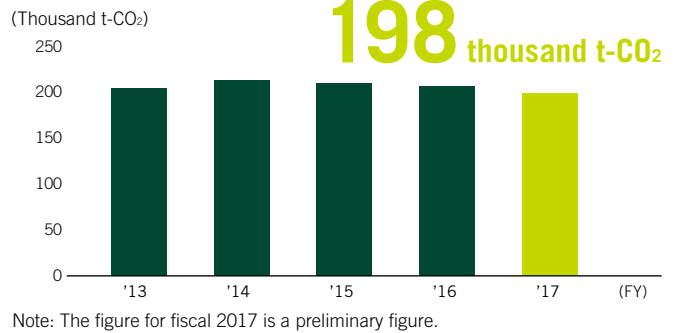


Environment → See page 60 for more information.

Project finance for overseas renewable energy projects

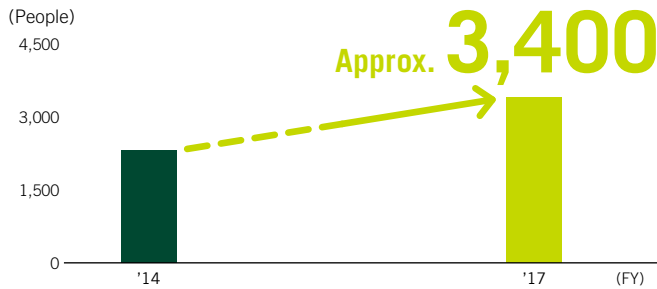


Total CO₂ Emissions

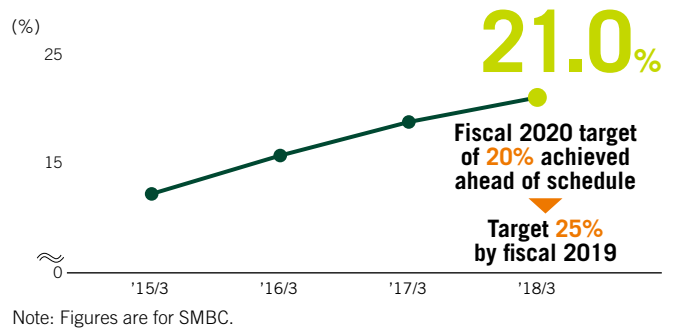


Social → See page 62, 76 for more information.

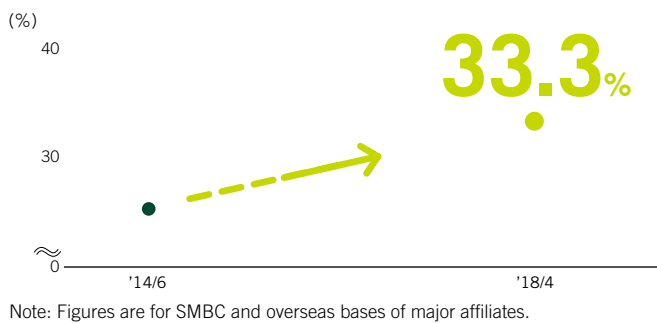
Number of employees taking parental leave (male and female)



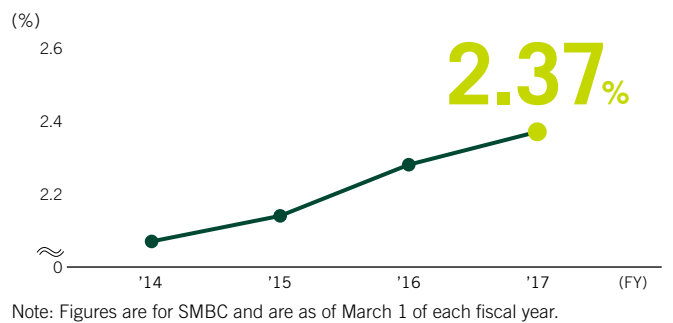
Ratio of female managers



Ratio of GM positions with locally hired employees

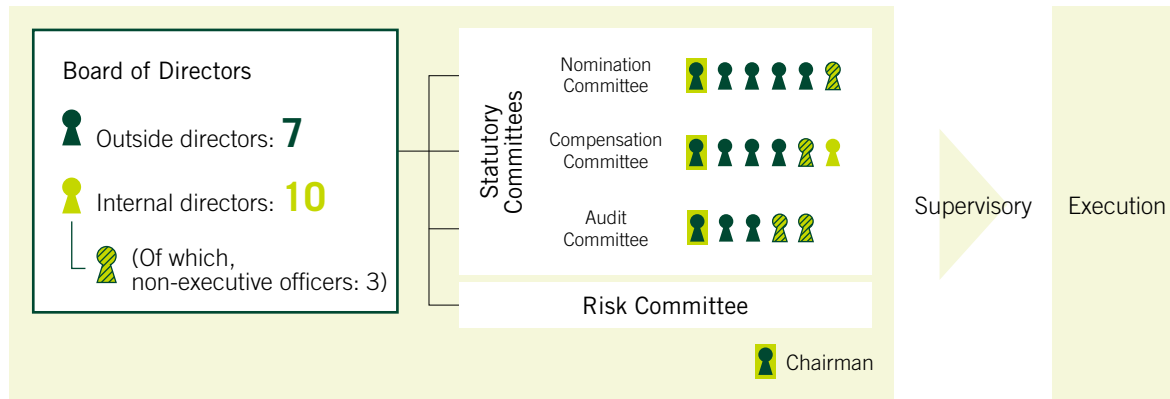


Ratio of employees with disabilities

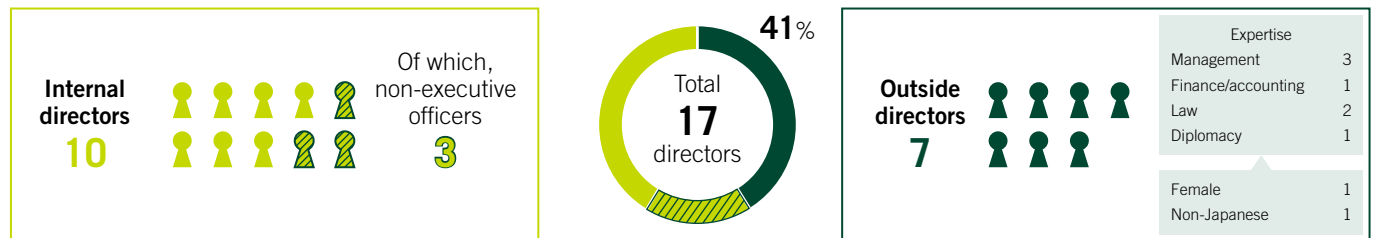


Governance → See page 44 for more information.

Transition to a Company with Three Committees (Fiscal 2017)



Composition of the Board of Directors (As of June 28, 2018)



SRI Indices on which Sumitomo Mitsui Financial Group is listed

SMBC Group has been included in the following SRI indices, as a reflection of the high evaluation of its proactive CSR activities.



ESG indices selected by GPIF

MSCI 2018 Constituent MSCI Japan Empowering Women Index (WIN)

MSCI 2018 Constituent MSCI Japan ESG Select Leaders Index

SMBC Group's Value Creation Process

SMBC Group works to improve corporate value by providing high-quality services to its customers. At the same time, we address social issues through a concerted Group effort.

Social Issues

E Environment

- Climate change
- Clean energy

S Social

- Support for growth industries and companies
- Digitalization
- Cyber security
- Financial literacy education
- Diversity and Inclusion

G Governance

- Fiduciary duties
- Compliance
- Workstyle reform

Financial Environment

- Global liquidity glut
- The Bank of Japan's negative interest rate policy
- Geopolitical risks, trend toward protectionism
- Tighter international financial regulations

Sources of Value Creation for SMBC Group



Provision of Value to Stakeholders

Shareholders

Maximization of our shareholders' value

Customers

Greater value of services

Employees

Work environment that allows employees to fully exert their ability

Society

Positive contribution to society as a good corporate citizen

Medium- to long-term vision

To be a global financial group that leads growth in Japan and Asia by earning the highest trust of our customers

Message from the Group CEO

By achieving sustainable growth through the speedy execution of operations and the continuous evolution of our business model we will become “A top tier global financial group that delivers the highest quality in all aspects of our business.”

Takeshi Kunibe

Director President and Group CEO
Sumitomo Mitsui Financial Group, Inc.



We extend our sincerest appreciation to our stakeholders for your continued support and patronage. In this year's edition of the SMBC Group Report, I would like to share with you my thoughts as Group CEO in regards to SMBC Group's corporate vision and our initiatives to enhance corporate value.

Our Business Environment

Fiscal 2017 marked the 10th anniversary of the global financial crisis which originated in the United States. In the financial industry it is said that a financial crisis occurs once every 10 years, and 10 years ago, a global financial crisis was triggered by the U.S. subprime loan problem. Ten years before that, Japan's deteriorating nonperforming loans problem raised concerns about the possibility of a banking panic, which was followed by a period of prolonged deflation and major consolidation within the financial industry. While these events rocked the very foundations of the banking business, looking back now, we can see that they also triggered major changes in financial institutions' business models, for example through the strengthening of international financial regulations. As a result of having experienced and overcome these challenges on the front lines of the financial industry, I am very conscious of the fact that we cannot survive unless we continuously evolve as a financial institution.

Looking at the prevailing economic and financial environment, we can see that the ripples of economic recovery have spread worldwide, and market trends have been upbeat, with no visible turmoil as we would expect based on the 10 year jinx. However, as a banker with more than 40 years' experience, I believe that we must be fully aware of the risks arising from a substantial paradigm shift taking place in the world of finance.

For example, while North America and Europe are leading the move towards exiting quantitative easing, excess liquidity and low interest rates remain a global phenomenon. Especially in Japan, financial institutions are faced with the tough challenge of generating profits under the Bank of Japan's negative interest rate policy. In regards to overseas businesses, which are one of our growth drivers, in order to realize foreign currency funding operations which can underpin sustainable growth, attention must be paid to quality, such as cost and duration, in addition to volume. Furthermore, while businesses in Asian emerging market economies are presented with opportunities to grow and expand as global economic growth is increasingly being driven by emerging market economies, the resulting change in the balance of power between developed and emerging market economies is destabilizing the traditional order of the international community, leading in part to heightened geopolitical risk and protectionism. Thus, when conducting business overseas, target markets must be carefully selected and risks need to be diversified.

The spread of digitalization in recent years has brought about dramatic changes in how the economy and society function, as well as in business models and individual lifestyles. The financial industry is no exception, as the emergence of FinTech has brought about significant changes in the competitive environment. In fact, the very foundations of the financial industry are facing change. It is no exaggeration to say that success or failure will be determined by the ability to efficiently incorporate the latest technologies into business operations by riding the wave of digitalization that is sweeping through society to provide innovative new services and improve productivity.

Although such trends may give rise to a certain sense of pessimism regarding the futures of the financial and banking industries, I believe they present an excellent opportunity for us to push ahead

►  P4
Expansion of
Business and
Regional Wings

with reforms amid the various structural and environmental changes. I view finance as a very exciting business to be in; one that will undergo further growth as part of the information industry.

In the past, we at SMBC Group have overcome numerous challenges and enhanced the quality of our corporate infrastructure via the flexible and timely shifting of target businesses by expanding the scope of our operations and the markets in which we operate based on the changing needs of the times. In terms of digitalization, while it is inevitable that this trend will increase competition, which in turn will have a downward effect on fees, I am confident that we can differentiate ourselves from our competitors by expanding our business while also enhancing quality. We will achieve this by driving innovation through the effective application of the abundant data we possess and proactively harnessing evolving technologies such as AI, IoT, robotics, and blockchain.

Points of Focus Amid Structural Changes

I believe that in such times of ever accelerating change, it is important for a CEO to present a vision and put every effort into evolving one's own business model based on a perspective that is one step ahead of the times.

Four years ago at SMBC Group, we formulated our Medium- to Long-Term Vision "To be a global financial group that leads growth in Japan and Asia by earning the highest trust of our customers," which describes the kind of financial institution we will aim to become over the next decade. At the time, the Japanese economy was beginning to recover under Abenomics, and we were moved to clarify our vision for the future. This was based on our conviction that as a financial institution we needed to anticipate what our business environment would be like 10 years from now, based on which we would constantly challenge ourselves so that we can continue evolving.

The vision remains unchanged in our three year Medium-Term Management Plan "SMBC Group Next Stage," which commenced in April 2017 and will continue until March 2020. The key to making our vision a reality is the speedy implementation of the various initiatives while maintaining our unwavering commitment to quality. However, when operating in an environment of rapid structural change, sustainable growth cannot be realized without constant evolution and reorganization. Moreover, a wide range of our stakeholders have increasing expectations in relation to how our presence benefits society, for example, in the area of corporate social responsibility and our fiduciary duties as a financial institution. Instead of focusing on expanding our operations, our goal is to become "A top tier global financial group that delivers the highest quality in all aspects of our business." To this end, I have established the following four objectives: 1) Attain world-class profitability, efficiency, and productivity so that we can win the approval of our shareholders and their long-term support, 2) Address our customers' diverse business needs and be rated as a leader in our Seven Core Business Areas, 3) Become a vibrant organization that employees are excited to work for, and 4) Become an organization with a strong compliance culture that serves society by addressing its issues. Although it is no easy task to accomplish all these objectives, I believe it is possible by harnessing SMBC Group's on-the-ground capabilities, spirit of innovation, and speed.

For example, in terms of profitability, efficiency, and productivity, our high domestic loan-to-deposit spread, in comparison to that of our competitors, and our overhead ratio, which is low even by global standards, are reflections of our strengths. Furthermore, although we have seen a fall in our ROE, we still produced an ROE of 8.8% for fiscal 2017 despite the prevailing negative interest rate environment and strengthening our capital base in response to tightening international financial regulations. As you can see, we secured an ROE that is very competitive with global standards by focusing on quality

improvement. Of course, we are not satisfied with this result. We will continue to improve the quality of our earnings and improve shareholder value by developing a business model that is not dependent on asset-based businesses and is capable of producing sustainable, stable earnings. In order to realize this goal, we must walk alongside our customers and understand their true needs so that we can provide optimal business solutions. The success of such an undertaking depends on the on-the-ground capabilities of each and every SMBC Group employee. In order to maximize our employees' on-the-ground capabilities, I believe we must reduce low productivity tasks and assign employees to creative, high value-added responsibilities. In other words, we need to increase the quality of our employees' tasks and responsibilities, and this is exactly what we mean by work style reform and job satisfaction reform. These reforms will improve employee motivation and promote professional growth, which will ultimately allow us to offer services which differentiate us from our competitors while also contributing to business growth and improved profitability.

In regards to the promotion of diversity, which I personally regard as being one of our key management strategies, we are actively working to create a framework that will allow female and non-Japanese employees to play a more active role at SMBC Group. For example, we reached our target of having 20% of our management positions occupied by female employees three years ahead of schedule, after which we proceeded with raising our target. I believe that working tirelessly towards the building of a vibrant organization is one of my main missions.

Furthermore, we must balance the pursuit of economic growth and the addressing of social issues if we are to fulfill our corporate social responsibility. Through business related initiatives, SMBC Group will support 10 of the Sustainable Development Goals adopted by the United Nations in 2015. For example, with the aim of addressing climate change and human rights related issues, we are tightening our credit policy covering development projects which place a significant strain on the environment, such as coal-fired power plants, or projects that could violate human rights. I also believe that it is vital that we carry out our responsibilities with an increased sensitivity to risk and a keen awareness of compliance related issues amid the ever-increasing complexity of business risks, such as cyberattacks and money laundering.

The Spirit of "SMBC Group Next Stage" and Fiscal 2017 Results

As the name of our Medium-Term Management Plan "SMBC Group Next Stage" indicates, the plan's goal is to propel SMBC Group to the next stage of development as a global financial group. We will realize this goal via the three core policies: Discipline, Focus, and Integration. These policies were also established based on our commitment to quality and speed. Under the Medium-Term Management Plan, our goal is to take our business capabilities to the next level. We will accomplish this by: 1) Making further progress in the reorganization of our business model, an initiative which was introduced under the previous plan, and 2) Uniting the collective strengths of SMBC Group and forging ahead with structural reforms under the new management framework comprised of group-wide business units and the CxO system. One year has passed since the Medium-Term Management Plan was introduced, and we are in the process of uniting the collective strengths of SMBC Group to realize the speedy implementation of the various initiatives established under the plan so that we may provide our customers with even higher quality financial products and services. As Group CEO, I am encouraged by the outcome of fiscal 2017 given that we made solid progress in terms of both financial results and the initiatives that we have implemented.

In the Medium-Term Management Plan we have defined our goal for Integration as "Integration across SMBC Group and globally to achieve sustainable growth." We are seeing the consistent application of a

►  P76
Diversity

►  P59
Initiatives for
Accomplishing
Sustainable
Development Goals

►  P20
Medium-Term
Management Plan
"SMBC Group
Next Stage"

►  P28
Four Business Units

►  P27
Integration of
Master Brand

group-based perspective, and when we turn our attention to our four business units we can see that collaborations are increasing between group companies, domestic and overseas operations, and between the business units themselves. As we are a diversified financial services group made up of group companies that are leaders in their respective fields, I have consistently led SMBC Group under the belief that “The strengthening of group companies will lead to the strengthening of SMBC Group.” While this belief has not changed, in order for SMBC Group to realize sustainable growth under the rapidly changing business environment, organizational boundaries must not hamper our efforts to maximize SMBC Group’s potential by providing a broad range of financial services through the seamless utilization of SMBC Group companies’ diverse capabilities and expertise. It was also based on this understanding that we designated SMBC as the new master brand for our financial group in March. Our intention is to enhance the quality of services we provide customers by further accelerating group-based management as the new group-based management framework becomes embedded in our business operations.

Initiatives related to Discipline and Focus are also steadily progressing. For Discipline, we have been transforming our business/asset portfolio, for example, turning regional bank subsidiaries into equity-method affiliates and reorganizing our joint leasing partnership, so that we may improve capital and asset efficiencies given tightening international financial regulations. To improve cost efficiency, SMBC led efforts to automate headquarter operations using Robotic Process Automation, and SMBC Group succeeded in achieving operational volume reductions of 1.1 million hours, the workload equivalent to that of 550 employees. We have also merged our securities subsidiaries. Consequently, of the ¥50 billion cost reduction target established under the Medium-Term Management Plan, we have already accomplished, or are on track to accomplish, cost reductions of ¥26 billion.

Initiatives for Fiscal 2018 and New Challenges

We will continue to focus on quality and speed in fiscal 2018. Our management policy for the year is “Accelerate the Medium-Term Management Plan.” While we have not made any changes to our key policies, we have positioned fiscal 2018 as the year in which we will increase the certainty of achieving the final targets of the Medium-Term Management Plan by producing concrete results via the accelerated implementation of our strategies and initiatives, while steadily strengthening the competitiveness of our core businesses to realize sustainable growth. To this end, we will focus on three key challenges.

First, we will accelerate the improvement of capital, asset, and cost efficiencies.

For SMBC Group to realize sustainable growth in the ongoing challenging business environment, our business operations must place an even greater focus on capital, asset, and cost efficiencies. In fiscal 2018, we will continue to ensure that our business operations prioritize profitability, and conduct an in-depth review of our expense structure to further enhance our traditional strengths of profitability and efficiency.

Specifically, from the perspective of improving capital and asset efficiencies, with international financial regulations continuing to tighten, we will proactively engage in efforts to grow our Origination & Distribution business, reduce strategic shareholdings, and improve the profitability of existing operations by strengthening non-interest income generating businesses. For example, we will address narrowing loan spreads, an issue in the Wholesale Business Unit, via the full-scale introduction of a performance evaluation framework in our front offices that incorporates profitability improvement, in addition to improving asset efficiency by strengthening our non-interest income generating business, such as securities and FX. In terms of improving cost efficiency, in fiscal 2017 we converted 103 SMBC retail banking branches to next-generation branches, an initiative which we will accelerate so that all 430 targeted branches

can be successfully converted within the three year timeframe. Digitalization initiatives, such as going paperless, have not only improved the efficiency of operations, but also enhanced consulting services by improving customer convenience and increasing meeting spaces for client discussions regarding topics such as wealth management. Customer feedback has been positive at retail branches that have transitioned to the next-generation structure.

In addition, we will focus on “Honing our strengths and advantages so that we can realize medium- to long-term growth.”

In the Medium-Term Management Plan, we have established the Seven Core Business Areas under the core policy of Focus. We will continue to strategically allocate management resources to these business areas to build robust competitive advantages.

By accelerating bank-securities integration to strengthen our wealth management business and our business with high net-worth individuals while leveraging the strengths of SMBC Group, which includes one of the leading credit card companies in Japan, to provide customers with safe, secure, and convenient services we will achieve our goal “Hold the number one retail banking franchise in Japan.” In order to further build upon our advantages in the domestic SME sector, we will make full use of SMBC Group’s resources to provide multifaceted business solutions that address customer issues and concerns, such as business succession and growth capital needs.

We will also increase our presence in business conducted with large corporate customers, both in and outside of Japan, by providing sophisticated business solutions through cross-entity collaborations; for example, bank-securities and Wholesale Business Unit-International Business Unit collaborations. Furthermore, we remain committed to working toward our goal “Accelerate our ‘Asia-centric’ strategy” so that we may realize our vision. For example, in Indonesia where we are implementing our Multi-franchise Strategy, we are proceeding with the merger of BTPN and PT Bank Sumitomo Mitsui Indonesia. In Sales & Trading, we have been awarded derivative and other transactions tied to our lending business as a result of bank-securities collaboration, which we intend to continue to expand.

It is also important that we create new strengths and advantages as SMBC Group. While we have already established top tier positions in a number of businesses, such as aircraft and railcar leasing, we will accelerate cross-entity and cross-business unit initiatives targeting high potential business segments where the application of a group-wide approach will have a significant impact, so that we can differentiate ourselves from, or match our competitors in such areas. One such example is the merger of the two SMBC Group asset management companies that was announced in May.

Last, but certainly not least, we will focus on our digitalization related initiatives.

In the Medium-Term Management Plan, we identified the goals of promoting digitalization as: “Enhancing the customer convenience,” “Generating new businesses,” “Improving productivity and efficiency,” and “Upgrading management infrastructure.” Simply put, we will carry out digitalization related initiatives by incorporating technological advances into all aspects of our business.

The financial industry in particular is seeing the introduction of many innovative services and the entry of numerous new players on a global scale. The industry is changing, in terms of both quality and speed, at a completely new level. While the utilization of data offers opportunities to expand our business and our customer base, there is a growing need to ensure information security. At SMBC Group, digitalization will be swiftly carried out at all group companies, at times in collaboration with third parties, without being bound by existing frameworks or mindsets.

Let’s take the facilitation of payments, a core function of the financial sector, as an example. A diverse range of payment methods ranging from credit cards to e-money, in addition to various platforms that

►  P40
Transformation into
Next-Generation
Branches

►  P38
Promotion of
Cashless Payments

process payment information, exist in Japan. Looking back, we can see that SMBC Group has contributed to the development of the cashless payments market in Japan in a number of ways, for example through our credit card business. We are harnessing our track record and strengths in this area to provide a new cashless payment experience to end-users with the convenience of choosing between various payment methods (i.e. credit cards and e-money) and interfaces (i.e. non-contact IC and QR code), as well as offering a safe and secure experience with good value. At the same time, we will offer business operators a new business solution by building a comprehensive next-generation payment platform. Through such actions, we will take the initiative in promoting cashless transactions in Japan to become a leader in the cashless payments sector.

Capital Policy

We updated our capital policy this May. Previously, we had prioritized the strengthening of our capital base to address tougher international financial regulations, but with the finalization of the Basel III reforms last December regulatory uncertainties that had been affecting various parts of our business have lifted, with the impact of the reforms finally becoming clear. As we are making faster than expected progress towards attaining our target CET1 ratio of 10%, I believe we are now in a good position to begin focusing on enhancing shareholder returns and investing for growth. Our new capital policy was announced following extensive discussions, including at the Board of Directors level, based on this understanding.

►  P25
Capital Policy

Our basic capital policy is to achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth. Furthermore, while dividends will be our principal approach to shareholder returns, we will also proceed with share buybacks on a flexible basis assuming our financial soundness is maintained. With regard to dividends, we have been following a progressive dividend policy with the aim of achieving a dividend payout ratio of 40%. A progressive dividend policy means that we will not reduce dividends, but rather that we will at least maintain, if not increase, the payments. Going forward, we will maintain a progressive dividend policy, taking into account sustained earnings growth,



targeting a dividend payout ratio of 40%. We will focus our efforts so that we can realize this payout ratio during the next Medium-Term Management Plan, which will commence in April 2020. We also plan to conduct flexible share buybacks, assuming our financial soundness is maintained, based on factors such as our capital position, earnings trends, share price, growth investment opportunities, and improvements in capital efficiency.

Taking into consideration these policies, we fixed our dividend per share for fiscal 2017 at ¥170, a year-on-year increase of ¥20 and ¥10 more than our initial forecast, as consolidated net income was significantly higher than our initial target. We will maintain the fiscal 2017 dividend level of ¥170 per share for fiscal 2018, despite an expected decline in profit. We also carried out a share buyback totaling ¥70 billion based on the fact that we are making good progress on reaching our CET1 ratio of 10% by the end of fiscal 2018, our consolidated net income for fiscal 2017 exceeded our initial forecast by more than ¥100 billion, and the expectation that robust business performance will continue in fiscal 2018. All the shares that have been repurchased are to be cancelled.

Conclusion

Japanese companies, including those in the financial industry, are facing a period of dynamic change. In a vast number of industries, traditional barriers and boundaries are becoming meaningless amid changes in industry structure and technological advances. Businesses are faced with a new reality that the landscape of their respective industries may be completely rewritten in only a few short years. In addition, we must pay close attention to changes in the business environment and increased market volatility stemming from heightened geopolitical risk and changes in capital flows, and respond to such factors with ever increasing speed.

Despite such a challenging business environment, SMBC Group will contribute to the growth and development of our customers, the economy, and society while realizing the sustainable growth of our business. We will accomplish this by tirelessly carrying out reforms to succeed amid changing business conditions, maintaining our unwavering commitment to quality, and implementing initiatives with an urgent sense of speed, all while remaining true to our core corporate value “Customer First.”

As Group CEO, I believe my mission is to transform SMBC Group into “A top tier global financial group that delivers the highest quality in all aspects of our business.” This transformation will be realized by attaining the sustainable growth of our corporate value as a result of each and every SMBC Group employee bringing together their diverse expertise and engaging in their duties with a high sense of motivation to address the various challenges society is facing, provide our customers with optimal business solutions, and increase our profitability and efficiency by surpassing the targets established under our Medium-term Management Plan.

In closing, I would like to ask for the continued support and understanding of all our stakeholders.

July 2018

Takeshi Kunibe

Director President and Group CEO
Sumitomo Mitsui Financial Group, Inc.



Core Policies of Medium-Term Management Plan (fiscal 2017–2019)



To achieve sustainable growth by combining the Group's strengths with more focused business management

- 1 Discipline** Disciplined business management
 - Transformation of business/asset portfolio
 - Improving productivity and efficiency
- 2 Focus** Focus on our strengths to generate growth
 - Focus on Seven Core Business Areas
- 3 Integration** Integration across the Group and globally to achieve sustainable growth
 - Introduced CxO system and Group-wide business units
 - Digitalization
 - ESG

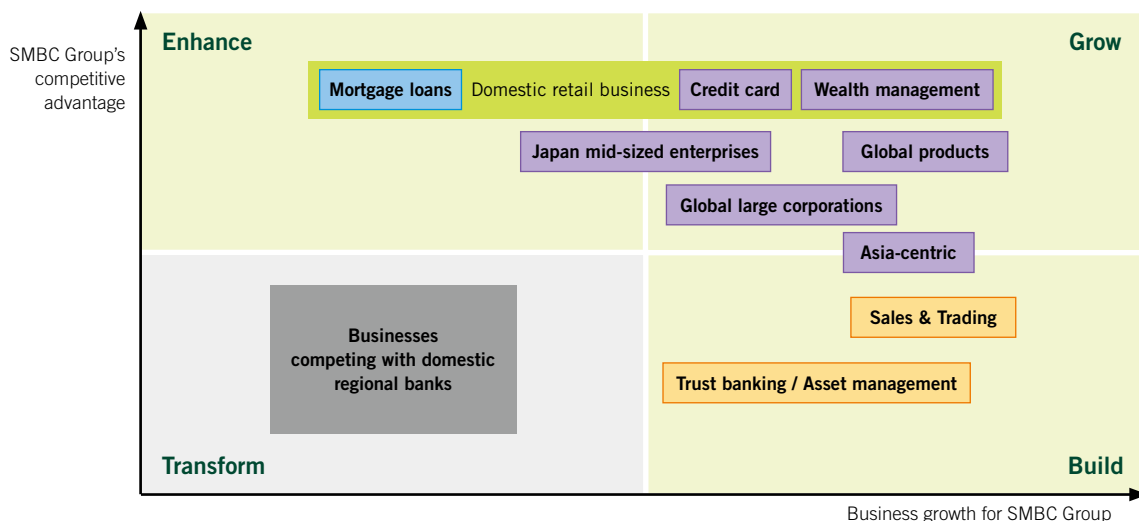
Fiscal 2019 Financial Targets

Capital Efficiency	ROE	7~8%	Maintain at least 7% notwithstanding accumulation of capital
Cost Efficiency	OHR	1% reduction compared with FY3/17	Reduce to around 60% at the earliest opportunity in or after fiscal 2020 (fiscal 2018: 62.1%)
Financial Soundness	CET1 ratio ^{1,2}	10%	Maintain capital in line with the tightening of regulations (fiscal 2018: 8.3%)

*1 Calculated with RWA inflated by 25% compared to the current Basel III fully-loaded basis due to the final impact of Basel III reforms

*2 CET1: excludes net unrealized gains on other securities RWA: excludes RWA associated with net unrealized gains on stocks

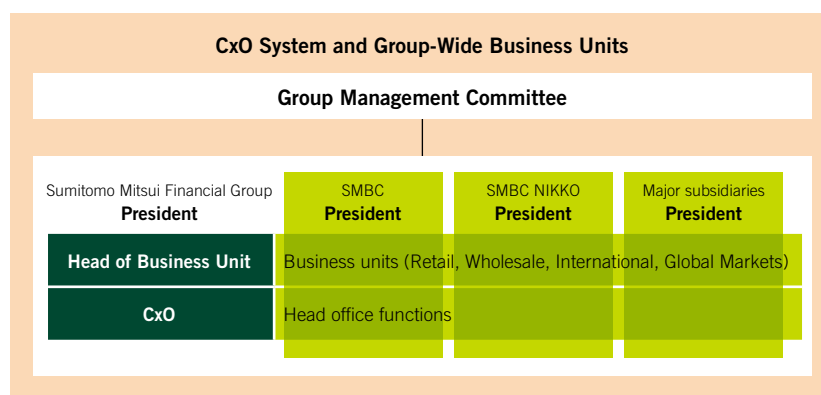
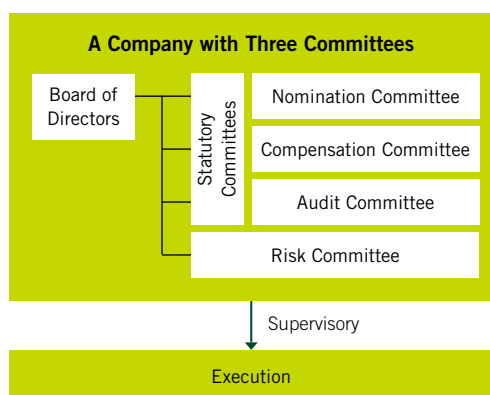
Business Portfolio Transformation



Seven Core Business Areas

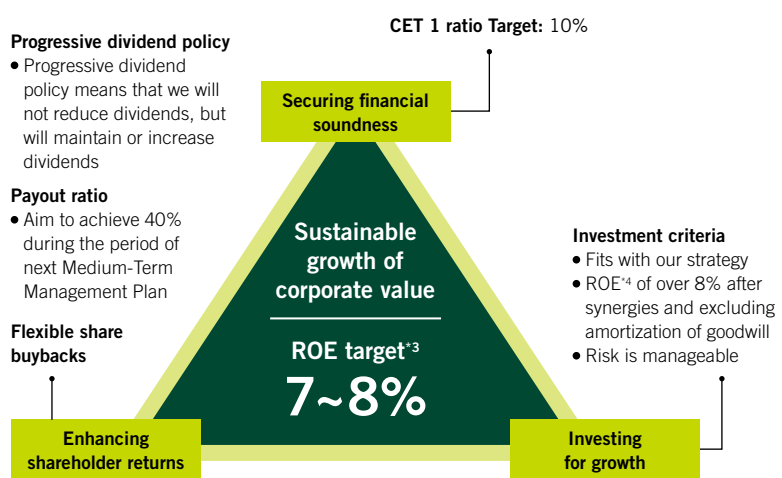
Concept		Strategic Focus	
Enhance Enhance business base in domestic market	1	Hold the number one retail banking franchise in Japan	Digitalization
	2	Build on our lead position in the Japanese medium-sized enterprise market	
	3	Increase market share in Corporate & Investment Banking in key global markets	
Grow Sustainable growth of US/EU businesses Make Asia our second mother market	4	Establish a top-tier position in product lines where we are competitive globally	
	5	Accelerate our "Asia-centric" strategy	
Build Build our new strengths for future growth	6	Strengthen sales & trading capability	
	7	Develop asset-light businesses: trust banking and asset management	

Corporate Governance Framework



Basic Capital Policy (announced in May 2018)

- Achieve a healthy balance among securing financial soundness, enhancing shareholder returns, and investing for growth
- Dividends will be our principal approach to shareholder returns. In addition, we will proceed with share buybacks on a flexible basis assuming our financial soundness is maintained
 - We aim to pay progressive dividends supported by our sustainable earnings growth, and achieve a payout ratio of 40% during the period of the next medium-term management plan
 - We will execute share buybacks as and when appropriate taking into account the factors such as our capital position, earnings trends, stock price, growth investment opportunities and an improvement of capital efficiency



*3 On a stockholders' equity basis

*4 Managerial accounting basis with RWA calculated based on the finalization of Basel III reforms

Message from the Group CFO



Jun Ohta
Group CFO
Director Deputy President and Executive Officer

Review of Fiscal 2017

In fiscal 2017, consolidated gross profit increased ¥60.3 billion year-on-year, to ¥2,981.1 billion as the result of strong investment product sales in the Retail Business Unit and the continued growth of our credit card and overseas businesses.

We booked general and administrative expenses of ¥1,816.2 billion; a level similar to that of fiscal 2016 due to group-based initiatives to strengthen cost control. Furthermore, consolidated net business profit was up ¥71 billion year-on-year, to ¥1,203.8 billion due in part to an increase in equity in gains of affiliates.

Total credit cost improved ¥70.2 billion year-on-year, to ¥94.2 billion mainly as a result of the reversal of credit costs from provisions made in the past for large borrowers at SMBC. Furthermore, gains on stocks increased ¥63.9 billion

year-on-year, to ¥118.9 billion. We were able to realize an increase in ordinary profit of ¥158.3 billion year-on-year, to ¥1,164.1 billion even though approximately ¥50 billion was booked as provisions for losses on interest repayments at our consumer finance subsidiaries.

Profit attributable to owners of parent was ¥734.4 billion, a year-on-year increase of ¥27.8 billion, owing to a rise in extraordinary losses due to factors such as the advance booking of costs related to the reorganization of our retail branches and an increase in income taxes due to the absence of last year's tax benefits derived from the implementation of the consolidated corporate tax system.

➔ **For a detailed review of our business results and financials, please refer to page 80.**

Fiscal 2018 Earnings Targets

Our fiscal 2018 targets are ¥1,155 billion, a year-on-year decrease of ¥48.8 billion, for consolidated net business profit and ¥700 billion, a year-on-year decrease of ¥34.4 billion, for profit attributable to owners of parent. Our target for profit attributable to owners of parent is based on our assumption that total credit cost will increase and gains on stocks will decrease.

Although the challenging business environment, such as the Bank of Japan's negative interest rate policy, is expected to continue, we forecast that consolidated net business profit will remain at levels similar to that of fiscal 2017 once we exclude the impact of turning our regional bank subsidiaries

into equity-method affiliates and the reorganization of the joint leasing partnership. The target for profit attributable to owners of parent, excluding one-off positive factors resulting from the reorganizations, is in the mid-¥600 billion range. This exceeds our original target set at the start of the Medium-Term Management Plan. We will steadily improve our underlying earnings capability by producing concrete results based on the accelerated implementation of the Medium-Term Management Plan's strategies and initiatives.

Progress of the Financial Targets in our Medium-Term Management Plan “SMBC Group Next Stage”

We are focusing on improving the capital, asset, and cost efficiencies of our operations to become “A top tier global financial group that delivers the highest quality in all aspects of our business.” To realize this vision, we have established financial targets for ROE, overhead ratio, and CET1 ratio in the Medium-Term Management Plan.

In fiscal 2017 our ROE was 8.8% and our overhead ratio was 60.9%, both already reaching the target. This was due to good top-line and bottom-line profit figures, as well as the

disciplined control of cost. We were able to realize a CET1 ratio of 9.5% in fiscal 2017, even when factoring in the increased risk-weighted assets due to the tightening of international financial regulations. By controlling risk-weighted assets, including by way of inorganic measures and accumulating retained earnings, we expect to be able to achieve our CET1 ratio target of 10% by the end of fiscal 2018, one year ahead of schedule.

		Fiscal 2016	Fiscal 2017	Fiscal 2019 Target	
Capital Efficiency	ROE	7.8% ^{*1}	8.8%	7–8%	Maintain at least 7% notwithstanding accumulation of capital
Cost Efficiency	OHR	62.1%	60.9%	1% reduction compared with FY3/17	Reduce to around 60% at the earliest opportunity in or after fiscal 2020
Financial Soundness	CET1 ratio ^{*2,3}	8.3%	9.5%	10%	Maintain capital in line with raised requirement

*1 Excluding special factors, such as the effects of implementing the consolidated corporate-tax system

*2 Calculated with RWA inflated by 25% compared to the current Basel III fully-loaded basis due to the final impact of Basel III reforms

*3 CET1: excludes net unrealized gains on other securities / RWA: excludes RWA associated with net unrealized gains on stocks

Return on Equity

In fiscal 2017, each business unit prioritized profitability and efficiency in its business operations as business unit-based ROE management was introduced as part of the group-wide business unit framework. As a result, profit attributable to owners of parent far exceeded our initial forecast, and we were able to achieve an ROE of 8.8%, which exceeded the target established in the Medium-Term Management Plan.

Through the Medium-Term Management Plan, we aim to offset downward pressure on earnings, such as rising foreign currency funding costs and narrowing loan spreads in Japan owing to the ongoing negative interest rate environment and intensifying competition, by focusing on the Seven Core Strategic Business Areas and reforming our cost-structure. Through such efforts, we will realize steady growth of bottom-line profit and consistently secure an ROE of 7-8%, with the minimum being 7%. However, this does not mean that we are satisfied at this level. We will work to realize the sustained growth of our ROE by not only pursuing upside opportunities as the business environment improves, including when the Bank of Japan discontinues its negative interest rate policy,

but also by striking a healthy balance between enhancing shareholder returns and investing for growth, assuming our financial soundness is maintained.

Overhead Ratio

Due to top-line growth and maintaining expenses at levels similar to that of fiscal 2016 through the disciplined management of operations, overhead ratio in fiscal 2017 was 60.9%, reaching our Medium-Term Management Plan target.

Over the three years in the current Medium-Term Management Plan, we are targeting a cost reduction of ¥50 billion by implementing three initiatives: “Business reform to improve efficiency,” “Retail branch reorganization,” and “Reorganization of group companies.” In the first year, we were able to materialize ¥26 billion out of the ¥50 billion cost reduction target. For example, in terms of improving efficiency by introducing Robotic Process Automation (RPA), we have completed the automation of approximately 1.1 million hours of operations (equivalent to an annual workload of 550 employees) against our final target of automating 3.0 million hours of operations (equivalent to an annual workload of

To Our Stakeholders: Message from the Group CFO

1,500 employees). In terms of retail branch reorganization, we have transformed 103 retail branches into next-generation branches, and we have completed the centralization of the back-office operations of 134 branches. Our goal is to transform all 430 SMBC retail branches into next-generation branches during the current Medium-Term Management Plan. In addition, SMBC Nikko Securities Inc. and SMBC Friend Securities Co., Ltd. merged in January 2018, and I can say with confidence that we are on track to reach our cost reduction targets through the consolidation of duplicated functions. Furthermore, we succeeded in reducing operations equivalent to the annual workload of approximately 1,000 employees in fiscal 2017, versus the three-year target of reducing operations equivalent to the annual workload of 4,000 employees. This was the result of efforts to utilize RPA and other new technologies to improve the efficiency of operations undertaken at head office departments, in addition to centralizing and sharing operations that were duplicated at SMBC Group companies.

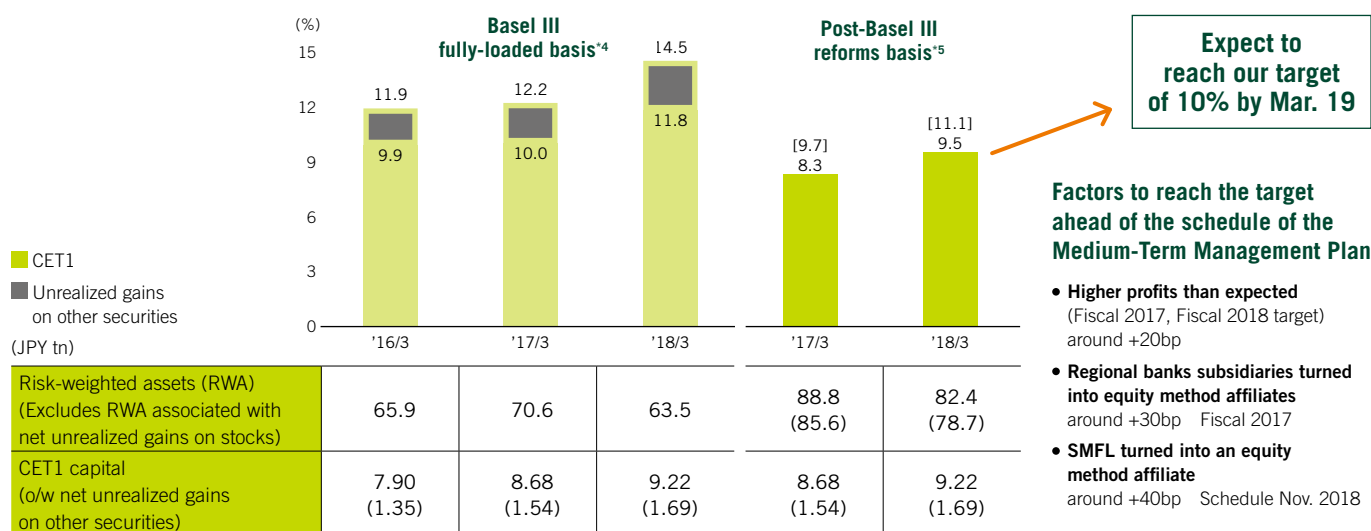
Our goal is to establish a downward trend in overhead ratio during the current Medium-Term Management Plan, and to realize a ratio of around 60% at the earliest possible date, either during or after fiscal 2020. We will continue to devote our efforts to ensuring the disciplined management of our expenses.

Common Equity Tier 1 Capital Ratio (CET1 Ratio)

The Basel III reforms were finalized in December 2017 with a capital floor of 72.5%, a level which exceeded our original assumption of 70%. However, with the reforms easing in areas including the CVA risk framework and operational risk, the final impact on our risk-weighted assets (RWA) was in line with our expectations at the start of the Medium-Term Management Plan.

We expect to attain our target CET1 ratio of 10% on a post-Basel III reforms basis by the end of fiscal 2018, one year earlier than the Medium-Term Management Plan target. This is due to profit attributable to owners of parent for fiscal 2017 and the fiscal 2018 target exceeding our assumptions in the Medium-Term Management Plan. In addition, the implementation of various measures to control RWA, including inorganic measures such as turning our regional bank subsidiaries into equity-method affiliates and reorganizing our joint leasing partnership, also played a key role in raising the CET1 ratio.

CET1 ratio



*4 Based on the definition applicable for Mar.19

*5 Calculated with RWA inflated by 25% compared to the current Basel III fully-loaded basis. Figures in [] are calculated with CET1 including net unrealized gains on other securities and RWA including RWA associated with net unrealized gains on stocks

Capital Policy

Basic Policy

As mentioned in the “Message from the Group CEO,” we updated our capital policy in May 2018 following the finalization of the Basel III reforms. Our basic capital policy is to achieve a healthy balance in terms of securing financial soundness, enhancing shareholder returns, and investing for growth. We do not intend to accumulate excessive levels of capital as our goal is to realize sustained ROE improvement. We will also continue to take a disciplined approach when investing for growth, making investment decisions based on the following criteria: 1) The investment fits with our strategy, 2) We can expect an ROE of 8% or more after synergies and excluding amortization of goodwill, and 3) The risk is manageable. In other words, when making investment decisions we will be focusing on whether the investment can contribute to sustained ROE improvement.

While dividends will be our principal approach to enhancing shareholder returns, we will also proceed with share buybacks on a flexible basis, assuming financial soundness is maintained. In regards to our dividends, we will maintain a progressive dividend policy^{*6}, based on the premise that sustained profit growth is realized. Our goal is to achieve a dividend payout ratio of 40% during the next Medium-Term

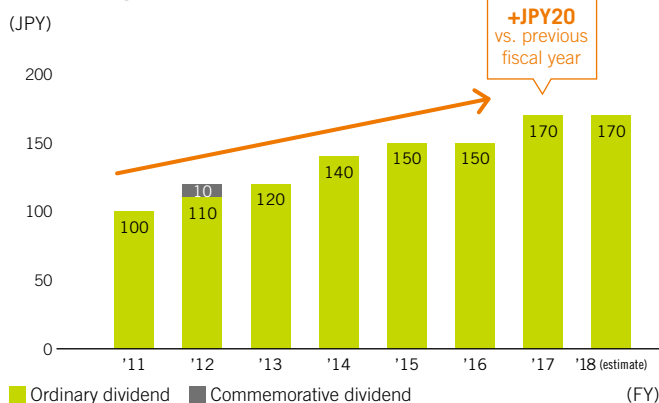
Management Plan, which starts in April 2020. We also plan to engage in flexible share buybacks when, for example, net income exceeds our target due to one-off factors. This is based on the assumption that our financial soundness is maintained, and we would take into careful consideration factors such as our capital position, earnings trends, share price, growth investment opportunities, and improvement in capital efficiency.

^{*6} Progressive dividend policy means that we will not reduce dividends, but will maintain or increase dividends.

Reduction of Strategic Shareholdings

Our policy regarding strategic shareholdings states that: “In principle, we do not hold the shares of other listed companies where ‘the rationale’ to hold those shares cannot be recognized. This policy is in place in order to help maintain our financial soundness, taking into consideration the standards of globally operating financial institutions and our proactive response to global regulation.” We determine “the rationale to hold” with comprehensive considerations based on: 1) Profitability - through an appropriate assessment and understanding of relevant factors, such as associated risks, costs, and returns of the holding; 2) The objectives of the strategic shareholding, and 3) Other relevant factors.

Dividends per share

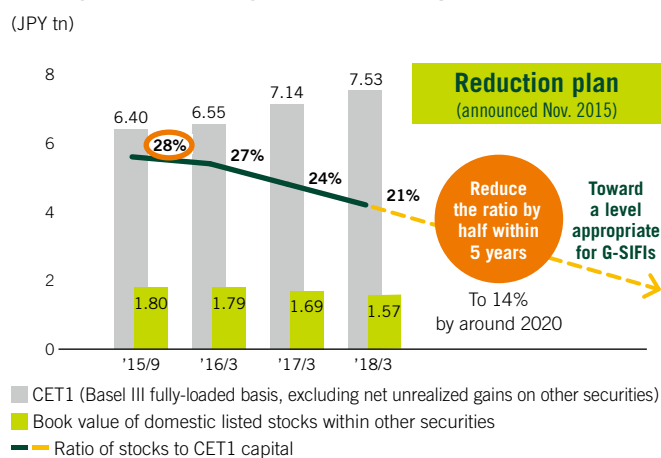


Dividend payout ratio ^{*7}	'11	'12	'13	'14	'15	'16	'17	'18 ^{*8}
	26.8%	21.3%	20.3%	26.2%	32.7%	29.9%	32.7%	34.3% ^{*8}
(Ref) Total payout ratio								42.2%

^{*7} Consolidated payout ratio

^{*8} Calculated based on fiscal 2018 consolidated net income forecast (¥700 billion) and dividend forecast (¥170 per share) and on the total number of issued shares on March 31, 2018

Strategic shareholdings and reduction plan (Consolidated basis)



^{*9} Consolidated basis: Book value of domestic listed stocks/CET1 capital (Basel III fully-loaded basis, excluding net unrealized gains on other securities)

Reduction results (fiscal 2017)	approx. JPY 115 bn	
Reduction results (Total reduction from Sep. 2015– Mar. 2018)	approx. JPY 230 bn	approx. JPY 345 bn
Consent of sales from clients outstanding (Mar. 2018)	approx. JPY 115 bn	

To Our Stakeholders: Message from the Group CFO

Through this policy, with the aim of mitigating the impact of share price fluctuations on our financial base, we are working to halve our “book value of domestic listed stock holdings to CET1 ratio” from the 2015 September-end figure of 28% to 14% by 2020. This is equivalent to a reduction of approximately ¥500 billion over five years.

We realized a reduction of strategic shareholdings worth approximately ¥115 billion in fiscal 2017, for a total reduction of approximately ¥230 billion since 2015 September-end. Furthermore, we have obtained our clients’ consent to sell a further ¥115 billion that has yet to be executed. Thus, as of the end of fiscal 2017, we have practically realized a total reduction of approximately ¥345 billion.

Our primary focus will be to realize our current goals regarding our strategic shareholdings while at the same time firmly keeping in mind Japan’s Corporate Governance Code, which was revised in June 2018.

■ Tax Compliance and Tax Cost Management

Strengthening tax compliance and tax cost management are becoming ever more important as our business expands both globally and across the group. We implemented the consolidated corporate-tax system in fiscal 2017, and the submission of reports to the tax authorities concerning the BEPS Project^{*10} has become compulsory in Japan. Against this backdrop, we introduced our group tax policy in December 2017, and we established the Tax Planning Department as part of our

Financial Accounting Department in April 2018 with the aim of further strengthening our tax compliance and tax cost management frameworks. We will meet our corporate social responsibilities by continuing to fulfill our obligation to make tax payments and implementing appropriate tax cost management initiatives while working to improve our corporate value.

*10 Action Plan on Base Erosion and Profit Shifting (“BEPS”) published by the Organization for Economic Co-operation and Development (“OECD”) in order to prevent exploiting of gaps and mismatches in tax rules and artificial shifting of profits to low or no-tax locations

■ Dialogue with our Shareholders and Investors

A key responsibility of a CFO is to address the interests and concerns of shareholders and investors by engaging in constructive dialogue with them. In fiscal 2017, I was fortunate to have many opportunities to interact with investors and analysts. These opportunities ranged from investor meetings and the annual Ordinary General Meeting of Shareholders, to more recent initiatives, such as the SMBC Group IR Day at which our business unit heads explain their strategies, and the IR meetings with our outside directors. We have incorporated the feedback we received on such occasions into our business operations, including the recent discussion of our capital policy. We are also working to ensure our disclosures are clear and easy to understand.

I look forward to receiving your ongoing support, as I remain firmly committed to continuing my constructive dialogue with our shareholders and investors.

Jun Ohta

Group CFO

Director Deputy President and Executive Officer



Our New Group Brand Strategy

The holding company's name "Sumitomo Mitsui Financial Group" or its acronym "SMFG" had been used when referring to our corporate group. Starting April 2018, with the aim of enhancing the corporate group's brand value, we have designated "SMBC" as the corporate group's master brand and our corporate group is now referred to as "SMBC Group." Sumitomo Mitsui Financial Group will continue to be used as the holding company's name.

Point 1 "SMBC" will be designated as the common group brand, and our corporate group will be referred to as "SMBC Group"

SMBC Group

Point 2 Introducing a new group brand logo



Point 3 Unifying group companies' corporate logos



SUMITOMO MITSUI FINANCIAL GROUP



SUMITOMO MITSUI CARD



SUMITOMO MITSUI BANKING CORPORATION



CEDYNA FINANCIAL CORPORATION



SMBC TRUST BANK



SMBC CONSUMER FINANCE



SMBC NIKKO

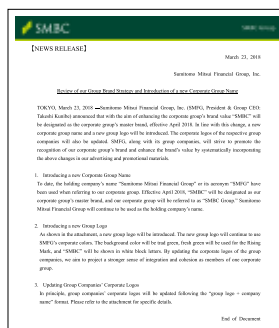
Note 1: There will be no change in the corporate logo used by SMBC Nikko domestic offices. A new corporate logo however, will be used by SMBC Nikko overseas offices.
 Note 2: There will be no change in the corporate logos of Sumitomo Mitsui Finance and Leasing; The Japan Research Institute, Limited; and Sumitomo Mitsui Asset Management.

Point 4 The group logo will be used in various items.

Business card



News release



Websites



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.

In April 2017, we introduced group-wide business units and the CxO system to strengthen our group-based management system centered on the holding company.

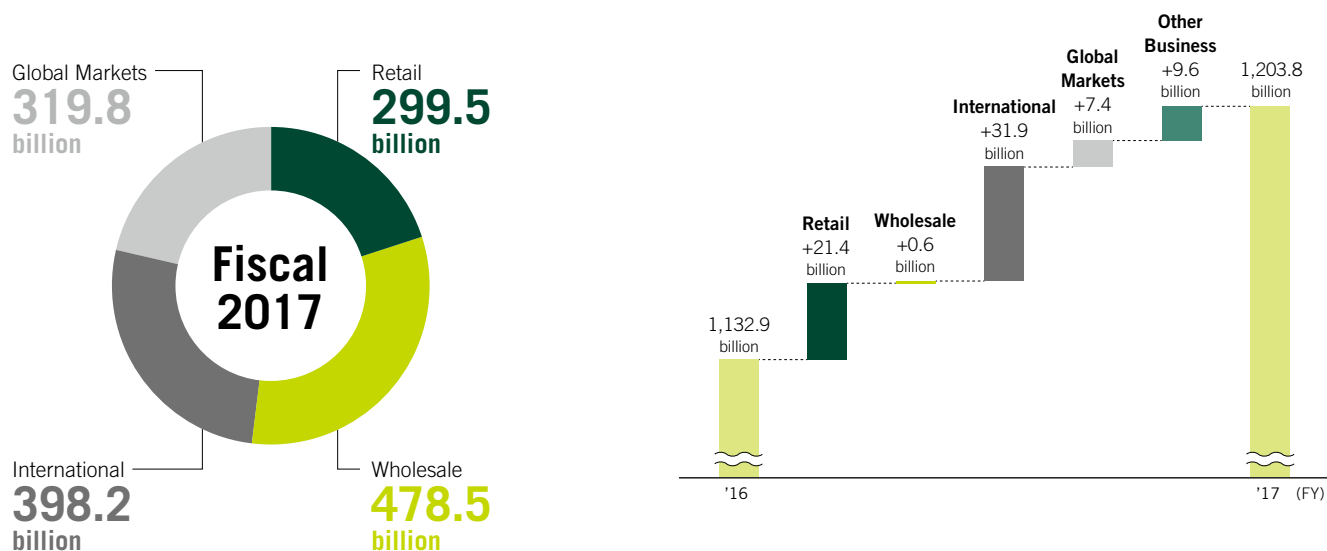
SMBC Group is comprised of four business units: the Retail Business Unit, the Wholesale Business Unit, the International Business Unit, and the Global Markets Business Unit. With this structure, we have developed a framework for drafting and implementing strategies based on customer segments that spread beyond the boundaries of major subsidiaries and affiliates.

For head office functions, we have clarified the individuals responsible for specific areas of group-wide management and planning under the CxO system. In addition, we are stepping up group-wide personnel exchanges and taking other steps to share management resources and optimize group-wide resource allocations.

Group-Wide Business Units and CxO System

		Banking		Leasing	Securities
		Sumitomo Mitsui Banking Corporation	SMBC Trust Bank	Sumitomo Mitsui Finance and Leasing	SMBC Nikko Securities
Business Units	Retail	○	○		○
	Wholesale	○	○	○	○
	International	○	○	○	○
	Global Markets	○			○
Head Office (CxO System)		 CFO Chief Financial Officer	 CSO Chief Strategy Officer	 CRO Chief Risk Officer	 CCO Chief Compliance Officer

Net Business Profit by Business Unit



About SMBC Group

To Our Stakeholders

Business Strategies for Creating Value

Corporate Infrastructure Supporting Value Creation

Credit Cards and Consumer Finance

Sumitomo Mitsui Card Company

Cedyna

SMBC Consumer Finance



Other Business

Japan Research Institute

Sumitomo Mitsui Asset Management



Chief Human Resources Officer



Chief Information Officer



Chief Digital Innovation Officer



Chief Audit Executive

Retail Business Unit



Senior Managing Executive Officer
Head of Retail Business Unit
Naoki Tamura

The top-class companies in banking, securities, credit card, and consumer finance industries that comprise the Retail Business Unit are engaged in a concerted group-wide effort to address the financial needs of all individual customers, striving to make SMBC Group the most trusted and No. 1 comprehensive financial service institution.

In its primary markets, the Retail Business Unit boasts the No. 1 operating foundation in Japan, serving 43 million customers with 50,000 employees. Although the total number of households' financial assets in Japan has surpassed ¥1,800 trillion, the shift from savings to asset building has remained at low level. Therefore, we assume that there still remains a large untapped market. Meanwhile, cashless payments are less prevalent in Japan than in other major countries, so we also assume there is another substantial market to tap. Despite the consistently slow growth of the overall Japanese market, the Retail Business Unit is serving one of the few markets in which growth can be anticipated. To better serve this market, we are implementing sophisticated, leading-edge business model reforms with the aim of achieving a No. 1 position backed by quality. These reforms include the transition to a customer-oriented wealth management business, cashless payment strategies that respond to the digitalization trend, and branch reorganizations targeting increased customer convenience coupled with improved cost structures.

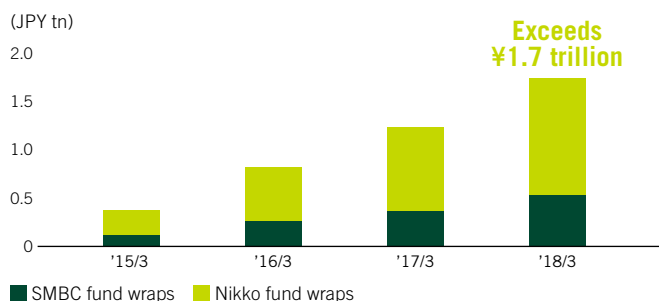
Review of Fiscal 2017

In fiscal 2017, the Retail Business Unit recorded impressive performance in sales of investment products and in credit card services. The Unit also focused on group-wide cost control, achieving reductions in the overhead ratio. As a result, gross profit increased by ¥34.2 billion year-on-year, to ¥1,311.5 billion, and net business profit increased by ¥21.4 billion, to ¥299.5 billion, while return on equity (ROE) reached 7.5%. In our wealth management business, we promptly moved forward with the transition to a customer-oriented approach that entails proposing stable management based on medium- to long-term diversified investment. We thus saw a steady increase in the balance of stock-based assets, lending strength to our base earnings capacity which enables us to become resilient to market fluctuations. In addition, we moved forward with retail branch reorganizations as part of cost structure reforms, completing the transformation of 103 branches into next-generation branches. In this manner, we are smoothly progressing customer-convenience enhancement and cost reduction.

	Fiscal 2017	Increase (decrease) ¹
Gross profit (JPY bn)	1,311.5	+34.2
Expenses (JPY bn)	(1,027.5)	(16.1)
(Overhead ratio)	78.3%	(0.8)%
Net business profit (JPY bn)	299.5	+21.4
ROE²	7.5%	—
RwA³ (JPY tn)	13.8	—

¹ Figures are after adjustments for interest rate and exchange rate impacts. ² Figure is on a managerial accounting basis with RWA calculated assuming Basel III reforms are finalized and exclude the impact from the provision for losses on interest repayments and the cost from branch reorganizations. ³ Figures are on a Basel III transitional basis.

Balance of Fund Wraps (SMBC and SMBC NIKKO)



Progress of Branch Reorganization

	Fiscal 2017	Fiscal 2018 Targets	...	Fiscal 2021 Targets
Reduction of clerical staff by improving efficiency (JPY bn)	(0.7)	(2.3)		(10.0)
Reduction of rent due to smaller branch floor space, etc. (JPY bn)	(1.6)	(5.2)		(10.0)
Ripple effects on operating expenses (JPY bn)	(0.8)	(4.1)		(10.0)
Total (JPY bn)	(3.1)	(11.6)		(30.0)

Priority Strategies

■ Wealth Management Business

In the wealth management business, we are promoting medium- to long-term diversified investment proposals while moving forward with a concerted Group effort to approach and increase transactions with high-net-worth individuals. The sales proportion of products that contribute to diversified investment, such as fund wraps and balanced funds at SMBC, exceeded 60% in fiscal 2017, demonstrating the steady penetration of our customer-oriented businesses. We will continue these initiatives in fiscal 2018, and seek to fully realize a stock-based wealth management business model. At the same time, we will address wide-ranging needs of with high-net-worth individuals by stepping up solutions proposed by SMBC Nikko Securities and enhancing the inheritance and succession consulting services of SMBC. By doing so, we will take steps to approach and increase transactions with these high-net-worth individuals.

■ Cashless Payment and Consumer Finance Businesses

In the cashless payment business, we launched in fiscal 2017 a first-ever product in Japan, an integrated card with debit and credit functions that is compatible with two different forms of contactless IC. Meanwhile, we worked to accelerate initiatives for addressing healthy financing needs in the consumer finance business with the aim of further protecting users. These initiatives included curtailing advertisements and implementing more rigorous credit standards at SMBC.

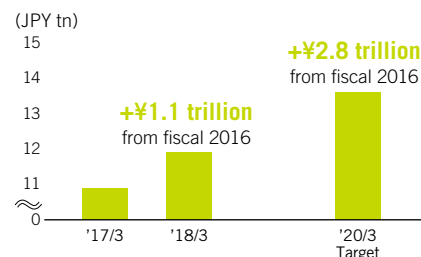
In fiscal 2018, we will continue to strengthen our cashless payment and consumer finance businesses from a customer-oriented perspective.

■ Branch Reorganizations as Part of Cost Structure Reforms

At branches, we are promoting three reforms, “changing the way we offer services to our customers,” “changing the administration process,” and “changing the concept of branches.” These initiatives are aimed at improving customer convenience and reforming cost structures.

Reform efforts in fiscal 2017 included automatically adding “SMBC Direct” services to customer accounts, rather than requiring customers to apply as had previously been the case, as well as other changes to service provision methods through digitalization. These efforts contributed to large increases in usage numbers and rates for “SMBC Direct.” In fiscal 2018, we will seek to thoroughly promote digitalization in our operations with the aim of further improving customer convenience and reducing costs.

Balance of Stock-Based Assets (SMBC and SMBC NIKKO)



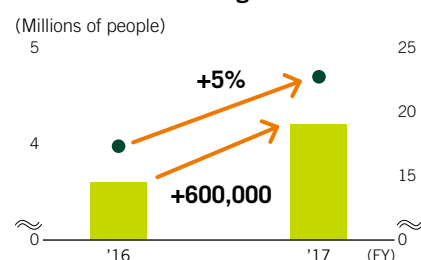
Note: Investment products that generate stock-based gains, such as investment trusts, fund wraps, and foreign currency deposits (market value basis)

Integrated Card with Debit, Credit, and Contactless IC Payment Functions

First in Japan



Number of “SMBC Direct” Users*4 and Utilization Rate of Digital Channels*5



*4 Number of customers who have logged in SMBC Direct at least once every six months *5 Clients using digital channels / (clients using physical branches + clients using digital channels)

Initiatives for Accomplishing Sustainable Development Goals

Through digitalization initiatives, SMBC Group is promoting cashless and paperless transactions, which is helping cope with global warming.

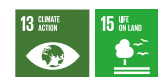
Meanwhile, we are contributing to increased financial literacy in our wealth management business by providing medium- to long-term diversified investment proposals to a wide range of customers, including first-time investors. Also in this business, we have introduced products that entail investment in technological progress and in emerging countries.

➔ For more information on SMBC Group's initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 59.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

- Cashless, transactions without bankbook
- Electronic contract by tablets
- Improvement of financial literacy
- ESG investment trusts



Wholesale Business Unit

The Wholesale Business Unit provides financing, investment management, risk hedging, and settlement services primarily for corporate clients in Japan. The Unit also provides financial solutions that respond to diverse client needs in relation to M&A, advisory, and leasing.

Since the introduction of the group-wide business units, we have been focusing on creating frameworks in order to provide customers with solutions by working together and exceeding border lines among Group companies. One year has passed since the introduction of the business units, and we now feel that the synergy among Group companies has been steadily increasing.

Going forward, we will focus on constructing organizations that research needs of their customers and collaborate with other Group companies to make proposals for addressing those needs, resulting in mutually collaborating among Group companies. I have no doubt that the sharing of management resources among Group companies will enable us to provide customers with high-value-added solutions. We will further improve our strengths of sales departments such as the keen ability to make proposals, speed, and pioneering spirit. By doing so, we will give each of our corporate clients our full attention, grow with them, and contribute to the development of the Japanese economy.

Deputy President and Executive Officer
Head of Wholesale Business Unit
Manabu Narita

Review of Fiscal 2017

In fiscal 2017, gross profit in this Unit decreased by ¥6.7 billion year-on-year, to ¥772.9 billion; net business profit rose by ¥0.6 billion, to ¥478.5 billion; and ROE was 11.4%. This outcome can be attributed to a downward trend in domestic income on loans resulted from Japan's negative interest rate policy and the persistence of intense competition as well as higher non-interest income at SMBC and increase in profits at Sumitomo Mitsui Finance and Leasing.

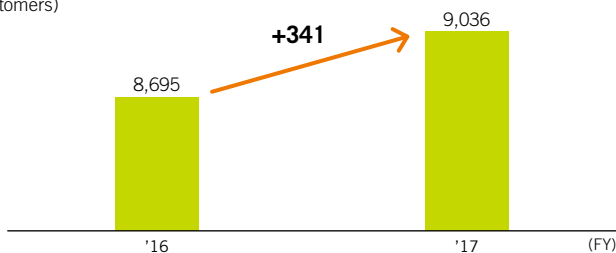
Since we started group-wide business units, collaborations among Group companies have steadily increased, and customer base has drastically expanded by addressing customer needs and providing various solutions on a group-wide basis. As a result, we became No. 1 in terms of the number of M&A advisory deals.

	Fiscal 2017	Increase (decrease) ^{*1}
Gross profit (JPY bn)	772.9	(6.7)
Expenses (JPY bn)	(347.8)	(1.6)
(Overhead ratio)	45.0%	(0.6)%
Net business profit (JPY bn)	478.5	+0.6
ROE^{*2}	11.4%	—
RwA^{*3} (JPY tn)	20.1	—

^{*1} Figures are after adjustments for interest rate and exchange rate impacts. ^{*2} Figure is on a managerial accounting basis with RWA calculated assuming Basel III reforms are finalized. ^{*3} Figures are on a Basel III transitional basis.

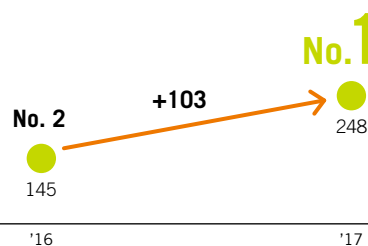
Number of Core Revenue-Generating Customers

(Customers)



Note: Corporate clients with transactions exceeding a certain level

Number of M&A Advisory Deals



Note: Deals relating to Japanese companies

Priority Strategies

■ Increase Market Share in Corporate & Investment Banking in Key Global Markets

We will establish organizations in which we can provide globally active large-corporations with solutions by fully utilizing available capabilities of Group companies. We will provide solutions for improving corporate values of our clients and increase customers' satisfaction and market share of SMBC Group.

Specifically, we will further progress coordination among domestic and overseas bases and Group companies, and advance initiatives based on our cross-regional approach while also adopting a cross-industry approach.

■ Build on Our Lead Position in the Japanese Mid-Sized Corporation and SME Market

In the mid-sized corporation and SME market where we have strengths, the Wholesale Business Unit will further hone its competitive edge by creating a virtuous cycle through providing various solutions based on the customers' growth stages.

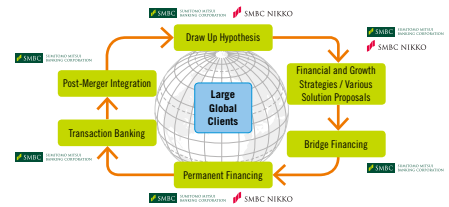
SMBC Group offers services for every stage of its customer's development. For start-up companies, we provide comprehensive support ranging from assistance with management to dispatches of personnel. For growing companies, we help with initial public offering and with resolving management issues pertaining to such offerings. Our support continues thereafter as we supply medium- to long-term solutions for resolving the various issues that may emerge in later growth strategies. SMBC Group thereby aims to grow with our customers and expand our customer base.

■ Group-Wide Earnings Improvement and Control of Risk-Weighted Asset

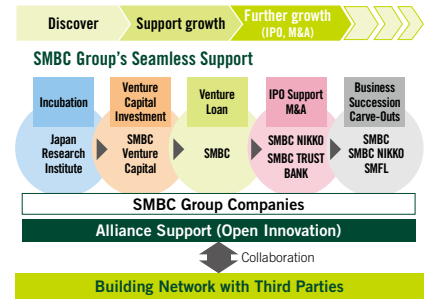
The Wholesale Business Unit will establish organizations which can provide customers with various solutions promptly and appropriately by further exchanging information among Group companies. The number of information exchanges among Group companies has been steadily increasing. Thus, we will gather various information which previously each Group company held internally, and increase profit by enhancing synergy among Group companies.

We will also control risk-weighted assets through means such as management of loans by taking into consideration profitability and reducing strategic shareholdings. The Wholesale Business Unit thereby aims to improve ROE and realize efficient operations.

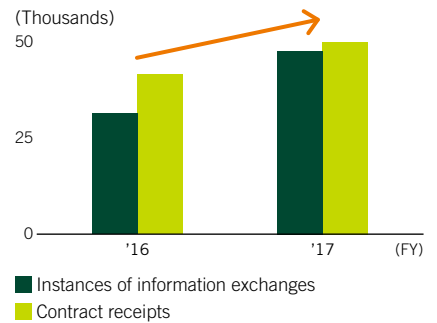
Cross-Border M&A Project



Cycle



Instances of Information Exchanges Between Group Companies and Contract Receipts



Initiatives for Accomplishing Sustainable Development Goals

The Wholesale Business Unit provides a wide variety of assessment loans to support customers seeking to work toward environmental issues such as global warming, or to address social issues such as the empowerment of female employees, food safety, and workstyle reforms.

SMBC Group is also engaged in various initiatives such as group-wide efforts to support growing companies and realize smart mobility in order to accelerate new innovations.

➔ For more information on SMBC Group's initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 59.

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD

■ Assessment loans (environmental, workstyle reform, etc.)



■ Support for growing companies
■ Initiatives to realize smart mobility



International Business Unit



Senior Managing Executive Officer
Head of International Business Unit
Masahiko Oshima

SMBC Group supports the global business development of our domestic and overseas customers by leveraging our extensive network of branches and offices. At the same time, we actively promote cross-selling among loan, deposit, foreign exchange, and capital markets, and also institutional investor business, by proposing investment opportunities which take advantage of SMBC Group's strengths in various products within the global market.

The global presence of SMBC Group is growing rapidly. The Group's overseas network is currently comprised of 130 branches and offices in 40 countries and regions, and the ratio of SMBC's overseas revenue has increased approximately tenfold since 2001. Furthermore, our products have earned a top tier reputation globally and numerous Japanese and non-Japanese corporates have chosen us as their core relationship bank in the area of commercial banking and securities services. In Asia, we have banking relationship with prominent local corporates and are examining the prospects of launching retail business in this region, which will contribute greatly to our global presence.

Paying close attention to the threat of geopolitical risk and increased market volatility, the International Business Unit manages its business in a flexible and agile manner, always being aware of the possibility of sudden changes in the operating environment. Through this management approach, we will fulfill our role as a growth driver for SMBC Group.

Review of Fiscal 2017

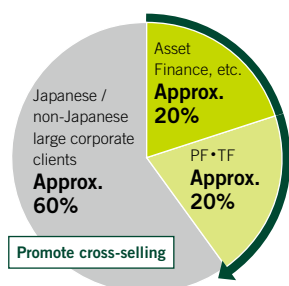
In the first year of the Medium-Term Management Plan in which we sought to work as a group-wide business unit, the International Business Unit posted a gross profit of ¥632.0 billion, an increase of ¥38.8 billion year-on-year; net business profit of ¥398.2 billion, an increase of ¥31.9 billion; and ROE of 10.6%. This performance can be attributed to the progress in promoting cross-selling through bank-securities integration and through the Asia core client program, which has led to a steady growth in deposits, foreign exchange, securities, and other non-asset-based profits. In addition, we were able to progressively move forward with core strategies pertaining to initiatives such as the implementation of asset-turnover based business models.

Furthermore, foreign currency deposits, which support our sustainable growth, exceeded US\$200.0 billion during fiscal 2017, reaching a new record high.

	Fiscal 2017	Increase (decrease) ^{*1}
Gross profit (JPY bn)	632.0	+38.8
Expenses (JPY bn)	(280.7)	(23.2)
(Overhead ratio)	44.4%	(1.0)%
Net business profit (JPY bn)	398.2	+31.9
ROE^{*2}	10.6%	—
RwA^{*3} (JPY tn)	21.0	—

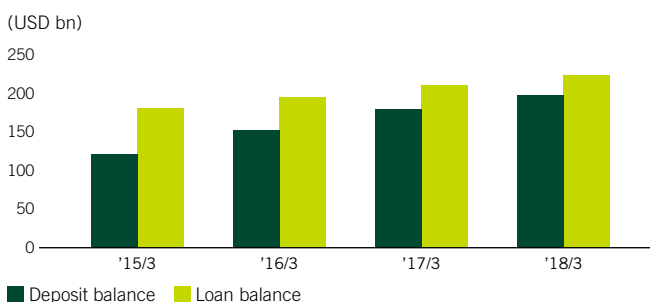
^{*1} Figures are after adjustments for interest rate and exchange rate impacts. ^{*2} Figure is on a managerial accounting basis with RWA calculated assuming Basel III reforms are finalized and excludes medium- to long-term foreign currency funding costs. ^{*3} Figures are on a Basel III transitional basis.

Portfolio Structure



Asset Finance, etc.:
Aircraft leasing and financing, LBO financing, Subscription financing, others
PF*TF: Project finance, Trade finance

Overseas Deposit Balance and Loan Balance



Priority Strategies

Accelerate Bank-Securities Integration

The introduction of group-wide business units served to expedite bank-securities integration. Based on SMBC's European and U.S. corporate customer relationships, we significantly grew our securities business and we have also addressed the wide-range of customer needs pertaining to foreign exchange, derivatives, cash management services, and other offerings. In particular, the overseas securities business has been identified as a strategic area with the potential to generate significant growth for SMBC Group. To advance in this area, we will promote cross-selling by utilizing our financial solutions provision capabilities, which has been enhanced substantially in order to respond to the needs of M&A activities and other large-scale corporate undertakings by customers.

Accelerate Our "Asia-Centric Strategy"

In Asia, under the steady execution of the decade-long strategy, we continue to deepen our relationships with both prominent local corporates and promising corporates and expand our contact points with multinational corporations in the Asia region while promoting cross-selling of services focusing on deposits, foreign exchange, and other elements of our transaction banking business.

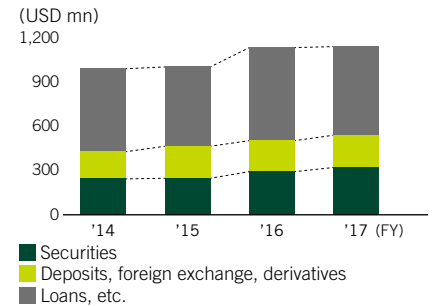
In our multi-franchise strategy, we are working to develop full-line operations in Asia, starting with discussions regarding a merger between PT Bank Tabungan Pensiunan Nasional Tbk, a local bank in Indonesia in which the Group invests, and SMBC Indonesia, with the aim of creating a strong foundation for medium- to long-term growth.

Enhancement of Products in Areas of Strength

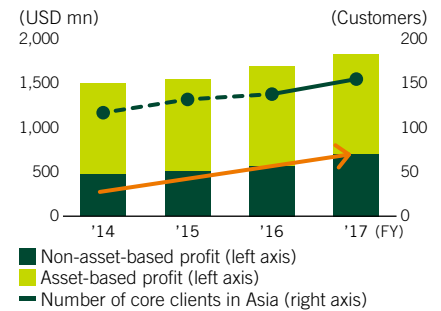
In product areas in which SMBC Group boasts a presence as a top-tier provider such as aircraft-related businesses and project finance, we will seek to further boost its profitability and market presence through an origination and distribution business model.

In enhancing origination capability, we will allocate resources strategically while leveraging the strengths of our products. At the same time, we will build upon relations with domestic and overseas investors to propose investment opportunities to address alternative investment needs.

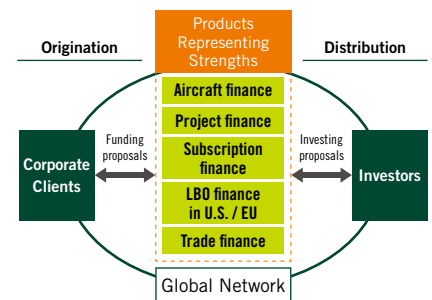
Revenues from Large European and U.S. Corporate Clients by Product Area



Profit and Number of Core Clients in Asia



Origination and Distribution Business Model



Initiatives for Accomplishing Sustainable Development Goals

By utilizing our strength in project finance, we are able to provide support for renewable energy and infrastructure development projects. At the same time, we are formulating environmental and social risk policies to reduce the adverse impact of business in areas that have the potential to cause climate change or negative effects on ecosystems.

We are also promoting efforts towards financial inclusion* through our multi-franchise strategy in Asia.

* Supporting access to financial services to all people so that they can live a stable life

➔ **For more information on SMBC Group's initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 59.**

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

- Policies regarding environmental and social risks
- Renewable energy projects
- Infrastructure projects
- Financial inclusion



Global Markets Business Unit



Senior Managing Executive Officer
Head of Global Markets Business Unit
Hiroshi Munemasa

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 which comprehensively control balance sheet liquidity risks and interest rate risks.

The Global Markets Business Unit has achieved success in generating stable earnings by detecting signs of market changes and rebalancing portfolio nimbly and dynamically. Moreover, we rank enhancing our foreign currency funding capabilities as a core strategy, and support SMBC Group's overseas businesses through efficiently managing assets and liabilities, based on consideration for stability and costs.

The market is growing increasingly opaque. Amid this circumstance, customer needs for risk hedging and asset management are growing. SMBC Group is thus tasked with demonstrating its merit in responding to these customer needs.

The Global Markets Business Unit is responsible for efforts to "strengthen sales & trading capability," one of the Group's strategic focuses. To fulfill this responsibility, we will contribute to providing customers with optimal solutions by fully utilizing market-related insight and experiences which we have accumulated.

Review of Fiscal 2017

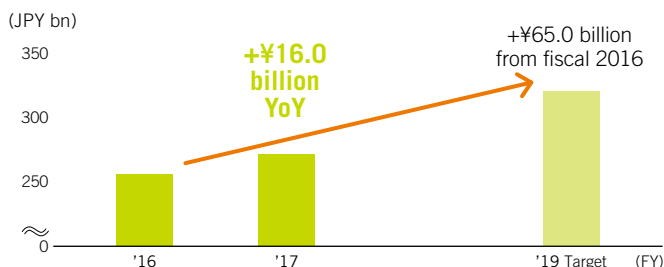
In fiscal 2017, we achieved earnings amid volatile operating environment through flexible portfolio management focusing on Japanese securities. As a result, the gross profit of the Global Markets Business Unit increased by ¥6.4 billion year-on-year, to ¥356.2 billion; net business profit grew by ¥7.4 billion, to ¥319.8 billion; and ROE was 33.5%.

In sales and trading, we have steadily increased earnings thanks to improving solution capabilities through the enhancement of cooperation between domestic and overseas product sales teams, as well as augmenting product provision capacities by strengthening ability to trade stocks.

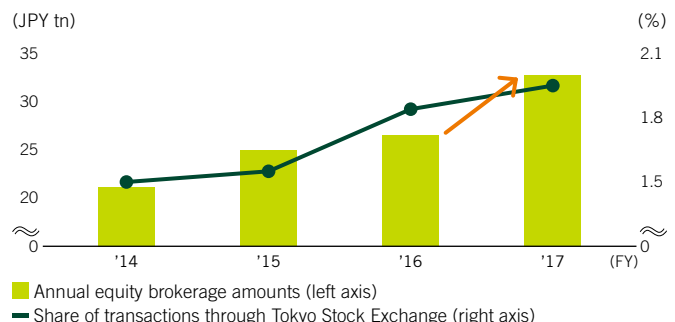
	Fiscal 2017	Increase (decrease) ^{*1}
Gross profit (JPY bn)	356.2	+6.4
Expenses (JPY bn)	(53.9)	(3.3)
(Overhead ratio)	15.1%	(0.7)%
Net business profit (JPY bn)	319.8	+7.4
ROE^{*2}	33.5%	—
RwA^{*3} (JPY tn)	5.9	—

^{*1} Figures are after adjustments for interest rate and exchange rate impacts. ^{*2} Figure is on a managerial accounting basis with RWA calculated assuming Basel III reforms are finalized and excludes IRRBB (Interest-Rate Risk in the Banking Book). ^{*3} Figures are on a Basel III transitional basis.

S&T Profit



Annual Equity Brokerage Amounts and Share of Transactions through Tokyo Stock Exchange (SMBC NIKKO)



Priority Strategies

■ Market Sensitive Nimble Portfolio Management

By conducting various scenario analyses by dealers around the globe, we will strive to find opportunities to optimize our risk-rewards. We will identify signs of market change to take advantage of profit opportunities through proactive monitoring and dynamic but well-calculated market operations.

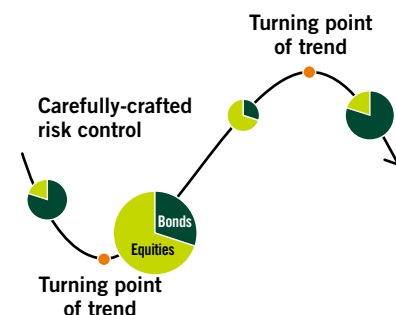
■ Providing Market-Oriented Solutions—S&T Operations

We will provide detailed information on market environments and economic trends to address customers' hedging and asset management needs. In addition, we will expand our product lineup in foreign exchange, derivative, bond, stock, and other products and supply timely solutions to increase customer satisfaction and subsequently Group earnings.

Other focuses include improving the convenience of various electronic transactions and actively encouraging use of such transactions to respond to the needs of a wider range of customers.

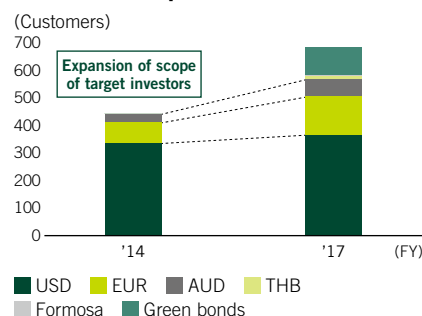
■ Strengthening Foreign Currency Funding Capabilities

To support the overseas businesses of SMBC Group, we will pursue improving stability in foreign currency funding by diversifying funding methods and expanding the scope of investors at which we target. At the same time, we will appropriately control our balance sheet in response to the international financial regulations.



SMBC dealing room

Number of Corporate Bond Investors



Initiatives for Accomplishing Sustainable Development Goals

In relation to foreign currency funding, SMBC Group is contributing to the promotion of environmental businesses, responses to environmental risks, and the reduction of environmental impacts by issuing green bonds.

We are also promoting the digitalization of financial transactions in sales and trading with the goal of cultivating highly convenient financial markets. Furthermore, we will contribute to the development of healthy and active financial/capital markets through providing market service-related solutions.

➔ For more information on SMBC Group's initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 59.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

■ Issuance of green bonds



■ Digitalization of financial transactions



■ Provision of market service-related solutions



Special Feature



Realization of a Cashless Society

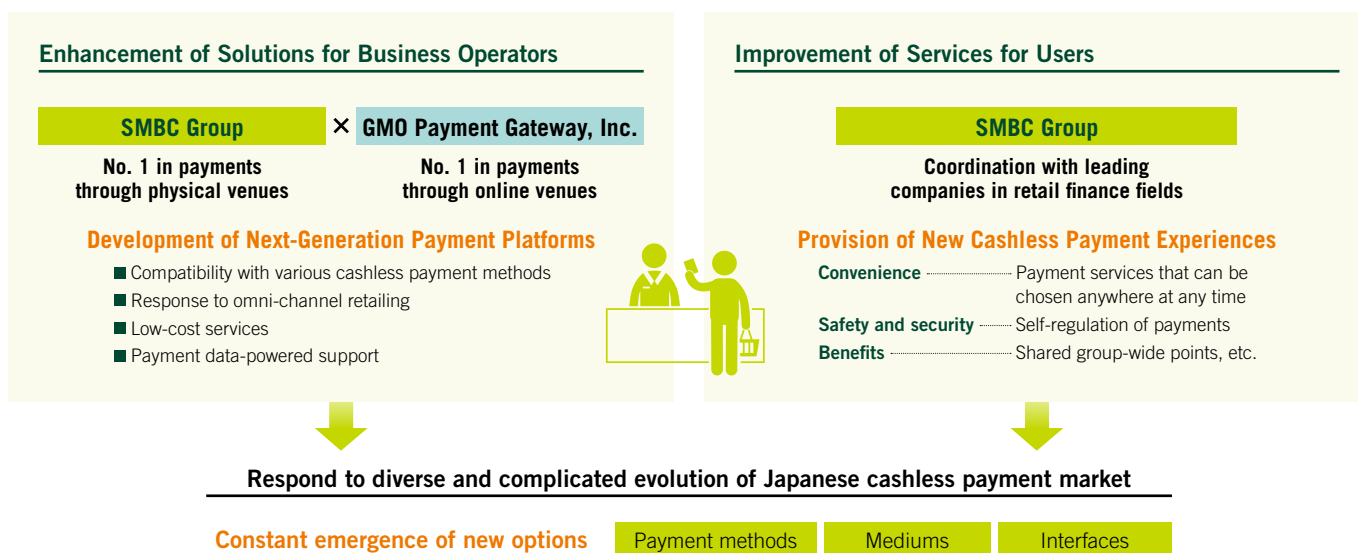
Various forms of cashless payment can be found in Japan, including credit cards, debit cards, and e-money. Nonetheless, cashless payments still represent only a small portion of all payments made when compared to countries like China, South Korea, and the United States, where cashless payments are more mainstream. Recognizing this situation, the Japanese government has stated its intent to greatly increase the portion of payments accounted for by cashless payments leading up to 2020. As a result, the movement to realize a cashless society is gaining momentum.

SMBC Group's Cashless Payment Strategies

The evolution of Japan's cashless payment market has been diverse and complex in comparison to the markets of other countries. This evolution is ongoing, driven by technological progress, market entry by players from other industries, and the diversification of the needs of users and business operators.

SMBC Group has been a proponent of the development of Japan's cashless payment market through the credit card business it has operated over the course of half a century. Today, we are still taking initiative in promoting cashless

payments in Japan by leveraging the strengths and track record we have cultivated to date as we engage in new initiatives based on changes in the operating environment. In this section, we will explain SMBC Group's initiatives to develop next-generation payment platforms and to provide new cashless payment experiences. Through these initiatives, we aim to improve the quality of our services from the perspectives of our customers, both users and business operators, while also removing obstacles to the realization of a cashless society in Japan.





Enhancement of Solutions for Business Operators

Development of Next-Generation Payment Platform

In Japan, the range of usage patterns for cashless payments is growing increasingly diverse amid the rapid expansion of e-commerce and the trend toward mobile payments. However, the payment platforms used to process payment information currently vary by payment method, requiring business operators to install dedicated payment terminals for each payment method or to overhaul their point of sales systems. As a result, it can be difficult for business operators to achieve compatibility with all available payment methods. This situation is one obstacle that is impeding the realization of a cashless society in Japan.

To address this situation, SMBC Group embarked on discussions with GMO Payment Gateway, Inc.,* in May 2018 to develop a next-generation payment platform with the aim of

providing business operators with the infrastructure needed to accommodate cashless payments. We will combine the online payment strengths of GMO Payment Gateway with the credit card service strengths and competitiveness in regard to payments at stores and other physical venues of SMBC Group. We thereby plan to develop a comprehensive, next-generation payment platform capable of seamlessly accommodating payments through various payment methods via both physical and online venues. Our goal is to create infrastructure that enables business operators to respond to the diverse range of payment methods necessary to cater to users' various needs with a single, low-cost payment platform.

* A member of the GMO Internet Group that has become a leader in the payment industry by providing comprehensive payment services and financial-related services and that processes ¥2.5 trillion worth of payments a year



Improvement of Services for Users

Provision of New Cashless Payment Experiences

Individuals that refrain from using cashless payments have cited reasons for this reluctance that include the hassle of carrying around various cashless payment tools and concern regarding the possibility of overspending. SMBC Group is enhancing its cashless payment services with the aim of addressing the concerns people have for cashless payments themselves.

For example, we will introduce a mobile service that allows for various payment methods and store interfaces, such as contactless ICs and QR code payments, to be selected as appropriate for the best convenience. We thereby aim to let cashless payment users choose the payment method they desire anywhere at any time. This service is expected to provide a feature that helps users self-regulate their spending. Users concerned about overspending will be able to flexibly

set a limit on mobile payments so that they can feel safe and have peace of mind when making cashless payments. Users with relatively high financial leeway, such as those able to save money, will be granted the ability to switch between credit and debit payments to match their needs at a given time.

Furthermore, we will take advantage of the retail finance sector leaders of SMBC Group to introduce shared group-wide point systems that allow users to accumulate points when making payments or using various other financial services. We are also examining the possibility of providing user benefits through coordination with business operators.

Through these initiatives, SMBC Group is amassing its collective strength to provide users with new cashless payment experiences that are convenient, offer safety and peace of mind, and provide other user benefits.

Special Feature



Branch Reorganizations—Transformation into Next-Generation Branches

The number of visitors to bank branches has declined by 30% over the past decade. At the same time, the number of transactions conducted over the Internet and via smartphones have been growing each year, illustrating a substantial change in customers' attitudes toward financial services. Meanwhile, the trend toward digitalization has lent itself to increased rationality and efficiency with regard to office work.

Recognizing these changes, SMBC is moving forward with the transformation of its approximately 430 branches for individual customers into next-generation branches. A total of 103 branches were transformed in fiscal 2017, and SMBC plans to complete the transformation of all branches by March 2020.

Branch Strategies based on Market Characteristics

SMBC Group has developed various types of next-generation branches that can be employed as needed based on the characteristics of the region or market of each branch. Here, you will find principal examples of these branch types.



PERSONAL

Branches Exclusively for Individual Customers (SMBC The PERSONAL)

By consolidating services for corporate clients into neighboring branches, these branches are able to limit themselves to services for individual customers. This limited scope makes it possible to enhance consulting systems in order to more closely serve individual customers.

At the Nakanosakaue Branch, for example, we have installed special booths that offer customers a more personal experience with their consultants, and have also increased the number of other isolated consultant booths.



RESERVATION

Reservation-Only Branches

The Azabujuban Branch, which was opened in March 2018, requires customers to make a reservation by Internet or by phone in order to receive service. This step was taken to prevent customers from having to wait for service at the branch.

Moreover, this branch features a designated reserved space and an open and relaxed atmosphere in which customers can receive consultation on asset building, wealth management, and other topics based on their needs.



SMBC Group Branch Reorganizations

At SMBC branches, we are promoting three reforms, “changing the way we offer services to our customers,” “changing the administration process,” and “changing the concept of branches.”

As part of these reforms, we offer self-service venues to customers visiting branches for services that can be provided through ATMs or tablets so that they will not have to wait in line. In addition, processes that were previously conducted in back offices of branches are now collectively performed at processing centers to allow customers to receive smoother service at branches without receipts or other papers and without the need for personal stamps.

These reforms have enabled us to reduce the number of service windows at branches while eliminating the need for back office space. As a result, the amount of floor space required at branches has been reduced, and we are therefore able to provide a more open and relaxed atmosphere for customers seeking consultation on wealth management or loans.

In this way, we are striving to develop next-generation branches that contribute to improved customer satisfaction and reduced costs through branch reorganizations.



Group Shared Branches

By consolidating branches for various SMBC Group companies into a single location, we are able to more effectively utilize lobby and reception areas. Accordingly, this approach contributes to more efficient space management on a group-wide scale while helping us optimize our branch network.

Currently, you can find SMBC, SMBC Nikko Securities, and SMBC Trust Bank in both our Akasaka Branch and Shinjuku Branch.



Digital Spaces

Located near a terminal station, customers visiting the Shinjuku Branch are often there for procedures related to bank transfers or address updates. To accommodate these customers, we have established a digital space at this branch in which customers can use tablets for Internet banking.

As many customers have never used Internet banking, we hope that this space will enable them to experience the convenience Internet banking can offer and thereby encourage them to try it out at home.



Support for Ambitions of Start-Ups and Growing Industries

One of the priority strategies of SMBC Group's Medium-Term Management Plan is to "build on our lead position in the Japanese medium-sized enterprise market." In our implementation of this strategy, we are promoting coordination among Group companies to provide various solutions that match the growth stages of specific corporate clients. We are also taking advantage of our network of major companies, universities, research institutions, and other external affiliates to support the ambitions of domestic start-ups and growing industries. As examples of these initiatives, we would like to introduce Mirai 2018, Japan's largest business pitch competition, and hoops link tokyo, an open innovation site.

Mirai 2018

Support for Commercialization of Promising Technologies and Business Ideas

In February 2016, we took part in establishing Incubation & Innovation Initiative, a business consortium aimed at generating cross-industry innovation that is centered around SMBC and The Japan Research Institute, Limited.

This consortium holds the Mirai acceleration program, which is designed to support the promising technologies and business ideas created by start-ups, universities, research institutions, and other organizations from the public, private, and academic sectors.

The Mirai program is open to all industries, and it has thus been able to attract among the highest participation numbers in Japan. The multitiered curriculum of the program includes

mentoring and judging by investors that are well known within their industries and commercialization support by major companies that are part of the consortium.

Mirai 2018, the third iteration of this program, saw applications from around 100 teams. The final judging was held in March 2018, and the 31 teams that had passed secondary screening assembled for this event to put their business ideas to the test.

This iteration of the program consisted of five categories. Grand prizes were presented to teams exhibiting excellence in each category. In addition, special company prizes were bestowed by consortium members. After the conclusion of the award program, winning teams were provided access to regular review meetings with consortium members to facilitate verification tests along with other ongoing support for their ideas.

Grand Prize Winners

Category	Winner	Overview of Wining Idea
Robots, AI, and IoT	Spacelink Co., Ltd.	Solution of addressing battery and position information issues faced in robot and mobility fields
Innovative materials and energy	Goiku Battery CO., LTD.	Energy management business using battery diagnosis technologies
Medical and healthcare	AT CO., LTD.	Attraction of attention to new health indicator of capillary scopes and promotion of attitude changes
IT fusion	FOLIO CO., LTD.	Platform for new investment combining entertainment with cutting-edge FinTech
Other	Co-LABO MAKER, Inc.	Testing equipment and technology sharing platform

▶ More information can be found through the following link: <https://mirai.ventures/2018/en/>



Mirai 2018

1. Deputy President Manabu Narita giving opening speech
2. Opening ceremony
3. Booth exhibition hall

hoops link tokyo

4. Work space
5. Business pitch event

hoops link tokyo

Open Innovation Site Supporting Networking, Ideas, and Ambitions

SMBC Group opened hoops link tokyo in the Shibuya area of Tokyo in September 2017 with the aim of creating new businesses and services as well as energizing and enhancing existing businesses and services. The word “hoops” was chosen for the name of this establishment as it is meant to connect people while flattening various hierarchical relationships.

We have made hoops link tokyo an open innovation site that supports networking, ideas, and ambitions. At this site, companies ranging from start-ups to major players; government bodies; academic research institutions; NPOs; and various other organizations are able to present their

issues and ideas so that the technologies, insight, expertise, and strengths of the public, private, and academic sectors can be shared to address those issues. The innovations created at this site are not limited to financial institutions. Rather, we have defined a broad target of “businesses that contribute to the resolution of social issues.” To date, seminars and business pitch events with a variety of themes have been held at hoops link tokyo, creating connections between individuals from various posts, including representatives from the new business development divisions of major companies and from new start-up companies.

We look forward to creating new businesses by using hoops link tokyo as a fulcrum for the utilization of SMBC Group’s resources and its vast, worldwide network.



Goya Furukawa
Vice President
IT Innovation Department

VOICE

Located on the main street of Shibuya, hoops link tokyo boasts an elegantly designed interior that betrays visitors’ preconceived image of financial institutions. The motif we chose was that of an underground bar during the prohibition era. Here, we strive to create new ideas through casual yet deep discussion directly with key players.




▶ More information can be found through the following link: <http://hoops-link-tokyo.com/> (Japanese only)

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
 - Establishment of Sumitomo Mitsui Financial Group
 - Voluntary establishment of Nominating Committee, Compensation Committee, and Risk Committee as internal committees of the Board of Directors
 - ▼
 - 2005
 - Voluntary establishment of Audit Committee as internal committee of the Board of Directors
 - ▼
 - 2006
 - 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 ensuing appropriate operations
 - ▼
 - 2010
 - 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
 - ▼
 - 2014
 - Appointment of independent directors and independent auditors based on stipulations of the Tokyo Stock Exchange
 - ▼
 - 2015
 - Establishment of the “SMFG Corporate Governance Guideline”
 - Increase in the number of outside directors to five and the number of outside corporate auditors to three
 - ▼
 - 2016
 - 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
 - Commencement of evaluations of the effectiveness of the Board of Directors
 - ▼
 - 2017
 - 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
 - Institution of new Group governance system through introduction of group-wide business units and CxO system

Sumitomo Mitsui Financial Group's Corporate Governance System

We have set forth a “Code of Conduct” to serve as action guidelines across all business activities with the aim of sharing the principles of “Our Mission” throughout the Group. In addition, the “SMFG Corporate Governance Guideline,” a guideline for corporate governance, has been formulated and disclosed. We are promoting awareness and understanding regarding these guidelines among all SMBC Group officers and employees.

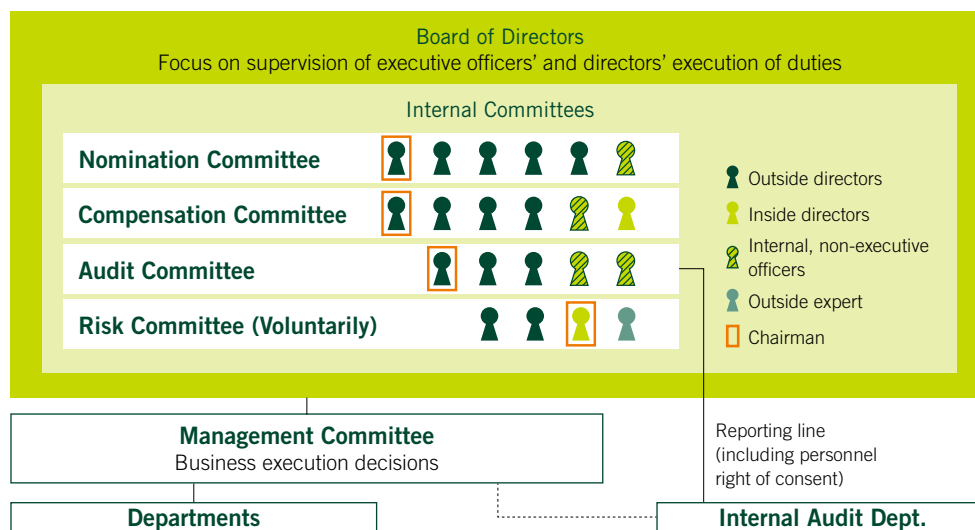
We had previously employed a board of corporate auditors governance system. In order to establish a corporate governance system that is globally recognized and is aligned with international banking regulations and supervision requirements and achieve enhanced oversight of the exercise of duties by the Board of Directors and expedite this exercise of duties, we transitioned to a Company with Three Committees following approval at our Ordinary General Meeting of Shareholders held in June 2017.

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.

Code of Conduct

- To strive to increase shareholder value whilst also maintaining healthy relationships with customers, employees, and other stakeholders. To give utmost consideration to the trust which people have in the firm, to abide by all laws and regulations, to maintain a high ethical standard, and to act fairly and sincerely;
- To continue improving our knowledge and capability and, at the same time, to raise our productivity in order to provide superior financial services at competitive prices;
- To establish a top brand global financial group by understanding the needs of each customer and by providing valuable services which meet those needs;
- To be selective and focused in the implementation of our business strategy, to define and develop the competitive advantages which we have over our competitors and, by allocating managerial resources strategically to those businesses, to become a top player in our selected markets;
- To be creative, proactive, and courageous in order to be in a leading position in all business areas and always a step ahead of our competitors;
- To build a strong organization based on market practice and sound principles whilst reflecting our diverse values. To delegate internal authority under an efficient and effective management system which facilitates speedy decision-making and execution;
- To support our business growth and the development of our employees by setting challenging targets within an evaluation and compensation framework which emphasizes their capabilities and achievements.

Corporate Governance System



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 and experience. The Company strives to maintain the appropriate number of directors in order to enable the Board of Directors to function with the greatest degree of effectiveness and efficiency. In addition, the Board of Directors is to be comprised of at least two directors, and more than one-third of all directors should be outside directors designated as independent directors based on the stipulations of the Tokyo Stock Exchange.

As of June 28, 2018, the Board of Directors was comprised of 17 directors. Ten of the 17 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, served 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.

Board of Directors Statistics

	Fiscal 2016	Fiscal 2017
Meetings	14	10
Agenda items	144	82

Internal Committees

■ 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 President of SMBC. The Nomination Committee is comprised of one internal director and five outside directors. In order to ensure transparency in deliberations on officer personnel decisions, an outside director has been appointed to serve as the chairman of this committee.

■ Compensation Committee

The Compensation Committee is responsible for deciding policies for determining the compensation of executive officers and directors of the Company as well as compensation amounts of individual executive officers and directors 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. The Compensation Committee is comprised of two internal directors and four outside directors. In order to ensure transparency in deliberations on officer compensation, an outside director has been appointed to serve as the chairman of this committee.

■ Audit Committee

The Audit Committee is responsible for the auditing of the execution of duties by the executive officers and directors of the Company, preparation of audit reports, and determination of 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 are appointed by this committee to perform audits of the operations and assets of the Company and its subsidiaries. The Audit Committee is comprised of two internal directors and three outside directors. An outside director has been appointed to serve as the chairman of this committee in order to guarantee the objectivity of audits and independence from business execution. In principle, at least one member of this committee is to possess specialized expertise in finance.

■ 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. The Risk Committee is comprised of one internal director, two outside directors, and one external expert.

Internal Committee Composition

◎ Chairman ○ Member

		Nomination Committee (1 inside director, 5 outside directors)	Compensation Committee (2 inside directors, 4 outside directors)	Audit Committee (2 inside directors, 3 outside directors)	Risk Committee (1 inside director, 3 outside directors and outside experts)
Masayuki Matsumoto	Outside director	○		◎	
Arthur M. Mitchell	Outside director	○	○		
Shozo Yamazaki	Outside director			○	○
Masaharu Kohno	Outside director	○			○
Yoshinobu Tsutsui	Outside director	◎	○		
Katsuyoshi Shinbo	Outside director		◎	○	
Eriko Sakurai	Outside director	○	○		
Koichi Miyata	Chairman of the Board	○	○		
Takeshi Kunibe	Director President		○		
Jun Ohta	Director Deputy President and Executive Officer				◎
Toshiyuki Teramoto	Director			○	
Toru Mikami	Director			○	
Hirohide Yamaguchi*	Outside expert				○

* Chairman of the Advisory Board of Nikko Research Center, Inc., former Deputy Governor of the Bank of Japan

Meetings Only Attended by Outside Directors

As described in the “SMFG Corporate Governance Guideline,” outside directors may hold meetings that only outside directors may attend to serve as forums for building consensus and exchanging information with regard to matters pertaining to corporate governance and businesses from an independent and objective standpoint. In fiscal 2017, two such meetings were held. During these meetings, outside directors engaged in vigorous discussion regarding topics such as the necessary role of the Board of Directors given recent corporate governance trends, the ideal procedures for selecting agenda items based on the role of the Board of Directors, means of improving proceedings of the Board of Directors, and requests for management. The results of these discussions were communicated to management.



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 endeavor to continually supply outside directors with the information and insight on business activities that is necessary to supervise management while also providing the opportunities needed to fulfill their roles.

Initiatives to support directors in fiscal 2017 included the following.

- Lectures by business units, tours of bases of Group companies, and discussions with presidents of Group companies for facilitating a greater understanding of business operations and business activities
- Explanatory forums on Board of Directors’ meeting agenda items prior to Board meetings to assist in understanding of items
- Study sessions for outside directors led by external lecturers on topics such as recent corporate governance trends
- Small meetings with institutional investors to provide opportunities for understanding the perspectives of stakeholders
- Training through SMBC Academy training website for employees
- Distribution of PCs to outside directors for use in timely and effective provision of information such as details on the proceedings of internal meetings

Outside Director and Corporate Auditor Independence Standards

In order for an outside director or outside corporate auditor (“Outside Director or Corporate Auditor”) 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"> • 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. • 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.
2	Specialist	<ul style="list-style-type: none"> • A legal expert, accounting expert, or consultant who has received money or other property from the Company or SMBC averaging more than JPY 10 million per year over the last three years, in addition to any compensation received as a director or corporate auditor. • 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.
3	Donations	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 JPY 10 million per year and 2% of the recipient’s annual revenue.
4	Major Shareholder	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).
5	Close Relative	<ul style="list-style-type: none"> • A close relative of any person (excluding non-material personnel) who falls under any of the following: <ol style="list-style-type: none"> (1) A person who falls under any of 1 through 4 above; or (2) A director, corporate auditor, executive officer, or other person engaged in the execution of business of the Company or a subsidiary thereof.

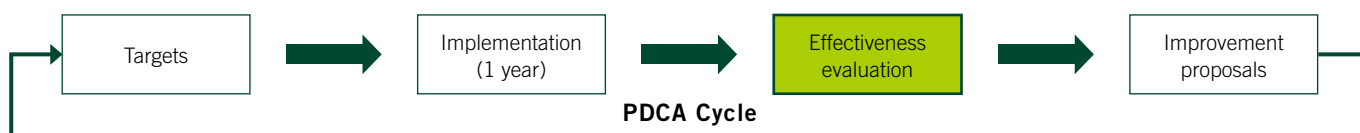
➔ Please see Reference 6 of the “SMFG Corporate Governance Guideline” for more information.
http://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf

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 fiscal 2017, the evaluation focused on the four areas described below, which are areas for which provisions exist in Japan's Corporate Governance Code and the "SMFG Corporate Governance Guideline." All outside directors were asked for

their opinions regarding these areas at meetings of the Board of Directors held in April and May 2018, and interviews of internal directors were conducted thereafter. Discussions based on the findings took place at Board of Directors' meetings in June, 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." We plan to work to improve the functionality of the Board of Directors based on the results of these evaluations. Moreover, reviews by external consulting firms are received at each stage of the evaluation process.



Overview of Evaluation Results

Composition of the Board of Directors

- As of March 31, 2018, the Board of Directors consisted of 17 directors, seven of which 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.
- There is a need to continue evaluating and revising the number of members and the composition of the Board of Directors to ensure that the Board of Directors is suitable as a Company with Three Committees.

Role of the Board of Directors

- Constructive discussions continue to be held while taking advantage of 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."
- Based in part on the discussions at the Management Committee, matters related to business plans and other basic management policies as well as the status of the business execution were presented and reported to the Board of Directors on several occasions. As a result, effective deliberations on these matters were able to take place and oversight functions were exercised properly.
- For the purpose of facilitating the exercise of oversight functions by the Board of Directors that are appropriate as a Company with Three Committees, ongoing examination and revision is needed with regard to measures for enabling deeper discussion on important management themes from a medium- to long-term perspective.

Proceedings of the Board of Directors

- The number and content of agenda items as well as the amount of time dedicated to discussion of agenda items were more or less around the appropriate level.
- Discussions were livelier than in the previous fiscal year due to efforts to stimulate deeper discussions by having directors provide overviews of agenda items.
- The following measures were taken to encourage frank discussion at meetings of the Board of Directors.
 - Allocation of time to discussion of topics not included in agenda
 - Seating arrangement-related measures
 - Clearer explanations of the points to be discussed

Support Systems for Outside Directors

- Information necessary for making flexible management decisions in a changing operating environment and for exercising effective oversight functions continued to be supplied to Board of Directors members in an appropriate and timely manner.
- 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 the accounting auditor.
- It is desirable for the Company to continue promoting initiatives for utilizing the insight of outside directors (such as by holding additional "Meeting Only Attended by Outside Directors" or arranging forums for informal exchanges of information).

Compensation Program

We revised the executive compensation program and introduced new Stock Compensation Plans as a part of the executive compensation program, for the purpose of:

1. Providing more appropriate 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.

We will also introduce the malus (forfeiture) of restricted stock and the claw-back of vested stock allocated to the executives under the Plans to restrain excessive risk-taking and foster a prudent risk culture expected of a financial institution.

Executive Compensation Program (Stock Compensation Plans)

Compensation Components	Payment Standards (Range of Variation)	Payment Method			
Base salary	Fixed compensation	• Cash			
Bonus (cash)	Compensation determined based on SMFG's annual performance (0%–150%) Standard levels × annual performance of SMFG and SMBC as well as on the performance of the executive	• Cash: 70% • Restricted stock: 30%			
Bonus (Stock Compensation Plan II)					
Stock Compensation Plan I	Compensation determined based on SMFG's medium-term performance, etc. (0%–150%) Standard levels × SMFG's medium-term performance, etc. (Performance Indices)	• Restricted stock			
			Category	Performance Indices	
			Financial Targets	Capital Efficiency	ROE/RORA
				Cost Efficiency	Overhead ratio
				Financial Soundness	Common equity tier 1 capital ratio
Growth	Growth (rate/amount) of net profit				
Shareholder Value	Total shareholder return				
Customer Value	Dividend per share				
	Customer satisfaction surveys, etc.				
Stock Compensation Plan III	(Promotion reward plan)	• Restricted stock			

↑

Portion of stock-based compensation: 25%

↑

Portion of variable compensation: 40%

- Providing more appropriate incentives for executives
- Further aligning the interests of executives with those of shareholders

Applicable to malus and claw-back provisions

- Foster a prudent risk culture expected of a financial institution

Executive Management Systems

■ Management Committee

The Management Committee is set up under the Board to serve as the top decision-making body. The Management Committee is chaired by the President of Sumitomo Mitsui Financial Group with other members including executive officers and other officers designated by the president. The President of Sumitomo Mitsui Financial Group considers important matters relating to the execution of business in accordance with the basic policies set by the Board of Directors and based on discussions held by the committee members.

■ Group-Wide Business Units and CxO System

In April 2017, the Company introduced group-wide business units and the CxO system with the aim of enhancing Group management. The group-wide business unit structure entailed the creation of the Retail Business Unit, the Wholesale Business Unit, the International Business Unit, and the Global Markets Business Unit. The goal of this structure is to heighten our ability to address the various needs of customers on a group-wide basis by enabling the business units to formulate and implement business strategies based on their respective customer segments. The CxO system entails the appointment of nine Group chief officers in charge of specific areas in addition to the Group CEO (President of Sumitomo Mitsui Financial Group). This system is meant to improve Group management capabilities centered on the holding company. The heads of business units as well as the chief officer positions will, in principle, be filled with executive officers of the Company, with the one exception being the Group Chief Audit Executive (CAE). Individuals appointed to these positions are expected to exercise their duties as the person responsible for overseeing their business unit or head office division and report on the execution of their duties to the Board of Directors.

Outside Director Interview



Masayuki Matsumoto

Director

Sumitomo Mitsui Financial Group, Inc.

Q What do you see as your role as an outside director?

I joined Japanese National Railways in 1967. After this organization was broken up and privatized, I worked in general affairs and human resources divisions at Central Japan Railway Company. Over the period from 2004 to 2010, I served as president of this company. I resigned from the position of representative director and vice chairman of this company in 2011 to become chairman of Japan Broadcasting Corporation, a position I filled until 2014.

Given this background, I was a bit surprised when SMBC asked me to become an outside director in 2015. The financial sector was a whole new world for me, I was doubtful of my ability to utilize my experience and insight in this new world.

However, SMBC reassured me that, in the midst of the substantial changes that were being seen in the structures of financial businesses, I would be able to contribute with opinions that are not bound by industry conventions. This company also stated that they were in need of a third-party perspective grounded in experience from managing highly public enterprises. I was thus convinced to accept this position. For this reason, I see the most important part of my role as an outside director to be offering opinions from a third-party perspective at meetings of the Board of Directors and other venues.

Having actually taken part in the management of a financial business, I now know that there are some big similarities with

the businesses I have engaged in previously. One similarity is the need for operations to be anchored on credibility. Another is the quantity and complexity of the regulations that must be complied with. The railroad and broadcasting businesses I was involved in previously had close ties to regulatory authorities. In this respect, I believe that there is room for me to utilize my experience and insight at SMBC Group.

In 2017, I became an outside director at Sumitomo Mitsui Financial Group, the holding company. While my position may be a little different, my role remains the same. Following the Company's transformation into a Company with Three Committees, I became chairman of the Audit Committee and a member of the Nomination Committee. As I mentioned, I have a long history in general affairs and human resources departments, and I have been deeply involved in risk management over the years. Calling upon this experience, I hope to contribute to the reinforcement of corporate governance structures through the activities of these committees.

Q From your perspective as an outside director, what do you see as the strengths and weaknesses of SMBC Group?

I see SMBC Group's ability to respond to change with swift action as one of its strengths. For example, I thought it would require a substantial amount of time for the group-wide

business units, which were introduced in 2017, to take hold within the Group. This was because the injection of cross-company functions would mean that people would need to change how they worked and would thus create a lot of friction. Contrary to my expectation, however, what I hear at meetings and other junctures suggests that the business units are well aware of the duties assigned to them through the introduction of the group-wide system and that the benefits of this system are already appearing. While there may be some small issues here and there, the overall speed at which this system has become entrenched at the Group is exceeding my expectations.

Another example of swift action by the Group came during the period of the previous Medium-Term Management Plan. After the initially unexpected slowdown in the Asian economy and negative interest rate policy instituted by the Bank of Japan created a difficult operating environment, the Group changed its focus, in the middle of the plan no less, from topline growth to bottom-line profits. Rather than stubbornly adhering to the existing plan, SMBC Group was able to make flexible changes to the plan, even implementing bold revisions to its measures.

The Group's risk management systems are also exceptional functionally. However, there can be no greater factor supporting the various strengths of SMBC Group than the quality of its people.

As for weaknesses, one cannot deny that the Group's operations in certain fields are smaller in terms of scale and earnings than those of other companies. Turning this around, you could also say that the Group has room to grow in these fields. Given the talented human resources and organizational might of SMBC Group, I feel confident in the Group's ability to turn this situation into an opportunity for growth.

Q What will SMBC Group need to do in order to continue growing in the future?

Becoming the global financial group described in SMBC Group's medium- to long-term vision will be absolutely essential to future growth. As described in the medium-term management plan, it will be important for the Group to set its sights on fields in growing markets that have the potential to lead to the creation of highly profitable businesses. At the same time, it will be crucial for the Group to maintain a conservative viewpoint by effectively practicing risk management and other precautions. As the Group aggressively develops businesses in which it can utilize its accumulated track record and expertise, it will also be important to carefully evaluate those businesses

in which these strengths are not viable and make decisions regarding its involvement in these businesses accordingly.

It is easy to become preoccupied with the aggressive aspect of growth strategies. For this reason, an important duty of outside directors is to turn attention to the conservative aspects of operations. I have no doubt that, so long as SMBC Group keeps itself well grounded as it moves forward, it is certain to reach its goal of becoming a global financial group.

Q Lastly, what do you see as most important to improving the effectiveness of the Board of Directors?

I think it is most important to ensure that effective discussions take place at meetings of the Board of Directors. For example, in the past, the Board of Directors has been engaged in ongoing discussion of capital measures. It is crucial for capital measures to be prefaced on the Company's sustainability and ability to grow. This sustainability and growth is also of great importance to shareholders and all other stakeholders. With this in mind, we moved forward with discussions of these measures.

Specifically, we looked at matters such as the vision for SMBC Group's future and the investment that would need to be conducted to realize this vision. Each of these matters was evaluated to set priorities. In establishing the overarching direction for capital measures, the Board meetings functioned as a forum for exchanging various opinions. It was because we went through this process of discussion that, in the end, we were able to set dividend policies and define a position for share buybacks that everyone could agree with.

During the course of discussions, I and the other outside directors brought attention to various matters. The Group CFO kindly explained the circumstances surrounding those matters. Furthermore, we were provided with a sufficient amount of information prior to Board meetings, ensuring that discussions at meetings were fruitful.

Another benefit of outside directors is their ability to voice frank opinions based on their own experience without being limited by the circumstances within the Group that led to a given situation. Such openness can spark new discussion or inspire us to reevaluate previously made decisions, thereby leading to more active discussion at Board meetings. This factor also contributes to the meaningfulness of having outside directors.

Personally, I plan to continue to voice opinions and offer suggestions while valuing outside perspectives and remaining mindful of all stakeholders. I hope to contribute to increased effectiveness for the Board of Directors through this approach.

Sumitomo Mitsui Financial Group Directors (As of June 28, 2018)



Koichi Miyata

Chairman of the Board
Chairman of the Board of SMBC

1976 Joined Mitsui Bank
2003 Executive Officer of SMBC
2006 Managing Executive Officer of SMBC
2009 Director and Senior Managing Executive Officer of SMBC
2010 Senior Managing Executive Officer of the Company
Director of the Company

2011 Director and President of the Company
Director of SMBC
2017 Chairman of the Board of the Company (to present)
Chairman of the Board of SMBC (to present)



Takeshi Kunibe

Director President (Representative Corporate Executive Officer) and Group CEO

1976 Joined Sumitomo Bank
2003 Executive Officer of SMBC
2006 Managing Executive Officer of SMBC
2007 Managing Executive Officer of the Company
Director 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 (to present)



Makoto Takashima

Director
President of SMBC

1982 Joined Sumitomo Bank
2009 Executive Officer of SMBC
2012 Managing Executive Officer of SMBC
2014 Senior Managing Executive Officer of SMBC

2016 Director and Senior Managing Executive Officer of SMBC
2017 President of SMBC (to present)
Director of the Company (to present)



Koza Ogino

Director Deputy President and Corporate Executive Officer and Group CRO
Director and Deputy President of SMBC

1981 Joined Mitsui Bank
2010 Executive Officer of SMBC
2011 Managing Executive Officer of SMBC
2013 Managing Executive Officer of the Company
Director of the Company
2014 Director and Senior Managing Executive Officer of SMBC

2017 Director and Deputy President of the Company
Director and Deputy President of SMBC (to present)
Director Deputy President and Corporate Executive Officer
of the Company (to present)



Jun Ohta

Director Deputy President and Corporate Executive Officer
(Representative Corporate Executive Officer), Group CFO and Group CSO
Director and Deputy President of SMBC

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
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 (to present)
2018 Director and Deputy President of SMBC (to present)



Katsunori Tanizaki

Director Senior Managing Corporate Executive Officer, Group CIO and Group CDIO
Director and Senior Managing Executive Officer of SMBC
Director of The Japan Research Institute, Limited

- 1982 Joined Sumitomo Bank
- 2010 Executive Officer of SMBC
- 2011 General Manager of IT Planning Department of the Company
- 2013 Managing Executive Officer of SMBC
- 2015 Senior Managing Executive Officer of the Company

- Director and Senior Managing Executive Officer of SMBC (to present)
- Director of the Company
- 2017 Director and Senior Managing Executive Officer of the Company
- Director Senior Managing Corporate Executive Officer of the Company (to present)



Toshikazu Yaku

Director Senior Managing Corporate Executive Officer, Group CCO and Group CHRO
Director and Senior Managing Executive Officer of SMBC

- 1984 Joined Sumitomo Bank
- 2012 General Manager of Human Resources Department of the Company
- Executive Officer of SMBC
- 2014 Managing Executive Officer of SMBC
- 2016 Managing Executive Officer of the Company

- 2017 Director and Managing Executive Officer of SMBC
- Senior Managing Executive Officer of the Company
- Director and Senior Managing Executive Officer of SMBC (to present)
- Director Senior Managing Corporate Executive Officer of the Company (to present)



Toshiyuki Teramoto

Director
Corporate Auditor of SMBC

- 1981 Joined Mitsui Bank
- 2008 Executive Officer of SMBC
- 2011 Managing Executive Officer of SMBC
- 2014 Director and Senior Managing Executive Officer of SMBC

- 2015 Senior Managing Executive Officer of the Company
- Director of the Company
- 2016 Director of SMBC
- Standing Corporate Auditor of the Company
- Corporate Auditor of SMBC (to present)
- 2017 Director of the Company (to present)



Toru Mikami

Director

- 1984 Joined Sumitomo Bank
- 2006 General Manager of Legal Department of SMBC
- 2013 Co-General Manager of General Affairs Department of the Company
- 2015 Senior Manager of Head Office of SMBC
- Standing Corporate Auditor of the Company
- 2017 Director of the Company (to present)



Tetsuya Kubo

Director
Representative Director, Chairman of SMBC NIKKO

- 1976 Joined Sumitomo Bank
- 2003 Executive Officer of SMBC
- 2006 Managing Executive Officer of SMBC
- 2008 Managing Executive Officer of the Company
- 2009 Senior Managing Executive Officer of the Company
- Director and Senior Managing Executive Officer of SMBC
- 2011 Deputy President and Executive Officer of the Company
- Director and Deputy President of SMBC

- Director of SMBC Nikko Securities Inc. ("SMBC NIKKO")
- Director of the Company
- 2013 Resigned as Director of the Company
- Resigned as Director of SMBC
- Representative Director, President & CEO of SMBC NIKKO
- 2016 Representative Director, Chairman of SMBC NIKKO (to present)
- Director of the Company (to present)

Sumitomo Mitsui Financial Group Directors (As of June 28, 2018)

	<p>Masayuki Matsumoto Director Special Advisor of Central Japan Railway Company</p>
<p>1967 Joined 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</p>	<p>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</p>
	<p>Arthur M. Mitchell Director Attorney at law, admitted in New York, the U.S.A. and Foreign Attorney in Japan</p>
<p>1976 Registered as an attorney at law, admitted in New York, the U.S.A. (to present) 2003 General Counsel of the Asian Development Bank 2007 Joined White & Case LLP</p>	<p>2008 Registered as Foreign Attorney in Japan (to present) Registered Foreign Attorney in Japan at White & Case LLP (to present) 2015 Director of the Company (to present)</p>
	<p>Shozo Yamazaki Director Certified public accountant</p>
<p>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)</p>	<p>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)</p>
	<p>Masaharu Kohno Director Former diplomat</p>
<p>1973 Joined Ministry of Foreign Affairs of Japan 2005 Director-General of Foreign Policy Bureau in Ministry of Foreign Affairs of Japan 2007 Deputy Minister for Foreign Affairs (in charge of economy) of Ministry of Foreign Affairs of Japan 2009 Ambassador of Japan to Russia Ambassador of Japan to Russia, Armenia, Turkmenistan and Belarus</p>	<p>2011 Ambassador of Japan to Italy Ambassador of Japan to Italy, Albania, San Marino and Malta 2014 Retired from office 2015 Director of the Company (to present)</p>



Yoshinobu Tsutsui

Director
Chairman of Nippon Life Insurance Company

- 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)



Katsuyoshi Shinbo

Director
Attorney at law

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



Eriko Sakurai

Director
Chairman and Chief Executive Officer of Dow Corning Toray Co., Ltd.

- 1987 Joined Dow Corning Corporation
- 2008 Director of Dow Corning Toray Co., Ltd.
- 2009 Chairman and Chief Executive Officer of Dow Corning Toray Co., Ltd. (to present)
- 2011 Regional President -Japan/Korea of Dow Corning Corporation
- 2015 President and Representative Director of Dow Corning Holding Japan Co., Ltd (currently Dow Silicones Holding Japan Co., Ltd.) (to present)
Director of the Company (to present)

Note: Messrs. and Ms. Matsumoto, Mitchell, Yamazaki, Kohno, Tsutsui, Shinbo and Sakurai satisfy the requirements for an "outside director" under the Companies Act.

➔ Please see page 117 for SMBC directors and corporate auditors.

Towards Sustainable Development of Society

Our Approach

We are currently facing various environmental and social issues to be addressed on a global scale, such as climate change, loss of biodiversity stemming from global warming, and human rights violations in the supply chain seen in emerging countries. SMBC Group views corporate social responsibility (CSR) as resolving social issues through our main business, and recognizing its role in accomplishing the United Nations Sustainable Development Goals (SDGs) in order to realize the sustainable development of society.

CSR Activities of SMBC Group

SMBC Group defines CSR as “Contributing to the sustainable development of society through its business activities by offering higher value to (1) customers, (2) shareholders and the market, (3) the environment and society, and (4) employees”, and have identified business ethics as the underlying principle for our CSR activities to facilitate efficient action with this regard.

SMBC Group has designated three priority issues, “Environment,” “Next Generation,” and “Community” as well as SDGs as areas for initiatives to be implemented in order to live up to the expectations and fulfill the requests of stakeholders and to contribute to the resolution of social issues. Simultaneously, the CSR Department has been set up within the Corporate Planning Department at the Group level, and the CSR committee is convened periodically to facilitate improvements in CSR initiatives by discussing matters related to group-wide CSR activities.

In addition, SMBC Group engages in regular dialogue with external experts, NGOs, and other stakeholders with the aim of reflecting valuable opinions on the expectations and responsibilities of the Group in its sustainability efforts.

➔ Please follow the link to read about SMBC Group's CSR activities.

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



Dialogue held with stakeholders

Accomplishing Sustainable Development Goals (SDGs)

In order to fulfill our mission as a global financial group, SMBC Group seeks to contribute to the accomplishment of the SDGs and has selected goals to be focused on in its business with this regard.

About the SDGs

The SDGs are a set of 17 goals for the realization of a sustainable society that were adopted at the UN General Assembly in September 2015.



Environment

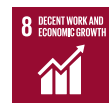


- Promote Environmental Business
- Manage Environmental Risks
- Reduce Environmental Impacts



- Support for growth industries
- Resolution of social issues in emerging countries
- Promote financial literacy education
- Develop a safe and secure community
- Promote social inclusion
- Support areas impacted by large-scale natural disasters

Social



Governance





Environmental Initiatives

Promote Environmental Business

The Company positions environmental businesses as a means to preserve and improve the global environment through its core business operations. Examples include supporting renewable energy projects, providing ESG financing to eco-friendly companies, and the promotion of environmental financing through the issuance of green bonds and the sales of eco funds. We are also providing information on our environmental and SDG initiatives to customers via various means, such as the SAFE environmental magazine and our participation in the Eco-Pro exhibition.



Eco-Pro exhibition at Tokyo Big Sight

Manage Environmental Risks

SMBC's Credit Policy, which sets out universal and basic philosophies, guidelines, and rules for credit operations, explicitly prohibits credit which may cause problems for society or for the public good, and also contains provisions regarding environmental and social risks in our business.

Furthermore, SMBC Group observes the Equator Principles, a set of environmental and social risk management standards for private-sector financial institutions, with regard to financing of large-scale development projects with the potential to significantly impact the environment or society negatively. Environmental and social risk assessments are carried out by the Environment Analysis Department of the International Banking Unit.



Equator Principles Annual Meeting

Issuance of Green Bonds

SMBC Group issues green bonds in overseas markets and is also one of the main issuers of these bonds in Japan.

The funds procured through these bonds are allocated to eco-friendly projects, such as renewable energy or energy conservation projects, in order to help preserve and improve the global environment through project financing.

Date of issue	Issuer	Amount
October 20, 2015	Sumitomo Mitsui Banking Corporation	US\$500 million
October 11, 2017	Sumitomo Mitsui Financial Group	€500 million

Reduce Environmental Impacts

To guide its efforts to reduce the negative environmental impact of its business activities, SMBC Group acquired certification under ISO 14001, the international standard for environmental management systems, at SMBC and six other Group companies^{*1} in 1998. We were the first Japanese banking Group to acquire this certification. Compliance with the new standards for this certification was achieved in fiscal 2017.



ISO 14001 certification

We are moving forward with initiatives for reducing the environmental impact of our business, such as making bank passbooks viewable online and providing electronic loan documents and billing statements. In addition, SMBC is working toward the goal of reducing electricity consumption intensity (electricity consumption / total floor area) in fiscal 2030 by 19.0% compared to fiscal 2009.

^{*1} Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities, Sumitomo Mitsui Finance and Leasing, Sumitomo Mitsui Card Company, Cedyne, SMBC Consumer Finance, and Japan Research Institute

Response to Climate Change

Climate change is one of the primary global issues to be addressed in the 21st century.

We have announced our support of the Task Force on Climate-related Financial Disclosures^{*2} at the One Planet Summit held in Paris in December 2017. SMBC Group will continuously support our customers in their efforts to reduce greenhouse gas emissions by such measures as promoting the introduction of eco-friendly technologies through their business operations. By conducting business in a manner that helps reduce greenhouse gas emissions, we will further enhance our actions towards addressing climate change.

^{*2} The Task Force on Climate-related Financial Disclosures was established by the Financial Stability Board (FSB) in April 2015 to urge individual companies to disclose their impact on climate change in their financial reports.

■ Governance on Climate Change

We deem the creation of a sustainable society as one of our priority issues and have established Group environmental policies to continuously implement measures to harmonize corporate activities with protection of the global environment and prevention of pollution. Also, to mitigate the impact of climate change, we will regularly review our credit policy for specific sectors and also report to the Group Management Committee and the Board of Directors as appropriate with regard to our climate change prevention initiatives and response measures.

■ Climate Change-Related Opportunities

SMBC Group supports the following initiatives: projects that contribute to the mitigation of the impacts of climate change, including those related to renewable energy and green buildings; investments made by companies to increase their energy efficiency; and projects to improve infrastructure and otherwise create cities and communities that are resilient to the impacts of climate change.

Specifically, the amount of syndicated loans for renewable energy projects reached approximately ¥300 billion in fiscal 2017. In addition, we issued green bonds in 2015 and then again in 2017. Through these efforts, we are promoting environmental businesses and contributing to reduced environmental impacts both domestically and globally.



Meeting with green bond investors

■ Management of Climate Change-Related Risks

To manage climate change-related risks, we will identify the sectors with assets that might suffer loss due to abnormal weather; assets that are vulnerable from the viewpoint of climate change, such as fossil fuels; and assets that might become isolated as a result of climate change and appropriately evaluate the risk exposure of those sectors.

For new financing of coal-fired power plants, we will limit financing to plants promising high levels of efficiency, regardless of where the plant will be constructed. In addition, we will make efforts to reflect the results of risk quantified through scenario analysis and stress tests carried out to assess the impact of climate change in our managerial decisions. At the same time, we are well aware of the need to make assumptions about the influence on our own business from revisions made to regulations and from the changes to our stakeholders' behavior due to climate change issues.



Shin Izumo wind farm project

Revision of Credit Policy

Based on consideration of the impacts of climate change and other environmental issues as well as human rights and other social issues, SMBC has revised its Credit Policy to include provisions regarding coal-fired power plants, palm oil plantation developments, and deforestation.

1. Coal-Fired Power Plants

As developed countries work toward the end goal of realizing a carbon-free society, SMBC Group will help ensure a smooth transition to a low-carbon society, the intermediary goal, by implementing more rigorous standards for financing coal-fired power plants. Under the new standards, we will limit financing of new projects to those using ultra-supercritical or more highly efficient methods, regardless of location.

2. Palm Oil Plantation Developments

We will prohibit financial support to palm oil plantation development projects that are highly likely to be involved in illegal logging and/or human rights violations such as child labor.

3. Deforestation

Based on the laws of relevant countries, we will prohibit financial support of projects that are highly likely to be involved in illegal logging and/or land clearing activities. For large-scale development projects, we will base financing decisions on assessments of the environmental risks, including if the projects entail clearing of primary forests and/or the destruction of local ecosystems, in accordance with the Equator Principles.

Social Initiatives



Financial Literacy Education

SMBC Group companies unite to provide financial and economic education based on their respective business models.

Examples of the various education activities conducted by the Group include financial and economic educational seminars for college students and those who have entered the workforce. We also offer *What Does a Bank Do?*, a book for elementary school students, and *JUNIOR SAFE*, an environmental magazine for children that has received the 10th Kid's Design award of excellence (by Minister of State for Consumer Affairs and Food Safety) and a Principles for Financial Action for the 21st Century award of encouragement. Other activities include the co-sponsorship of the KidZania work experience theme park and supporting Finance Park educational programs for middle school and high school students.



Bank service window experience at KidZania

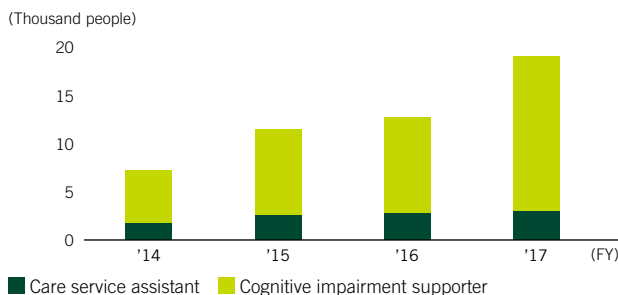
Number of participants at education programs

Approx. 130,000 (Fiscal 2017)

Assistance to Elderly and People with Cognitive Impairment and Disabilities

As of March 31, 2018, SMBC Group had trained approximately 16,000 staff members as cognitive impairment supporters. In addition, we encourage employees to acquire care service assistant qualifications and are developing our branches in a manner that ensures the elderly and people with disabilities can use them with ease.

Acquisition of Qualifications by Employees (Aggregate)



Resolution of Social Issues in Emerging Countries

In Indonesia, vocational school programs are being advanced on a national and municipal level with the aim of contributing to economic development and the cultivation of work skills among youths. Since March 2015, SMBC and PT Bank Sumitomo Mitsui Indonesia have cooperated with the Djarum Foundation, which is operated by the Djarum Group, a major Indonesian conglomerate, to support vocational schools and donate training equipments. In 2017, a vocational school supported by the Group was selected by the national government as a model case, indicating the high evaluation of our initiatives from the local community.



Vocational school in Indonesia

Supported School Programs

5 curriculums

Number of Students

Approx. 2,400

In Myanmar, we provide training for teachers to raise skill levels with respect to how to teach in multi-language settings and how to handle mixed-grade classes and thereby seek to help to improve the quality of instruction given to children and also make significant contributions to the development of human resources for the country's future development. In addition, SMBC became the first Japanese company to sign an agreement with the Japan Committee for UNICEF in July 2015. The agreement concerns a training program for school teachers in Myanmar to contribute to educational improvement. In recognition of these initiatives, the Cabinet Office of Japan conferred the Medal with Dark Blue Ribbon on SMBC in May 2018. Going forward, we will continue to contribute to the development of education in Myanmar to ensure that all children can receive a high-quality education.



Training program for school teachers in Myanmar

Number of Teachers Trained

Approx. 4,500

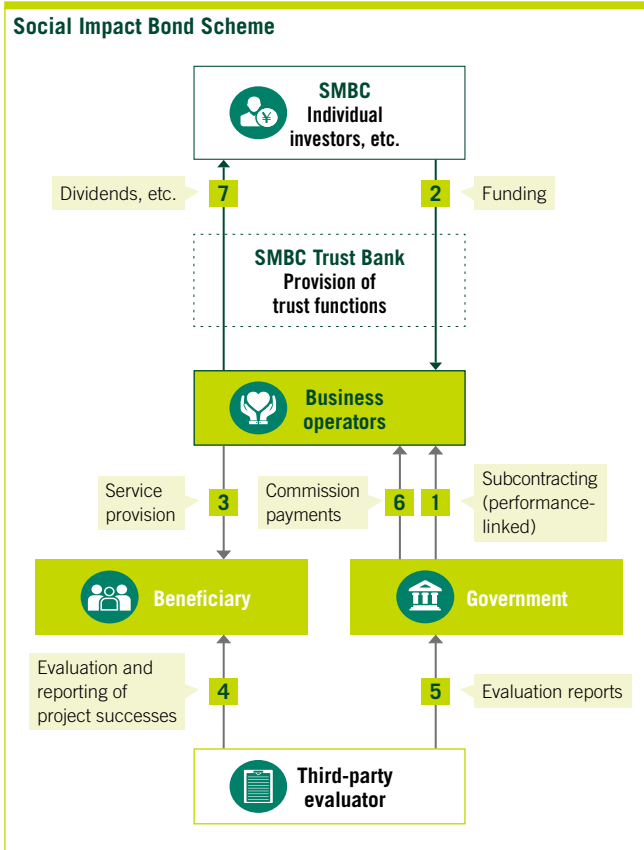
Number of Students Instructed by Trained Teachers

Approx. 70,000

■ Social Impact Bonds

SMBC and SMBC Trust Bank have begun offering social impact bonds. These bonds have been arranged into a full-fledged, first-in-Japan funding scheme, which is being used to fund Kobe City's program for preventing diabetic nephropathy and other serious illnesses.

Social impact bonds are schemes for collecting funds from private-sector contributors so that these funds can be used by private-sector companies to perform public service based on contracts from government and other institutions. Returns are issued to fund contributors based on the success of the relevant project. Through this scheme, SMBC Group aims to provide financial support for addressing the issues faced by communities and society of today.



■ Support Areas Affected by Natural Disasters

In May 2011, SMBC Group employees and members of their families began participating in voluntary activities in areas affected by the Great East Japan Earthquake. In addition, employees started volunteering in the areas affected by the Kumamoto earthquakes during fiscal 2016. A total of 100 employees and family members from across Japan took part in such activities during fiscal 2017 and ¥6 million in donations was collected.



Employee volunteers helping out in disaster-stricken area

Promote Social Inclusion (Coordination with NGOs and NPOs and Donations Through SMBC Volunteer Fund)

Approximately 10,000 executives and employees participate in SMBC's voluntary scheme for deductions from salaries for donations to charitable organizations. Through this scheme, donations totaling ¥21 million have been made to 32 organizations working toward the resolution of social issues in Japan and overseas. By holding regular discussions with NGOs and other organizations we receive their feedback which allows us to better understand society's expectations for us and reflect this understanding in our activities.



Supporting organizations working to preserve ecosystems along the Amazon river



Supporting organizations engaged in ecosystem surveys and preservation activities

Customer-Oriented Initiatives

Our Approach

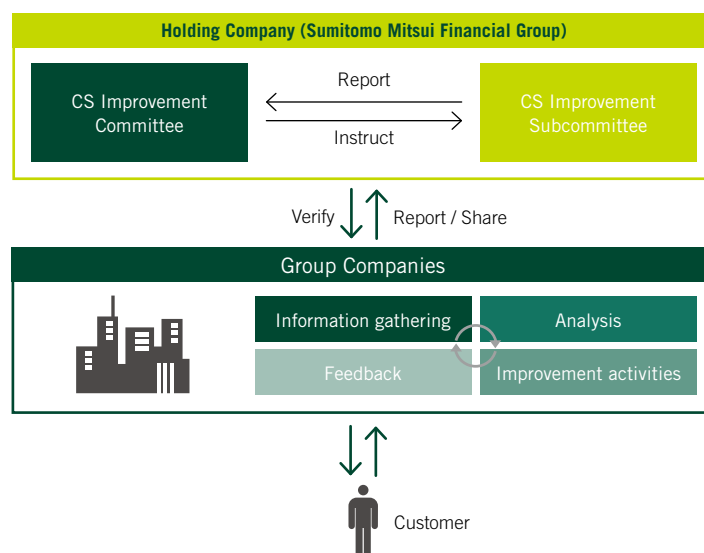
SMBC Group companies are united in their efforts for customer satisfaction (CS) and quality improvement in line with “Our Mission,” which states “We grow and prosper together with our customers, by providing services of greater value to them.”

CS and Quality Improvement System

We have established the CS Improvement Subcommittee as well as the CS Improvement Committee, through which we are advancing initiatives, reinforcing management systems, and promoting Group coordination related to customer-oriented business conduct.

External experts are invited to serve as advisors at meetings of the CS Improvement Subcommittee, where information is exchanged on how to fully entrench a customer-oriented mind-set. Meanwhile, the CS Improvement Committee, which shares members with the Group Management Committee, deliberates on concrete measures based on reports from the CS Improvement Subcommittee.

Incorporation of Customer Feedback into Management



Declaration of Compliance with ISO 10002

SMBC 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.

Customer-Oriented Business Initiative

Based on the Principles for Customer-Oriented Business Conduct (a guideline on fiduciary duties) released by the Financial Services Agency in March 2017, 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 in June 2017.

Basic Policy for Customer-Oriented Business Conduct (Excerpt)

■ SMBC Group's Customer-Oriented Business Conduct

In "Our Mission," it is stated that "We grow and prosper together with our customers, by providing services of greater value to them." To give form to this principle, we have defined our Five Values, a list of five key words that represent the values and action guidelines shared by executives and employees in Japan and overseas. "Customer First" (always think and act based on a customer-oriented perspective) is at the top of this list.

■ 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 Asset Management Company, Limited

➔ **For information on the Basic Policy for Customer-Oriented Business Conduct, please see page 106.**

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

Based on the 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.

Disclosed Indicators

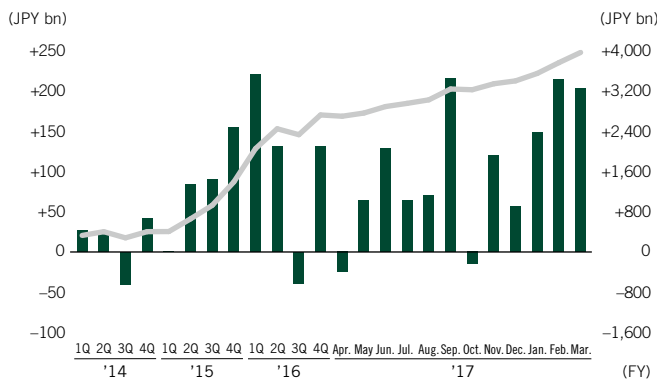
- 1 Increase in balance of investment assets
- 2 Number of customers using wealth management products
- 3 Ratio sales by wealth management product
- 4 Average investment trust holding period
- 5 Fund wrap sales and cancellation amounts
- 6 Amount of fixed-term foreign currency deposits
- 7 Number of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

Performance with Regard to Disclosed Indicators

Increase in Balance of Investment Assets (Indicator 1)

In fiscal 2017, the total balance of investment assets for SMBC, SMBC Nikko Securities, and SMBC Trust Bank continued to grow due in part to customer-oriented initiatives focused on medium- to long-term diversified investment as well as to strong market conditions.

Increase in Balance of Investment Assets



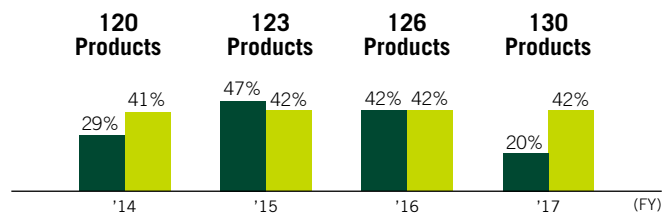
■ Increase in balance of investment assets (left axis)
 — Increase in balance of investment assets (aggregated, right axis)

Note: SMBC refers to Retail Banking Unit (individuals), SMBC Nikko Securities refers to Marketing Unit (individuals), SMBC Trust Bank refers to PRESTIA

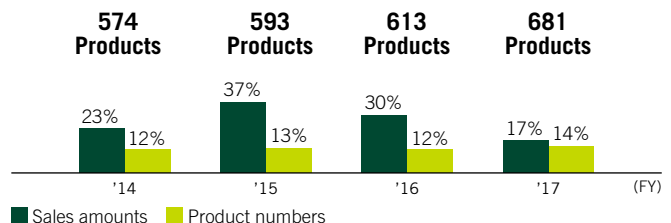
Ratio of Sales of Investment Trust Products of Group Companies (Indicator 11)

As a result of the establishment of customer-oriented product lineups, the ratio of sales of investment trust products of Group companies through SMBC was 20% on a sales amount basis and 42% on a product number basis. The ratio of sales of investment trust products of Group companies through SMBC Nikko Securities was 17% on a sales amount basis and 14% on a product number basis.

SMBC



SMBC Nikko Securities



Note: Group companies refers to Sumitomo Mitsui Asset Management and Daiwa SB Investments

Internal Audits

Our Approach

As a part of SMBC Group’s internal control system, the Audit Department verifies the effectiveness of business units and risk management divisions from an independent standpoint and pursues ongoing improvements in the quality of internal audits in order to contribute to development and increased trust across the entire Group.

Overview of the Group’s Internal Audit System

The Audit Department has been established as an internal auditing division that is positioned under the Audit Committee and is independent from business units and compliance and risk management divisions. In principle, independent audit departments are also in place at Group companies. The Group chief audit executive oversees group-wide auditing activities.

Based on the Group Internal Audit Charter and the Basic Audit Policy and Plan formulated by the Audit Committee and the Board of Directors, the Audit Division conducts internal audits of Company divisions and Group companies aimed at ensuring the appropriateness of Group operations and the soundness of assets. In addition, the appropriateness and effectiveness of internal control systems at Group companies are verified through ongoing monitoring of the status of internal audit implementation.

Major audit findings are regularly reported to the Audit Committee, the Board of Directors, and the Group Management Committee. Also, the department is working to strengthen cooperation with accounting auditors through frequent exchanges of information for appropriate audit practices.

Enhancement of the Quality and Effectiveness of Internal Audit

The Group has adopted auditing methods in accordance with the standards of the Institute of Internal Auditors (IIA),* conducts risk-based audits, and extends the same approach to Group companies. Representatives from the Audit Department attend important meetings at the Company and at Group companies to obtain internal management documents and thereby conduct monitoring for the purpose of implementing effective and efficient internal audits.

It seeks to enhance the expertise of internal auditors in Group companies as it gathers up-to-date information on internal audit and offers that information to Group companies, organizes training programs, and promotes the obtaining of international certification as an auditor.

Moreover, the Audit Department seeks to enhance group-wide audit processes through quality assessments of internal audits based on the IIA standards and on other exemplary initiatives by G-SIFIs.

* The Institute of Internal Auditors, Inc. (IIA), was founded in 1941 in the United States as an organization dedicated to helping raise the level of specialization and the status of professionalism of internal auditing staff. Its main activity is to study the theory and practice of internal audit and hold examinations and approve licenses for Certified Internal Auditor (CIA), which is an internationally recognized qualification.



Risk Management

Our Approach

SMBC Group introduced its Risk Appetite Framework to ensure that risk and return levels are appropriate. Risk Appetite Framework is the framework for controlling group-wide risks, which clarifies the types and levels of risk that we are willing to take on or are prepared to tolerate (risk appetite) in order to grow profits based on an accurate view of the operating environment and the risks. Accordingly, Risk Appetite Framework is one of two pivots of our business management alongside business strategy.

Risk Appetite Framework

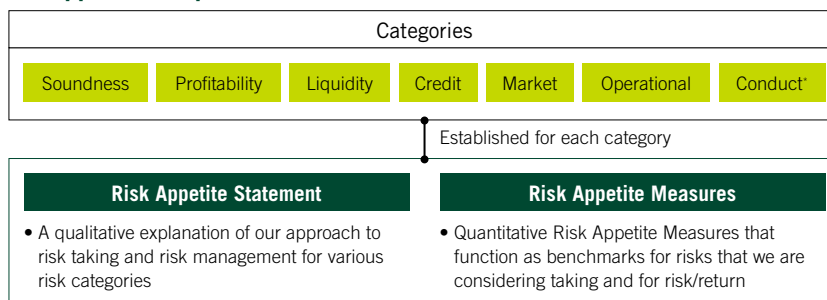
Risk Appetite Framework is the framework for controlling group-wide risks, which clarifies the types and levels of risk that we are willing to take on or are prepared to tolerate in order to grow profits (risk appetite). SMBC Group has defined risk appetites for specific risk categories and has created documents detailing policies with regard to Risk Appetite Framework as well as information on specific risk appetites.

Individual risk appetites have been established for specific business units or strategies as necessary based on the overall risk appetite of SMBC Group.

Risk Appetite Framework Positioning



Risk Appetite Composition



* Conduct Risk Management
SMBC Group defines conduct risk as the risk that our conduct negatively affects customers, market integrity, or effective competition. This risk is managed by implementing preventive measures through Risk Appetite Framework.

■ Operation of Risk Appetite Framework

The process of formulating business strategies and policies for each fiscal year entails setting risk appetites. These risk appetites are set by the Management Committee and the Board of Directors based on consideration of the current and future operating environment, Top Risks that threaten to significantly impact management, and risk analyses (stress testing) that illustrate the impact if a risk should be realized.

The outlooks for the operating environment and risks, including Top Risks, are continuously updated over the course of the fiscal year and the risk appetite situation is monitored regularly. Risk Appetite Measures and business strategies are revised as necessary. Three risk management levels are set for Risk Appetite Measures, which are monitored accordingly.

Comprehensive Risk Management

The risks needing to be managed have been defined as credit risk, market risk, liquidity risk, and operational risk. Appropriate management of these risks is practiced. In addition, 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.

Thorough assessments of the operating environment and risks, including Top Risks, are carried out to ensure effective operation of Risk Appetite Framework, after which risks are managed systematically through frameworks for risk analysis via stress testing and risk capital management.

■ Top Risks

SMBC Group identifies those 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 Risk Appetite Framework and the formulation of business strategies and into the creation of risk scenarios for stress testing.

➔ Please see page 91 for Top Risks.

■ Stress Testing

At SMBC Group, we use stress testing for the development and implementation of forward-looking business strategies, seeking to analyze and comprehend the impact on SMBC Group's businesses of changes in economic or market conditions.

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

When developing business strategies, we formulate scenarios assuming stressed business environments such as serious economic recessions and market disruption to assess risk-taking capabilities at SMBC Group and verify whether adequate soundness can be maintained under stress.

In addition, we conduct detailed stress testing of credit risk, market risk, and liquidity risk, based on which it develops and revises strategies for risk taking.

Risk Management Categories

Risk Capital-Based Management

■ 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.

■ 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.

■ Operational Risk

Operational risk is the possibility of losses arising from inadequate or failed internal processes, people, and systems or from external events.

ALM

■ 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.

Management by Risk Type

■ Conduct risk, etc.

Corporate Infrastructure Supporting Value Creation: Risk Management

■ Risk Capital Management

In managing credit risk, market risk, and operational risk affecting entire SMBC Group, we apply a uniform standard, risk capital^{*1} based on value at risk (VaR),^{*2} for use in monitoring and managing risks. This standard is applied while taking into account the characteristics of each risk and of the businesses of our Group companies. Specific risk capital measures include setting upper limits for risk exposure based on group-wide and business unit risk appetite and group-wide management constitution. Each business unit operates business operation within that limit. Through these precautions, we practice management that maintains an appropriate balance between risks and returns based on a comprehensive perspective and secure sufficient financial soundness.

*1 Risk capital: The amount of capital required to cover the theoretical maximum potential loss arising from risks of business operations.

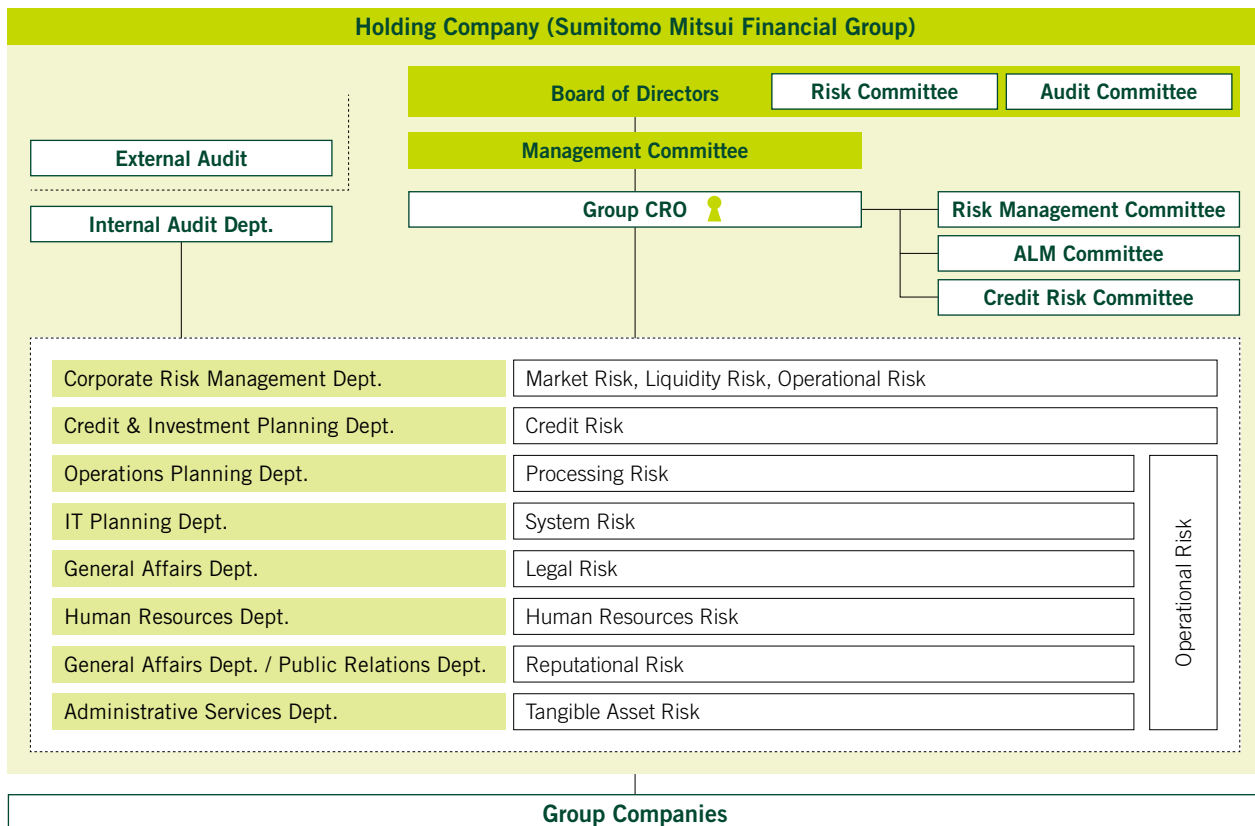
*2 VaR: The maximum loss that can be expected to occur with a certain degree of probability when holding a financial asset portfolio for a given amount of time.

Risk Management System

Top management plays an active role in the risk management process out of recognition for the importance of risk management. The group-wide basic policies for risk management are determined by the Management Committee before being authorized by the Board of Directors.

In line with these basic policies for risk management, the functions for managing major risks are consolidated within the Risk Management Unit, which is independent from business units. In addition, the Internal Audit Dept. conducts internal audits on the status of risk management to verify that risk is appropriately managed. Risk management systems are in place at individual Group companies that have been established based on the characteristics of their particular businesses and in accordance with the basic policies. Furthermore, SMBC Group is strengthening group-wide risk management systems through the Group CRO Committee, which consists of the Group CRO and risk management representatives from strategically important Group companies.

SMBC Group's Risk Management System



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 defined our three lines of defense with the aim of achieving more effective and stronger risk management and compliance systems through the clarification of roles and responsibilities.

Definition of our Three Lines of Defense

First Line

■ Business Units

The Business Units shall be risk owners concerning their operations and shall be responsible for the following in accordance with the basic principles provided by Second Line.

- Identification and evaluation of risks encountered in the business activities
- Implementation of measures for minimizing and controlling risks
- Monitoring of risks and reporting within First Line and to Second Line
- Creation and fostering of a sound risk culture*

Second Line

■ Risk Management and Compliance Departments

The Risk Management and Compliance Departments shall assume the following functions and responsibilities in order to manage the risk management and compliance systems.

- Drafting and development of basic principles and frameworks concerning risk management and compliance
- Oversight, monitoring, and development of training programs for First Line

Third Line

■ Audit Department

Independent from First Line and Second Line, the Audit Department shall assess and verify the effectiveness and appropriateness of activities of First Line and Second Line, and report these results to the Audit Committee and the Management Committee. The Department shall provide recommendations regarding identified issues / problems.

* Creation and fostering of a sound risk culture

In order to create and foster a sound risk culture, we established principles of action for all areas of daily risk management and compliance activities, which clearly identify the values to be shared by and the behaviors expected of Group employees, and we conduct thorough training for them based on the principles.

Implementation of the Basel Capital Accord

The Basel III regulatory framework was established on March 31, 2013, based on the lessons learned from the global financial crisis that spanned in 2008. This framework

is designed to maintain sound operating standards at internationally active banks.

The Basel Committee on Banking Supervision has been engaged in discussions regarding the revision of risk weighted asset calculation methods as well as the revision of minimum capital levels (so-called "capital floors") and other capital ratio regulations. With the exception of some issues yet to be resolved, the final version of the regulatory framework was disclosed in December 2017, and an agreement was reached to implement the regulations in a phased manner beginning in 2022 with full implementation targeted for 2027.

The implementation of these regulations is anticipated to lead to an increase of approximately 25% in the risk weighted assets of us. Nevertheless, we expect to be able to post a CET1 ratio, an indicator for which a financial target has been set, of 10% on March 31, 2019, achieving the Medium-Term Management Plan target for this indicator a year ahead of schedule. This feat will be accomplished through the conversion of two Kansai region banks into equity-method investees, which was conducted in fiscal 2017, and through the reorganization of joint leasing operations scheduled for November 2018.

SMBC Group is committed to steadily accelerating the development of disciplined business operations that are mindful of risks and returns from the perspectives of both risk and regulatory environments.

Declaration of Cyber Security Management

In light of the rising cyber threat, SMBC Group has established its Declaration of Cyber Security Management and is moving forward with a management-spearheaded drive to strengthen cyber security measures.

Specific policies of this declaration are as follows.

1. Define cyber risk as one of Top Risks, regularly discuss and verify this risk at meetings of the Management Committee and the Board of Directors, and allocate the necessary resources
2. Establish a dedicated division to formulate measures for normal operating situations and procedures for corresponding to the emergency situations and implement related exercises
3. Continuously develop human resources and implement cyber security measures utilizing the latest technologies while also instituting measures across the supply chain at subcontractors and business partners
4. Expand the range of cyber security measures available to customers and monitor illegal transactions to enable them to use financial services safely and with peace of mind
5. Contribute to the improvement of cyber security measures throughout society via appropriate and timely reports to regulatory authorities and active provision of information to security-related institutions

Compliance

Our Approach

Management positions the strengthening of compliance as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities as a global financial group. We are increasing our efforts to ensure that compliance policies are followed properly as we aim to become a truly outstanding global group.

Compliance Management

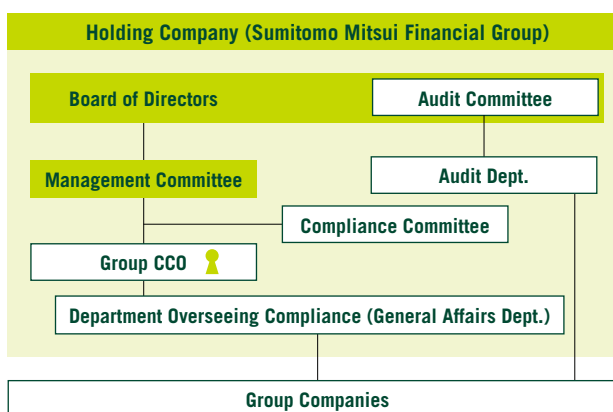
SMBC Group seeks to maintain a compliance system that provides appropriate instructions, guidance, and monitoring for compliance to ensure sound and proper business operations across the Group. Measures have been put in place to prevent misconduct and quickly detect inappropriate activities that have 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.

In addition, SMBC Group formulated the Group Compliance Program to provide a concrete action plan for practicing compliance on a group-wide level. SMBC and other Group companies develop their own compliance programs based on the Group program and take necessary steps to effectively install compliance frameworks.

The Company receives consultations and reports on compliance-related matters from Group companies, providing suggestions and guidance as necessary to ensure compliance throughout the Group.

Compliance Systems at SMBC Group



Anti-Money Laundering and Prevention of Funding Terrorist Organizations

SMBC Group strictly complies with AML/CFT regulations by establishing the Group policy and implementing effective internal control systems in each of the Group companies to ensure that our operations are sound and appropriate. The Group policy/systems are in accordance with the requirements of the relevant international organizations (e.g. the Financial Action Task Force Recommendations) and the law/regulation of relevant countries including Japan (e.g. U.S. "Office of Foreign Assets Control Regulations").

Specifically, SMBC Group takes steps to mitigate the risk of money laundering (ML) and financing of terrorism (FT), which may have a massive negative impact on the economy, by preventing our products/services from being misused for ML/FT.

Response to Anti-Social Forces

SMBC Group has set down a basic policy stipulating that all Group companies must unite in establishing and maintaining a system that ensures that the Group 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 anti-social 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 anti-social 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.

SMBC and its 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.

Initiatives for Supporting Healthy Risk Taking and Appropriate Risk Management

In order for a company to coexist in harmony with society and continue to grow, it is crucial for the company to practice healthy risk taking (business activities) while also appropriately managing risks through compliance and other provisions. Moreover, given the extreme importance of the public mission and social responsibilities of financial institutions, it is vital that SMBC Group places sufficient emphasis on compliance and risk management in our business activities.

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 our systems in these areas in order to become a truly outstanding global group.

To this end, SMBC Group has defined the Principles of Action on Compliance and Risk to serve as guidelines for executives and employees in practicing compliance and other aspects of risk management.

Human Resources Strategy

Our Approach

We have established the Five Values as a set of shared beliefs and guideline for behavior for all 100,000 employees in order to achieve “Our Mission”. Human Resources seeks to support the accomplishment of “Our Mission” through the strategic development of talent and by promoting these values to create a workplace that maximizes the contributions of a diverse workforce.

Developing, Retaining, and Recruiting Talent to Support the Group

■ Talent Development suitable for a changing business environment

In fiscal 2017, SMBC Group established the Learning and Development Institute to grow our group-wide talent development activities. We also implemented new development measures in order to enhance mutual understanding and solidarity among Group employees. We will continue to expand and improve the range of training programs and further promote the Five Values to all Group employees.

In addition, SMBC is providing stage-based development initiatives to support employee growth and facilitate the business vision. In fiscal 2018, we plan to increase the number of initiatives for management training. The expectation of management is ever increasing in light of a changing environment where a diverse range of talented people work together and the complexity of our business compounds.

Human Resources Development Programs Based on Employee Growth Stages

Junior level Employees	Mid-level Employees	Management level Employees
<p>Development of Junior Employees</p> <ul style="list-style-type: none"> • “Anchor system” in which mid-level employees provide guidance and mentoring to junior employees • Enhancement of on-the-job training through the establishment of the “anchor system” and “Philosophy of Work” 	<p>Cultivation of Future Leaders</p> <ul style="list-style-type: none"> • Planned employee rotation • Identification of skills gap and facilitation of necessary learning opportunities • Larger responsibility for mid-level employees 	<p>Enhancement of Management Skills</p> <ul style="list-style-type: none"> • Developing leadership styles to help managers promote autonomy and proactivity within teams • Enhancement of project management skills



■ Developing Global Talent

SMBC Group employees are currently working all over the world in approximately 40 different countries. As our business expands geographically, so do the opportunities of our employees. In light of this we are focusing our efforts on the globalization of our Human Resources practices. Global Human Resources Departments were established at SMBC and SMBC Nikko Securities in fiscal 2014 and fiscal 2017 respectively. Both departments are working to realize identification, development, and promotion of our talent globally in order to enhance our global business.

We offer a wide range of training programs for employees globally. Such programs include financial support for language training for Japan hired employees, leadership courses for senior management, designed in collaboration with a leading business school, and network-building programs at all levels. More than 1,000 employees have participated in these global training programs and are driving our business forward across the globe. In addition, we promote cross-border secondment of employees around the world for both business and training purposes. Among these initiatives there are an increasing number of overseas hired employees working in Japan and contributing to the globalization of Head Office.

By creating an environment where employees with different backgrounds work together and inspire each other, we aim to provide services of greater value to our customers.



Participants in a global training program (Global Co-working Program)

■ Improvement of Motivation and Engagement

SMBC Group is developing group-wide frameworks to support employees taking new challenges and facilitate autonomous career development. It is hoped that such initiatives will improve Group employee motivation and engagement which will in turn increase levels of performance.

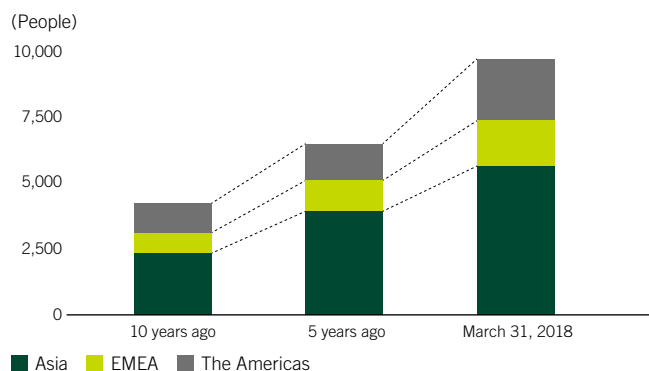
Group-wide surveys will be conducted on an ongoing basis to measure employee engagement.

■ Allocation of Human Resources for Supporting Business Strategies

SMBC Group is increasing its capabilities in priority areas by reallocating its existing human resources and increasing its recruitment efforts. Hiring mid-career professionals is one key way in which we are aiming to increase our capabilities and acquire outside knowledge to support priority areas. SMBC has also established specialized programs to attract new graduates with interest in pursuing careers in quantitative strategy and digitalization. These programs guarantee career routes into these fields.

In addition, we are actively encouraging cross-Group transfers with a view to cultivating the talent that we need to implement business strategies in the medium- to long-term future. For example, SMBC and SMBC Nikko Securities are expanding inter-company trainee systems for junior and mid-level employees. Furthermore we are establishing career paths that take employees between both companies in order for them to possess both banking and securities skills.

Number of Employees Positioned Overseas by Regional Head Office



Note: Figures are for SMBC and its major subsidiaries.

Optimal Deployment of Human Resources and Effective Personnel Expense Control

■ Optimization of Human Resources

SMBC Group is developing frameworks for gathering data such as employee numbers, personnel expenses, and other information on human resources in order to deploy people in the necessary fields. Alongside this we are also using inter-Group movements and training programs to the same end.

■ Improvement of Productivity

The current Medium-Term Management Plan (fiscal 2017–2019) calls for the workload reduction of 4,000 people. To accomplish this goal, we are utilizing robotic process automation and other measures of revising existing work processes while also providing education and training opportunities for improving employees' IT skills. At the same time, we have taken steps to improve productivity through the merger of SMBC Nikko Securities and SMBC Friend Securities and the integration of our four subsidiaries.

Creating a Workplace Environment that Supports Diverse Teams

■ Diversity and Inclusion Statement

SMBC Group has established the following Diversity and Inclusion Statement to represent the Group's values and act as a foundation for all of our initiatives.

At SMBC Group, our most valued resource is our people. Our Mission Statement reflects this conviction: "We create a work environment that encourages and rewards diligent and highly motivated employees."

Ours is an organization in which employees of different backgrounds treat one another with respect and can apply their skills, express their individuality, and experience growth and fulfillment through their work, regardless of race, nationality, age, gender, sexual orientation or gender identity, religion, culture, disability, prior career or lifestyle. This is **the source of SMBC Group's competitive strength**.

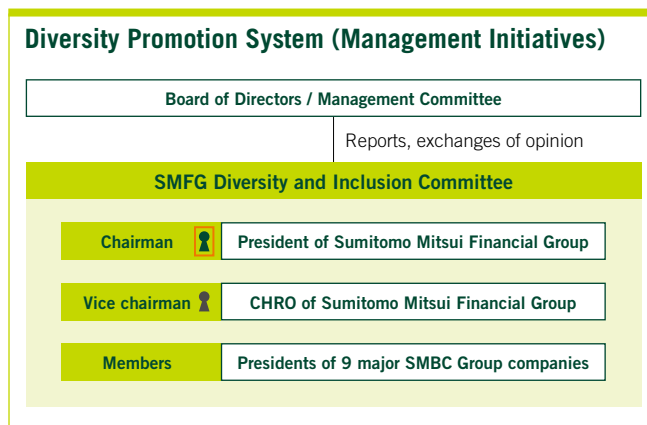
We believe that institutions that promote diversity and encourage their employees to contribute through their varied experience and talents are more dynamic and innovative than institutions in which employees tend to share only similar backgrounds and perspectives.

In order to offer our clients new and higher-value services and to continue to grow with our stakeholders, we are promoting diversity and inclusion throughout SMBC Group as **the core to our growth strategy**.

■ Diversity Promotion System

SMBC Group has established the SMFG Diversity and Inclusion Department as a dedicated organization for promoting diversity and also holds meetings of the SMFG Diversity and Inclusion Committee, which is chaired by the President of Sumitomo Mitsui Financial Group and comprised of the presidents of other Group companies.

By exchanging information about issues and initiatives among Group companies and implementing joint measures for addressing shared issues, we are accelerating the promotion of diversity and inclusion on a group-wide level. The progress of measures on this front is periodically reported to the Board of Directors to facilitate the sharing of opinions and information on these matters.

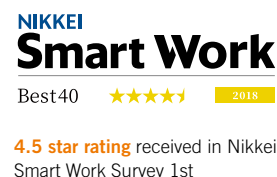


■ Working Style Reforms

SMBC Group is actively implementing working style reforms in order to create workplace environments that enable all employees, even those with restrictions on the hours they can work, to maintain levels of motivation, continue to grow, and feel engaged with their work. We believe that such a workplace will contribute to improved productivity across the Group.

Accordingly, the Group is instituting teleworking and flextime systems and otherwise developing workplace environments conducive to flexible working styles that are not bound by time or place.

Each Group company has set targets for indicators such as overtime hours and paid leave acquisition rates to track progress in working style reforms and implement initiatives that reflect the actual conditions in their company.



■ Empowerment of Female Employees

SMBC Group is proactive in its efforts to empower female employees. We implement programs for assisting female employees in continuing to work, which are centered around support for balancing childcare with work, as well as career development support programs for female employees aimed at cultivating individuals capable of serving in leadership roles. These efforts have earned high evaluations from external organizations, as indicated by the Company being chosen for inclusion in the Nadeshiko Brand selection compiled jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange on three occasions.

In addition, Group companies have set targets for the ratios of female managers and are accelerating efforts to cultivate and promote female employees.

Target for Ratio of Female Managers at SMBC



■ Support for Balancing Careers with Childcare or Nursing Care

SMBC Group strives to ensure that no employee finds themselves wrought with concern over their ability to balance their career with their private life and that all ambitious employees are able to continue working without sacrificing their desired career. To this end, we are expanding our work-life balance support systems, holding work-life balance trainings, supplying information on childcare and nursing care, and otherwise cultivating a forward-looking corporate culture that is understanding and supportive toward employees seeking to balance their work life with their private life.

As one example of these efforts, SMBC has formed an agreement with NICHIIGAKKAN CO., LTD., that allows employees to use its roughly 70 company daycare centers located across Japan. Of these daycare centers, four are located on SMBC properties in Tokyo and Osaka, offering additional support to employees returning to work from childcare leave.



Work-life balance trainings (parent forums)



Guide to balancing career with nursing care

■ Employment of Differently Abled Individuals

SMBC Group is promoting employment of differently abled individuals from the perspectives of social responsibility as well as diversity.

Both SMBC subsidiary SMBC Green Service Co., Ltd., and SMBC Nikko Securities subsidiary Nikko MiRun are specially certified subsidiaries as defined under the Act on Employment Promotion of Persons with Disabilities. Together with these companies, we promote employment and provide employment support for differently abled individuals. Furthermore, we aid all employees in exercising their unique skills and aptitudes by developing various positions and fostering accommodating workplaces.

In addition, SMBC Nikko Securities employs leading differently abled athletes who take part in competitions and give lectures in Japan and overseas to foster understanding with regard to differently abled individuals.



SMBC President Makoto Takashima (front row, center) and Employees of SMBC Green Service

■ Support for Physical and Mental Health of Employees

SMBC Group practices health and productivity management in order to ensure that all employees can maintain good mental and physical health and remain energized in order to continue delivering high levels of value to customers.

To this end, we implement stress checks for all employees, establish consultation venues regarding mental health, institute health improvement programs, and offer other support to help maintain the mental and physical health of our employees.



Selected **twice** for inclusion in the Certified Health and Productivity Management Organization Recognition Program—White 500 (large enterprise category) compiled by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi

Communication with Stakeholders

Our Approach

SMBC Group strives to contribute to the sustainable development of society. To this end, we work diligently to provide greater value to our various stakeholders: “Customers”, “Shareholders and the market”, “The environment and society”, and “Employees.”

Stakeholders of SMBC Group

Customers

- Sales staff
- Call centers
- Customer satisfaction surveys
- In-branch questionnaires

Shareholders and the market

- General meeting of shareholders
- Annual report
- IR meetings
- One on one meetings

The environment and society

- Cooperation with NGOs and NPOs
- Support for initiatives in Japan and overseas
- Volunteer activities of employees

Employees

- Opinion exchange meetings with top management
- Town hall meetings
- Employee surveys



Engagement with Shareholders and the Market

SMBC Group recognizes that appropriate disclosure of corporate and management information is crucial to realizing one of the statements posted in “Our Mission”: “We aim to maximize our shareholders’ value through the continuous growth of our business.”



The 16th Ordinary General Meeting of Shareholders

For this reason, we are enhancing disclosure through investor meetings after announcement of financial results, conferences, one on one meetings, large meetings for individual investors, and other activities.



SMBC Group IR Day



Large meeting for individual investors by the Group CFO

Activities in Fiscal 2017

General meeting of shareholders	827 attendees ^{*1}
IR meetings for institutional investors and analysts ^{*2}	18 meetings
One on one meetings with institutional investors and analysts	467 meetings
Conferences held by securities companies	6 conferences
Large meetings for individual investors	3 meetings

*1 193 attendees at site of broadcast in Osaka

*2 Investors meetings, SMBC Group IR Day, IR meetings, etc.

Engagement with Employees

Each company at SMBC Group holds town hall meetings and discussion forums to enhance mutual understanding between top management and all employees.



Town hall meeting (SMBC NIKKO)

In addition, SMBC holds the “SMBC Pitch Contest”, which provides opportunities for all domestic and overseas employees to present their business ideas directly to top management.



“SMBC Pitch Contest” award ceremony (SMBC)

Financial Review

Principal Financial Data

Consolidated Performance Summary

(Billions of yen)

Year ended March 31	2014	2015	2016	2017	2018
Consolidated gross profit	2,898.2	2,980.4	2,904.0	2,920.7	2,981.1
Net interest income	1,484.2	1,505.2	1,422.9	1,358.6	1,390.2
Net fees and commissions + Trust fees	987.1	999.6	1,007.5	1,017.1	1,070.5
Net trading income + Net other operating income	427.0	475.7	473.5	545.0	520.3
General and administrative expenses	1,569.9	1,659.3	1,724.8	1,812.4	1,816.2
Overhead ratio	54.2%	55.7%	59.4%	62.1%	60.9%
Equity in gains (losses) of affiliates	10.2	(10.6)	(36.2)	24.6	39.0
Consolidated net business profit	1,338.5	1,310.5	1,142.9	1,132.9	1,203.8
Total credit cost (gains)	(49.1)	7.8	102.8	164.4	94.2
SMBC non-consolidated	(123.9)	(80.1)	(3.2)	61.1	(26.7)
Gains (losses) on stocks	89.2	66.7	69.0	55.0	118.9
Other income (expenses)	(44.5)	(48.2)	(123.9)	(17.6)	(64.5)
Ordinary profit	1,432.3	1,321.2	985.3	1,005.9	1,164.1
Extraordinary gains (losses)	(9.6)	(11.8)	(5.1)	(26.6)	(55.3)
Income taxes	458.8	441.4	225.0	171.0	270.5
Profit attributable to non-controlling interests	128.5	114.4	108.4	101.8	104.0
Profit attributable to owners of parent	835.4	753.6	646.7	706.5	734.4

Consolidated Balance Sheet Summary

March 31

Total assets	161,534.4	183,442.6	186,585.8	197,791.6	199,049.1
Loans and bills discounted	68,227.7	73,068.2	75,066.1	80,237.3	72,945.9
Securities	27,152.8	29,633.7	25,264.4	24,631.8	25,712.7
Total liabilities	152,529.4	172,746.3	176,138.2	186,557.3	187,436.2
Deposits	94,331.9	101,047.9	110,668.8	117,830.2	116,477.5
Negotiable certificates of deposit	13,713.5	13,825.9	14,250.4	11,880.9	11,220.3
Total net assets	9,005.0	10,696.3	10,447.7	11,234.3	11,612.9
Stockholders' equity	6,401.2	7,018.4	7,454.3	8,119.1	8,637.0
Retained earnings	3,480.1	4,098.4	4,534.5	5,036.8	5,552.6
Accumulated other comprehensive income	878.0	2,003.9	1,459.5	1,612.5	1,753.4
Non-controlling interests	1,724.0	1,671.7	1,531.0	1,499.3	1,219.6

Financial Indicators

March 31

Total capital ratio (BIS guidelines)	15.51%	16.58%	17.02%	16.93%	19.36%
Tier 1 capital ratio (BIS guidelines)	12.19%	12.89%	13.68%	14.07%	16.69%
Common equity Tier 1 capital ratio (BIS guidelines)	10.63%	11.30%	11.81%	12.17%	14.50%
Dividend per share (Yen)	120	140	150	150	170
Dividend payout ratio	20.3%	26.2%	32.7%	29.9%	32.7%
ROE (on a stockholders' equity basis)	13.8%	11.2%	8.9%	9.1%	8.8%

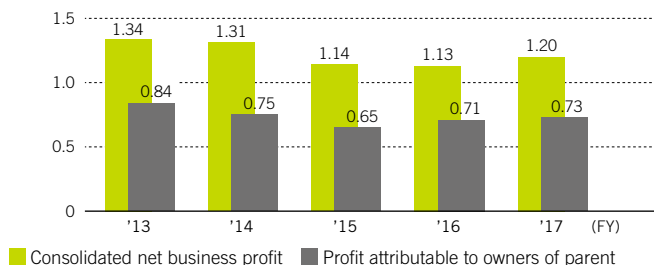
Market Data (As of the end of each fiscal year)

Nikkei Stock Average (Yen)	14,828	19,207	16,759	18,909	21,454
Foreign exchange rate (USD/JPY)	102.88	120.15	112.62	112.19	106.25

Consolidated Performance Summary

Consolidated net business profit / Profit attributable to owners of parent (Consolidated)

(Trillions of yen)



Contribution of subsidiaries to Profit attributable to owners of parent

Year ended March 31	2018
Sumitomo Mitsui Banking Corporation	577.0
SMBC Nikko Securities*	61.9
Sumitomo Mitsui Finance and Leasing	32.7
SMBC Consumer Finance	24.6
Sumitomo Mitsui Card Company	18.7
Sumitomo Mitsui Asset Management	3.6
Cedyna	2.4
SMBC Trust Bank	(5.8)

* Excludes profit from overseas equity-method affiliates of SMBC Nikko Securities (consolidated subsidiaries of Sumitomo Mitsui Financial Group)

Consolidated net business profit

Consolidated gross profit increased by ¥60.3 billion year-on-year to ¥2,981.1 billion. The primary reasons were the strong performance of investment products for retail customers and continuous growth of credit card and overseas businesses.

General and administrative expenses increased by only ¥3.8 billion year-on-year to ¥1,816.2 billion and remained almost flat as a result of the group-wide cost control initiatives while expenses increased along with the top-line growth of SMBC NIKKO and SMCC. Equity in gains (losses) of affiliates increased by ¥14.4 billion year-on-year to ¥39.0 billion primarily as a result of gains recorded on the sales of stock of a subsidiary of The Bank of East Asia, Limited.

As a result, consolidated net business profit increased by ¥71.0 billion year-on-year to ¥1,203.8 billion.

Profit attributable to owners of parent

Total credit cost decreased by ¥70.2 billion year-on-year to ¥94.2 billion. This was mainly due to the debt collection from SMBC's large borrowers for which reserves for possible loan losses had been recorded in past and additional reserves for possible loan losses recorded in fiscal 2016, but not in fiscal 2017, for SMBC's large borrowers with declining business results.

Gains (losses) on stocks increased by ¥63.9 billion year-on-year to ¥118.9 billion as a result of increase in sales gain through the Company's efforts to reduce strategic shareholdings.

In addition to the above items, other income (expenses) decreased by ¥46.8 billion, resulting in losses of ¥64.5 billion. This was mainly due to the provisions for losses on interest repayment in preparation for future potential claims for over-charged interest at SMBC Consumer Finance and Cedyna. As a result, ordinary profit increased by ¥158.3 billion year-on-year to ¥1,164.1 billion.

Extraordinary gains (losses) decreased by ¥28.7 billion, resulting in losses of ¥55.3 billion. This outcome was a result of expenses associated with branch reorganization including movement of branches scheduled during the period of the Medium-Term Management Plan by fiscal 2019.

Income taxes increased by ¥99.6 billion year-on-year to ¥270.5 billion due to the loss of tax benefits recorded in fiscal 2016 by implementing the consolidated corporate-tax system.

Due to the above, profit attributable to owners of parent increased by ¥27.8 billion year-on-year to ¥734.4 billion.

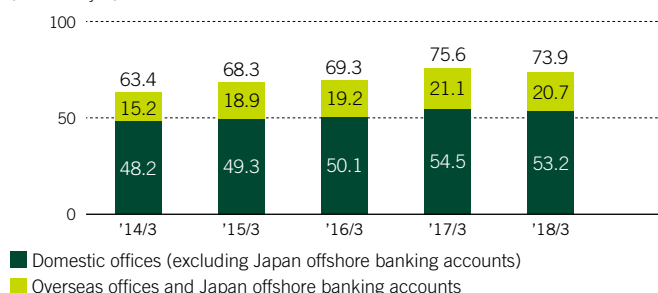
Consolidated Balance Sheet Summary

Loans and bills discounted (SMBC non-consolidated)

Loans and bills discounted decreased by ¥1,689.1 billion year-on-year to ¥73,896.2 billion due to a decrease in loans to government agencies and the absence of bridge loans related to large acquisition finance transactions.

Balance of Loan

(Trillions of yen)

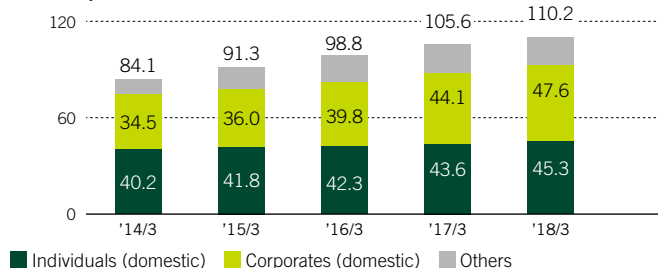


Deposits (SMBC non-consolidated)

Deposits increased by ¥4,652.5 billion year-on-year to ¥110,243.2 billion. This increase was mainly due to increases in both individual and corporate deposits in Japan.

Balance of Deposit

(Trillions of yen)



Domestic loan-to-deposit interest spread (SMBC Non-consolidated)

In fiscal 2017, domestic loan-to-deposit interest spread decreased 0.06 percentage point year-on-year to 0.98% primarily as a result of a decline of loan spreads. After the first quarter, the decrease in domestic loan-to-deposit interest

spread has been limited to 0.02 percentage point, and this downward trend appears to be bottoming out.

Domestic Loan-to-Deposit Interest Spread

(%)

	Fiscal 2017				Fiscal 2016	
	1Q	2Q	3Q	4Q	Yearly average	Yearly average
Interest earned on loans and bills discounted	0.99	0.98	0.98	0.97	0.98	1.05
Interest paid on deposits	0.00	0.00	0.00	0.00	0.00	0.01
Loan-to-deposit spread	0.99	0.98	0.98	0.97	0.98	1.04

Securities

Securities increased ¥1,080.9 billion year-on-year to ¥25,712.7 billion due to an increase in the amount of Japanese government bonds held by SMBC. Net unrealized gains on other securities increased by ¥219.5 billion year-on-year to ¥2,408.2 billion mainly because of higher stock prices.

Unrealized Gains (Losses) on Other Securities

(Billions of yen)

	Balance		Net unrealized gains (losses)	
	March 31, 2018	YoY	March 31, 2018	YoY
Stocks	3,889.3	+131.6	2,173.7	+251.8
Bonds	11,834.2	+1,652.8	44.4	(16.0)
Others	9,716.7	+39.0	190.1	(16.3)
Total	25,440.2	+1,823.4	2,408.2	+219.5

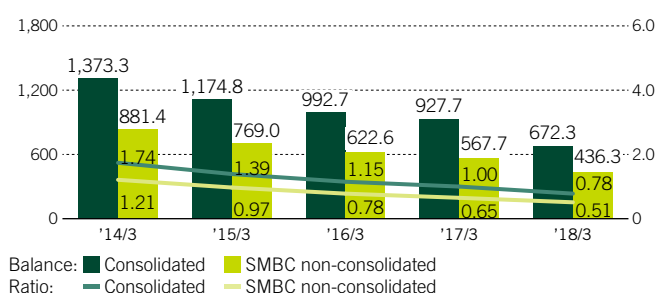
NPLs based on the Financial Reconstruction Act

The balance of NPLs based on the Financial Reconstruction Act decreased by ¥255.4 billion year-on-year to ¥672.3 billion. As a result, the NPL ratio improved by 0.22 percentage point to 0.78%. Both the balance and ratio of NPLs remained at low levels.

Balance of NPLs based on the Financial Reconstruction Act and NPL Ratio

(Billions of yen)

(%)



Capital

■ Capital

Common equity Tier 1 capital increased by ¥608.9 billion year-on-year and total capital increased by ¥330.5 billion year-on-year due to an increase in retained earnings.

■ Risk weighted assets

Risk weighted assets decreased by ¥7,143.3 billion year-on-year, due to the exclusion of Kansai Urban Banking Corporation and THE MINATO BANK, LTD. from the scope of consolidation as well as improvement of the credit portfolio for domestic large borrowers in the Wholesale Business Unit.

■ Capital ratio

The common equity Tier 1 ratio was 14.50% and the total capital ratio was 19.36%. Based on the regulations to be applied on March 31, 2019, the common equity Tier 1 ratio was 14.5%.

Total capital ratio (BIS guidelines)

March 31	2018 (A)	2017 (B)	Increase (decrease) (A-B)
Common equity Tier 1 capital	9,217.4	8,608.5	+608.9
Additional Tier 1 capital	1,392.9	1,337.7	+55.2
Tier 1 capital	10,610.2	9,946.2	+664.0
Tier 2 capital	1,693.9	2,027.5	(333.6)
Total capital	12,304.1	11,973.7	+330.5
Risk weighted assets	63,540.3	70,683.5	(7,143.3)
Common equity Tier 1 capital ratio	14.50%	12.17%	+2.33%
Tier 1 capital ratio	16.69%	14.07%	+2.62%
Total capital ratio	19.36%	16.93%	+2.43%

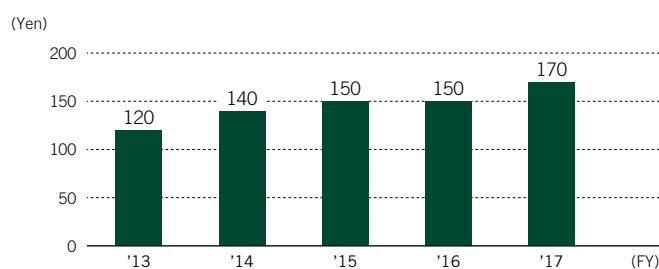
Basel III fully-loaded basis (Based on the definition as of March 31, 2019)

Common equity Tier 1 capital	9,217.4	8,678.7	+538.7
Common equity Tier 1 capital ratio	14.5%	12.2%	+2.3%
Common equity Tier 1 capital ratio (Excludes net unrealized gains (losses) on other securities)	11.8%	10.0%	+1.8%

Shareholder Returns

For fiscal 2017, the Company distributed ordinary dividend per share of common stock of ¥170, ¥20 higher than in the previous fiscal year and ¥10 higher than the disclosed forecast, in reflection of the fact that profit attributable to owners of parent was much higher than the forecast as of the beginning of fiscal 2017. In addition, the Company conducted ¥70.0 billion repurchase of own shares in May and June 2018 with the aim of further enhancing shareholder returns.

Ordinary dividend per share of common stock



Dividend payout ratio

20.3% 26.2% 32.7% 29.9% 32.7%

(Reference) Total payout ratio 42.2%

Overview of repurchase of own shares

Type of shares repurchased	Common stock
Aggregate number of shares repurchased	Approximate 15,370,000 shares (all repurchased shares are to be cancelled)
Aggregated amount repurchased	¥70.0 billion
Repurchase period	May 15–June 19, 2018

— SMBC Group Supports the Olympic and Paralympic Games Tokyo 2020. —



Support for Olympic and Paralympic Games Tokyo 2020



SMBC Group is participating in the Tokyo 2020 Medal Project: Towards an Innovative Future for All of the Tokyo 2020 Organising Committee, and we have donated around 4,000 used mobile phones for use in creating the bronze, silver, and gold medals that will be used in the upcoming Olympic and Paralympic Games Tokyo 2020.

We are also supporting the success of this event by making it possible for customers to donate to the organizing committee through ATMs or at branch service windows.

Contributions to Para Sports in Preparation for the Tokyo 2020 Paralympic Games



SMBC Group employs several para-athletes. These athletes take part in events for fostering understanding with regard to para sports and for encouraging social acceptance by holding workshops for children and acting as presenters at employee rallies, thereby helping generate interest in the Tokyo 2020 Paralympic Games and contributing to the spread of para sports.

Sumitomo Mitsui Financial Group is the Gold Partner (Banking Category) of the Olympic and Paralympic Games Tokyo 2020.



Appendix I

CONTENTS

Group Companies	86	Corporate Data	115
Risk Management	91	Sumitomo Mitsui Financial Group, Inc.	
Internal Reporting Systems and Hotline for Inappropriate Accounting and Auditing Activities	105	Directors and Executive Officers	115
Basic Policy for Customer-Oriented Business Conduct	106	Sumitomo Mitsui Financial Group Organization	116
Support for Mid-Sized Corporations and SMEs, Vitalization of Local Regions in Japan	108	Sumitomo Mitsui Banking Corporation	
Employees	110	Board of Directors, Corporate Auditors and Executive Officers.....	117
Main Work-Life Balance Support System	113	SMBC Organization	120
		Principal Subsidiaries and Affiliates.....	122
		Principal Domestic Subsidiaries	122
		Principal Overseas Subsidiaries	123
		Principal Affiliates	124
		International Directory	125



The companies of the 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.

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: Koichi Miyata

President: Takeshi Kunibe

Capital: ¥2,338.7 billion

Stock Exchange Listings:

Tokyo Stock Exchange (First Section)

Nagoya Stock Exchange (First Section)

Note: American Depositary Receipts (ADRs) are listed on the New York Stock Exchange.

Credit Ratings (as of June 30, 2018)

	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			
	2018	2017	2016	2015
For the Year:				
Ordinary income.....	¥ 5,764.1	¥ 5,133.2	¥ 4,772.1	¥ 4,851.2
Ordinary profit.....	1,164.1	1,005.8	985.2	1,321.1
Profit attributable to owners of parent.....	734.3	706.5	646.6	753.6
At Year-End:				
Net assets	¥ 11,612.8	¥ 11,234.2	¥ 10,447.6	¥ 10,696.2
Total assets	199,049.1	197,791.6	186,585.8	183,442.5



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. SMBC Group is united in its 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: Makoto Takashima

(Concurrent Director at Sumitomo Mitsui Financial Group)

Number of Employees: 29,192

Number of branches and other business locations:

In Japan:	2,135*
Branches:	507
(Including 46 specialized deposit account branches)	
Sub-branches:	455
Banking agencies:	1
Automated service centers:	1,172
Overseas:	43
Branches:	18
Sub-branches:	22
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.

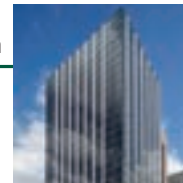
Credit Ratings (as of June 30, 2018)

	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			
	2018	2017	2016	2015
For the Year:				
Ordinary income.....	¥ 3,117.0	¥ 3,014.4	¥ 3,059.0	¥ 3,199.4
Ordinary profit	932.7	829.4	930.3	1,198.9
Net income.....	627.5	543.1	680.1	736.9
At Year-End:				
Net assets	¥ 9,090.4	¥ 8,908.1	¥ 9,446.1	¥ 10,036.0
Total assets	182,727.4	180,946.6	180,408.6	177,559.1



SMBC Trust Bank was founded in February 1986. As well as our corporate trust operations, we have worked to develop personalized retail banking and asset management operations that utilize trust systems and functions. SMBC Trust Bank became part of SMBC Group in October 2013. We are now making a fresh start following the integration of the retail banking operations of Citibank Japan Ltd. under the new PRESTIA brand in November 2015.

SMBC Trust Bank service will be offered to customers by combining our high-level of expertise and experience in trust services, built up through our track record in this area, with the extensive information capabilities and solid organizational skills of SMBC Group.

Company Name: SMBC Trust Bank Ltd.
Business Profile: Commercial banking and Trust Banking
Establishment: February 25, 1986
Head Office: 1-3-1, Nishi-Shimbashi, Minato-ku, Tokyo
President and CEO: Fumiaki Kurahara (Appointed on June 19, 2018)
Number of Employees: 1,988
Number of branches: In Japan: 37 (Including Internet Branch and Sub-Branches)

Financial Information (Years ended March 31)

	Billions of yen			
	2018	2017	2016	2015
For the Year:				
Ordinary income	¥ 50.6	¥ 39.9	¥ 20.5	¥ 7.3
Ordinary profit (loss) ..	(7.1)	(15.8)	(9.5)	(1.1)
Net income (loss)	(5.7)	(4.1)	(10.8)	(1.3)
At Year-End:				
Total assets	¥3,064.4	¥2,710.8	¥2,517.2	¥224.2



Sumitomo Mitsui Finance and Leasing ("SMFL") is a leading Japanese leasing company with an extensive history going back to its origination of the leasing business in 1968. SMFL provides financial solutions and services appropriate to the diverse needs of clients by taking advantage of its abundant experience and past performance results accumulated over the years.

SMFL proactively works on areas with high social needs such as environment/energy, medical/nursing care, leasing, or sale of secondhand machines, while appropriately responding to the globalization of capital expenditures and sales activities overseas.

SMFL develops together with its clients by swiftly providing diverse products and services that address their management issues.

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: 3,550

Credit Ratings (as of June 30, 2018)

	Long-term	Short-term
Standard & Poor's	A-	—
R&I	A+	a-1
JCR	AA-	J-1+

Financial Information

(Consolidated basis, years ended March 31)

	Billions of yen			
	2018	2017	2016	2015
For the Year:				
Leasing transaction volume	¥2,185.0	¥2,192.6	¥1,994.8	¥1,865.8
Operating revenue	1,622.8	1,420.8	1,147.8	1,152.0
Operating profit	96.4	89.0	79.6	84.8
Ordinary profit	97.6	90.4	81.0	86.9
Profit attributable to owners of parent	54.5	50.4	45.5	45.8
At Year-End:				
Total assets	¥5,662.9	¥5,601.6	¥4,736.8	¥4,601.0



SMBC NIKKO

www.smbcnikko.co.jp/en



SMBC Nikko Securities Inc. celebrated its centenary on July 7, 2018.

On January 1, 2018, the start of this momentous year, SMBC Nikko Securities was merged with SMBC Friend Securities Co., Ltd., another SMBC Group securities company that grew together with SMBC Nikko Securities. Leveraging the strengths both companies possessed prior to the merger, SMBC Nikko Securities will continue to pursue banking-securities collaboration with SMBC in its role as a core Group member. Guided by its brand slogan of "Share the Future," SMBC Nikko Securities maintains a sincere commitment to customers as it works diligently to deliver value in the future.

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: Yoshihiko Shimizu

Number of Employees: 10,574

Credit Ratings (as of June 30, 2018)

	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			
	2018	2017	2016	2015
For the Year:				
Operating revenue.....	¥ 376.0	¥ 334.4	¥ 297.9	¥ 332.6
Operating income.....	84.8	69.0	46.9	89.1
Ordinary profit.....	87.4	70.5	48.3	93.2
Net income.....	57.7	39.4	33.1	62.5
At Year-End:				
Total assets	¥10,551.8	¥11,536.9	¥10,346.2	¥9,231.8



SUMITOMO MITSUI CARD

www.smbc-card.com

(Japanese only)



As the pioneer in the issuance of the Visa Card in Japan and a leader in the domestic credit card industry, Sumitomo Mitsui Card Company, Limited, enjoys the strong support of its many customers and plays a major role as one of the strategic businesses of SMBC Group.

Leveraging its strong brand image and its excellent capabilities across a wide range of card-related services, the company provides settlement and financing services focused on providing credit services that meet customer needs. Through its credit card business operations, the company aims to actively contribute to the realization of comfortable and affluent consumer lifestyles and make further dramatic advances as a leading brand in its industry sector.

Company Name: Sumitomo Mitsui Card Company, Limited

Business Profile: Credit card

Establishment: December 26, 1967

Head Office:

Tokyo Head Office: 1-2-20, Kaigan, Minato-ku, Tokyo

Osaka Head Office: 4-5-15, Imabashi, Chuo-ku, Osaka

President and CEO: Yukihiko Onishi

(Appointed on June 29, 2018)

Number of Employees: 2,508

Credit Ratings (as of June 30, 2018)

	Long-term	Short-term
R&I	AA-	a-1+
JCR	AA-	J-1+

Financial Information (Years ended March 31)

	Billions of yen			
	2018	2017	2016	2015
For the Year:				
Revenue from credit card operations.....	¥13,756.0	¥12,262.7	¥11,360.6	¥10,091.0
Operating revenue.....	247.7	223.4	210.1	198.4
Operating profit.....	41.5	34.7	40.5	41.9
Ordinary profit.....	41.0	34.5	40.5	42.0
Net income.....	28.3	24.4	26.6	25.9
At Year-End:				
Total assets	¥ 1,698.2	¥ 1,500.7	¥ 1,356.3	¥ 1,271.7
Number of cardholders (in thousands).....	27,410	25,731	24,239	23,490



Cedyna Financial Corporation was formed in April 2009 as a result of the merger of OMC Card, Inc., Central Finance Co., Ltd. and QUOQ Inc., consolidating their client bases, marketing capabilities and expert knowledge. As a member of SMBC Group, it strives to become “the number one credit card business entity in Japan” by closely working with Sumitomo Mitsui Card Company.

Cedyna strives to become SMBC Group’s comprehensive payment finance company in the consumer finance business by integrating the credit card, consumer credit and financing solution core businesses, and providing individual clients with secure and convenient payment methods.

Company Name: Cedyna Financial Corporation

Business Profile: Credit card and installment

Establishment: September 11, 1950

Head Office:

Head Office: 3-23-20, Marunouchi,
Naka-ku, Nagoya

Tokyo Head Office: 2-16-4, Konan,
Minato-ku, Tokyo

President and CEO: Satoru Nakanishi

Number of Employees: 3,348

Financial Information (Years ended March 31)

	Billions of yen			
	2018	2017	2016	2015
For the Year:				
Operating revenue	¥ 149.6	¥ 152.1	¥ 149.9	¥ 149.8
Operating profit.....	2.0	7.0	0.4	1.0
Ordinary profit.....	2.2	7.1	0.4	1.1
Net income.....	(5.9)	14.2	0.2	24.4
At Year-End:				
Total assets	¥2,115.0	¥2,112.5	¥2,037.8	¥1,957.5
Number of cardholders (in thousands).....	16,410	16,650	17,020	17,633



Since its establishment in 1962, with the original goal of striving to become the leading provider of innovative financial services for consumers, Promise Co., Ltd., currently known as SMBC Consumer Finance Co., Ltd., has developed convenient loan products for individuals to accommodate the changing times and has created an appropriate system for offering loan consultation services and executing loan agreements.

SMBC Consumer Finance strives to become the kind of global consumer finance company which “would be able to earn the utmost trust of clients” by consistently and sincerely working with clients as an expert in the consumer finance business.

Company Name: SMBC Consumer Finance Co., Ltd.

Business Profile: Consumer lending

Establishment: March 20, 1962

Head Office: 4-12-15, Ginza, Chuo-ku, Tokyo

President and CEO: Ryoji Yukino

Number of Employees: 2,211

Cooperation:
SHOCHIKU Co., Ltd.,
Kabuki-za Co., Ltd.

Credit Ratings (as of June 30, 2018)

	Long-term	Short-term
R&I	A	—
JCR	A-	—

Financial Information (Years ended March 31)

	Billions of yen			
	2018	2017	2016	2015
For the Year:				
Operating revenue	¥192.2	¥186.2	¥178.3	¥168.6
Operating profit (loss)...	15.4	51.6	(72.3)	3.7
Ordinary profit.....	15.7	51.8	(72.3)	3.7
Net income.....	8.9	100.8	(72.1)	1.5
At Year-End:				
Total assets	¥939.3	¥925.8	¥858.5	¥833.3

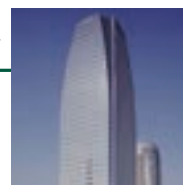


The Japan Research Institute, Limited (JRI) is a comprehensive information services company with information systems, consulting, and think-tank functions. In addition to providing IT-based strategic data systems planning and development and outsourcing services, JRI offers consultation in areas such as management strategy and admin reforms. It also engages in activities ranging from economic research and analysis on Japan and other countries and policy recommendation to business incubation.

Company Name: The Japan Research Institute, Limited
Business Profile: System development, data processing, management consulting and economic research
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: Masahiro Fuchizaki
Number of Employees: 2,543

Financial Information (Years ended March 31)

	Billions of yen			
	2018	2017	2016	2015
For the Year:				
Operating revenue.....	¥136.5	¥132.9	¥125.0	¥111.1
Operating profit.....	2.8	2.2	2.2	1.7
Ordinary profit.....	2.5	2.0	1.8	1.5
Net income.....	1.7	1.5	1.3	0.5
At Year-End:				
Total assets.....	¥103.4	¥103.2	¥101.8	¥ 93.0



Sumitomo Mitsui Asset Management Company Limited (SMAM), as one of the Japanese top-tier asset managers, contributes to clients' wealth building with the highest quality products and services.

SMAM has always placed "Customer-oriented Business Conduct" at the center of its day-to-day business activities, ahead of other Japanese asset managers, in expressing "Our Commitment to Fiduciary Duties." In the future, SMAM will continue to fulfill its responsibilities by improvement of quality and speed of business processes and development of products and services enhancing Quality of Life of our clients. Above all, it is our mission to accelerate the shift from savings to wealth building for the further satisfaction of our clients.

Company Name: Sumitomo Mitsui Asset Management Company, Limited
Business Profile: Investment management (discretionary/advisory) and investment trust fund management
Establishment: July 15, 1985
Head Office: 2-5-1 Atago, Minato-ku, Tokyo
President and CEO: Takashi Matsushita
Number of Employees: 652

Financial Information (Years ended March 31)

	Billions of yen			
	2018	2017	2016	2015
For the Year:				
Operating revenue.....	¥46.5	¥39.1	¥41.7	¥36.1
Operating profit.....	7.3	4.5	5.5	3.7
Ordinary profit.....	7.4	4.6	5.5	3.7
Net income.....	4.9	3.5	4.0	1.9
At Year-End:				
Total assets.....	¥53.8	¥46.5	¥45.1	¥42.1



Risk Management

Basic Approach

As risks in the financial services increase in diversity and complexity, risk management—identifying, measuring, and controlling risks—has never been more important in the management of a financial holding company.

We have established group-wide basic policies for risk management to put forth concrete directives for appropriately managing risks on a group-wide basis. Adhering to these policies, we identify the location and the types of risk to be managed in accordance with strategic goals and business structures and strive to manage each risk appropriately based on its characteristics.

1. Comprehensive Risk Management

We take a comprehensive and systematic approach to risk management, with risk analysis by stress testing and risk capital management following the ascertainment of environment and risk views, including Top Risks (see pages 69, 70).

Top Risks

The major Top Risks, risks that threaten to significantly impact management, recognized by us and examples of the scenarios that could potentially result from these risks are listed in the table below (see page 69 for information on methods of utilizing Top Risks).

2. Risk Management System

At SMBC Group, we have appointed the Group CRO, who is tasked with promoting appropriate risk management by developing an understanding of and managing risks in an integrated manner on a group-wide basis. In addition, top management plays an active role in the risk management process out of recognition for the importance of risk management. The group-wide basic policies for risk management are determined by the Management Committee before being authorized by the Board of Directors. Over the course of a given fiscal year, the Risk Management Committee will act

under the guidance of the Group CRO by discussing all of the risks to which we are exposed, including those pertaining to environment and risk view, with business units, evaluating Top Risks and risk appetite, and reporting the results of these evaluations to the Management Committee. Through this process, we practice effective risk management.

Group companies have established risk management systems based on their business characteristics (see page 70).

Implementation of the Basel Capital Accord

The Basel III regulatory framework was established on March 31, 2013, based on the lessons learned from the global financial crisis that spanned from 2008 to 2009. This framework consists of capital, leverage, and liquidity ratios designed to maintain sound operating standards for internationally active banks. We calculate its ratios in accordance with the standards for Japanese banks.

The Financial Stability Board (FSB) designates Global Systematically Important Banks (G-SIBs) and arranges them into one of five bucket categories. Banks designated as G-SIBs are obligated to maintain even higher capital ratios based on their bucket (1.0% to 3.5% higher than the standard obligation). As of March 31, 2018, we were designated as a bucket 1 G-SIB and was obligated to achieve a phased increase in its capital ratio to raise it above the standard obligation by the lowest amount required of G-SIBs (1.0%).

In addition, in December 2017, the Basel Committee on Banking Supervision reached an agreement regarding the revision of risk weighted asset calculation methods as well as the revision of minimum capital levels (so-called “capital floors”) and other capital ratio regulations. Furthermore, unique financial regulations are being introduced and revised in major countries and regions. In light of these developments, we will monitor trends in regulations, measure the potential impact on our operations, and respond accordingly.

Top Risks	Example Risk Scenarios
Global political and economic trends	Slowdown in the global economy resulting from increased opaqueness in the U.S. or European political climates, stagnancy in the economies of China or emerging countries, sharp resource price movements, etc.
Geopolitical risks faced around the world (including terrorism)	Slowdown in the economies of specific countries resulting from the increased geopolitical risks associated with issues in the Korean peninsula, domestic or overseas acts of terrorism, etc.
Monetary policy and economic trends in Japan	Deterioration of financial institutions' earnings resulting from quantitative easing measures by the Bank of Japan; economic slowdown or increased financial instability in Japan resulting from yen appreciation, sluggish foreign demand, poor market conditions, etc.
Trends in international financial regulations	Implementation and enforcement of unique or stricter regulations in principal countries
Lack of reliability in relation to foreign currency procurement	Lack of reliability or efficiency with regard to foreign currency procurement due to rising foreign currency procurement costs or cash outflows at major institutions holding foreign currency deposits
Legal or compliance-related incidents	Damage to reputation due to incurring government penalties, fines, other sanctions as a result of incidents stemming from misconduct, insufficient measures for Anti-Money Laundering/Combating the Financing of Terrorism, etc.
Deterioration of conditions at major borrowers	Weakening of our financial base as a result of deterioration of conditions at major borrowers
Lack of human resources necessary for enacting strategies (lack of personnel numbers, individuals with specialized skills, etc.)	Difficulty in securing human resources to work in strategic or specialized fields or in maintaining a sufficient base of diverse employees
Ceased operation of information systems due to cyber attacks	Difficulty in maintaining business continuity due to ceased operation or destruction of information systems following cyber attacks, etc.
Changes in competitive climate due to emergence of FinTech or other new technologies	Decreased profitability due to significant erosion of our market share or necessity of incurring costs that place downward pressure on performance as a result of intensified competition following entry into the financial industry by companies from other industries
Earthquakes and other natural disasters	Halting of operations of business partners as a result of supply chain disruptions, system failures, etc. Adverse impacts on our profits from store closures, system failures, etc.

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

Appropriate revisions to regulations for financial institutions can contribute to stability in the financial system, but excessive regulation can result in constraints on the intermediary function of the institutions, which in turn can adversely impact the real economy. SMBC Group is therefore pursuing a cooperative approach with the relevant authorities and other financial institutions, making its views known to contribute to the development of appropriate regulatory frameworks.

Stress Testing

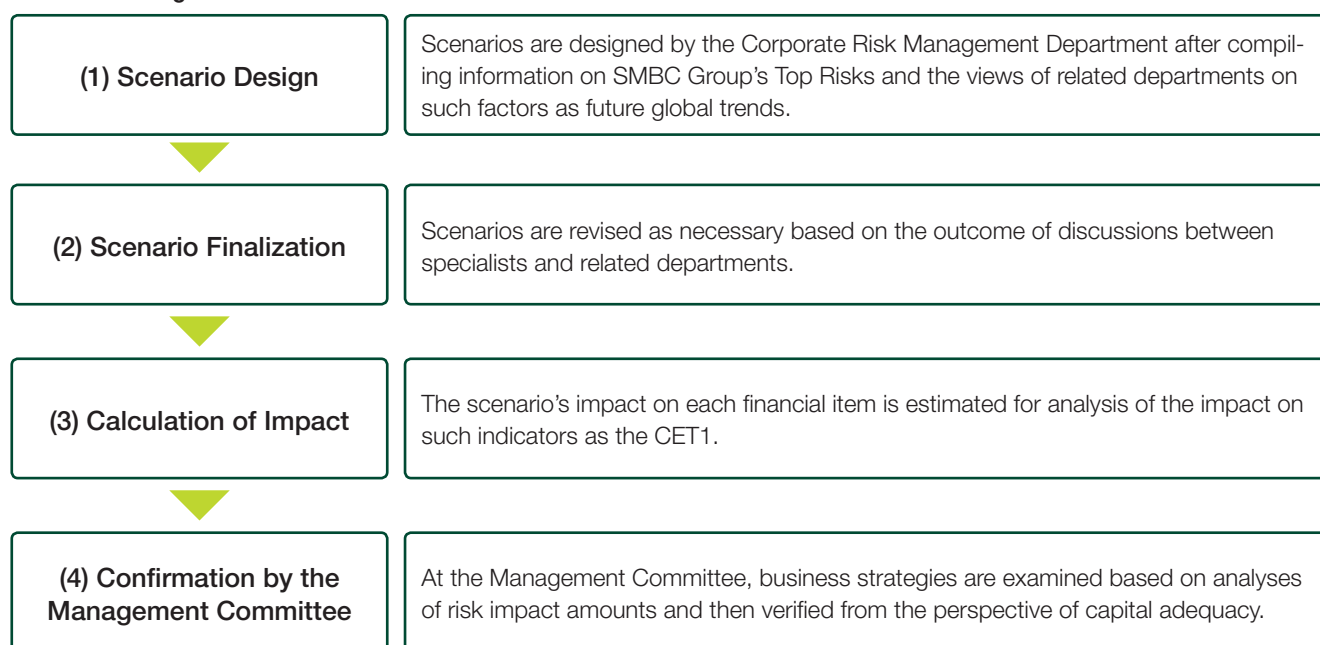
SMBC Group conducts stress testing for each category of risks as well as stress testing used to verify the overall soundness of comprehensive risk management practices. The level of soundness used for verifications is determined based on risk appetite combined with consideration for the severity of the scenario anticipated.

When evaluating group-wide soundness, evaluations are made using the 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.

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 us and the businesses of its customers must be used. Stress testing processes will thus be based on discussions among and opinions of directors, members of upper management, specialists, and representatives from relevant organizations and records will be created of these discussion and opinions in order to ensure objectivity, transparency, and reproducibility. In this way, measures for practicing proper governance of stress testing will be applied.

■ Stress Testing Process



Risk-Weighted Assets

Risk-weighted assets subject to the Basel Capital Accord totaled ¥63,540.3 billion as of March 31, 2018, down ¥7,143.3 billion from March 31, 2017. The main factors behind the decrease in risk-weighted assets were the conversion of Kansai Urban Banking Corporation and THE MINATO BANK, LTD. to equity-method investees and the improvement of our portfolio of corporate exposure.

■ Risk-Weighted Assets as of March 31, 2018

(Trillions of yen)

	March 31, 2017	March 31, 2018	Increase (decrease)
Credit risk	64.4	57.3	(7.1)
Market risk	2.8	2.7	(0.1)
Operational risk	3.5	3.5	+0.0
Total	70.7	63.5	(7.2)

■ Risk Assets of Individual Business Unit

(Trillions of yen)

SMBC Group		Individual Business Unit	
Credit risk	57.3	Retail Business Unit	13.8
Market risk	2.7	Wholesale Business Unit	20.1
Operational risk	3.5	International Business Unit	21.0
		Global Markets Business Unit	5.9

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.

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. Further, the Credit Portfolio Management Department within the Credit & Investment Planning Department has been strengthening its active portfolio management function for stable credit portfolios mainly through credit derivatives and the sales of loans.

The credit departments within each business unit conduct credit risk management, along with the branches, for loans handled by their units and manage their units' portfolios. 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 Board of Directors 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

■ SMBC's Obligor Grading System

Obligor Grade		Definition	Borrower Category	Financial Reconstruction Act Based Disclosure Category
Domestic (C&I), etc.	Overseas (C&I), etc.			
J1	G1	Very high certainty of debt repayment	Normal Borrowers	Normal Assets
J2	G2	High certainty of debt repayment		
J3	G3	Satisfactory certainty of debt repayment		
J4	G4	Debt repayment is likely but this could change in cases of significant changes in economic trends or business environment		
J5	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 significant changes in economic trends or business environment		
J6	G6	Currently no problem with debt repayment, but there are unstable business and financial factors that could lead to debt repayment problems		
J7	G7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish/unstable business, or financial problems	Borrowers Requiring Caution	Substandard Loans
J7R	G7R	(Borrowers Requiring Caution identified as Substandard Borrowers)	Substandard Borrowers	
J8	G8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring, and highly likely to go bankrupt	Potentially Bankrupt Borrowers	Doubtful Assets
J9	G9	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
J10	G10	Legally or formally bankrupt	Bankrupt Borrowers	

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 22 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.

(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 acceptable level of capital, we set an upper limit for internal credit risk capital based on risk appetite and portfolio plan of each business unit.

(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. It runs credit operations on the basic principle of earning returns that are commensurate with the credit risk involved, and makes 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

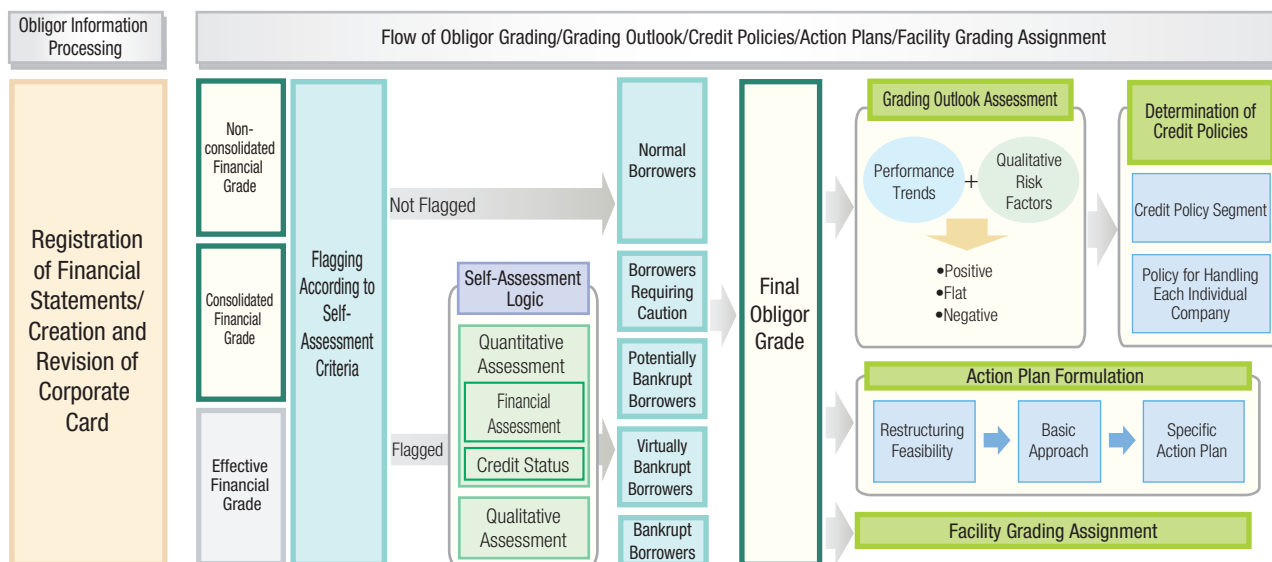
We make active use of credit derivatives, loan asset sales, and other instruments to proactively and flexibly manage its portfolios to stabilize credit risk.

(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

SMBC's Credit Monitoring System



and impairment risk levels, taking into account such factors as collateral and guarantees.

SMBC, the core bank of SMBC Group, conducts rigorous self-assessments of asset quality using criteria based on the Financial Inspection Manual of the Financial Services Agency and the Practical Guideline published by the Japanese Institute of Certified Public Accountants. 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 below. 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.	
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 and Potentially Bankrupt Borrowers 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.

(c) Non-Performing Loans Disclosure

Non-Performing Loans are loans and other claims of which recovery of either principal or interest appears doubtful and are disclosed in accordance with the Banking Act (in which they are referred to as “risk-monitored loans”) and the Financial Reconstruction Act (in which they are referred to as “Non-Performing Loans”). Non-Performing Loans are classified based on the borrower categories assigned during self-assessment. For detailed information on results of self-assessments, asset write-offs and provisions, and disclosure of Non-Performing Loans at March 31, 2018, please refer to page 310.

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, which is independent from the business units that directly handle market transactions, manages market and liquidity risks in an integrated manner. This department not only monitors the current risk situations but also reports regularly to the Management Committee and the Board of Directors. Furthermore, 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.

Verification of the effectiveness of this risk management system is conducted through regular internal audits implemented by the independent Audit Department.

3. Market and Liquidity Risk Management Methods

(1) Market Risk Management

The Company manages market risk by setting maximum limits for value at risk (VaR) and maximum loss based on business policies pertaining to market transactions. These limits are set within the risk capital limit, which is determined taking into account the Group's shareholders' equity and other principal indicators of the Group's financial position and management resources.

Market risk can be divided into various factors: foreign exchange rates, interest rates, equity prices, and option risks. The Company manages each of these risk categories by employing the VaR method 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.

Please note that, 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 five 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 2017. VaR fluctuated greatly during this fiscal year due to changes in the nature and investment positions of our trading operations.

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 2017.

■ VaR for Trading Activities

(Billions of yen)

	Fiscal 2017					March 31, 2017
	March 31, 2018	September 30, 2017	Maximum	Minimum	Average	
Sumitomo Mitsui Financial Group (consolidated)	21.5	20.6	39.5	14.5	22.1	23.6
Interest rates	11.3	11.4	30.9	6.7	12.3	16.7
Foreign exchange	4.3	2.6	5.0	1.5	3.0	1.6
Equities, commodities, etc.	7.5	8.1	15.0	5.7	8.6	5.9
SMBC (consolidated)	8.1	6.5	11.2	3.5	7.2	3.9
SMBC (non-consolidated)	4.9	4.3	7.7	2.0	4.8	2.1

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

(Billions of yen)

	Fiscal 2017					March 31, 2017
	March 31, 2018	September 30, 2017	Maximum	Minimum	Average	
Sumitomo Mitsui Financial Group (consolidated)	48.2	44.9	57.0	40.8	47.2	47.4
Interest rates	33.7	29.2	34.0	27.8	30.2	30.6
Equities, etc.	28.1	26.9	39.9	21.6	30.5	34.3
SMBC (consolidated)	45.7	42.1	54.5	38.0	44.4	44.1
SMBC (non-consolidated)	41.3	35.1	47.4	30.3	37.5	36.4

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" does not include stocks held for strategic purposes.

(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 back-testing 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 compute an appropriate VaR level and confirm the adequacy of risk capital management.

ii Back-testing results

Information on back-testing of trading in fiscal 2017 can be found on page 263.

c. Indicators substitute for the back-testing method

SMBC Group employs, as a method substitute for the back-testing method, the VaR wherein presumptions for the model, such as observation periods, change.

d. Changes in model from fiscal 2016

There have been no changes in the model from fiscal 2016.

(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 Stocks Held for Strategic Purposes

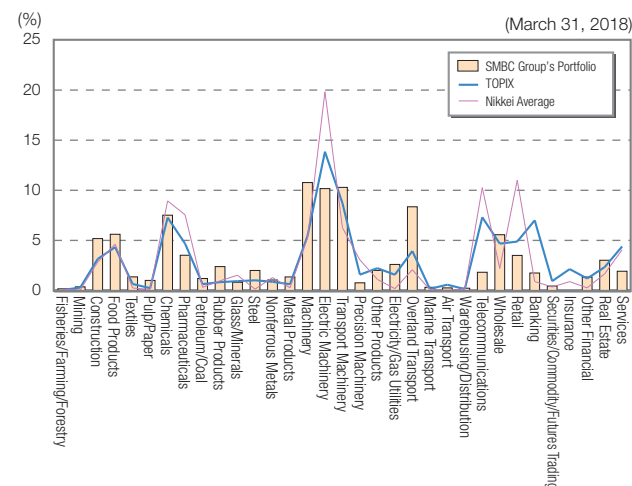
SMBC Group establishes risk allowance limits on stocks held for strategic purposes and monitors the observance of these limits in order to control stock price fluctuation risk appropriately. More specifically, VaR (1 year holding period) computed from profit-and-loss simulations based on historical market fluctuation data and aggregated fluctuation in market price from the beginning of the fiscal year are subject to the risk capital limit management and monitored on a daily basis.

To diminish the impact of stock price declines on capital, we have drawn up plans for reducing equity holdings from the perspective of securing the financial base necessary to sufficiently exercise intermediary functions, even under high-stress environments that create substantial decline in stock prices. In accordance with these plans, we are seeking to reduce its holdings^{*1} to a common equity Tier1 (CET1)^{*2} ratio of 14% over approximately five years from September 2015, when the level was 28%.

*1: Refers to Group holdings of stocks listed in Japan

*2: Based on full implementation under the Basel III framework

■ 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, a liquidity regulation, as well as periods set for which it will be possible to maintain funding levels even under stress due to deposit outflows or other factors.

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 bases 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, reputational risk, and tangible asset 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 construct operational risk management system.

At Sumitomo Mitsui Financial Group, the Management Committee makes decisions on important matters such as basic policies for operational risk management, and these decisions are authorized by the Board of Directors. In addition, the Corporate Risk Management Department oversees the overall management of operational risks and works together with departments responsible for the subcategories such as processing risks and system risks to establish a system 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

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
Processing risk	The risk of losses arising from negligent processing by directors and employees, and from accidents or misconducts.	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 the information).	IT Planning Department
Legal risk	Risks 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.	General Affairs 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
Reputational risk	The risk of loss arising from deterioration in reputation as a consequence of the spread of rumors or media reports of the actual risk events.	General Affairs Department, Public Relations 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

of such risk mitigation plans will be monitored by the Corporate Risk Management Department. Furthermore, operational risks are quantified and quantitatively managed by utilizing the collected internal loss data and scenarios.

Regular reports are issued to the Group CRO on internal loss data, KRI, scenario risk severity information, and the status of risk mitigation. In addition, the Risk Management Committee, a cross-organizational committee established within Sumitomo Mitsui Financial Group, discusses measures for mitigating risks. Through these and other efforts, we are striving to ensure effective risk management. 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.

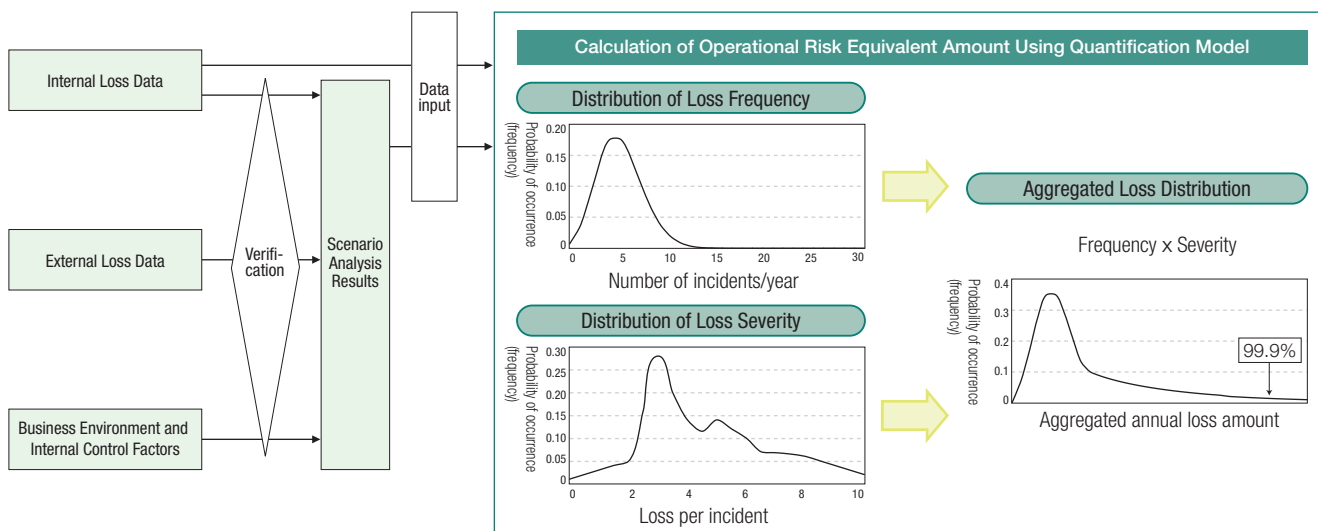
At the end of March 2008, SMBC Group adopted the AMA set forth by the Basel Capital Accord for calculating the operational risk equivalent amount. The approach has been utilized for the management of operational risks since then.

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 the 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.

Basic Framework of Operational Risk Measurement



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 amount 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 negligent processing by directors and employees, and from accidents or misconducts.

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 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 and other important matters 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 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 the 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 drafting regulations and specific management standards, (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.

Taking into account the growing sophistication and diversification of cyber attacks seen on a global scale, the increasing social impact from the damage inflicted by such attacks, and the risk to our reputation and external ratings, we continue to strengthen cyber security management through deployment of governance measures; technological measures for the identification, prevention, and detection of attacks; and cyber attack response measures.

In addition, we actively and openly incorporate various technological progress to improve convenience for customers, create new businesses, boost productivity and efficiency, improve upon management infrastructure, and otherwise promote digitalization in a wide range of fields. Systems are in place for managing the risks projected to arise from such activities.

SMBC operates its risk management system by conducting risk assessments based on the Financial Services Agency's Financial Inspection Manual and 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. Systems troubles at banks have the potential to heavily impact society. In addition, system risks are diversifying due to advances in IT and the expansion of business fields. Recognizing these facts, we have numerous measures in place for system trouble prevention, including constant maintenance to ensure stable and uninterrupted operation, duplication of various systems and infrastructure, and a disaster-prevention system placed in computer centers in eastern and western Japan. 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. We also have contingency plans for unforeseen circumstances and hold training sessions as necessary to ensure full preparedness in the event of an emergency.

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.).

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


Anything which may become a factor for risk. In the case of market risk, it would be the share price or interest rate; in the case of credit risk, it would be the default rate or 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	Designated Dispute Resolution Agencies
<p>Reports may be submitted by regular mail or e-mail to the following addresses.</p> <hr/> <p>Mailing address: SMFG Accounting and Auditing Hotline Iwata Godo Attorneys and Counselors at Law 10th floor, Marunouchi Building 2-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-6310</p> <p>E-mail address: smfghotline@iwatagodo.com</p> <hr/> <ul style="list-style-type: none"> • The hotline accepts any alerts of inappropriate activities concerning accounting and auditing at the Company or its consolidated subsidiaries. • Anonymous reports are also accepted; however, if possible, providing personal information such as your name and contact information would be appreciated and helpful. • Please provide as much detail as possible for such inappropriate activities. An investigation may not be feasible if adequate information is not provided. • Personal information will not be disclosed to any third parties without your consent, unless such disclosure is required by law. 	<p>For the handling of any complaints received from and conflicts with our clients, SMBC has executed agreements, respectively, 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.</p> <hr/> <p>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</p> <hr/> <p>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</p> <hr/> <p>Financial Instruments Mediation Assistance Center Contact information: Financial Instruments Mediation Assistance Center Telephone numbers: (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</p>



Basic Policy for Customer-Oriented Business Conduct

SMBC Group¹⁾ 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

In "Our Mission," it is stated that "We grow and prosper together with our customers, by providing services of greater value to them." To give form to this principle, we have defined our Five Values, a list of five key words that represent the values and action guidelines shared by executives and employees in Japan and overseas. "Customer First" (always think and act based on a customer-oriented perspective) is at the top of this list. SMBC Group continues to push forward with various initiatives in accordance with these values and action guidelines.

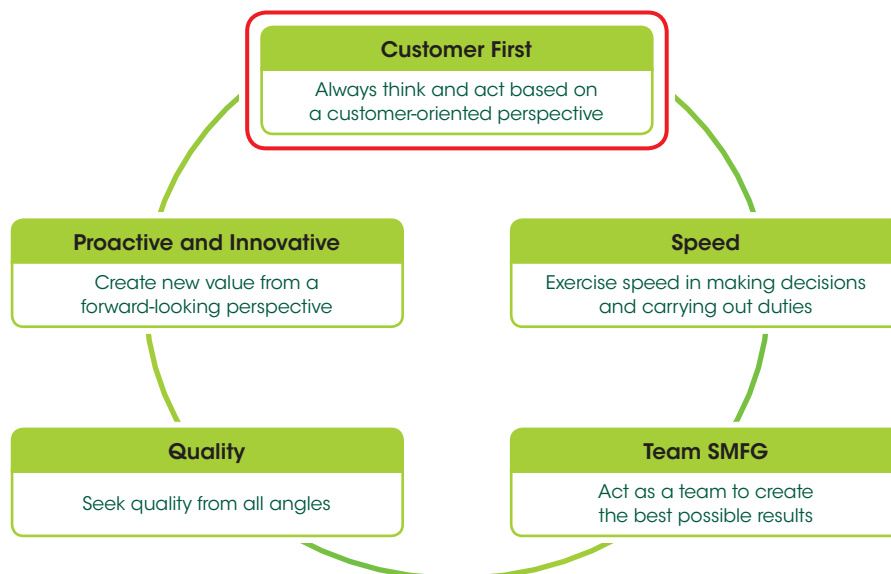
Sumitomo Mitsui Financial Group is fully aware of the severity of the government penalties imposed on Sumitomo Mitsui Banking

Corporation in April 2006 in relation to its sales practices for interest rate swaps. We are thus committed to preventing the reoccurrence 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 Satisfaction (CS) Improvement Subcommittee has been set up to incorporate customer input into management. The opinions of external experts²⁾ 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 CS Improvement Committee, which is comprised of 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.

■ Five Values



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.

*1: 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:

Sumitomo Mitsui Banking Corporation; SMBC Trust Bank Ltd.;
SMBC Nikko Securities Inc.;
Sumitomo Mitsui Asset Management Company, Limited;

2: External experts are invited to meetings of the CS 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	Partner, Nagashima Ohno & Tsunematsu



Support for Mid-Sized Corporations and SMEs, Vitalization of Local Regions in Japan

Services for Corporations

In April 2014, SMBC established its Area Main Offices to more fully address the wholesale-retail integral needs of mid-sized corporations and SME clients, including the aspect of business succession. Area Main Offices enable us to offer integrated corporate and personal consulting and draw on SMBC Group networks to provide specialist services. In addition to providing business loans, SMBC Group companies offer tailored support, including consultation on overseas business development, business matching, business succession, and internal company reforms, alongside consultation on personal asset management, loans, inheritance, and asset succession.

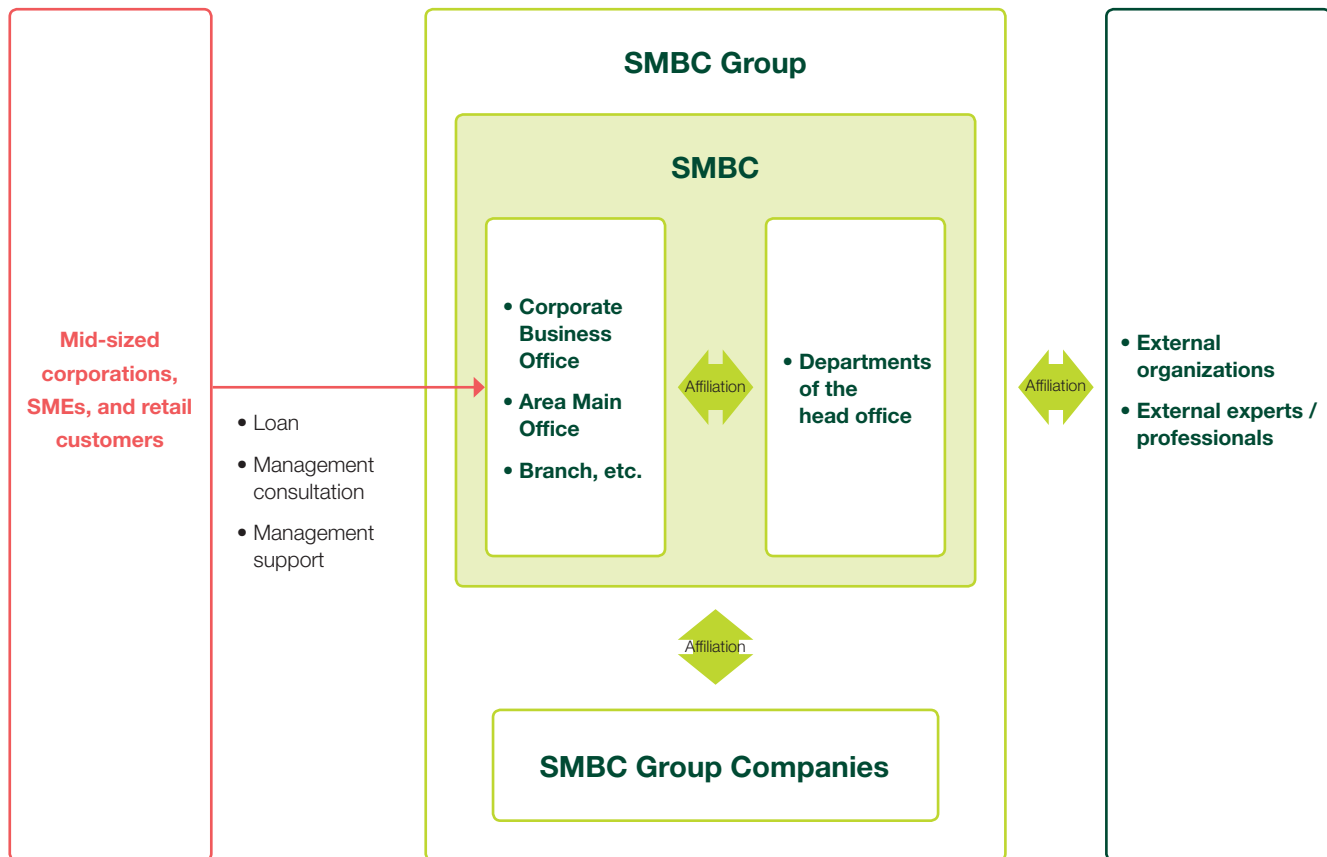
Collaboration with Local Credit Guarantee Corporations

SMBC offers Business Select Loans, a loan service that offers unsecured and unguaranteed financing, and also provides jointly guaranteed loans through collaboration with local credit guarantee corporations, enabling it to meet a diverse range of funding needs.

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	SMBC Strengthen Management Base Guarantee
Credit Guarantee Corporation of Osaka	CS Next Guarantee
Credit Guarantee Corporation of Hyogo-Ken	HIYAKU

Support System for Mid-sized Corporations and SMEs



Support for Improved Management, Business Turnaround, and Business Transformation

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. Examples include offering a full range of loan products designed to meet funding needs and address management issues. We also provide solutions in such areas as business matching, overseas business development, and business succession.

Our assistance in business operating improvements and regeneration involves links with external experts / professionals^{*1} and external organizations^{*2} to provide support in drawing up plans for improvement and advice in such areas as cost cutting and asset sales. For clients that have suffered damage in natural disasters, we propose optimal solutions and support the implementation of rebuilding lives and business.

*1 SMBC Consulting, certified tax accountants, certified public accountants, etc.

*2 Council supporting revitalization of SMEs, Regional Economy Vitalization Corporation of Japan, etc.

Involvement in Regional Revitalization

Regional revitalization continues to be a key theme for the Japanese government. Related "regional comprehensive strategy" plans drawn up by local government entities are in their implementation stage.

It is becoming more important for regions to exercise their overall capabilities. There are thus high expectations for contributions that financial institutions can make by leveraging their wide-reaching information networks.

SMBC Group has entered into cooperation agreements with local government entities as part of its efforts to assist in local industrial development. Based on these agreements, we are making contributions to regional revitalization from various angles based on specific issues and needs of individual local government entities and regions across Japan. By coordinating with local government entities, regional financial institutions, and private-sector companies, we provide a wide variety of support services. These services include support for promoting the expansion of regional employment by assisting migration to less urban areas and for developing comfortable cities that are conducive to interactions between various generations. In addition, we leverage the functions of SMBC Group companies to help develop regional infrastructure, attract tourists from overseas, and increase popularity of regional specialties in Tokyo.

We will continue to work with local government entities and regional financial institutions across Japan, drawing on SMBC Group's network to contribute to local economies through regional revitalization.



Ceremony commemorating the industrial development cooperation agreement concluded between the city of Kobe and SMBC

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 or other applications
7. Respond appropriately in respect of business manager guarantees in accordance with the "Guidelines for Personal Guarantee Provided by Business Owners"



Employees

◆ SMBC

March 31	2016	2017	2018
Number of employees*	26,950	27,904	27,935
Male	13,196	13,261	12,989
Percentage of total	48.96%	47.52%	46.50%
Female	13,754	14,643	14,946
Percentage of total	51.04%	52.48%	53.50%
Average age	37 yrs 4 mos.	37 yrs 1 mos.	37 yrs 1 mos.
Male	40 yrs 11 mos.	40 yrs 7 mos.	40 yrs 5 mos.
Female	33 yrs 10 mos.	33 yrs 11 mos.	34 yrs 2 mos.
Average years of service	13 yrs 2 mos.	13 yrs 0 mos.	13 yrs 1 mos.
Male	15 yrs 11 mos.	15 yrs 9 mos.	15 yrs 10 mos.
Female	10 yrs 6 mos.	10 yrs 5 mos.	10 yrs 9 mos.
Number of women in managerial positions	743	911	1,022
Ratio of employees with disabilities (% of total)**	2.14%	2.28%	2.38%

* 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.

** As of March 1 of respective years

April 1	2016	2017	2018
Number of new hires	1,916	1,347	803
Number of newly employed female graduates	1,248	842	372
Ratio of newly employed females to total new employees	65.1%	62.5%	46.3%

Fiscal	2015	2016	2017
Number of employees taking parental leave <Men taking such leave>	2,188 <466>	2,236 <332>	2,277 <234>
Number of career hires	153	117	34

◆ SMBC Trust Bank

March 31	2016	2017	2018
Number of employees*	1,786	1,930	1,937
Male	719	875	907
Percentage of total	40.26%	45.34%	46.82%
Female	1,067	1,055	1,030
Percentage of total	59.74%	54.66%	53.18%
Average age	41 yrs 1 mos.	41 yrs 1 mos.	42 yrs 5 mos.
Male	42 yrs 5 mos.	44 yrs 5 mos.	44 yrs 4 mos.
Female	40 yrs 2 mos.	40 yrs 2 mos.	40 yrs 9 mos.
Average years of service	9 yrs 2 mos.	8 yrs 7 mos.	9 yrs 1 mos.
Male	9 yrs 6 mos.	8 yrs 7 mos.	8 yrs 6 mos.
Female	8 yrs 11 mos.	8 yrs 11 mos.	9 yrs 7 mos.
Number of women in managerial positions	89	97	90
Ratio of employees with disabilities (% of total)**	1.28%	1.87%	1.96%

* 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.

** The legally mandated number of employees with disabilities had been hired as of March 31, 2018.

April 1	2016	2017	2018
Number of new hires	24	56	54
Number of newly employed female graduates	13	26	28
Ratio of newly employed females to total new employees	54.2%	46.4%	51.9%

Fiscal	2015	2016	2017
Number of employees taking parental leave <Men taking such leave>	106 <1>	95 <1>	94 <1>
Number of career hires	60	322	54

◆ Sumitomo Mitsui Finance and Leasing

March 31	2016	2017	2018
Number of employees*	1,677	1,712	1,727
Male	1,069	1,089	1,097
Percentage of total	63.74%	63.61%	63.52%
Female	608	623	630
Percentage of total	36.26%	36.39%	36.48%
Average age	40 yrs 9 mos.	41 yrs 1 mos.	41 yrs 6 mos.
Male	42 yrs 9 mos.	43 yrs 0 mos.	43 yrs 4 mos.
Female	37 yrs 4 mos.	37 yrs 9 mos.	38 yrs 3 mos.
Average years of service	15 yrs 4 mos.	15 yrs 6 mos.	15 yrs 9 mos.
Male	17 yrs 3 mos.	17 yrs 3 mos.	17 yrs 6 mos.
Female	12 yrs 0 mos.	12 yrs 4 mos.	12 yrs 9 mos.
Number of women in managerial positions	17	19	20
Ratio of employees with disabilities (% of total)**	2.18%	2.32%	2.19%

* 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).

** As of March 1 of respective years

April 1	2016	2017	2018
Number of new hires	43	44	53
Number of newly employed female graduates	16	17	20
Ratio of newly employed females to total new employees	37.2%	38.6%	37.7%

Fiscal	2015	2016	2017
Number of employees taking parental leave <Men taking such leave>	68 <0>	135 <56>	74 <47>

◆ SMBC Nikko Securities

March 31	2016	2017	2018
Number of employees*	8,522	8,938	10,594
Male	5,347	5,529	6,613
Percentage of total	62.74%	61.86%	62.42%
Female	3,175	3,409	3,981
Percentage of total	37.26%	38.14%	37.58%
Average age	39 yrs 7 mos.	39 yrs 7 mos.	39 yrs 6 mos.
Male	40 yrs 7 mos.	40 yrs 5 mos.	40 yrs 9 mos.
Female	37 yrs 9 mos.	37 yrs 10 mos.	37 yrs 6 mos.
Average years of service**	12 yrs 11 mos.	12 yrs 10 mos.	11 yrs 10 mos.
Male	13 yrs 1 mos.	13 yrs 2 mos.	12 yrs 1 mos.
Female	12 yrs 7 mos.	12 yrs 5 mos.	11 yrs 5 mos.
Number of women in managerial positions	139	154	166
Ratio of employees with disabilities (% of total)***	2.24%	2.25%	2.16%

* Including employees seconded from other companies; excluding employees seconded to other companies, executive officers, part-time employees, dispatched employees, locally hired employees (LH) at overseas branches.

** 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.

*** As of March 1 of respective years

April 1	2016	2017	2018
Number of new hires	593	516	354
Number of newly employed female graduates	270	285	133
Ratio of newly employed females to total new employees	45.5%	55.2%	37.6%

Fiscal	2015	2016	2017
Number of employees taking parental leave <Men taking such leave>	316 <15>	302 <17>	399 <62>

Note: The merger with SMBC Friend Securities was conducted in January 2018.

◆ Sumitomo Mitsui Card

March 31	2016	2017	2018
Number of employees*	2,447	2,450	2,490
Male	1,210	1,151	1,159
Percentage of total	49.45%	46.98%	46.55%
Female	1,237	1,299	1,331
Percentage of total	50.55%	53.02%	53.45%
Average age	39 yrs 5 mos.	38 yrs 10 mos.	39 yrs 1 mos.
Male	41 yrs 11 mos.	40 yrs 11 mos.	41 yrs 1 mos.
Female	36 yrs 11 mos.	36 yrs 11 mos.	37 yrs 4 mos.
Average years of service	13 yrs 8 mos.	14 yrs 5 mos.	14 yrs 9 mos.
Male	14 yrs 4 mos.	15 yrs 9 mos.	16 yrs 0 mos.
Female	13 yrs 1 mos.	13 yrs 4 mos.	13 yrs 8 mos.
Number of women in managerial positions**	30	40	48
Ratio of employees with disabilities (% of total)***	2.30%	2.32%	2.32%

* The number of full-time employees. This excludes directors, consultants, advisors, part-time employees, affiliated companies (including employees seconded from other companies and organizations), and locally hired employees at overseas branches.

** Total of senior staff and group managers (including credit officers)

*** Computed based on single month of March

April 1	2016	2017	2018
Number of new hires	78	86	69
Number of newly employed female graduates	45	46	42
Ratio of newly employed females to total new employees	57.7%	53.5%	60.9%

Fiscal	2015	2016	2017
Number of employees taking parental leave <Men taking such leave>	174 <14>	172 <19>	187 <29>
Number of career hires	23	21	23

◆ Cedyne

March 31	2016	2017	2018
Number of employees*	3,258	3,389	3,425
Male	1,966	1,998	1,971
Percentage of total	60.34%	58.96%	57.55%
Female	1,292	1,391	1,454
Percentage of total	39.66%	41.04%	42.45%
Average age	41 yrs 9 mos.	42 yrs 1 mos.	42 yrs 8 mos.
Male	44 yrs 0 mos.	44 yrs 6 mos.	44 yrs 10 mos.
Female	38 yrs 4 mos.	38 yrs 8 mos.	39 yrs 7 mos.
Average years of service	18 yrs 0 mos.	18 yrs 0 mos.	18 yrs 2 mos.
Male	20 yrs 1 mos.	20 yrs 2 mos.	20 yrs 6 mos.
Female	14 yrs 9 mos.	14 yrs 11 mos.	15 yrs 1 mos.
Number of women in managerial positions	48	62	75
Ratio of employees with disabilities (% of total)**	2.10%	2.14%	2.39%

* Excluding employees seconded from other companies, employees on short-term contracts and part-time employees.

** As of March 31 of respective years

April 1	2016	2017	2018
Number of new hires	114	58	60
Number of newly employed female graduates	68	23	38
Ratio of newly employed females to total new employees	59.6%	39.7%	63.3%

Fiscal	2015	2016	2017
Number of employees taking parental leave <Men taking such leave>	155 <2>	141 <2>	136 <3>
Number of career hires	35	0	0

◆ SMBC Consumer Finance

March 31	2016	2017	2018
Number of employees*	2,682	2,874	2,809
Male	1,485	1,624	1,597
Percentage of total	55.37%	56.51%	56.85%
Female	1,197	1,250	1,212
Percentage of total	44.63%	43.49%	43.15%
Average age	38 yrs 11 mos.	39 yrs 7 mos.	40 yrs 5 mos.
Male	40 yrs 10 mos.	41 yrs 4 mos.	42 yrs 2 mos.
Female	36 yrs 8 mos.	37 yrs 3 mos.	38 yrs 1 mos.
Average years of service	12 yrs 0 mos.	12 yrs 4 mos.	13 yrs.
Male	14 yrs 11 mos.	15 yrs 0 mos.	15 yrs 10 mos.
Female	8 yrs 3 mos.	8 yrs 10 mos.	9 yrs 7 mos.
Number of women in managerial positions	76	96	112
Ratio of employees with disabilities (% of total)**	2.12%	2.23%	2.32%

* 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, part-time employees, and employees of temporary employment agencies.

** As of March 31 of respective years

April 1	2016	2017	2018
Number of new hires	55	49	55
Number of newly employed female graduates	31	27	24
Ratio of newly employed females to total new employees	56.4%	55.1%	43.6%

Fiscal	2015	2016	2017
Number of employees taking parental leave*** <Men taking such leave>	81 <1>	84 <1>	91 <3>
Number of career hires	8	1	1

*** Including employees who retired during the fiscal year

◆ Japan Research Institute

March 31	2016	2017	2018
Number of employees*	2,397	2,464	2,499
Male	1,796	1,836	1,850
Percentage of total	74.93%	74.51%	74.03%
Female	601	628	649
Percentage of total	25.07%	25.49%	25.97%
Average age	40 yrs 6 mos.	40 yrs 6 mos.	40 yrs 7 mos.
Male	41 yrs 1 mos.	41 yrs 1 mos.	41 yrs 2 mos.
Female	38 yrs 10 mos.	38 yrs 9 mos.	38 yrs 11 mos.
Average years of service	11 yrs 5 mos.	11 yrs 6 mos.	11 yrs 11 mos.
Male	11 yrs 9 mos.	11 yrs 9 mos.	12 yrs 3 mos.
Female	10 yrs 6 mos.	10 yrs 8 mos.	11 yrs 0 mos.
Ratio of employees with disabilities (% of total)**	2.14%	2.68%	2.40%

* The number of full-time employees, including employees seconded to other companies and organizations and employees seconded from other companies and organizations. The following list of employees is deducted from the total number of employees: executive officers, consultants, 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.

** As of March 31 of respective years

April 1	2016	2017	2018
Number of new hires	118	103	105
Number of newly employed female graduates***	41	32	32
Ratio of newly employed females to total new employees	34.7%	31.1%	30.5%

*** Including only *Sogoshoku* employees. *Ippanshoku* employees are excluded.

Fiscal	2015	2016	2017
Number of employees taking parental leave <Men taking such leave>	53 <10>	69 <24>	64 <21>
Number of career hires****	46	32	33

**** Excluding employees of temporary employment agencies converted to direct employees and former bank employees transferred to the company

◆ Sumitomo Mitsui Asset Management

March 31	2017	2018
Number of employees*	582	593
Male	421	423
Percentage of total	72.34%	71.33%
Female	161	170
Percentage of total	27.66%	28.67%
Average age	44 yrs 4 mos.	44 yrs 7 mos.
Male	46 yrs 2 mos.	46 yrs 6 mos.
Female	39 yrs 6 mos.	39 yrs 11 mos.
Average years of service**	7 yrs 9 mos.	8 yrs 2 mos.
Male	8 yrs 0 mos.	8 yrs 6 mos.
Female	6 yrs 11 mos.	7 yrs 4 mos.
Number of women in managerial positions	8	10

* The number of full-time employees. The following list of employees is deducted from the total number of employees: executive officers, employees of temporary employment agencies, and locally hired employees at overseas branches.

** New employees joining due to mergers are calculated based on the merger date.

April 1	2017	2018
Number of new hires	10	11
Number of newly employed female graduates	5	5
Ratio of newly employed females to total new employees	50.0%	45.5%

Fiscal	2016	2017
Number of employees taking parental leave	15	11
<Men taking such leave>	<0>	<1>
Number of career hires	24	34

Note: Information for Sumitomo Mitsui Asset Management Company, Limited, is displayed from fiscal 2016 as this company became a consolidated subsidiary of Sumitomo Mitsui Financial Group in July 2016.



Main Work-Life Balance Support System

	Parental leave	Leave for taking care of sick children	Shorter working hours	Restrictions on overtime	Exemption from late-night work	Other principal systems
SMBC	18 months or maximum of 2 years in case of inability to place in daycare center	Until March 31 of the 6th grade (10 days per annum per child; 20 days for two or more children)	Employees can choose shorter working hours for each day or fewer days worked per week, both applicable 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"> • Short-term childcare leave • Work relocations • Childcare subsidies • Leave for nursing care • Shorter working hours allowed for nursing care • System for rehiring former employees • Half day leave • Flexibility in the work place
SMBC Trust Bank	1 year or maximum of 18 months in case of inability to place in daycare center Up to 26 months if other conditions are met	Until the entry into junior high school (5 days per annum per child; 10 days for two or more children)	Employees can work shortened hours equivalent to working a minimum of 6 hours per day until child's entry into elementary school	Until the entry into elementary school	Until the entry into elementary school	<ul style="list-style-type: none"> • Flextime System • Flexibility in working hours • Flexibility in the work place • Paternity leave (3 days) • Leave for nursing care • Shorter working hours allowed for nursing care • Family care time off • Family support leave • Short-term childcare leave
Sumitomo Mitsui Finance and Leasing	1 year or maximum of 2 years in case of inability to place in daycare center, etc.	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 6th grade	Until the entry into elementary school	Until the entry into elementary school	<ul style="list-style-type: none"> • Short-term childcare leave • Leave for nursing care • Shorter working hours allowed for nursing care • Nursing care leave system • Staggered working hours • Half day leave • System for rehiring former employees • Work relocations
SMBC Nikko Securities	Until 3 years of age	Until the entry into elementary school (5 days per annum per child; 10 days for two or more children)	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"> • Short-term childcare leave • Discounted rates for daycare center • Nursing care leave • Special days off for nursing care • Shorter working hours allowed for nursing care • Short-term leave for nursing care • Staggered working hours (working in shifts) • Rehiring former employees
Sumitomo Mitsui Card	18 months or maximum of 2 years in case of inability to place in daycare center	Until completion 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, or 90 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	Until March 31 of the 3rd grade	<ul style="list-style-type: none"> • Work relocations • Staggered working hours • Half-day paid leave • Special leave (for spouse's childbirth) • Childcare subsidies • Nursing care leave, days off for nursing care • Shorter working hours for nursing care • Rehiring former employees
Cedyna	Until 3 years of age	Until March 31 of the 6th grade (5 days per annum per child; 10 days for two or more children)	Until completion of the 3rd grade (Employees can choose to work 5, 6, or 7 hours a day).	Until the entry into elementary school	Until the entry into elementary school	<ul style="list-style-type: none"> • Maternity leave and work • Short-term childcare leave • Leave for nursing care • Shorter working hours allowed for nursing care • System for rehiring former employees • Maternity leave (for men) • Leave for providing nursing care or taking care of sick children (by the hour)
SMBC Consumer Finance	18 months or maximum of 2 years in case of inability to place in daycare center	Until the entry 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 6, 6.5, 7, or 7.5 hours a day).	Until the entry into junior high school	Until the entry into junior high school	<ul style="list-style-type: none"> • Personnel system being employed under the regional system of no possibility of transfers with movings • Rehiring retirees • A grace period for job rotation • Leave for nursing care • Shorter working hours allowed for nursing care • Paid leave by the hour • Half-day paid leave • Leave before and after maternity • Childcare leave (2 days) • School-visiting day (2 days a year) • Rehiring of former employees who quit for childcare or care-giving reasons • Husband's maternity leave (3 days) • Rollover of unused paid vacation days to subsequent years • Nursing care leave • Adjustment of work start and end times
Japan Research Institute	18 months or maximum of 2 years in case of inability to place in daycare center	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	For employees who are pregnant or have given birth within previous 12 months	<ul style="list-style-type: none"> • Childcare subsidies • Telecommuting • Nursing care leave • Shorter working hours (for nursing care, etc.) • Time off and shorter working hours • Days off for nursing care • Special leave (for spouse's childbirth) • Paid leave for initial 15 days of childcare • Half day leave
Sumitomo Mitsui Asset Management	1 year or maximum of 36 months in case of inability to place in daycare center	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 3rd grade (Employees can choose to work 5, 6, or 6.5 hours a day).	Until child completes 3rd grade of elementary school	Until child completes 3rd grade of elementary school	<ul style="list-style-type: none"> • Leave for childbirth by spouse • Leave for taking care of sick children • Leave for nursing care • Staggered working hours for childcare or nursing care purposes • Special-case usage of annual leave in half-day increments • Telecommuting • Lifestyle enriching leave • Paid leave for initial 5 days of childcare



Sumitomo Mitsui Financial Group, Inc.

■ Directors and Executive Officers (as of June 30, 2018)

DIRECTORS AND CORPORATE EXECUTIVE OFFICERS

Chairman of the Board

Koichi Miyata

Director President

(Representative Executive Officer)

Takeshi Kunibe

Group CEO

Director

Makoto Takashima

Director Deputy President and Executive Officer

Kozo Ogino

Group CRO
Corporate Risk Management Dept.,
Credit & Investment Planning Dept.

Director Deputy President and Executive Officer *(Representative Executive Officer)*

Jun Ohta

Group CFO and Group CSO
Public Relations Dept., Corporate Planning Dept.,
Financial Accounting Dept., Subsidiaries & Affiliates Dept.
IT Innovation Dept., Data Management Dept.

Director Senior Managing Executive Officers

Katsunori Tanizaki

Group CIO and Group CDIO
IT Planning Dept., IT Innovation Dept.,
Data Management Dept., Operations Planning Dept.

Toshikazu Yaku

Group CCO and Group CHRO
Human Resources Dept., Quality Management Dept.,
General Affairs Dept., Administrative Services Dept.

Directors

Toshiyuki Teramoto

Toru Mikami

Tetsuya Kubo

Masayuki Matsumoto ⁽¹⁾

Arthur M. Mitchell ⁽¹⁾

Shozo Yamazaki ⁽¹⁾

Masaharu Kohno ⁽¹⁾

Yoshinobu Tsutsui ⁽¹⁾

Katsuyoshi Shinbo ⁽¹⁾

Eriko Sakurai ⁽¹⁾

Deputy President and Executive Officer

Manabu Narita

Head of Wholesale Business Unit

Senior Managing Executive Officers

Masahiko Oshima

Head of International Business Unit

Naoki Tamura

Head of Retail Business Unit

Hiroshi Munemasa

Head of Global Markets Business Unit

⁽¹⁾ Messrs. and Ms. Matsumoto, Mitchell, Yamazaki, Kohno, Tsutsui, Shinbo and Sakurai satisfy the requirements for an "outside director" under the Companies Act.

DEPUTY CHAIRMAN

Yasuyuki Kawasaki

EXECUTIVE OFFICERS

Senior Managing Executive Officers

Gotaro Michihiro

Deputy Head of Wholesale Business Unit

Shosuke Mori

Private Banking Planning Dept.

Naoki Ono

Transaction Business Planning Dept.

Kimio Matsuura

Deputy Head of Wholesale Business Unit

Managing Executive Officers

Youichi Mori

Group Deputy CIO

Kohei Hirota

Deputy Head of Wholesale Business Unit

Hiroshi Mishima

Deputy Head of Global Markets Business Unit

Akira Inoue

Group Deputy CRO

Takehisa Ikeda

Wholesale Business Unit

CHOW Ying Hoong

Co-Head of Asia Pacific Division

Naoya Ishida

Wholesale Business Unit

Toshihiro Isshiki

Deputy Head of Retail Business Unit

Hiroaki Toyoda

Deputy Head of Retail Business Unit

Kenichi Hosomi

Deputy Head of International Business Unit

Takashi Aiki

Group Deputy CIO and Group Deputy CDIO

Tetsuro Imaeda

Head of Europe, Middle East and Africa Division

Nobuyuki Kawabata

Head of Americas Division

Toru Sawada

General Manager, General Affairs Dept.

Eiichi Sekiguchi

Wholesale Business Unit

Naoki Takahashi

Deputy Head of Wholesale Business Unit

Toru Nakashima

Corporate Planning Dept., Financial Accounting Dept.,
Subsidiaries & Affiliates Dept.

Toshihiro Sato

Global Markets Business Unit, International Business Unit

Kazuhiro Notsu

Group Deputy CSO

Hitoshi Minami

Deputy Head of International Business Unit

Iwao Kawaharada

Wholesale Business Unit

Masaaki Sasai

Co-Head of Asia Pacific Division

Kengo Nakagawa

Wholesale Business Unit

Masayoshi Furusho

Group Deputy CHRO

Narumitsu Yoshioka

Head of East Asia Division

Masamichi Koike

Global Markets Business Unit

Shoji Masuda

General Manager, Operations Planning Dept.

Takaki Ono

Wholesale Business Unit
(Planning Dept., Wholesale Business Unit)

Kotaro Hagiwara

General Manager, Corporate Planning Dept.

Yoshihiro Hyakutome

Deputy Head of Asia Pacific Division

Takashi Yamashita

Retail Business Unit
(Planning Dept., Retail Business Unit)

Executive Officers

Yukio Noda

Group Deputy CCO

Ryo Suzuki

Deputy Head of Americas Division

Yaoki Tsutsumi

Group Deputy CFO

Rie Asayama

Retail Business Unit
Quality Management Dept.

Yukiko Yoritaka

General Manager, Learning and Development Institute, Human Resources Dept.

Kenji Hirao

Public Relations Dept.
Olympic and Paralympic Dept., Corporate Planning Dept.
Wholesale Business Unit

Takeshi Mikami

General Manager, Financial Accounting Dept.

Keiichiro Nakamura

General Manager, Planning Dept., International Business Unit

Nobuaki Nakamura

Global Markets Business Unit

Jun Uchikawa

General Manager, IT Planning Dept.

Yoshiyuki Gono

General Manager, Corporate Risk Management Dept.

Hiroyuki Fukumaru

General Manager, Credit & Investment Planning Dept.

Takanori Kato

General Manager, Planning Dept., Wholesale Business Unit

Hirofumi Otsuka

General Manager, Business Development Dept., International Business Unit and Asia Growing Markets Dept.

Takashi Kobayashi

General Manager, Human Resources Dept.

Isaac Deutsch

Deputy Head of Americas Division

[REFERENCE]

Group CxO/Head of Business Units

(as of June 30, 2018)

Group CxO

Group CEO

Takeshi Kunibe

Group CRO

Kozo Ogino

Group CFO and
Group CSO

Jun Ohta

Group CIO and
Group CDIO

Katsunori Tanizaki

Group CCO and
Group CHRO

Toshikazu Yaku

Group CAE

Shinichiro Tani

Head of Business Units

Head of Wholesale
Business Unit

Manabu Narita

Head of International Business
Unit

Masahiko Oshima

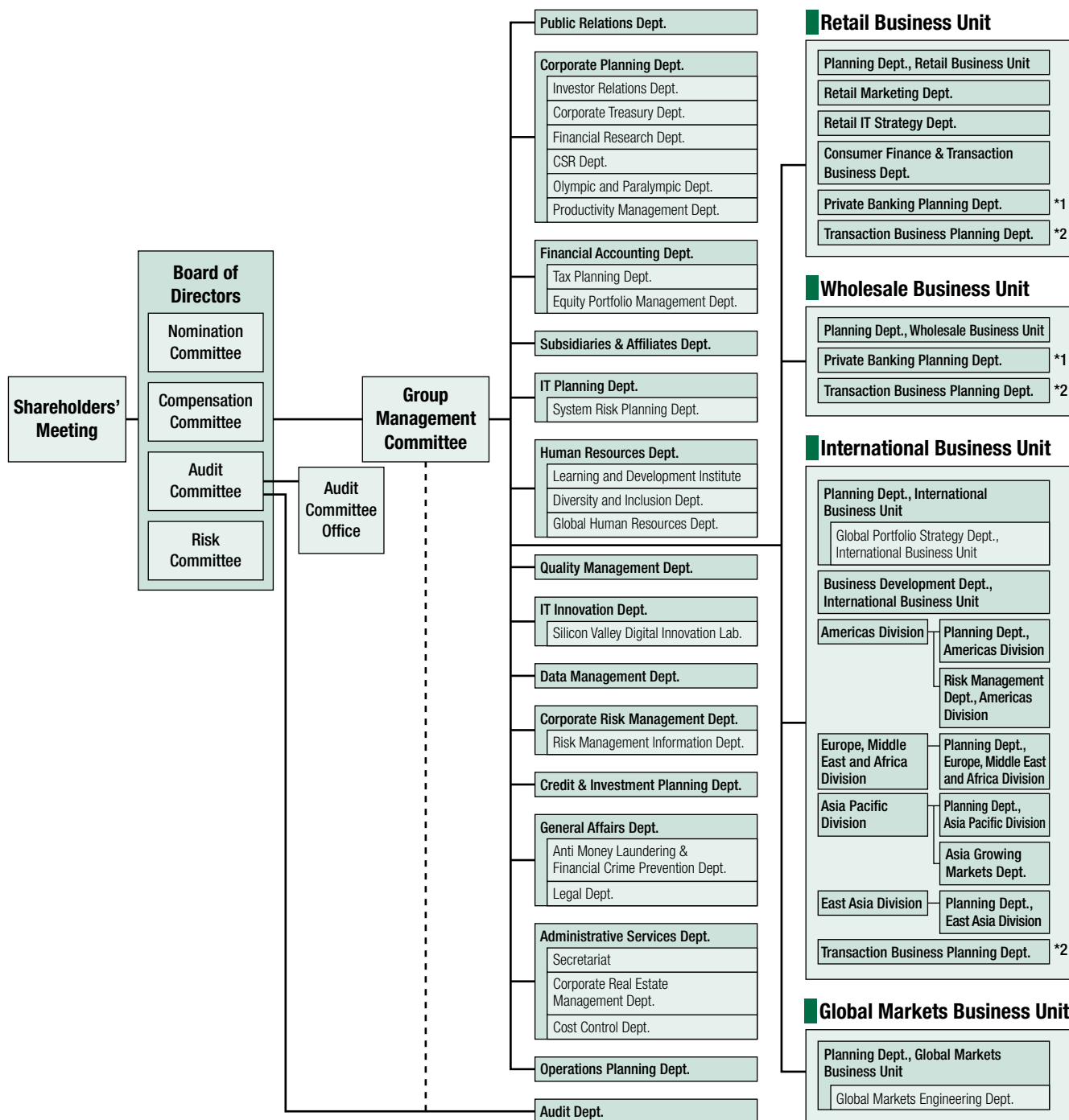
Head of Retail Business Unit

Naoki Tamura

Head of Global Markets
Business Unit

Hiroshi Munemasa

Sumitomo Mitsui Financial Group Organization (as of June 30, 2018)



*1 Belongs to both Retail Banking Unit and Wholesale Banking Unit.

*2 Belongs to Retail Banking Unit, Wholesale Banking Unit and International Banking Unit.

Sumitomo Mitsui Banking Corporation

■ Board of Directors, Corporate Auditors and Executive Officers (as of June 30, 2018)

BOARD OF DIRECTORS

Chairman of the Board

Koichi Miyata

President and Chief Executive Officer (Representative Director)

Makoto Takashima*

Director and Deputy Presidents (Representative Directors)

Kozo Ogino*

Risk Management Unit (Corporate Risk Management Dept.,
Credit & Investment Planning Dept.)
Human Resources Dept., Human Resources Development Dept.

Manabu Narita*

Head of Wholesale Banking Unit

Jun Ohta*

Public Relations Dept., Corporate Planning Dept.,
Financial Accounting Dept., Subsidiaries & Affiliates Dept.,
IT Innovation Dept., Data Management Dept.

Director and Senior Managing Executive Officers

Katsunori Tanizaki*

IT Planning Dept., IT Innovation Dept., Data Management Dept.,
Operations Planning Dept., Operations Support Dept.,
Inter-Market Settlement Dept.

Toshikazu Yaku*

Human Resources Dept., Human Resources Development Dept.,
Quality Management Dept., General Affairs Dept.,
Administrative Services Dept.

Haruyuki Nagata*

Internal Audit Dept., Credit Review Dept.

Directors

Satoshi Itoh⁽¹⁾

Kuniaki Nomura⁽¹⁾

Sonosuke Kadonaga⁽¹⁾

* These Directors are appointed as Executive Officers also.

(1) Messrs. Itoh, Nomura and Kadonaga satisfy the requirements for an "outside director" under the Companies Act.

CORPORATE AUDITORS

Yozo Takigawa

Toshiaki Nakai

Rokuro Tsuruta⁽²⁾

Hiroshi Takahashi⁽²⁾

Masaaki Oka⁽²⁾

Toshiyuki Teramoto

(2) Messrs. Tsuruta, Takahashi and Oka satisfy the requirements for an "outside corporate auditor" under the Companies Act.

DEPUTY CHAIRMEN

Yujiro Ito

Located at Osaka

Yasuyuki Kawasaki

EXECUTIVE OFFICERS

Senior Managing Executive Officers

Atsuhiko Inoue

Deputy Head of Wholesale Banking Unit
(Credit Administration Dept., Corporate Credit Dept.)
Corporate Research Dept.
Deputy Head of Financial Solutions Unit (Trust Services Dept.)

Gotaro Michihiro

Deputy Head of Wholesale Banking Unit
Head of Global Corporate Banking Division

Shosuke Mori

Head of Corporate Advisory Division
Deputy Head of Wholesale Banking Unit
(Strategic Corporate Business Dept.)
Private Advisory Division
Global Advisory Dept.

Masahiko Oshima

Head of International Banking Unit

Naoki Ono

Transaction Business Division

Kimio Matsuura

Deputy Head of Wholesale Banking Unit
Head of Corporate Banking Division

Naoki Tamura

Head of Retail Banking Unit

Keiji Kakumoto

Deputy Head of Wholesale Banking Unit (in charge of West Japan)

Ryuji Nishisaki

Head of Financial Solutions Unit
Deputy Head of International Banking Unit

Hiroshi Munemasa

Head of Treasury Unit

Managing Executive Officers

Toshihiro Isshiki

Deputy Head of Retail Banking Unit

Kenichi Hosomi

Deputy Head of International Banking Unit

Nobuyuki Kawabata

Head of The Americas Division and General Manager,
Strategic Credit Products Dept., Americas Division

Toru Sawada

General Manager, General Affairs Dept.

Toru Nakashima

Corporate Planning Dept., Financial Accounting Dept.,
Subsidiaries & Affiliates Dept.

CHOW Ying Hoong

Co-Head of The Asia Pacific Division and Head of Asia Growing Markets
Division

Tetsuro Imaeda

Head of Europe, Middle East and Africa Division, CEO of Sumitomo Mitsui
Banking Corporation Europe Limited and General Manager, London Branch

Eiji Omori

Tokyo Corporate Banking Division
(Tokyo Corporate Banking Depts. I, V, VII and VIII)

Atsushi Takada

Head of Kobe Middle Market Banking Division

Fumiharu Kozuka

Deputy Head of Wholesale Banking Unit
(Credit Depts. I and II, Wholesale Banking Unit)
Deputy Head of Retail Banking Unit (Credit Dept., Retail Banking Unit)

Eiichi Sekiguchi

Deputy Head of Wholesale Banking Unit

Kengo Nakagawa

Deputy Head of Wholesale Banking Unit (in charge of East Japan)

Muneo Kanamaru

Tokyo Corporate Banking Division
(Tokyo Corporate Banking Depts. IV, VI, IX and XI)

Teiko Kudo

Deputy Head of Wholesale Banking Unit
(Growth Business Development Dept.)
Deputy Head of Financial Solutions Unit
(Growth Industry Cluster Dept.)

Toshihiro Sato

Deputy Head of Treasury Unit
Deputy Head of International Banking Unit

Yusuke Hirako

Nagoya Corporate Banking Division (Nagoya Corporate Banking Dept.)
Head of Nagoya Middle Market Banking Division

Takashi Arima

Osaka Corporate Banking Division
(Osaka Corporate Banking Depts. I, II and III)

Iwao Kawaharada

Deputy Head of Wholesale Banking Unit (in charge of West Japan)
Head of Chushikoku Middle Market Banking Division

Hiroyoshi Korosue

Tokyo Corporate Banking Division
(Tokyo Corporate Banking Depts. II, III, X and XII)

Masaaki Sasai

Co-Head of The Asia Pacific Division

Narumitsu Yoshioka

Head of East Asia Division
Global Advisory Dept.
Chairman of Sumitomo Mitsui Banking Corporation (China) Limited

Masamichi Koike

General Manager, Planning Dept., Treasury Unit

Shoji Masuda

General Manager, Operations Planning Dept.

Takaki Ono

General Manager, Planning Dept., Wholesale Banking Unit

Kotaro Hagiwara

General Manager, Corporate Planning Dept.

Yoshihiro Hyakutome

Deputy Head of Asia Growing Markets Division

Takashi Yamashita

General Manager, Planning Dept., Retail Banking Unit

Executive Officers

William Karl

General Manager, Real Estate Finance Dept., Americas Division

Stanislas Roger

Deputy Head of Europe, Middle East and Africa Division

Ryo Suzuki

Deputy Head of The Americas Division and President of SMBC Nikko Securities America, Inc.

Reiji Domoto

Deputy Head of Corporate Advisory Division

Rie Asayama

Deputy Head of Retail Banking Unit
Quality Management Dept.

Akira Ueda

Head of Higashinohon Daiichi Middle Market Banking Division

Rajeev Kannan

General Manager, Investment Banking Dept., Asia

Isaac Deutsch

Deputy Head of The Americas Division

John Ferreira

Co-General Manager, Sydney Branch

Masataka Asagami

Head of Higashinohon Daini Middle Market Banking Division

Yukiko Yoritaka

General Manager, Learning and Development Institute, Human Resources Dept.

Hiroshi Irie

Deputy Head of Financial Solutions Unit
Deputy Head of Wholesale Banking Unit

Takeshi Mikami

General Manager, Financial Accounting Dept.

Antony Yates

Chairman of SMBC Capital Markets, Inc.
and President of SMBC Nikko Capital Markets Limited

Shuji Yabe

Deputy Head of International Banking Unit (Credit Depts., Americas Division, Europe, Middle East and Africa Division, Asia Pacific Division, East Asia Division and International Banking Unit)

Masatsugu Kojima

Head of Higashinohon Daisan Middle Market Banking Division

Hiroshi Yakame

General Manager, Tokyo Corporate Banking Dept. V

Hideo Ohara

Deputy Head of Retail Banking Unit (in charge of West Japan)

Yoshiaki Kageyama

Head of Higashinohon Daiyon Middle Market Banking Division

Hiroyuki Kamimoto

Deputy Head of Corporate Advisory Division

Masanao Nakao

General Manager, Osaka Corporate Banking Dept. I

Kenji Hirao

Public Relations Dept.
Olympic and Paralympic Dept., Corporate Planning Dept.
Deputy Head of Wholesale Banking Unit

Koji Matsumoto

General Manager, Planning Dept., Financial Solutions Unit

Keiichiro Nakamura

General Manager, Planning Dept., International Banking Unit

Nobuaki Nakamura

General Manager, Trading Dept.

Kiichiro Hondo

General Manager, Strategic Corporate Business Dept.

Fumito Yoshioka

General Manager, Tokyo Corporate Banking Dept. IV

Alan Krouk

General Manager, Global FIG Dept.

Tomofumi Saeki

Head of Kyoto Hokuriku Middle Market Banking Division

Airo Shibuya

Head of Transaction Business Division

Ryoichi Tanaka

Head of Osaka Daiichi Middle Market Banking Division

Jun Uchikawa

General Manager, IT Planning Dept.

Shinji Ono

President of Sumitomo Mitsui Banking Corporation (China) Limited

Tomohiro Ohisa

General Manager, Corporate Credit Dept.

Hiroyuki Kaneko

Deputy Head of Retail Banking Unit (in charge of East Japan)

Yoshiyuki Gono

General Manager, Corporate Risk Management Dept.

Hiroyuki Fukumaru

General Manager, Credit & Investment Planning Dept.

Takanori Kato

General Manager, Planning Dept., Wholesale Banking Unit and Global Corporate Banking Dept, Wholesale Banking Unit

Fumihiko Ito

General Manager, Tokyo Corporate Banking Dept. VII

Katsufumi Uchida

General Manager, International & Structured Finance Dept., Europe, Middle East and Africa Division

Hirofumi Otsuka

General Manager, Business Development Dept., International Banking Unit

Takashi Kobayashi

General Manager, Human Resources Dept.

Takafumi Tsuji

General Manager, Distribution Dept.

Akihiro Yasuda

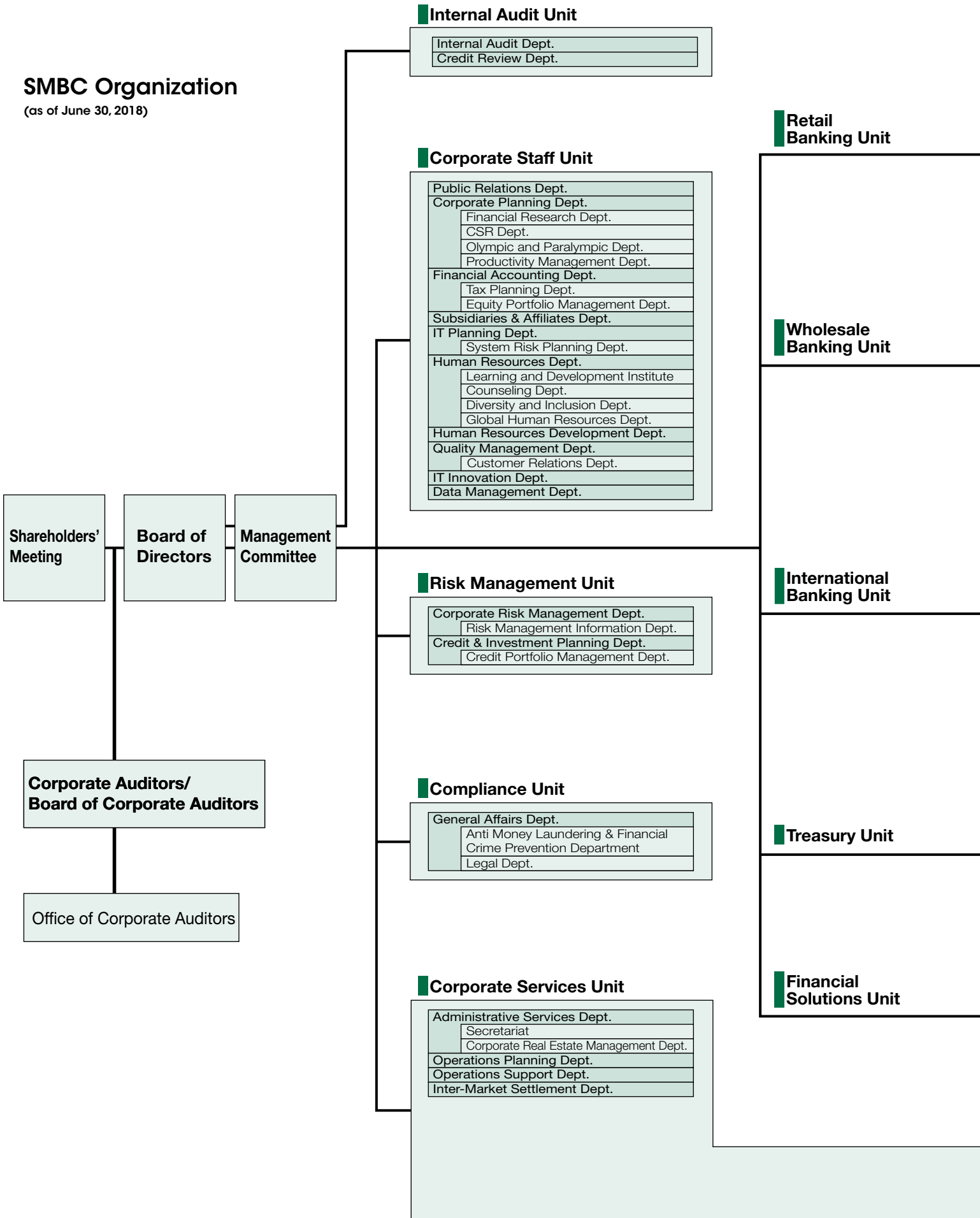
General Manager, Marunouchi Corporate Business Office

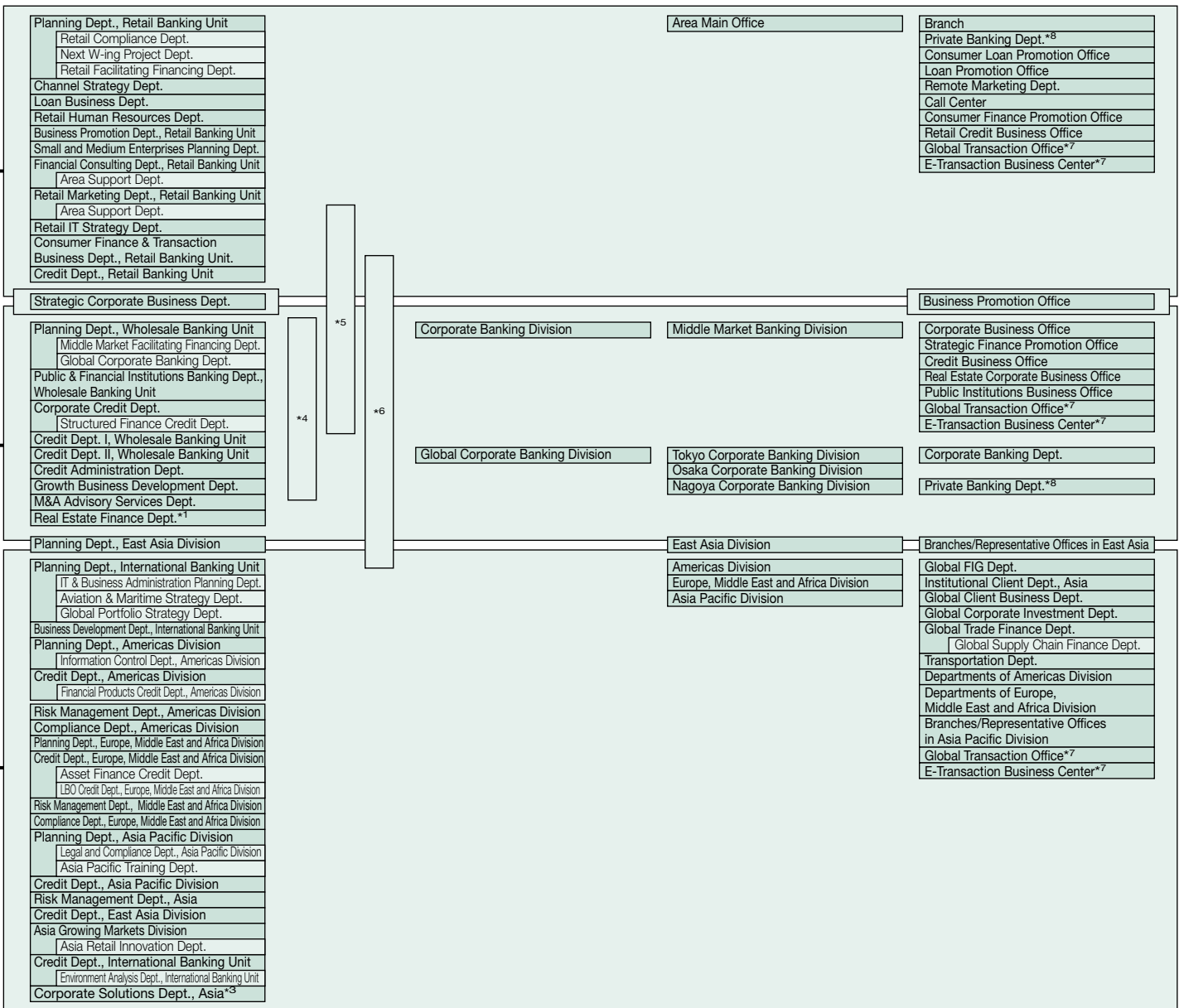
James Fenner

General Manager, Specialised Products Dept., Europe, Middle East and Africa Division

SMBC Organization

(as of June 30, 2018)





Planning Dept., Treasury Unit
Global Markets Engineering Dept.
Global Credit Investment Dept.
Treasury Dept.
International Treasury Dept.
Trading Dept.
Treasury Marketing Dept.
Financial Products Dept.
Securities Direct Sales Dept.
Treasury Dept., Asia Pacific Division

Planning Dept., Financial Solutions Unit
Structured Finance Dept.
Shipping Finance Dept.
Debt Finance Dept.
Investment Banking Services Dept.
Real Estate Finance Dept.*1
Merchant Banking Dept.
Distribution Dept.
Growth Industry Cluster Dept.*2
Trust Services Dept.
Trust Business Operations Dept.
Corporate Solutions Dept., Asia *3

- *1 Belongs to both Financial Solutions Unit and Wholesale Banking Unit.
- *2 Belongs to both Financial Solutions Unit and Wholesale Banking Unit (Corporate Advisory Division).
- *3 Belongs to both International Banking Unit and Financial Solutions Unit
- *4 • Corporate Advisory Division
 - Advisory Dept. I
 - Advisory Dept. II
 - Advisory Dept. III
 - Corporate Research Dept.
 - Growth Industry Cluster Dept.*2
- *5 • Private Advisory Division
 - Private Advisory Business Dept.
 - Private Banking Planning Dept.
 - Inheritance Advisory Business Dept.
 - Corporate Employees Solution Dept.
 - Defined Contribution Dept.
- *6 • Transaction Business Division
 - Transaction Business Planning Dept.
 - Transaction Products Development Dept.
 - Asset Finance Dept.
 - Transaction Banking Dept.
 - Global Transaction Banking Dept.
 - Global Advisory Dept.
 - Global Business Promotion Dept.
 - Global Transaction Support Dept.
 - Foreign Exchange Insourcing Business Dept.
- *7 • Belongs to Retail Banking Unit, Wholesale Banking Unit and International Banking Unit.
- *8 • Belongs to both Retail Banking Unit and Wholesale Banking Unit.

Branch Service Office
Head/Main Service Office
Public Institutions Operations Office
Souzoku-office Sub-Branch
Operations Service Office

Principal Subsidiaries and Affiliates (as of March 31, 2018)

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
Sumitomo Mitsui Finance and Leasing Company, Limited	15,000	60	—	Feb. 4, 1963	Leasing
SMBC Nikko Securities Inc.	10,000	100	—	Jun. 15, 2009	Securities
Sumitomo Mitsui Card Company, Limited	34,000	0 (65.99)	—	Dec. 26, 1967	Credit card services
Cedyna Financial Corporation	82,843	0 (100)	—	Sep. 11, 1950	Credit card services, installment
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 Asset Management Company, Limited	2,000	60	—	Dec. 1, 2002	Investment management
SMBC Guarantee Co., Ltd.	187,720	0 (100)	0 (99.99)	Jul. 14, 1976	Credit guarantee
SMFL Capital Co., Ltd.	100	0 (100)	—	Sep. 1, 1999	Leasing
SMFG Card & Credit, Inc.	49,859	100	—	Oct. 1, 2008	Business management
SMM Auto Finance, Inc.	7,700	0 (51)	41	Sep. 17, 1993	Automotive financing
SMBC Finance Service Co., Ltd.	71,705	0 (100)	—	Dec. 5, 1972	Collecting agent and factoring
SMBC Mobit Co., Ltd.	20,000	0 (100)	—	May 17, 2000	Consumer lending
SAKURA KCS Corporation	2,054	0 (50.21)	28.52 (4.01)	Mar. 29, 1969	System engineering and data processing
JAIS, Limited	450	0 (100)	—	Oct. 16, 1990	System engineering and data processing
NCore Co., Ltd.	10	0 (51)	51	Apr. 1, 2004	Data processing service and e-trading consulting
SMBC GMO PAYMENT, Inc.	490	0 (51)	51	Nov. 2, 2015	Settlement agent
SMBC Venture Capital Co., Ltd.	500	0 (40)	0 (40)	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 Loan Business Planning Co., Ltd.	100,010	0 (100)	100	Apr. 1, 2004	Management support services
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	Fee-based headhunting services and contracting of human resources-related procedures
SMBC Learning Support Co., Ltd.	10	0 (100)	100	May 27, 1998	Seminar organizer
SMBC PERSONNEL SUPPORT CO., LTD.	10	0 (100)	100	Apr. 15, 2002	Banking clerical work
SMBC Center Service Co., Ltd.	100	0 (100)	100	Oct. 16, 1995	Banking clerical work
SMBC Delivery 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	Banking clerical work
SMBC International Business Co., Ltd.	20	0 (100)	100	Sep. 28, 1983	Banking clerical work
SMBC Loan Administration and Operations Service Co., Ltd.	10	0 (100)	100	Feb. 3, 2003	Banking clerical work
SMBC Real Estate Appraisal Service Co., Ltd.	30	0 (100)	100	Feb. 1, 1984	Banking clerical work
Polarify, Inc.	420	78.70	—	May 1, 2017	Biometric Authentication Platform as a Service

■ 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
Sumitomo Mitsui Banking Corporation Europe Limited	U.K.	US\$3,200 million	0 (100)	100	Mar. 5, 2003	Commercial banking
Sumitomo Mitsui Banking Corporation (China) Limited	China	CNY10.0 billion	0 (100)	100	Apr. 27, 2009	Commercial banking
Manufacturers Bank	U.S.A.	US\$80.786 million	0 (100)	100	Jun. 26, 1962	Commercial banking
Banco Sumitomo Mitsui Brasileiro S.A.	Brazil	R\$793.819 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
PT Bank Sumitomo Mitsui Indonesia	Indonesia	Rp2,873.9 billion	0 (98.47)	98.47	Aug. 22, 1989	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
SMBC Aviation Capital Limited	Ireland	US\$187 million	0 (90)	30	Aug. 14, 1997	Leasing
SMBC Rail Services LLC	U.S.A.	US\$1,734.655 million	0 (100)	0 (100)	May 11, 2011	Leasing
SMBC Nikko Securities America, Inc.	U.S.A.	US\$388	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
SMBC Financial Services, Inc.	U.S.A.	US\$1,500	0 (100)	100	Aug. 8, 1990	Investments, investment advisor
SMBC Cayman LC Limited*	Cayman Islands	US\$500	0 (100)	100	Feb. 7, 2003	Credit guarantee, bond investment
SMBC MVI SPC	Cayman Islands	US\$195 million	0 (100)	100	Sep. 9, 2004	Loans, buying/selling of monetary claims
SMBC DIP Limited	Cayman Islands	US\$8 million	0 (100)	100	Mar. 16, 2005	Loans, buying/selling of monetary claims
SFVI Limited	British Virgin Islands	US\$6,600	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, Services related to leasing and used lease properties
SMBC International Finance N.V.	Curaçao	US\$200,000	0 (100)	100	Jun. 25, 1990	Finance
SMFG Preferred Capital JPY 1 Limited	Cayman Islands	¥1	100	—	Jan. 11, 2008	Finance
SMFG Preferred Capital USD 3 Limited	Cayman Islands	US\$1,350 million	100	—	Jul. 8, 2008	Finance
SMFG Preferred Capital GBP 2 Limited	Cayman Islands	£250 million	100	—	Oct. 25, 2007	Finance
SMFG Preferred Capital JPY 2 Limited	Cayman Islands	¥286,000 million	100	—	Nov. 3, 2008	Finance
SMFG Preferred Capital JPY 3 Limited	Cayman Islands	¥268,400 million	100	—	Aug. 12, 2009	Finance
SMBC Preferred Capital JPY 1 Limited	Cayman Islands	¥2,000 million	0 (100)	100	Jan. 11, 2008	Finance

* SMBC Cayman LC Limited, like other subsidiaries of SMBC, is a separate corporate entity with its own separate creditors and the claims of such creditors are prior to the claims of SMBC, as the direct or indirect holder of the equity in such subsidiary.

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 Preferred Capital USD 3 Limited	Cayman Islands	US\$1,358 million	0 (100)	100	Jul. 8, 2008	Finance
SMBC Preferred Capital GBP 2 Limited	Cayman Islands	£251.5 million	0 (100)	100	Oct. 25, 2007	Finance
SMBC Preferred Capital JPY 2 Limited	Cayman Islands	¥293,600 million	0 (100)	100	Nov. 19, 2008	Finance
Sumitomo Mitsui Finance Dublin Limited	Ireland	US\$18 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 Capital Partners LLC	U.S.A.	US\$10,000	0 (100)	100	Dec. 18, 2003	Holding and trading securities
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	SAR3,500,000	0 (100)	100	Dec. 29, 2017	Consulting

■ 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
The Japan Net Bank, Limited	37,250	0 (41.16)	41.16	Sep. 19, 2000	Commercial banking
Kansai Urban Banking Corporation	47,039	0 (48.31)	39.64 (0.28)	Jul. 1, 1922	Commercial banking
THE MINATO BANK, LTD.	27,484	0 (34.79)	33.79 (1.00)	Sep. 6, 1949	Commercial banking
PT Bank Tabungan Pensiunan Nasional Tbk	Rp116,805 million	0 (40.66)	40.66	Feb. 5, 1958	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
Vietnam Export Import Commercial Joint Stock Bank	VND12,526,947 million	0 (15.07)	15.07	May 24, 1989	Commercial banking
ACLEDA Bank Plc.	US\$358 million	0 (18.25)	18.25	Dec. 1, 2003	Commercial banking
The Bank of East Asia, Limited	HKD37,526 million	0 (19.49)	19.49	Nov. 14, 1918	Commercial banking
Sumitomo Mitsui Auto Service Company, Limited	6,950	33.99	—	Feb. 21, 1981	Leasing
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
brees corporation	490	0 (49)	49	Dec. 5, 2014	Information processing services
Daiwa SB Investments Ltd.	2,000	43.96	—	Apr. 1, 1999	Investment management
China Post & Capital Fund Management Co., Ltd.	CNY304 million	0 (23.67)	23.67	Apr. 24, 2012	Investment management
Daiwa Securities SMBC Principal Investments Co., Ltd.	100	0 (40)	40	Feb. 1, 2010	Investments, fund management
MSD Investment, Ltd.	49	0 (33.33)	(33.33)	Sep. 1, 2015	Investments

International Directory (as of June 30, 2018)

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

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

3 Temasek Avenue #06-01, Centennial Tower, Singapore 039190, Republic of Singapore
Tel: 65-6882-0001

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

New Delhi Branch

13th Floor, Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi 110001, India
Tel: 91 (11) 4768-9111

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

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

Harbor Office 14th Floor, 4/222 Moo. 10 Sukhumvit Road, Tungsukla, Sriracha, Chonburi 20230, Thailand
Tel: 66 (38) 400-700

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

Ulaanbaatar Representative Office

Unit 1011, 10F, Central Tower, 2 Chinggis Square, 8th Khoroo, Sukhbaatar District, Ulaanbaatar, 14200, Mongolia
Tel: 976-7011-8950

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

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, Xia Cheng District, Hangzhou, Zhejiang Province, The People's Republic of China
Tel: 86 (571) 2889-1111

Sumitomo Mitsui Banking Corporation (China) Limited Chongqing Branch

Unit 2, 34F, Tower1, River International, 22 Nanbin Road, Nan'an District, Chongqing 400060, 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
Tel: 86 (24) 3128-7000

Sumitomo Mitsui Banking Corporation (China) Limited Suzhou Branch

12F, SND International Commerce Tower, No.28 Shishan Road, Suzhou New District, Suzhou, Jiangsu 215011, The People's Republic of China
Tel: 86 (512) 6606-6500

**Sumitomo Mitsui Banking Corporation
(China) Limited Dalian Branch**

Senmao Building 4F-A, 147 Zhongshan Road, Xigang District, Dalian, The People's Republic of China
Tel: 86 (411) 3905-8500

**Sumitomo Mitsui Banking Corporation
(China) Limited Tianjin Branch**

12F, The Exchange Tower 2, 189 Nanjing Road, Heping District, Tianjin 300051, The People's Republic of China
Tel: 86 (22) 2330-6677

**Sumitomo Mitsui Banking Corporation
(China) Limited Beijing Branch**

Unit 1601, 16F, North Tower, Beijing Kerry Centre, No.1, Guang Hua Road, Chao Yang District, Beijing 100020, The People's Republic of China
Tel: 86 (10) 5920-4500

**Sumitomo Mitsui Banking Corporation
(China) Limited Kunshan Sub-Branch**

Room 2001-2005, Taiwan Business Association International Plaza, No. 399 Qianjin East Road, Kunshan, Jiangsu 215300, The People's Republic of China
Tel: 86 (512) 3687-0588

**Sumitomo Mitsui Banking Corporation
(China) Limited Shanghai Pilot Free Trade Zone Sub-Branch**

Room 15T21, 15F, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai 200120, The People's Republic of China
Tel: 86 (21) 2067-0200

**Sumitomo Mitsui Banking Corporation
(China) Limited**

Shanghai Puxi Sub-Branch

1, 12, 13, 12F, Maxdo Center, 8 Xingyi Road, Changning District, Shanghai, The People's Republic of China
Tel: 86 (21) 2219-8000

**Sumitomo Mitsui Banking Corporation
(China) Limited**

Changshu Sub-Branch

8F, Science Innovation Building (Kechuang Building), No.333 Dongnan Road, Changshu Southeast Economic Development Zone of Jiangsu, Changshu, Jiangsu, The People's Republic of China
Tel: 86 (512) 5235-5553

**Sumitomo Mitsui Banking Corporation
(China) Limited**

Suzhou Industrial Park Sub-Branch

16F, International Building, No.2, Suzhou Avenue West, Suzhou Industrial Park, Jiangsu 215021, The People's Republic of China
Tel: 86 (512) 6288-5018

**Sumitomo Mitsui Banking Corporation
(China) Limited**

Tianjin Binhai Sub-Branch

8F, E2B, Binhai Financial Street, No.20, Guangchang East Road, TEDA, Tianjin 300457, The People's Republic of China
Tel: 86 (22) 6622-6677

PT Bank Sumitomo Mitsui Indonesia

Menara BTPN, 11th, 33rd-37th Floor, Jl. Dr. Ide Anak Agung Gde Agung Kav. 5.5-5.6, Jakarta 12950, Indonesia
Tel: 62 (21) 8086-2500

**Sumitomo Mitsui Banking Corporation
Malaysia Berhad**

Suite 22-03, Level 22, Integra Tower, The Intermark, 348, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Tel: 60 (3) 2176-1500

SMBC Capital Markets (Asia) Limited

7th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong Special Administrative Region, The People's Republic of China
Tel: 852-2532-8500

**SMBC Nikko Capital Markets Limited
(Sydney Office)**

Level 35, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia
Tel: 61 (2) 9376-1895

SBCS Co., Limited

16th Floor, Q.House Lumpini Building, 1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66 (2) 677-7270~5

PT. SBCS Indonesia

Menara BTPN, 38th Floor, Jl. Dr. Ide Anak Agung Gde Agung Kav.5.5-5.6 Jakarta 12950 Indonesia
Tel: 62 (21) 2157-2120

BSL Leasing Co., Ltd.

19th Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120, Thailand
Tel: 66 (2) 670-4700

SMBC SSC Sdn. Bhd.

Level 21, Integra Tower, The Intermark, 348, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Tel: 60 (3) 2176-1600

The Bank of East Asia, Limited

10 Des Voeux Road, Central, Hong Kong
Tel: 852-3608-3608

**Vietnam Export Import
Commercial Joint Stock Bank**

8th Floor, Vincom Center Building, 72 Le Thanh Ton Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
Tel: 84 (28) 3821-0056

**PT Bank Tabungan Pensiunan
Nasional Tbk**

Menara BTPN, CBD Mega Kuningan Jl. Dr. Ide Anak Agung Gde Agung, Kav 5.5-5.6 Jakarta 12950, Indonesia
Tel: 62 (21) 300-26200

PT Oto Multiartha

Summitmas II, 18th floor, Jl. Jend. Sudirman Kav. 61-62, Jakarta 12190, Indonesia
Tel: 62 (21) 522-6410

PT Summit Oto Finance

Summitmas II, 8th floor, Jl. Jend. Sudirman Kav. 61-62, Jakarta 12190, Indonesia
Tel: 62 (21) 252-2788

ACLEDA Bank Plc.

#61, Preah Monivong Blvd., Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia
Tel: 855 (23) 998-777

**The Japan Research Institute
(Shanghai) Solution Co., Ltd.**

Unit 141, 18F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, 200120, The People's Republic of China
Tel: 86 (21) 6841-2788

Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.

152 Beach Road, 21-05 Gateway East, Singapore 189721
Tel: 65-6224-2955

Sumitomo Mitsui Finance and Leasing (Hong Kong) Ltd.

Unit 4206-8,42/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Tel: 852-2523-4155

SMFL Leasing (Thailand) Co., Ltd.

30th Floor, Q. House Lumpini Building, 1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-677-7400

Sumitomo Mitsui Finance and Leasing (China) Co., Ltd.

Unit 2302, TaiKoo Hui Tower 1, 385 Tianhe Road, Tianhe District, Guangzhou, China
Tel: 86-20-8755-0021

Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.

10 F, Gopher Center, 757 Mengzi Road, Huangpu District, Shanghai, China
Tel: 86-21-5396-5522

Shanghai Sumitomo Mitsui Finance and Leasing Co., Ltd.

Room 723, 7/F, No. 6 Ji Long Rd, China (Shanghai) Pilot Free Trade Zone, Shanghai 200131, China
Tel: 86-21-5065-6052

Sumitomo Mitsui Finance and Leasing (China) Co., Ltd.

Beijing Branch

Unit 3001-3007, 30F, North Tower, Beijing Kerry Centre, 1 Guanhua Road, Chaoyang District, Beijing, China
Tel: 86-10-8529-7887

Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.

Chengdu Branch

Room 2002, YanLord Landmark, No.1, Section 2, Renmin South Road, Chengdu, China
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
Tel: 60-3-2710-0170

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 Rydalmer, 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, Wanchai, Hong Kong Special Administrative Region, The People's Republic of China
Tel: 852 (3199) 1000

Liang Jing Co., Ltd.

8F1, No.6, Sec 3, Min Chuan E. Rd., Taipei, Taiwan 10477, R.O.C.
Tel: 886 (2) 2515-1598

PROMISE (THAILAND) CO., LTD.

12th, 15th, 22nd Floor, Capital Tower, All Seasons Place, 87/1 Wireless Road, Lumpini, Phatumwan, Bangkok 10330, Thailand
Tel: 66 (2) 655-8574

PROMISE (SHENZHEN) CO., LTD.

1001, 10/F, Tower A, Kingkey 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen 518000, The People's Republic of China
Tel: 86 (755) 2396-6200

PROMISE (SHENYANG) CO., LTD.

5F, No.1 Yuebin Street, Shenhe District, Shenyang, Liaoning Province 110013, The People's Republic of China
Tel: 86 (24) 2250-6200

Promise Consulting Service (Shenzhen) Co., Ltd.

1003, 10/F, Tower A, Kingkey 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen 518000, The People's Republic of China
Tel: 86 (755) 3698-5100

PROMISE (TIANJIN) CO., LTD.

Room H-I-K 17th Floor, TEDA Building No. 256, Jie-Fang Nan Road, Hexi District, Tianjin 300042, The People's Republic of China
Tel: 86 (22) 5877-8700

PROMISE (CHONGQING) CO., LTD.

38F, Xinhua International Mansion, No.27, Minquan Road, Yuzhong District, Chongqing, 400010, The People's Republic of China
Tel: 86 (23) 6037-5200

PROMISE (CHENGDU) CO., LTD.

Level 18, Minyoun Financial Plaza, No.35 Zidong Section Dongda Street, Jinjiang District, Chengdu, 610061, The People's Republic of China
Tel: 86 (28) 6528-5000

PROMISE (WUHAN) CO., LTD.

14F, Block A, Pingan International Financial Building, 216 Gongzheng Road, Wuchang, Wuhan, Hubei, 430000, The People's Republic of China
Tel: 86 (27) 8711-6300

PROMISE (SHANGHAI) CO., LTD.

Room 03-10, Floor 14, China Insurance Building No.166, East Lujiazui Road, Pudong New Area, Shanghai 200120, The People's Republic of China
Tel: 86 (21) 2066-6262

PROMISE ASSET MANAGEMENT (TAIWAN) CO., LTD.

8F No.6, Sec 3, Min Chuan E. Rd., Taipei, Taiwan 10477, R.O.C.
Tel: 886 (2) 2515-6369

SMCC Consulting (Shanghai) Co., Ltd.

Room 5135, 51F Raffles City Centre, 268 Xi Zang Middle Road, Huang Pu District, Shanghai 200001, The People's Republic of China
Tel: 86 (21) 2312-7632

**Sumitomo Mitsui Asset Management Company, Limited
Shanghai Representative Office**

Suite1002, 10F, CITIC Square,
1168 Nanjing Road West, Shanghai
200041, The People's Republic of China
Tel: 86 (21) 5292-5960

Sumitomo Mitsui Asset Management (Hong Kong) Limited

24th Floor, Shanghai Commercial Bank
Tower, 12 Queen's Road Central,
Hong Kong
Tel: 852-2521-8883

UOB-SM Asset Management Pte. Ltd.

80 Raffles Place #15-22, UOB Plaza2,
Singapore 048624
Tel: 65-6589-3850

The Americas

SMBC Branches and Representative Offices

New York Branch

277 Park Avenue, New York,
NY 10172, U.S.A.
Tel: 1 (212) 224-4000

Canada Branch

Toronto Dominion Centre,
222 Bay Street, Suite 1400, P.O. Box 172,
Toronto, Ontario M5K 1H6, Canada
Tel: 1 (416) 368-4766

Cayman Branch

P.O. Box 694, Edward Street,
George Town, Grand Cayman,
Cayman Islands

Los Angeles Branch

601 South Figueroa Street,
Suite 1800, Los Angeles,
CA 90017, U.S.A.
Tel: 1 (213) 452-7800

San Francisco Branch

555 California Street, Suite 3350,
San Francisco, CA 94104, U.S.A.
Tel: 1 (415) 616-3000

Chicago Representative Office

300 S. Riverside Plaza, Suite 1970,
Chicago, IL 60606, U.S.A.
Tel: 1 (312) 796-3668

Dallas Representative Office

14241 Dallas Parkway, Suite 660,
Dallas, TX 75254, U.S.A.
Tel: 1 (469) 466-8089

Houston Representative Office

Two Allen Center, 1200 Smith Street,
Suite 1140, Houston, TX 77002, U.S.A.
Tel: 1 (713) 277-3500

Silicon Valley Representative Office

101 Jefferson Drive, Menlo Park,
CA 94025, U.S.A.
Tel: 1 (650) 460-1669

Mexico City Representative Office

Torre Virreyes-Pedregal 24, Piso 5, Int
502-A, Col. Molino del Rey,
Ciudad de Mexico, Mexico, 11040
Tel: 52 (55) 2623-0200

Leon Representative Office

Plaza de la Paz #102. int.901
Puerto Interior, Silao, Guanajuato,
CP36275, Mexico
Tel: 52 (472) 500-0177

Bogota Representative Office

Carrera 9 #113-52, Oficina 808,
Bogotá D.C., Colombia
Tel: 57 (1) 619-7200

Lima Representative Office

Avenida Canaval y Moreyra 380,
Oficina 702, San Isidro, Lima 27, Peru
Tel: 51 (1) 200-3600

Santiago Representative Office

Isidora Goyenechea 3000,
Suite 2102, Las Condes,
Santiago, Chile
Tel: 56 (2) 2896-8440

**SMBC Principal Subsidiaries/
Affiliates SMFG Network**

Manufacturers Bank

515 South Figueroa Street,
Los Angeles, CA 90071, U.S.A.
Tel: 1 (213) 489-6200

Banco Sumitomo Mitsui Brasileiro S.A.

Avenida Paulista, 37-11 e 12 andar
Sao Paulo-SP-CEP 01311-902, Brazil
Tel: 55 (11) 3178-8000

**Banco Sumitomo Mitsui Brasileiro S.A.
Cayman Branch**

11 Dr. Roy's Drive, George Town,
Grand Cayman, Cayman Islands

SMBC Capital Markets, Inc.

277 Park Avenue, New York,
NY 10172, U.S.A.
Tel: 1 (212) 224-5100

SMBC Leasing and Finance, Inc.

277 Park Avenue, New York,
NY 10172, U.S.A.
Tel: 1 (212) 224-5200

SMBC Rail Services LLC

300 S. Riverside Plaza, Suite 1925,
Chicago, IL 60606, U.S.A.
Tel: 1 (312) 559-4800

SMBC, S.A.P.I. DE C.V., SOFOM, E.N.R.

Torre Virreyes-Pedregal 24, Piso 5, Int
502-A, Col. Molino del Rey,
Ciudad de Mexico, Mexico, 11040
Tel: 52 (55) 2623-1373

SMBC Nikko Securities America, Inc.

277 Park Avenue, New York,
NY 10172, U.S.A.
Tel: 1 (212) 224-5300

JRI America, Inc.

277 Park Avenue, New York,
NY 10172, U.S.A.
Tel: 1 (212) 224-4200

**Sumitomo Mitsui Finance and Leasing Company, Limited
New York Branch**

666 Third Avenue,
New York, NY 10017, U.S.A.
Tel: 1 (212) 224-5201

Sumitomo Mitsui Asset Management (New York) Inc.

300 Park Avenue, 16th Floor,
New York, NY 10022, U.S.A.
Tel: 1 (212) 418-3030

Europe, Middle-East and Africa

SMBC Branches and Representative Offices

London Branch

99 Queen Victoria Street,
London EC4V 4EH, U.K.
Tel: 44 (20) 7786-1000

Düsseldorf Branch

Prinzenallee 7, 40549 Düsseldorf,
Germany
Tel: 49 (211) 36190

Frankfurt Branch

Opernturm, 16th Floor,
Bockenheimer Landstrasse 2-4, 60306,
Frankfurt am Main, Germany
Tel: 49 (69) 667748-245

Brussels Branch

Neo Building, Rue Montoyer 51, Box 6,
1000 Brussels, Belgium
Tel: 32 (2) 551-5000

DIFC Branch-Dubai

Building One, 5th Floor, Gate
Precinct, Dubai International
Financial Centre, PO Box 506559
Dubai, United Arab Emirates
Tel: 971 (4) 428-8000

Abu Dhabi Representative Office

Office No.801, Makeen Tower,
Al Zahiyah, Abu Dhabi,
United Arab Emirates
Tel: 971 (2) 495-4000

Istanbul Representative Office

Metrocity Is Merkezi, Kirgulu Sokak No:4
Kat:7/A D Blok, Esentepe Mahallesi, Sisli
34394, Istanbul, Republic of Turkey
Tel: 90 (212) 371-5900

Doha QFC Office

Office 1901, 19th Floor,
Qatar Financial Centre Tower,
Diplomatic Area-West bay, Doha,
Qatar, P.O.Box 23769
Tel: 974-4496-7572

Bahrain Representative Office

No.406 & 407 (Entrance 3,
4th Floor) Manama Centre,
Government Road, Manama,
State of Bahrain
Tel: 973-17223211

Johannesburg Representative Office

Building Four, First Floor,
Commerce Square,
39 Rivonia Road, Sandhurst,
Sandton 2196, South Africa
Tel: 27 (11) 219-5300

Cairo Representative Office

23rd Floor, Nile City Towers,
North Tower, 2005C, Cornish El Nile,
Ramlet Boulak, Cairo, Egypt
Tel: 20 (2) 2461-9566

Tehran Representative Office

First Floor, No. 17,
Haghani Expressway (north side),
Between Modarres & Africa,
Tehran 1518858117, Iran
Tel: 98 (21) 8888-4301/4302

SMBC Principal Subsidiaries/ Affiliates SMFG Network

Sumitomo Mitsui Banking Corporation Europe Limited Head Office

99 Queen Victoria Street, London
EC4V 4EH, U.K.
Tel: 44 (20) 7786-1000

Sumitomo Mitsui Banking Corporation Europe Limited Amsterdam Branch

World Trade Center Amsterdam,
Tower H, Level 15 Zuidplein 130,
1077XV, Amsterdam, The Netherlands
Tel: 31 (20) 718-3888

Sumitomo Mitsui Banking Corporation Europe Limited Dublin Branch

IFSC House, IFSC, Dublin 1, Ireland
Tel: 353 (1) 859-9300

Sumitomo Mitsui Banking Corporation Europe Limited Paris Branch

1/3/5 rue Paul Cézanne, 75008,
Paris, France
Tel: 33 (1) 44 (90) 48-00

Sumitomo Mitsui Banking Corporation Europe Limited Prague Branch

International Business Centre, Pobrezni
3 186 00 Prague 8, Czech Republic
Tel: 420 (295) 565-800

Sumitomo Mitsui Banking Corporation Europe Limited Madrid Branch

Calle Pedro Teixeira 8, Edificio Iberia
Mart I, planta 4a., 28020 Madrid, Spain
Tel: 34 (91) 312-7300

Sumitomo Mitsui Banking Corporation Europe Limited Milan Branch

Via della Spiga 30/ Via Senato 25,
20121 Milan, Italy
Tel: 39 (02) 7636-1700

JSC Sumitomo Mitsui Rus Bank

Presnenskaya naberezhnaya,
house 10, block C, Moscow, 123112
Russian Federation
Tel: 7 (495) 287-8200

SMBC Nikko Capital Markets Limited

One New Change, London
EC4M 9AF, U.K.
Tel: 44 (20) 3527-7000

SMBC Derivative Products Limited

One New Change, London
EC4M 9AF, U.K.
Tel: 44 (20) 3527-7000

Sumitomo Mitsui Finance Dublin Limited

La Touche House, I.F.S.C.,
Custom House Docks, Dublin 1,
Ireland
Tel: 353 (1) 670-0066

JRI Europe, Limited

99 Queen Victoria Street, London
EC4V 4EH, U.K.
Tel: 44 (20) 7406-2700

Sumitomo Mitsui Asset Management (London) Limited

3rd Floor, 90 Basinghall Street, London
EC2V 5AY, U.K.
Tel: 44 (20) 7397-3970

SMBC Aviation Capital Limited

IFSC House, IFSC, Dublin 1, Ireland
Tel: 353 (1) 859-9000

SMBC Advisory Services Saudi Arabia LLC

18th Floor Al Faisaliah Tower,
P.O. Box 54995, Riyadh 11524,
Kingdom of Saudi Arabia
Tel: 966 (11) 484-7105



GLOBAL NETWORK

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 Shenyang 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
- Sumitomo Mitsui Banking Corporation (China) Limited Tianjin Binhai Sub-Branch
- PT Bank Sumitomo Mitsui Indonesia
- Sumitomo Mitsui Banking Corporation Malaysia Berhad
- Hong Kong Branch
- Taipei Branch
- Seoul Branch
- Singapore Branch
- Sydney Branch
- Perth Branch
- New Delhi Branch
- Mumbai 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
- Ulaanbaatar Representative Office
- Phnom Penh Representative Office
- SMBC Capital Markets (Asia) Limited
- SMBC Nikko Capital Markets Limited (Sydney Office)
- SBSC Co., Limited
- PT. SBSC Indonesia
- SMBC SSC Sdn. Bhd.
- The Bank of East Asia, Limited
- Vietnam Export Import Commercial Joint Stock Bank
- PT Bank Tabungan Pensiunan Nasional Tbk
- PT Oto Multiartha
- PT Summit Oto Finance
- ACLEDA Bank Plc.

Overseas service network (as of June 30, 2018)

Total: 84

**(including banking subsidiaries and their branches/
sub-branches/rep. offices)**

Also showing principal overseas subsidiaries



★ Indicates branch or sub-branch of Sumitomo Mitsui Banking Corporation (China) Limited

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
- Mexico City Representative Office
- Leon Representative Office
- Santiago Representative Office
- Bogota Representative Office
- Lima Representative Office
- Manufacturers Bank
- Banco Sumitomo Mitsui Brasileiro S.A.
- Banco Sumitomo Mitsui Brasileiro S.A. Cayman Branch
- SMBC Capital Markets, Inc.
- SMBC Nikko Securities America, Inc.
- SMBC Leasing and Finance, Inc.
- SMBC Rail Services LLC
- SMBC, S.A.P.I. DE C.V., SOFOM, E.N.R.

Europe, Middle East and Africa

- Sumitomo Mitsui Banking Corporation Europe Limited Head Office
- Sumitomo Mitsui Banking Corporation Europe Limited Amsterdam Branch
- Sumitomo Mitsui Banking Corporation Europe Limited Dublin Branch
- Sumitomo Mitsui Banking Corporation Europe Limited Paris Branch
- Sumitomo Mitsui Banking Corporation Europe Limited Prague Branch
- Sumitomo Mitsui Banking Corporation Europe Limited Madrid Branch
- Sumitomo Mitsui Banking Corporation Europe Limited Milan Branch
- London Branch
- Düsseldorf Branch
- Frankfurt Branch
- Brussels Branch
- DIFC Branch-Dubai
- Abu Dhabi Representative Office
- Istanbul Representative Office
- Doha QFC Office
- Bahrain Representative 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



Appendix II

CONTENTS

Financial Data

Sumitomo Mitsui Financial Group

Financial Highlights	134
Consolidated Balance Sheets	135
Consolidated Statements of Income	137
Consolidated Statements of Comprehensive Income	139
Consolidated Statements of Changes in Net Assets	140
Consolidated Statements of Cash Flows	143
Notes to Consolidated Financial Statements	145
Independent Auditor's Report	209

SMBC

Supplemental Information	210
--------------------------------	-----

Sumitomo Mitsui Financial Group

Income Analysis (Consolidated)	216
Assets and Liabilities (Consolidated)	219
Capital (Non-consolidated)	222

Basel III Information

Sumitomo Mitsui Financial Group

Capital Ratio Information (Consolidated)	225
Indicators for assessing Global Systemically Important Banks (G-SIBs)	273
Leverage Ratio Information (Consolidated) ...	274
Liquidity Coverage Ratio Information (Consolidated)	275

SMBC

Financial Highlights	294
Income Analysis (Consolidated)	295
Assets and Liabilities (Consolidated)	298
Income Analysis (Non-consolidated)	300
Deposits (Non-consolidated)	304
Loans (Non-consolidated)	306
Securities (Non-consolidated)	311
Ratios (Non-consolidated)	313
Capital (Non-consolidated)	315
Others (Non-consolidated)	316
Trust Assets and Liabilities (Non-consolidated) ...	318

Basel III Information

SMBC

Capital Ratio Information (Consolidated)	319
Leverage Ratio Information (Consolidated) ...	326
Liquidity Coverage Ratio Information (Consolidated)	327
Capital Ratio Information (Non-consolidated) ...	329
Liquidity Coverage Ratio Information (Non- consolidated)	337

Compensation

Sumitomo Mitsui Financial Group

Compensation (Consolidated)	341
-----------------------------------	-----

SMBC

Compensation	345
--------------------	-----

Financial Highlights

Sumitomo Mitsui Financial Group (Consolidated)

Year ended March 31	Millions of yen				
	2018	2017	2016	2015	2014
For the Year:					
Ordinary income.....	¥ 5,764,172	¥ 5,133,245	¥ 4,772,100	¥ 4,851,202	¥ 4,641,880
Ordinary profit.....	1,164,113	1,005,855	985,284	1,321,156	1,432,332
Profit attributable to owners of parent.....	734,368	706,519	646,687	753,610	835,357
Comprehensive income.....	984,133	966,057	178,328	2,063,510	1,303,295
At Year-End:					
Total net assets.....	¥ 11,612,892	¥ 11,234,286	¥ 10,447,669	¥ 10,696,271	¥ 9,005,019
Total assets.....	199,049,128	197,791,611	186,585,842	183,442,585	161,534,387
Total capital ratio (International Standard).....	19.36%	16.93%	17.02%	16.58%	15.51%
Tier 1 capital ratio (International Standard).....	16.69%	14.07%	13.68%	12.89%	12.19%
Common equity Tier 1 capital ratio (International Standard).....	14.50%	12.17%	11.81%	11.30%	10.63%
Number of employees.....	72,978	77,205	73,652	68,739	66,475

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.

Consolidated Balance Sheets

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

March 31	Millions of yen		Millions of U.S. dollars	
	2017	2018	2017	2018
Assets:				
Cash and due from banks	*8 ¥ 46,865,538	*8 ¥ 53,732,582	\$ 505,718	
Call loans and bills bought	1,872,144	1,881,879	17,712	
Receivables under resale agreements	899,897	827,892	7,792	
Receivables under securities borrowing transactions	8,760,390	8,337,700	78,472	
Monetary claims bought	*8 4,420,377	*8 4,730,770	44,525	
Trading assets	*8 6,755,428	*8 5,585,591	52,570	
Money held in trust	3,439	1,482	14	
Securities	*1, *2, *8, *15 24,631,792	*1, *2, *8, *15 25,712,709	242,002	
Loans and bills discounted	*3, *4, *5, *6, *7, *8, *9 80,237,322	*3, *4, *5, *6, *7, *8, *9 72,945,934	686,550	
Foreign exchanges	*7 1,723,867	*7 2,166,190	20,388	
Lease receivables and investment assets	*8 2,395,597	*8 2,329,431	21,924	
Other assets	*8 7,355,845	*8 8,005,807	75,349	
Tangible fixed assets	*8, *10, *11, *12 3,101,642	*8, *10, *11, *12 3,475,131	32,707	
Assets for rent	2,086,391	2,553,213	24,030	
Buildings	381,378	341,949	3,218	
Land	489,167	424,277	3,993	
Lease assets	7,186	6,332	60	
Construction in progress	20,575	33,971	320	
Other tangible fixed assets	116,942	115,387	1,086	
Intangible fixed assets	946,506	865,584	8,147	
Software	431,833	428,756	4,035	
Goodwill	318,578	272,203	2,562	
Lease assets	185	163	2	
Other intangible fixed assets	195,909	164,460	1,548	
Net defined benefit asset	314,922	383,418	3,609	
Deferred tax assets	63,001	27,609	260	
Customers' liabilities for acceptances and guarantees	8,090,111	8,575,499	80,711	
Reserve for possible loan losses	(646,215)	(536,088)	(5,046)	
Total assets	¥197,791,611	¥199,049,128	\$1,873,404	

(Continued)

March 31	Millions of yen		Millions of
	2017	2018	U.S. dollars
			2018
Liabilities and net assets:			
Liabilities:			
Deposits	*8 ¥117,830,210	*8 ¥116,477,534	\$1,096,259
Negotiable certificates of deposit	11,880,937	11,220,284	105,603
Call money and bills sold	2,088,019	1,190,928	11,209
Payables under repurchase agreements	*8 2,715,752	*8 5,509,721	51,856
Payables under securities lending transactions	*8 7,444,655	*8 7,186,861	67,641
Commercial paper	2,311,542	2,384,787	22,445
Trading liabilities	4,704,931	4,402,110	41,432
Borrowed money	*8, *13 10,786,713	*8, *13 10,829,248	101,922
Foreign exchanges	683,252	865,640	8,147
Short-term bonds	1,125,600	1,256,600	11,827
Bonds	*14 8,129,232	*8, *14 9,057,683	85,249
Due to trust account	1,180,976	1,328,271	12,501
Other liabilities	*8 6,880,273	*8 6,348,202	59,748
Reserve for employee bonuses	77,375	84,046	791
Reserve for executive bonuses	3,045	3,861	36
Net defined benefit liability	59,110	39,982	376
Reserve for executive retirement benefits	2,347	2,026	19
Reserve for point service program	21,744	22,244	209
Reserve for reimbursement of deposits	15,464	17,765	167
Reserve for losses on interest repayment	156,775	144,763	1,362
Reserves under the special laws	1,745	2,397	23
Deferred tax liabilities	335,908	455,234	4,285
Deferred tax liabilities for land revaluation	*10 31,596	*10 30,539	287
Acceptances and guarantees	*8 8,090,111	*8 8,575,499	80,711
Total liabilities	186,557,325	187,436,236	1,764,106
Net assets:			
Capital stock	2,337,895	2,338,743	22,012
Capital surplus	757,346	758,215	7,136
Retained earnings	5,036,756	5,552,573	52,260
Treasury stock	(12,913)	(12,493)	(118)
Total stockholders' equity	8,119,085	8,637,039	81,290
Net unrealized gains (losses) on other securities	1,542,308	1,688,842	15,895
Net deferred gains (losses) on hedges	(42,077)	(68,543)	(645)
Land revaluation excess	*10 38,109	*10 37,097	349
Foreign currency translation adjustments	65,078	36,906	347
Accumulated remeasurements of defined benefit plans	9,034	59,121	556
Total accumulated other comprehensive income	1,612,453	1,753,424	16,503
Stock acquisition rights	3,482	2,823	27
Non-controlling interests	1,499,264	1,219,604	11,479
Total net assets	11,234,286	11,612,892	109,298
Total liabilities and net assets	¥197,791,611	¥199,049,128	\$1,873,404

Consolidated Statements of Income

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Ordinary income	¥5,133,245	¥5,764,172	\$54,251
Interest income	1,912,027	2,165,788	20,384
Interest on loans and discounts	1,384,119	1,469,232	13,828
Interest and dividends on securities	259,840	342,013	3,219
Interest on call loans and bills bought	12,205	19,462	183
Interest on receivables under resale agreements	18,886	24,566	231
Interest on receivables under securities borrowing transactions..	12,172	14,619	138
Interest on deposits with banks	48,040	75,619	712
Interest on lease transactions	70,227	70,941	668
Other interest income	106,534	149,333	1,405
Trust fees	3,797	3,884	37
Fees and commissions	1,195,452	1,244,063	11,709
Trading income	237,394	246,338	2,318
Other operating income	1,583,316	1,863,345	17,537
Lease-related income	257,847	271,703	2,557
Installment-related income	883,657	1,041,351	9,801
Other	441,811	550,290	5,179
Other income	201,257	240,751	2,266
Gains on reversal of reserve for possible loan losses	—	11,562	109
Recoveries of written-off claims	14,089	10,231	96
Other	*1 187,167	*1 218,957	2,061
Ordinary expenses	4,127,389	4,600,059	43,295
Interest expenses	553,394	775,560	7,299
Interest on deposits	189,204	283,229	2,666
Interest on negotiable certificates of deposit	67,232	86,810	817
Interest on call money and bills sold	5,491	8,471	80
Interest on payables under repurchase agreements	16,281	48,597	457
Interest on payables under securities lending transactions	4,631	11,316	107
Interest on commercial paper	15,510	18,393	173
Interest on borrowed money	39,528	54,654	514
Interest on short-term bonds	118	54	1
Interest on bonds	144,755	186,095	1,751
Other interest expenses	70,641	77,936	734
Fees and commissions payments	182,104	177,418	1,670
Trading losses	—	36	0
Other operating expenses	1,275,747	1,589,355	14,959
Lease-related expenses	128,468	142,894	1,345
Installment-related expenses	832,749	987,154	9,291
Other	314,529	459,305	4,323
General and administrative expenses	*2 1,812,433	*2 1,816,197	17,094
Other expenses	303,710	241,491	2,273
Provision for reserve for possible loan losses	75,915	—	—
Other	*3 227,795	*3 241,491	2,273
Ordinary profit	1,005,855	1,164,113	10,956

(Continued)

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Extraordinary gains	¥ 30,960	¥ 866	\$ 8
Gains on disposal of fixed assets	1,552	852	8
Reversal of reserve for eventual future operating losses from financial instruments transactions	82	13	0
Other extraordinary gains	*4 29,325	—	—
Extraordinary losses	57,511	56,129	528
Losses on disposal of fixed assets	7,720	5,563	52
Losses on impairment of fixed assets	*5 49,460	*5 49,900	470
Provision for reserve for eventual future operating losses from financial instruments transactions	329	665	6
Income before income taxes	979,305	1,108,850	10,436
Income taxes-current	265,045	225,617	2,123
Income taxes-deferred	(94,093)	44,907	423
Income taxes	170,951	270,524	2,546
Profit	808,353	838,326	7,890
Profit attributable to non-controlling interests	101,834	103,957	978
Profit attributable to owners of parent	¥ 706,519	¥ 734,368	\$ 6,912

Consolidated Statements of Comprehensive Income

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31	Millions of yen		Millions of
	2017	2018	U.S. dollars
Profit	¥ 808,353	¥838,326	\$7,890
Other comprehensive income (losses)	*1 157,703	*1 145,807	1,372
Net unrealized gains (losses) on other securities	201,653	162,673	1,531
Net deferred gains (losses) on hedges	(93,989)	(28,659)	(270)
Land revaluation excess	(6)	1	0
Foreign currency translation adjustments	(12,699)	(50,387)	(474)
Remeasurements of defined benefit plans	81,193	49,221	463
Share of other comprehensive income of affiliates	(18,448)	12,957	122
Total comprehensive income	966,057	984,133	9,262
Comprehensive income attributable to owners of parent	860,806	876,353	8,248
Comprehensive income attributable to non-controlling interests	105,250	107,780	1,014

Consolidated Statements of Changes in Net Assets

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31, 2017	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	¥2,337,895	¥757,306	¥4,534,472	¥(175,381)	¥7,454,294
Changes in the fiscal year					
Cash dividends			(205,083)		(205,083)
Profit attributable to owners of parent			706,519		706,519
Purchase of treasury stock				(100)	(100)
Disposal of treasury stock		(2)		162,567	162,564
Changes in shareholders' interest due to transaction with non-controlling interests		42			42
Increase due to increase in subsidiaries			25		25
Increase due to decrease in subsidiaries			13		13
Decrease due to increase in subsidiaries			(288)		(288)
Decrease due to decrease in subsidiaries			(4)		(4)
Decrease due to decrease in affiliates accounted for by the equity method			(200)		(200)
Reversal of land revaluation excess			1,300		1,300
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	40	502,283	162,467	664,791
Balance at the end of the fiscal year	¥2,337,895	¥757,346	¥5,036,756	¥(12,913)	¥8,119,085

Year ended March 31, 2017	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total
Balance at the beginning of the fiscal year	¥1,347,689	¥55,130	¥39,416	¥87,042	¥(69,811)	¥1,459,467
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Changes in shareholders' interest due to transaction with non-controlling interests						
Increase due to increase in subsidiaries						
Increase due to decrease in subsidiaries						
Decrease due to increase in subsidiaries						
Decrease due to decrease in subsidiaries						
Decrease due to decrease in affiliates accounted for by the equity method						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	194,619	(97,208)	(1,306)	(21,964)	78,845	152,985
Net changes in the fiscal year	194,619	(97,208)	(1,306)	(21,964)	78,845	152,985
Balance at the end of the fiscal year	¥1,542,308	¥(42,077)	¥38,109	¥65,078	¥9,034	¥1,612,453

Year ended March 31, 2017	Millions of yen		
	Stock acquisition rights	Non-controlling interests	Total net assets
	Balance at the beginning of the fiscal year	¥2,884	¥1,531,022
Changes in the fiscal year			
Cash dividends			(205,083)
Profit attributable to owners of parent			706,519
Purchase of treasury stock			(100)
Disposal of treasury stock			162,564
Changes in shareholders' interest due to transaction with non-controlling interests			42
Increase due to increase in subsidiaries			25
Increase due to decrease in subsidiaries			13
Decrease due to increase in subsidiaries			(288)
Decrease due to decrease in subsidiaries			(4)
Decrease due to decrease in affiliates accounted for by the equity method			(200)
Reversal of land revaluation excess			1,300
Net changes in items other than stockholders' equity in the fiscal year	598	(31,758)	121,825
Net changes in the fiscal year	598	(31,758)	786,616
Balance at the end of the fiscal year	¥3,482	¥1,499,264	¥11,234,286

Year ended March 31, 2018	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	¥2,337,895	¥757,346	¥5,036,756	¥(12,913)	¥8,119,085
Changes in the fiscal year					
Issuance of new stock	847	847			1,695
Cash dividends			(218,596)		(218,596)
Profit attributable to owners of parent			734,368		734,368
Purchase of treasury stock				(142)	(142)
Disposal of treasury stock		(41)		562	521
Changes in shareholders' interest due to transaction with non-controlling interests		62			62
Increase due to increase in subsidiaries			34		34
Increase due to decrease in subsidiaries			5		5
Decrease due to increase in subsidiaries			(599)		(599)
Decrease due to decrease in subsidiaries			(2)		(2)
Decrease due to decrease in affiliates accounted for by the equity method			(314)		(314)
Reversal of land revaluation excess			923		923
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	847	868	515,817	420	517,954
Balance at the end of the fiscal year	¥2,338,743	¥758,215	¥5,552,573	¥(12,493)	¥8,637,039

Year ended March 31, 2018	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total
Balance at the beginning of the fiscal year	¥1,542,308	¥(42,077)	¥38,109	¥ 65,078	¥9,034	¥1,612,453
Changes in the fiscal year						
Issuance of new stock						
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Changes in shareholders' interest due to transaction with non-controlling interests						
Increase due to increase in subsidiaries						
Increase due to decrease in subsidiaries						
Decrease due to increase in subsidiaries						
Decrease due to decrease in subsidiaries						
Decrease due to decrease in affiliates accounted for by the equity method						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	146,533	(26,466)	(1,012)	(28,171)	50,087	140,971
Net changes in the fiscal year	146,533	(26,466)	(1,012)	(28,171)	50,087	140,971
Balance at the end of the fiscal year	¥1,688,842	¥(68,543)	¥37,097	¥ 36,906	¥59,121	¥1,753,424

Year ended March 31, 2018	Millions of yen		
	Stock acquisition rights	Non-controlling interests	Total net assets
	Balance at the beginning of the fiscal year	¥3,482	¥1,499,264
Changes in the fiscal year			
Issuance of new stock			1,695
Cash dividends			(218,596)
Profit attributable to owners of parent			734,368
Purchase of treasury stock			(142)
Disposal of treasury stock			521
Changes in shareholders' interest due to transaction with non-controlling interests			62
Increase due to increase in subsidiaries			34
Increase due to decrease in subsidiaries			5
Decrease due to increase in subsidiaries			(599)
Decrease due to decrease in subsidiaries			(2)
Decrease due to decrease in affiliates accounted for by the equity method			(314)
Reversal of land revaluation excess			923
Net changes in items other than stockholders' equity in the fiscal year	(659)	(279,659)	(139,348)
Net changes in the fiscal year	(659)	(279,659)	378,606
Balance at the end of the fiscal year	¥2,823	¥1,219,604	¥11,612,892

Year ended March 31, 2018	Millions of U.S. dollars				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	\$22,004	\$7,128	\$47,405	\$(122)	\$76,415
Changes in the fiscal year					
Issuance of new stock	8	8			16
Cash dividends			(2,057)		(2,057)
Profit attributable to owners of parent			6,912		6,912
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		(0)		5	5
Changes in shareholders' interest due to transaction with non-controlling interests		1			1
Increase due to increase in subsidiaries			0		0
Increase due to decrease in subsidiaries			0		0
Decrease due to increase in subsidiaries			(6)		(6)
Decrease due to decrease in subsidiaries			(0)		(0)
Decrease due to decrease in affiliates accounted for by the equity method			(3)		(3)
Reversal of land revaluation excess			9		9
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	8	8	4,855	4	4,875
Balance at the end of the fiscal year	\$22,012	\$7,136	\$52,260	\$(118)	\$81,290

Year ended March 31, 2018	Millions of U.S. dollars					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total
Balance at the beginning of the fiscal year	\$14,516	\$(396)	\$359	\$613	\$ 85	\$15,176
Changes in the fiscal year						
Issuance of new stock						
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Changes in shareholders' interest due to transaction with non-controlling interests						
Increase due to increase in subsidiaries						
Increase due to decrease in subsidiaries						
Decrease due to increase in subsidiaries						
Decrease due to decrease in subsidiaries						
Decrease due to decrease in affiliates accounted for by the equity method						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	1,379	(249)	(10)	(265)	471	1,327
Net changes in the fiscal year	1,379	(249)	(10)	(265)	471	1,327
Balance at the end of the fiscal year	\$15,895	\$(645)	\$349	\$347	\$556	\$16,503

Year ended March 31, 2018	Millions of U.S. dollars		
	Stock acquisition rights	Non-controlling interests	Total net assets
	Balance at the beginning of the fiscal year	\$33	\$14,111
Changes in the fiscal year			
Issuance of new stock			16
Cash dividends			(2,057)
Profit attributable to owners of parent			6,912
Purchase of treasury stock			(1)
Disposal of treasury stock			5
Changes in shareholders' interest due to transaction with non-controlling interests			1
Increase due to increase in subsidiaries			0
Increase due to decrease in subsidiaries			0
Decrease due to increase in subsidiaries			(6)
Decrease due to decrease in subsidiaries			(0)
Decrease due to decrease in affiliates accounted for by the equity method			(3)
Reversal of land revaluation excess			9
Net changes in items other than stockholders' equity in the fiscal year	(6)	(2,632)	(1,312)
Net changes in the fiscal year	(6)	(2,632)	3,563
Balance at the end of the fiscal year	\$27	\$11,479	\$109,298

Consolidated Statements of Cash Flows

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Cash flows from operating activities:			
Income before income taxes	¥ 979,305	¥ 1,108,850	\$ 10,436
Depreciation	274,988	281,535	2,650
Losses on impairment of fixed assets	49,460	49,900	470
Amortization of goodwill	29,272	25,225	237
Gains on step acquisitions	(29,325)	—	—
Equity in (gains) losses of affiliates	(24,552)	(38,992)	(367)
Net change in reserve for possible loan losses	21,620	(67,041)	(631)
Net change in reserve for employee bonuses	7,765	10,570	99
Net change in reserve for executive bonuses	584	821	8
Net change in net defined benefit asset and liability	(47,173)	(36,499)	(344)
Net change in reserve for executive retirement benefits	145	(244)	(2)
Net change in reserve for point service program	2,076	637	6
Net change in reserve for reimbursement of deposits	(1,514)	3,704	35
Net change in reserve for losses on interest repayment	(71,789)	(11,939)	(112)
Interest income	(1,912,027)	(2,165,788)	(20,384)
Interest expenses	553,394	775,560	7,299
Net (gains) losses on securities	(98,190)	(142,228)	(1,339)
Net (gains) losses from money held in trust	(0)	(0)	(0)
Net exchange (gains) losses	16,280	323,045	3,040
Net (gains) losses from disposal of fixed assets	6,167	4,710	44
Net change in trading assets	1,260,408	1,475,948	13,891
Net change in trading liabilities	(1,364,902)	(796,943)	(7,501)
Net change in loans and bills discounted	(5,197,594)	761,992	7,172
Net change in deposits	7,287,109	6,079,437	57,218
Net change in negotiable certificates of deposit	(2,367,722)	(472,574)	(4,448)
Net change in borrowed money (excluding subordinated borrowings)	1,800,886	59,482	560
Net change in deposits with banks	837,507	(1,359,236)	(12,793)
Net change in call loans and bills bought and others	(1,198,782)	(338,019)	(3,181)
Net change in receivables under securities borrowing transactions	(787,472)	422,690	3,978
Net change in call money and bills sold and others	1,895,762	2,059,841	19,387
Net change in commercial paper	(654,552)	108,893	1,025
Net change in payables under securities lending transactions	2,135,651	(168,890)	(1,590)
Net change in foreign exchanges (assets)	(144,713)	(453,061)	(4,264)
Net change in foreign exchanges (liabilities)	(400,001)	183,504	1,727
Net change in lease receivables and investment assets	(53,854)	26,591	250
Net change in short-term bonds (liabilities)	(145,700)	131,000	1,233
Issuance and redemption of bonds (excluding subordinated bonds)	1,109,521	860,316	8,097
Net change in due to trust account	236,434	147,294	1,386
Interest received	1,911,477	2,121,086	19,963
Interest paid	(536,129)	(756,202)	(7,117)
Other, net	(523,175)	(768,910)	(7,237)
Subtotal	4,856,646	9,446,071	88,904
Income taxes paid	(342,268)	(103,276)	(972)
Net cash provided by (used in) operating activities	4,514,377	9,342,794	87,932

(Continued)

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Cash flows from investing activities:			
Purchases of securities	¥(21,215,546)	¥(23,726,100)	\$(223,304)
Proceeds from sale of securities	13,611,842	13,528,011	127,322
Proceeds from redemption of securities	8,852,923	8,357,784	78,662
Purchases of money held in trust	(1)	(1)	(0)
Proceeds from sale of money held in trust	1,744	1,957	18
Purchases of tangible fixed assets	(495,823)	(712,563)	(6,706)
Proceeds from sale of tangible fixed assets	169,423	302,362	2,846
Purchases of intangible fixed assets	(145,290)	(136,079)	(1,281)
Proceeds from sale of intangible fixed assets	636	3	0
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	*2 (199,755)	*2 (161,851)	(1,523)
Proceeds from sale of stocks of subsidiaries resulting in change in scope of consolidation	1,193	*3 (848,822)	7,989
Net cash provided by (used in) investing activities	581,347	(3,395,299)	(31,956)
Cash flows from financing activities:			
Repayment of subordinated borrowings	(11,000)	(10,000)	(94)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	394,495	254,747	2,398
Redemption of subordinated bonds and bonds with stock acquisition rights	(371,640)	(180,033)	(1,694)
Dividends paid	(205,078)	(218,569)	(2,057)
Repayments to non-controlling stockholders	(86,886)	(135,000)	(1,271)
Dividends paid to non-controlling stockholders	(66,458)	(61,986)	(583)
Purchases of treasury stock	(100)	(142)	(1)
Proceeds from disposal of treasury stock	179,757	521	5
Purchases of stocks of subsidiaries not resulting in change in scope of consolidation	(4)	(6)	(0)
Proceeds from sale of stocks of subsidiaries not resulting in change in scope of consolidation	390	0	0
Net cash provided by (used in) financing activities	(166,524)	(350,468)	(3,299)
Effect of exchange rate changes on cash and cash equivalents	(10,555)	(93,874)	(884)
Net change in cash and cash equivalents	4,918,645	5,503,152	51,794
Cash and cash equivalents at the beginning of the fiscal year	37,556,806	42,478,393	399,797
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	2,943	1,568	15
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1)	—	—
Cash and cash equivalents at the end of the fiscal year	*1 ¥ 42,478,393	*1 ¥ 47,983,114	\$ 451,606

Notes to Consolidated Financial Statements

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

(Basis of presentation)

Sumitomo Mitsui Financial Group, Inc. (“the Company”) was established on December 2, 2002 as a holding company for the SMBC Group (“the Group”) through a statutory share transfer (*kabushiki iten*) of all of the outstanding equity securities of Sumitomo Mitsui Banking Corporation (“SMBC”) in exchange for the Company’s newly issued securities. The Company is a joint stock corporation with limited liability (*Kabushiki Kaisha*) incorporated under the Companies Act of Japan. Upon formation of the Company and completion of the statutory share transfer, SMBC became a direct wholly owned subsidiary of the Company.

The Company has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”).

The accounts of overseas subsidiaries and affiliated companies, are, in principle, integrated with those of the Company’s accounting policies for purposes of consolidation unless they apply different accounting principles and standards as required under U.S. GAAP or IFRS, in which case a certain limited number of items are adjusted based on their materiality.

These consolidated financial statements are translated from the consolidated financial statements contained in the annual securities report filed under the Financial Instrument and Exchange Act of Japan (“FIEA based financial statements”) except for the addition of the non-consolidated financial statements and US dollar figures.

Amounts less than 1 million yen have been rounded down. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2018 which was ¥106.25 to US\$1. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

As of and for the years ended March 31, 2017 and 2018

(Significant accounting policies for preparing consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

The number of consolidated subsidiaries at March 31, 2018 is 347.

Principal companies: Sumitomo Mitsui Banking Corporation (“SMBC”)
 SMBC Trust Bank Ltd.
 Sumitomo Mitsui Finance and Leasing Company, Limited (“SMFL”)
 SMBC Nikko Securities Inc. (“SMBC Nikko”)
 Sumitomo Mitsui Card Company, Limited (“SMCC”)
 Cedyne Financial Corporation
 SMBC Consumer Finance Co., Ltd.
 The Japan Research Institute, Limited
 Sumitomo Mitsui Asset Management Company, Limited (“SMAM”)
 Sumitomo Mitsui Banking Corporation Europe Limited
 Sumitomo Mitsui Banking Corporation (China) Limited
 SMBC Guarantee Co., Ltd.
 SMBC Capital Markets, Inc.

Changes in the consolidated subsidiaries in the fiscal year ended March 31, 2018 are as follows:

American Railcar Leasing LLC and 80 other companies were newly included in the scope of consolidation as a result of acquisition of equity and for other reasons.

THE MINATO BANK, LTD., Kansai Urban Banking Corporation and 21 other companies were excluded from the scope of consolidation, as a result of becoming equity method affiliates due to the partial sale of their stock and for other reasons; and SMBC Friend Securities Co., Ltd. and 64 other companies were excluded from the scope of consolidation, as they ceased to be subsidiaries due to merger and for other reasons.

(2) Unconsolidated subsidiaries

Principal company: SBCS Co., Ltd.

148 unconsolidated subsidiaries are operators of silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have been excluded from the scope of consolidation pursuant to Article 5 Paragraph 1 Item 2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Unconsolidated subsidiaries are also excluded from the scope of consolidation because their total amounts in terms of total assets, ordinary income, net income and retained earnings are immaterial, as such, they do not hinder a rational judgment of the financial position and results of operations of the Company and its consolidated subsidiaries when excluded from the scope of consolidation.

2. Application of the equity method

(1) Unconsolidated subsidiaries accounted for by the equity method

The number of unconsolidated subsidiaries accounted for by the equity method at March 31, 2018 is 5.

Principal company: SBCS Co., Ltd.

(2) Equity method affiliates

The number of affiliates accounted for by the equity method at March 31, 2018 is 70.

Principal companies: THE MINATO BANK, LTD.
 Kansai Urban Banking Corporation
 PT Bank Tabungan Pensiunan Nasional Tbk
 Sumitomo Mitsui Auto Service Company, Limited
 Daiwa SB Investments Ltd.

Changes in the equity method affiliates in the fiscal year ended March 31, 2018 are as follows:

THE MINATO BANK, LTD., Kansai Urban Banking Corporation and 21 other companies became equity method affiliates due to the partial sale of their stock and for other reasons; and 3 other companies became equity method affiliates due to the acquisition of stock and for other reasons.

5 companies were excluded from the scope of equity method affiliates due to liquidation and for other reasons.

- (3) Unconsolidated subsidiaries that are not accounted for by the equity method
 148 unconsolidated subsidiaries that are not accounted for by the equity method are operators of silent partnerships for lease transactions and their assets and profits/losses do not belong to them substantially. Therefore, they have not been accounted for by the equity method pursuant to Article 10 Paragraph 1 Item 2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.
- (4) Affiliates that are not accounted for by the equity method
 Principal company: Daiwa SB Investments (USA) Ltd.
 Affiliates that are not accounted for by the equity method are also excluded from the scope of equity method because their total amounts in terms of net income and retained earnings are immaterial, and as such, they do not hinder a rational judgment of the Company's financial position and results of operations when excluded from the scope of equity method.

3. The balance sheet dates of consolidated subsidiaries

- (1) The balance sheet dates of the consolidated subsidiaries at March 31, 2018 are as follows:

May 31.....	1
June 30.....	14
August 31.....	2
September 30.....	11
October 31.....	3
December 31.....	150
January 31.....	11
February 28.....	6
March 31.....	149

- (2) The subsidiaries with balance sheets dated May 31, June 30, August 31 and September 30 are consolidated using the financial statements as of March 31. Certain subsidiaries with balance sheets dated October 31 are consolidated using the financial statements as of March 31 and other subsidiaries with balance sheets dated October 31 are consolidated using the financial statements as of January 31. Certain subsidiaries with balance sheets dated December 31 and January 31 are consolidated using the financial statements as of March 31. Other subsidiaries are consolidated using the financial statements as of their respective balance sheet dates.

Appropriate adjustments were made to material transactions during the periods between their respective balance sheet dates and the consolidated closing date.

4. Accounting policies

- (1) Standards for recognition and measurement of trading assets/liabilities and trading income/losses
 Transactions for trading purposes (seeking gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market related indices or from variation among markets) are included in "Trading assets" or "Trading liabilities" on the consolidated balance sheets on a trade date basis. Profits and losses on trading-purpose transactions are recognized on a trade date basis, and recorded as "Trading income" and "Trading losses" on the consolidated statements of income.
 Securities and monetary claims purchased for trading purposes are stated at the fiscal year-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated balance sheet date.
 "Trading income" and "Trading losses" include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.
- (2) Standards for recognition and measurement of securities
- 1) Debt securities that consolidated subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are carried at amortized cost (based on straight-line method) using the moving-average method. Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost using the moving-average method. Securities other than trading purpose securities, held-to-maturity securities and investments in unconsolidated subsidiaries and affiliates are classified as "other securities" (available-for-sale securities). Stocks (including foreign stocks) in other securities are carried at their average market prices during the final month of the fiscal year, and bonds and others are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Other securities which are extremely difficult to determine fair value are carried at cost using the moving-average method.
 Net unrealized gains (losses) on other securities, net of income taxes, are included in "Net assets" except for the amount reflected on the gains or losses by applying fair value hedge accounting.
- 2) Securities included in money held in trust are carried in the same method as in (1) and (2), 1) above.
- (3) Standards for recognition and measurement of derivative transactions
 Derivative transactions, excluding those classified as trading derivatives, are carried at fair value.

(4) Depreciation

1) Tangible fixed assets (excluding assets for rent and lease assets)

Buildings owned by the Company and SMBC are depreciated using the straight-line method. Others are depreciated using the declining-balance method. The estimated useful lives of major items are as follows:

Buildings:	7 to 50 years
Others:	2 to 20 years

Other consolidated subsidiaries depreciate tangible fixed assets primarily using the straight-line method over the estimated useful lives of the respective assets.

2) Intangible fixed assets

Intangible fixed assets are depreciated using the straight-line method. Capitalized software for internal use owned by the Company and its consolidated domestic subsidiaries is depreciated over its estimated useful life (5 to 10 years).

3) Assets for rent

Assets for rent are depreciated using the straight-line method, assuming that lease terms are, in principle, their depreciation period and the salvage is estimated disposal value when the lease period expires.

4) Lease assets

Lease assets with respect to non-transfer ownership finance leases, which are recorded in "Tangible fixed assets," are depreciated using the straight-line method, assuming that lease terms are their expected lifetime and salvage values are zero.

(5) Reserve for possible loan losses

The reserve for possible loan losses of major consolidated subsidiaries is provided as detailed below in accordance with the internal standards for write-offs and provisions.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings ("Bankrupt borrowers") or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("Effectively bankrupt borrowers"), a reserve is provided based on the amount of claims, after the write-off stated below, net of the expected amount of recoveries from collateral and guarantees. For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy ("Potentially bankrupt borrowers"), a reserve is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

Discounted Cash Flows ("DCF") method is used for claims on borrowers whose cash flows from collection of principals and interest can be rationally estimated, and SMBC applies it to claims on large potentially bankrupt borrowers and claims on large borrowers requiring close monitoring that have been classified as "Past due loans (3 months or more)" or "Restructured loans," whose total loans from SMBC exceed a certain amount. SMBC establishes a reserve for possible loan losses using the DCF method for such claims in the amount of the difference between the present value of principal and interest (calculated using the rationally estimated cash flows discounted at the initial contractual interest rate) and the book value.

For other claims, a reserve is provided based on the historical loan-loss ratio. For claims originated in specific overseas countries, an additional reserve is provided in the amount deemed necessary based on the assessment of political and economic conditions.

Branches and credit supervision departments assess all claims in accordance with the internal rules for self-assessment of assets, and the Credit Review Department, independent from these operating sections, audits their assessment.

The reserve for possible loan losses of the Company and other consolidated subsidiaries for general claims is provided in the amount deemed necessary based on the historical loan-loss ratios, and for doubtful claims in the amount deemed uncollectible based on assessment of each claim.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amount of write-off for the years ended March 31, 2017 and 2018 were ¥288,145 million and ¥190,945 million, respectively.

(6) Reserve for employee bonuses

The reserve for employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the fiscal year.

(7) Reserve for executive bonuses

The reserve for executive bonuses is provided for payment of bonuses to executives, in the amount of estimated bonuses, which are attributable to the fiscal year.

(8) Reserve for executive retirement benefits

The reserve for executive retirement benefits is provided for payment of retirement benefits to directors, corporate auditors and other corporate executive officers, in the amount deemed accrued at the fiscal year-end based on our internal regulations.

(9) Reserve for point service program

The reserve for point service program is provided for the potential future redemption of points awarded to customers under the "SMBC Point Pack," credit card points programs, and other customer points award programs. The amount is calculated by converting the outstanding points into a monetary amount, and rationally estimating and recognizing the amount that will be redeemed in the future.

- (10) Reserve for reimbursement of deposits
The reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursements.
- (11) Reserve for losses on interest repayment
The reserve for losses on interest repayment is provided for the possible losses on future claims of repayment of interest based on historical interest repayment experience.
- (12) Reserves under the special laws
The reserves under the special laws are reserves for contingent liabilities and provided for compensation for losses from securities related transactions or derivative transactions, pursuant to Article 46-5 of the Financial Instruments and Exchange Act.
- (13) Employee retirement benefits
In calculating the projected benefit obligation, mainly the benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year.
Unrecognized prior service cost is amortized on a straight-line basis, primarily over 9 years within the employees' average remaining service period at incurrence.
Unrecognized net actuarial gain (loss) is amortized on a straight-line basis, primarily over 9 years within the employees' average remaining service period, commencing from the next fiscal year of incurrence.
- (14) Translation of foreign currency assets and liabilities
Assets and liabilities of the Company and SMBC denominated in foreign currencies and accounts of SMBC overseas branches are translated into Japanese yen mainly at the exchange rate prevailing at the consolidated balance sheet date, with the exception of stocks of subsidiaries and affiliates translated at rates prevailing at the time of acquisition.
Other consolidated subsidiaries' assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet dates.
- (15) Lease transactions
- 1) Recognition of income on finance leases
Interest income is allocated to each period.
 - 2) Recognition of income on operating leases
Primarily, lease-related income is recognized on a straight-line basis over the full term of the lease, based on the contractual amount of lease fees per month.
 - 3) Recognition of income and expenses on installment sales
Primarily, installment-sales-related income and installment-sales-related expenses are recognized on a due-date basis over the full period of the installment sales.
- (16) Hedge accounting
- 1) Hedging against interest rate changes
As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, SMBC applies deferred hedge accounting.
SMBC applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002) to portfolio hedges on groups of large-volume, small-value monetary claims and debts.
As for the portfolio hedges to offset market fluctuation, SMBC assesses the effectiveness of such hedges by classifying the hedged items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. As for the portfolio hedges to fix cash flows, SMBC assesses the effectiveness of such hedges by verifying the correlation between the hedged items and the hedging instruments.
As for the individual hedges, SMBC also assesses the effectiveness of such individual hedges.
 - 2) Hedging against currency fluctuations
SMBC applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002) to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.
Pursuant to JICPA Industry Audit Committee Report No. 25, SMBC assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.
In order to hedge risk arising from volatility of exchange rates for stocks of subsidiaries and affiliates and other securities (excluding bonds) denominated in foreign currencies, SMBC applies deferred hedge accounting or fair value hedge accounting, on the conditions that the hedged securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currencies.
 - 3) Hedging against share price fluctuations
SMBC applies fair value hedge accounting to individual hedges offsetting the price fluctuation of the shares that are classified under other securities, and accordingly evaluates the effectiveness of such individual hedges.

- 4) Transactions between consolidated subsidiaries
As for derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts (or among internal sections), SMBC manages the interest rate swaps and currency swaps that are designated as hedging instruments in accordance with the non-arbitrary and strict criteria for external transactions stipulated in JICPA Industry Audit Committee Report No. 24 and No. 25. Therefore, SMBC accounts for the gains or losses that arise from interest rate swaps and currency swaps in its earnings or defers them, rather than eliminating them.
Certain other consolidated subsidiaries apply the deferred hedge accounting, fair value hedge accounting or the special treatment for interest rate swaps.
- (17) Amortization of goodwill
Goodwill is amortized using the straight-line method over a period in which its benefit is expected to be realized, not to exceed 20 years. Immaterial goodwill is charged or credited to income directly when incurred.
- (18) Scope of “Cash and cash equivalents” on consolidated statements of cash flows
For the purposes of presenting the consolidated statements of cash flows, “Cash and cash equivalents” are cash on hand, non-interest earning deposits with banks and deposits with the Bank of Japan.
- (19) Consumption taxes
National and local consumption taxes of the Company and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.
- (20) Adoption of the consolidated corporate-tax system
The Company and certain consolidated domestic subsidiaries apply the consolidated corporate-tax system from fiscal 2017.

(Unapplied Accounting Standards and Others)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29) etc. (issued March 30, 2018)

- (1) Outline
The accounting standard etc. provide comprehensive principles for revenue recognition by taking into account of international trends. The principles of revenue recognition in the standard etc. are promised transfer of goods or services to customers is recognized in an amount of the consideration expected to be earned in exchange for those goods or services.
- (2) Date of Application
The date of application is undetermined.
- (3) Effects of Application of the Accounting Standard etc.
The effects of the application of the accounting standard etc. are currently being examined.

(Notes to consolidated balance sheets)***1 Japanese stocks and investments in unconsolidated subsidiaries and affiliates**

Japanese stocks and investments in unconsolidated subsidiaries and affiliates at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Japanese stocks	¥603,177	¥677,723
Investments	1,371	5,428

Japanese stocks of jointly controlled entities were as follows:

March 31	Millions of yen	
	2017	2018
Japanese stocks of jointly controlled entities	¥93,717	¥101,782

***2 Unsecured loaned securities for which borrowers have the right to sell or pledge**

The amount of unsecured loaned securities for which borrowers have the right to sell or pledge at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Japanese government bonds in "Securities"	¥905	¥901

As for the unsecured borrowed securities, securities under resale agreements and securities borrowed with cash collateral with rights to sell or pledge without restrictions, those securities pledged and those securities held without being disposed at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Securities pledged	¥5,977,541	¥6,659,456
Securities held without being disposed	3,112,106	1,307,487

***3 Bankrupt loans and non-accrual loans**

Bankrupt loans and non-accrual loans at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Bankrupt loans	¥ 34,441	¥ 27,709
Non-accrual loans	558,855	406,066

"Bankrupt loans" are loans, after write-off, to legally bankrupt borrowers as defined in Article 96-1-3 and 96-1-4 of "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 of 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

"Non-accrual loans" are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

***4 Past due loans (3 months or more)**

Past due loans (3 months or more) at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Past due loans (3 months or more)	¥22,434	¥12,822

"Past due loans (3 months or more)" are loans on which the principal or interest payment is past due for 3 months or more, excluding "Bankrupt loans" and "Non-accrual loans."

***5 Restructured loans**

Restructured loans at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Restructured loans	¥252,790	¥210,616

"Restructured loans" are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding "Bankrupt loans," "Non-accrual loans" and "Past due loans (3 months or more)."

***6 Risk-monitored loans**

The total amount of bankrupt loans, non-accrual loans, past due loans (3 months or more) and restructured loans at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Risk-monitored loans	¥868,521	¥657,215

The amounts of loans presented in Notes *3 to *6 above are the amounts before deduction of reserve for possible loan losses.

***7 Bills discounted**

Bills discounted are accounted for as financial transactions in accordance with the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). SMBC and its banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions, etc. The total face value at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Bills discounted	¥802,664	¥780,542

***8 Assets pledged as collateral**

Assets pledged as collateral at March 31, 2017 and 2018 consisted of the following:

March 31, 2017	Millions of yen	March 31, 2018	Millions of yen
Assets pledged as collateral:		Assets pledged as collateral:	
Cash and due from banks	¥ 72,981	Cash and due from banks	¥ 19,998
Monetary claims bought	29,021	Monetary claims bought	19,600
Trading assets	2,315,475	Trading assets	2,223,355
Securities	3,544,026	Securities	5,277,492
Loans and bills discounted	8,239,227	Loans and bills discounted	8,014,149
Lease receivables and investment assets	4,303	Lease receivables and investment assets	13,241
Tangible fixed assets	9,112	Tangible fixed assets	51,630
Other assets (installment account receivable, etc.)...	564	Other assets	223
Liabilities corresponding to assets pledged as collateral:		Liabilities corresponding to assets pledged as collateral:	
Deposits	37,944	Deposits	26,555
Payables under repurchase agreements	1,436,571	Payables under repurchase agreements	3,374,283
Payables under securities lending transactions	6,072,016	Payables under securities lending transactions	6,167,353
Borrowed money	6,922,810	Borrowed money	6,807,957
Other liabilities	24,752	Bonds	27,901
Acceptances and guarantees	193,294	Other liabilities	12,477
		Acceptance and guarantees	170,036

In addition to the assets presented above, the following assets were pledged as collateral for cash settlements, and substitution for margins of futures transactions and certain other purposes at March 31, 2017 and 2018:

March 31, 2017	Millions of yen	March 31, 2018	Millions of yen
Cash and due from banks	¥ 12,688	Cash and due from banks	¥ 12,012
Trading assets	111,189	Trading assets	196,313
Securities	7,617,741	Securities	7,893,437
Loans and bills discounted	1,593,035	Loans and bills discounted	2,812,382

Other assets include collateral money deposited for financial instruments, surety deposits, margin of futures markets and other margins. The amounts for such assets were as follows:

March 31, 2017	Millions of yen	March 31, 2018	Millions of yen
Collateral money deposited for financial instruments ...	¥1,264,271	Collateral money deposited for financial instruments ...	¥1,745,149
Surety deposits	114,293	Surety deposits	108,513
Margins of futures markets	61,086	Margins of futures markets	65,172
Other margins	32,119	Other margins	38,003

*9 Commitment line contracts on overdrafts and loans

Commitment line contracts on overdrafts and loans are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amounts of unused commitments at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
The amounts of unused commitments	¥62,035,638	¥59,795,908
The amounts of unused commitments whose original contract terms are within 1 year or unconditionally cancelable at any time	46,185,404	42,963,575

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments include clauses under which SMBC and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC and other consolidated subsidiaries need to secure claims, or other events occur. In addition, SMBC and other consolidated subsidiaries may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when such need arises and securing claims after the contracts are made.

*10 Land revaluation excess

SMBC, a consolidated subsidiary of the Company, revalued its own land for business activities in accordance with "Act on Revaluation of Land" (the "Act") (Act No. 34, effective March 31, 1998) and "Act for Partial Revision of Act on Revaluation of Land" (Act No. 19, effective March 31, 2001). The income taxes corresponding to the net unrealized gains are reported in "Liabilities" as "Deferred tax liabilities for land revaluation excess," and the Company's share of the net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Net assets."

Certain equity method affiliates also revalued its own land for business activities in accordance with the Act. The Company's share of the net unrealized gains and net of deferred taxes are reported as "Land revaluation excess" in "Net assets."

Date of the revaluation

SMBC: March 31, 1998 and March 31, 2002

Certain equity method affiliates: March 31, 1999 and March 31, 2002

Method of revaluation (stipulated in Article 3-3 of the Act)

SMBC: Fair values were determined by applying appropriate adjustments for land shape and timing of appraisal to the values stipulated in Article 2-3, 2-4 or 2-5 of "Order for Enforcement of Act on Revaluation of Land" (Cabinet Order No. 119 effective March 31, 1998).

Certain equity method affiliates: Fair values were determined based on the values stipulated in Article 2-3 and 2-5 of "Order for Enforcement of Act on Revaluation of Land" (Cabinet Order No. 119 effective March 31, 1998).

*11 Accumulated depreciation on tangible fixed assets

Accumulated depreciation on tangible fixed assets at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Accumulated depreciation	¥1,129,612	¥1,089,903

***12 Deferred gain on tangible fixed assets deductible for tax purposes**

Deferred gain on tangible fixed assets deductible for tax purposes at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Deferred gain on tangible fixed assets deductible for tax purposes.....	¥63,213	¥62,550
{The consolidated fiscal year concerned}.....	[1,813]	[661]

***13 Subordinated borrowings**

The balance of subordinated borrowings with the special clause specifying that the repayment order of the borrowing subordinate to other borrowings included in “Borrowed money” at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Subordinated borrowings.....	¥284,200	¥265,000

***14 Subordinated bonds**

The balance of subordinated bonds included in “Bonds” at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Subordinated bonds.....	¥2,158,167	¥2,211,841

***15 Guaranteed amount to privately-placed bonds**

The amount guaranteed by SMBC and its banking subsidiaries to privately-placed bonds (stipulated by Article 2-3 of the Financial Instruments and Exchange Act) in “Securities” at March 31, 2017 and 2018 were as follows:

March 31	Millions of yen	
	2017	2018
Guaranteed amount to privately-placed bonds.....	¥1,974,118	¥1,796,308

(Notes to consolidated statements of income)***1 Other income**

“Other” in “Other income” for the fiscal years ended March 31, 2017 and 2018 included the following:

Year ended March 31, 2017	Millions of yen	Year ended March 31, 2018	Millions of yen
Gains on sales of stocks.....	¥80,307	Gains on sales of stocks.....	¥140,695

***2 General and administrative expenses**

“General and administrative expenses” for the fiscal years ended March 31, 2017 and 2018 included the following:

Year ended March 31, 2017	Millions of yen	Year ended March 31, 2018	Millions of yen
Salaries and related expenses	¥669,496	Salaries and related expenses	¥689,192
Research and development costs	89	Research and development costs	84

***3 Other expenses**

“Other expenses” for the fiscal years ended March 31, 2017 and 2018 included the following:

Year ended March 31, 2017	Millions of yen	Year ended March 31, 2018	Millions of yen
Write-off of loans.....	¥87,792	Write-off of loans.....	¥105,228
Write-off of stocks and others	14,859		
Loss on sales of non-accrual loans	13,204		

***4 Other extraordinary gains**

“Other extraordinary gains” for the fiscal year ended March 31, 2017 was 29,325 million yen due to gains on step acquisitions.

*5 Losses on impairment of fixed assets

The differences between the recoverable amounts and the book value of the following asset is recognized as "Losses on impairment of fixed assets," and included in "Extraordinary losses" for the fiscal year ended March 31, 2017 and 2018.

Year ended March 31, 2017			Millions of yen
Area	Purpose of use	Type	Impairment loss
Tokyo metropolitan area	Branches (11 items)	Land and buildings, etc.	¥ 518
	Corporate assets (10 items)		371
	Idle assets (57 items)		3,650
	Others (6 items)		58
Kinki area	Branches (16 items)	Land and buildings, etc.	285
	Corporate asset (1 item)		32
	Idle assets (36 items)		893
	Others (2 items)		1
Other	Branches (7 items)	Land and buildings, etc.	274
	Idle assets (15 items)		292
	Others (10 items)		86
—	—	Goodwill	42,995
Year ended March 31, 2018			Millions of yen
Area	Purpose of use	Type	Impairment loss
Tokyo metropolitan area	Idle assets (121 items)	Land and buildings, etc.	¥15,424
Kinki area	Idle assets (73 items)	Land and buildings, etc.	9,538
Other	Idle assets (32 items)	Land and buildings, etc.	3,627
—	—	Goodwill and intangible fixed assets	21,310

At SMBC, a branch, which continuously manages and determines its income and expenses, is the smallest unit of asset group for recognition and measurement of impairment loss of fixed assets. Assets such as corporate headquarters facilities, training facilities, data and system centers, and health and recreational facilities which do not produce cash flows that can be attributed to individual assets are treated as corporate assets. As for idle assets, impairment loss is measured individually. At the Company and other consolidated subsidiaries, a branch or other group is the smallest asset grouping unit as well.

The carrying amounts of idle assets at SMBC are reduced to their recoverable amounts, and the decreased amounts are included in "Extraordinary losses" as "Losses on impairment of fixed assets," if there are indicators that the invested amounts may not be recoverable. And the carrying amounts of branches, corporate assets and idle assets at other consolidated subsidiaries are reduced in the same method as at SMBC.

The recoverable amount is calculated using net realizable value which is basically determined by subtracting the expected disposal cost from the appraisal value based on the Real Estate Appraisal Standard.

The unit for goodwill and intangible assets is mainly based on each consolidated subsidiary. All unamortized balance of goodwill for the fiscal year ended March 31, 2017 was included in "Extraordinary losses" as "Losses on impairment of fixed assets" since there are indicators that amount of goodwill relating to SMBC Friend Securities Co., Ltd. may not be recoverable. The recoverable amount is calculated using net realizable value which is determined based on revalued corporate value. For the fiscal year ended March 31, 2018, the book value of goodwill and intangible assets of the PB, Real Estate and Trust Services of SMBC Trust Bank Ltd. was not expected to be recovered. Therefore, all unamortized balance of goodwill and intangible assets at the end of the fiscal year ended March 31, 2018 were included in "Extraordinary losses" as "Losses on impairment of fixed assets." The recoverable amount is measured by value in use, which is calculated by discounting future cash flows by 10%. In addition, the book value of goodwill and intangible assets of the auto lease business of SMFL Capital Company, Limited was not expected to be recovered. Therefore, all unamortized balance of goodwill and a portion of intangible assets at the end of the fiscal year ended March 31, 2018 were included in "Extraordinary losses" as "Losses on impairment of fixed assets." The recoverable value is net realizable value, which is calculated based on the revalued corporate value.

(Notes to consolidated statements of comprehensive income)***1 Reclassification adjustment and tax effect of other comprehensive income**

Year ended March 31	Millions of yen	
	2017	2018
Net unrealized gains (losses) on other securities:		
Amount arising during the fiscal year	¥ 426,339	¥ 462,091
Reclassification adjustments	(144,428)	(217,083)
Before adjustments to tax effect	281,910	245,008
Tax effect	(80,256)	(82,335)
Net unrealized gains (losses) on other securities	201,653	162,673
Net deferred gains (losses) on hedges:		
Amount arising during the fiscal year	(175,291)	(93,976)
Reclassification adjustments	39,212	53,058
Before adjustments to tax effect	(136,079)	(40,918)
Tax effect	42,089	12,259
Net deferred gains (losses) on hedges	(93,989)	(28,659)
Land revaluation excess:		
Amount arising during the fiscal year	—	—
Reclassification adjustments	—	—
Before adjustments to tax effect	—	—
Tax effect	(6)	1
Land revaluation excess	(6)	1
Foreign currency translation adjustments:		
Amount arising during the fiscal year	(12,699)	(57,881)
Reclassification adjustments	—	7,494
Before adjustments to tax effect	(12,699)	(50,387)
Tax effect	—	—
Foreign currency translation adjustments	(12,699)	(50,387)
Remeasurements of defined benefit plans:		
Amount arising during the fiscal year	61,564	50,592
Reclassification adjustments	54,960	19,696
Before adjustments to tax effect	116,525	70,289
Tax effect	(35,332)	(21,067)
Remeasurements of defined benefit plans	81,193	49,221
Share of other comprehensive income of affiliates:		
Amount arising during the fiscal year	(17,517)	13,971
Reclassification adjustments	(930)	(1,013)
Before adjustments to tax effect	(18,448)	12,957
Tax effect	—	—
Share of other comprehensive income of affiliates	(18,448)	12,957
Total other comprehensive income	¥157,703	¥ 145,807

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2017

1. Type and number of shares issued and treasury stock

Year ended March 31, 2017	Number of shares				Notes
	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	
Shares issued					
Common stock	1,414,055,625	—	—	1,414,055,625	
Total	1,414,055,625	—	—	1,414,055,625	
Treasury stock					
Common stock	46,830,882	24,993	42,826,992	4,028,883	1,2
Total	46,830,882	24,993	42,826,992	4,028,883	

Notes: 1. Increase of 24,993 shares in the number of treasury common stock was due to purchases of fractional shares.

2. Decrease of 42,826,992 shares in the number of treasury common stock includes decrease of 6,128 shares due to sales of fractional shares and exercise of stock options and decrease of 42,820,864 shares due to sale of stocks of the Company held by SMBC and its banking subsidiaries.

2. Information on stock acquisition rights

Year ended March 31, 2017	Details of stock acquisition rights	Type of shares	Number of shares			Millions of yen		Notes
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	At the end of the fiscal year	
The Company	Stock acquisition rights as stock options	—	—	—	—	—	¥3,206	
Consolidated subsidiaries.....	—	—	—	—	—	—	276	
Total.....							¥3,482	

3. Information on dividends

(1) Dividends paid in the fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount				
		Cash dividends	Cash dividends per share	Record date	Effective date	
Ordinary General Meeting of Shareholders held on June 29, 2016	Common stock	¥105,753	¥75	March 31, 2016	June 29, 2016	
Meeting of the Board of Directors held on November 11, 2016	Common stock	105,752	75	September 30, 2016	December 2, 2016	

(2) Dividends to be paid in the next fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount				
		Cash dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	¥105,752	Retained earnings	¥75	March 31, 2017	June 30, 2017

Fiscal year ended March 31, 2018

1. Type and number of shares issued and treasury stock

Year ended March 31, 2018	Number of shares				Notes
	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	
Shares issued					
Common stock	1,414,055,625	387,765	—	1,414,443,390	1
Total.....	1,414,055,625	387,765	—	1,414,443,390	
Treasury stock					
Common stock	4,028,883	31,554	175,469	3,884,968	2,3
Total.....	4,028,883	31,554	175,469	3,884,968	

Notes: 1. Increase of 387,765 shares in the total number of shares issued was due to issuance of new stocks as stock-based compensation.

2. Increase of 31,554 shares in the number of treasury common stock was due to purchases of fractional shares.

3. Decrease of 175,469 shares in the number of treasury common stock was due to sales of fractional shares and exercise of stock options.

2. Information on stock acquisition rights

Year ended March 31, 2018	Details of stock acquisition rights	Type of shares	Number of shares			Millions of yen		Notes
			At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	At the end of the fiscal year	
The Company	Stock acquisition rights as stock options	—	—	—	—	—	¥2,823	
Total.....							¥2,823	

3. Information on dividends

(1) Dividends paid in the fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount			
		Cash dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	¥105,752	¥75	March 31, 2017	June 30, 2017
Meeting of the Board of Directors held on November 14, 2017	Common stock	112,844	80	September 30, 2017	December 1, 2017

(2) Dividends to be paid in the next fiscal year

Date of resolution	Type of shares	Millions of yen, except per share amount				
		Cash dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	¥126,950	Retained earnings	¥90	March 31, 2018	June 29, 2018

(Notes to consolidated statements of cash flows)

*1 The relation between the amounts of accounts listed on the consolidated financial statements and “Cash and cash equivalents”

Year ended March 31	Millions of yen	
	2017	2018
Cash and due from banks	¥46,865,538	¥53,732,582
Interest earning deposits with banks (excluding the deposit with the Bank of Japan)	(4,387,144)	(5,749,468)
Cash and cash equivalents	¥42,478,393	¥47,983,114

*2 The major components of assets and liabilities for entities newly consolidated by stock acquisition and for other reasons

The major components of assets and liabilities at the commencement of consolidation due to stock acquisition of SMFL Capital Company, Limited (former name: GE Japan LLC) and 5 other companies by SMFL's stock acquisition and the relation between the acquisition cost of shares and expenditure to acquire were as follows;

Year ended March 31, 2017	Millions of yen
Assets	¥ 669,763
Lease receivables and investment assets	394,459
Liabilities	(502,042)
Borrowed money	(436,526)
Non-controlling interests	(393)
Goodwill	13,632
Acquisition cost of 6 companies	180,959
Cash and cash equivalents included in acquired assets of 6 companies	(1,015)
Expenditure for acquisition of 6 companies	¥ 179,944

The major components of assets and liabilities at the commencement of consolidation due to consolidating SMAM and 7 other companies by SMBC's stock acquisition and the relation between the acquisition cost of shares and expenditure to acquire were as follows;

Year ended March 31, 2017	Millions of yen
Assets	¥ 50,524
Securities	13,466
Liabilities	(12,516)
Non-controlling interests	(15,203)
Goodwill	38,053
Acquisition cost of 8 companies	60,858
Cash and cash equivalents included in acquired assets of 8 companies	(474)
Fair value of SMAM's common stocks immediately prior to the business combination	(40,572)
Expenditure for acquisition of 8 companies	¥ 19,811

The major components of assets and liabilities at the commencement of consolidation due to stock acquisition of American Railcar Leasing LLC and 19 other companies by SMBC Rail Services LLC's stock acquisition and the relation between the acquisition cost of shares and expenditure to acquire were as follows;

Year ended March 31, 2018	Millions of yen
Assets	¥ 319,975
Tangible fixed assets	304,256
Liabilities	(149,469)
Borrowed money	(147,523)
Acquisition cost of 20 companies.....	170,506
Cash and cash equivalents included in acquired assets of 20 companies.....	(8,654)
Expenditure for acquisition of 20 companies.....	¥ 161,851

- *3 The major components of assets and liabilities for entities which became equity method affiliates by sale of the shares SMBC, a consolidated subsidiary of the Company, sold a portion of shares of THE MINATO BANK, LTD. ("Minato Bank") and Kansai Urban Banking Corporation ("Kansai Urban") through tender offers subject to the shares of common stocks of each bank by Resona Holdings, Inc.. The major components of assets and liabilities of Minato Bank and 15 other companies, and Kansai Urban and 6 other companies and the relation between the acquisition cost of the shares and expenditure to acquire were as follows:

Minato Bank (consolidated)

Year ended March 31, 2018	Millions of yen
Assets	¥ 3,528,896
Loans and bills discounted	2,513,381
Liabilities	(3,384,488)
Deposits	(3,233,642)
Stock acquisition rights	(318)
Non-controlling interests	(138,098)
Investment account after sales of stocks	(3,969)
Gains (losses) on sales of stocks	(634)
Selling price of 16 companies	1,389
Cash and cash equivalents included in disposed assets of 16 companies.....	(550,292)
Expenditure for sales of 16 companies.....	¥ (548,903)

Kansai Urban (consolidated)

Year ended March 31, 2018	Millions of yen
Assets	¥ 4,709,055
Loans and bills discounted	3,939,196
Liabilities	(4,498,339)
Deposits	(4,063,161)
Non-controlling interests	(63,804)
Investment account after sales of stocks	(58,581)
Gains (losses) on sales of stocks	(1,332)
Selling price of 7 companies	86,999
Cash and cash equivalents included in disposed assets of 7 companies.....	(386,917)
Expenditure for sales of 7 companies.....	¥ (299,918)

(Notes to lease transactions)**1. Finance leases**

(1) Lessee side

1) Lease assets

(a) Tangible fixed assets

Tangible fixed assets mainly consisted of branches and equipment.

(b) Intangible fixed assets

Intangible fixed assets are software.

2) Depreciation method of lease assets

Depreciation method of lease assets is reported in 4. Accounting policies (4) Depreciation.

(2) Lessor side

1) Breakdown of lease investment assets

March 31	Millions of yen	
	2017	2018
Lease receivables	¥1,575,535	¥1,537,348
Residual value	141,815	136,677
Unearned interest income	(219,854)	(211,532)
Total	¥1,497,496	¥1,462,494

2) The scheduled collections of lease payments receivable related to lease receivables and investment assets are as follows:

March 31	Millions of yen			
	2017		2018	
	Lease payments receivable related to lease receivables	Lease payments receivable related to investment assets	Lease payments receivable related to lease receivables	Lease payments receivable related to investment assets
Within 1 year	¥ 307,509	¥ 423,147	¥ 298,334	¥ 432,502
More than 1 year to 2 years	218,544	342,384	213,802	347,790
More than 2 years to 3 years	153,983	272,786	162,091	265,262
More than 3 years to 4 years	111,720	190,488	92,799	176,630
More than 4 years to 5 years	55,302	116,975	55,429	109,159
More than 5 years	186,669	229,752	177,736	206,002
Total	¥1,033,730	¥1,575,535	¥1,000,194	¥1,537,348

3) Non-transfer ownership finance leases, which commenced in fiscal years beginning before April 1, 2008, are valued at their appropriate book value, net of accumulated depreciation, as of March 31, 2008, and recorded as the beginning balance of "Lease receivables and investment assets."

Moreover, interest on such non-transfer ownership finance leases during the remaining term of the leases is allocated over the lease term using the straight-line method.

As a result of this accounting treatment, "Income before income taxes" for the fiscal years ended March 31, 2017 and 2018 were ¥1,688 million and ¥1,927 million, respectively, more than it would have been if such transactions had been treated in a similar way to sales of the underlying assets.

2. Operating leases

(1) Lessee side

Future minimum lease payments on operating leases which were not cancelable were as follows:

March 31	Millions of yen	
	2017	2018
Due within 1 year	¥ 44,745	¥ 45,672
Due after 1 year	254,258	258,746
Total	¥299,004	¥304,419

(2) Lessor side

Future minimum lease payments on operating leases which were not cancelable were as follows:

March 31	Millions of yen	
	2017	2018
Due within 1 year	¥ 215,329	¥ 242,466
Due after 1 year	1,275,289	1,390,427
Total	¥1,490,618	¥1,632,894

Future lease payments receivable on operating leases which were not cancelable at March 31, 2017 amounting to ¥0 million on the lessor side were pledged as collateral for borrowings.

(Notes to financial instruments)

1. Status of financial instruments

(1) Policies on financial instruments

The Group conducts banking and other financial services such as leasing, securities, consumer finance, system development and information processing. Its banking business includes deposit taking, lending, securities trading and investment, remittance and transfer, foreign exchange, bond subscription agent, trust business, and over-the-counter sales of securities investment trusts and insurance products.

These services entail holding of financial assets such as loans and bills discounted, bonds, and stocks. Meanwhile, the Group raises funds through deposit taking, borrowing, bond offering, etc. Furthermore, it undertakes derivative transactions to meet customers' hedging needs to control market risk associated with deposit taking and lending ("ALM purposes"), and to make profit on short-term fluctuations in interest rates, foreign exchange rates, etc. ("trading purposes"). At SMBC, the Company's major consolidated subsidiary, derivative transactions for ALM purposes are undertaken by the Treasury Dept. and the International Treasury Dept. of the Treasury Unit, while derivative transactions for trading purposes are undertaken by the Trading Dept. of the Treasury Unit (in Asia and Oceania regions, the Asia and Oceania Treasury Dept. is responsible for derivative transactions for both ALM and trading purposes).

(2) Details of financial instruments and associated risks

1) Financial assets

The main financial assets held by the Group include loans to foreign and domestic companies and domestic individuals, and securities such as bonds (government and corporate bonds) and stocks (foreign and domestic stocks), etc. Bonds such as government bonds are held for both trading and ALM purposes, and certain bonds are held as held-to-maturity securities. Stocks are held mainly for strategic purposes. These assets expose the Group to credit risk, market risk and liquidity risk. Credit risk is the risk of loss arising from nonperformance of obligations by the borrower or issuer due to factors such as deterioration in the borrower's/issuer's financial conditions. Market risk is the risk stemming from fluctuations in interest rates, exchange rates, or share prices. Liquidity risk is the risk arising from difficulty executing transactions in desired quantities at appropriate prices due to low market liquidity. These risks are properly monitored and managed based on "(3) Risk management framework for financial instruments" below.

2) Financial liabilities

Financial liabilities of the Group include borrowed money and bonds, etc. in addition to deposits. Deposits mainly comprise deposits of domestic and foreign companies and domestic individuals. Borrowed money and bonds include subordinated borrowings and subordinated bonds. Also, financial liabilities, like financial assets, expose the Group to not only market risk but also funding liquidity risk: the risk of the Group not being able to raise funds due to market turmoil, deterioration in the Group's creditworthiness or other factors. These risks are properly monitored and managed based on "(3) Risk management framework for financial instruments" below.

3) Derivative transactions

Derivatives handled by the Group include foreign exchange futures; futures, forwards, swaps and options related to interest rates, currencies, equities, bonds and commodities; and credit and weather derivatives.

Major risks associated with derivatives include market risk, liquidity risk, and credit risk arising from nonperformance of contractual obligations due to deterioration in the counterparty's financial conditions. These risks are properly monitored and managed based on "(3) Risk management framework for financial instruments" below.

Hedge accounting is applied to derivative transactions executed for ALM purposes, as necessary. Hedging instruments, hedged items, hedging policy and hedging method to assess the effectiveness of the hedge are described in "(Notes to significant accounting policies for preparing consolidated financial statements), 4. Accounting policies, (16) Hedge accounting."

(3) Risk management framework for financial instruments

The fundamental matters on risk management for the entire Group are set forth in "Regulations on Risk Management." The Company's Management Committee establishes the basic risk management policy for the entire Group, based on the regulations, which is then approved by the Board of Directors. Each Group company has a risk management system based on the characteristics of its particular businesses and in accordance with the basic policy. Furthermore, the Group CRO is established to assess risk management across the Group unitarily and implement appropriate risk management. The Company is sharing information on group-wide risk management and strengthening related systems through the Group CRO Committee, which consists of the Group CRO and risk management representatives from strategically important Group companies.

1) Management of credit risk

The Company has established fundamental principles on credit risk management to thoroughly manage the credit risk of the entire Group. Each group company conducts integrated management of credit risk according to its operational characteristics, and the credit risk inherent in the entire portfolio as well as the risk in individual credits are managed quantitatively and continuously.

(a) Credit risk management system

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 Dept. is responsible for the comprehensive management of credit risk. This department drafts and administers credit risk regulations, including the Group's credit policies, and performs credit portfolio management including non-performing loans. The Company has also established the Credit Risk Committee to serve as a body for deliberating on matters related to group-wide credit portfolios.

At SMBC, the Company's major consolidated subsidiary, the Credit & Investment Planning Dept. of the Risk Management Unit is responsible for the comprehensive management of credit risk. This department establishes, revises or abolishes credit policies, the internal rating system, credit authority regulations, credit application regulations, and manages non-performing loans and other aspects of credit portfolio management. The department also controls SMBC's total credit risk by quantifying credit risk (*i.e.* calculating risk capital and risk-weighted assets) in cooperation with the Corporate Risk Management Dept. Moreover, the Credit Portfolio Management Dept. within the Credit & Investment Planning Dept. works to stabilize SMBC's overall credit portfolio through selling credit derivatives and loan claims.

The credit departments of each business unit conduct credit risk management for loans handled by their units and manage their units' portfolios. Credit approval authority is generally determined based on the credit amounts and internal grades, and the credit departments focus on analysis and management of customers and transactions with relatively high credit risk. The Credit Administration Dept. is mainly responsible for formulating and implementing measures to reduce the exposure of non-performing loans. Through industrial and sector-specific surveys and studies of individual companies, the Corporate Research Dept. works to form an accurate idea of the circumstances of borrower companies and identify those with potentially troubled credit positions at early stage.

Moreover, the Credit Risk Committee, a cross-departmental consultative body, rounds out SMBC's oversight systems for undertaking flexible and efficient control of credit risk and ensuring the overall soundness of SMBC's loan operations.

In addition to these, the Internal Audit Unit, operating independently of the business units, audits asset quality, grading accuracy, self-assessment, and appropriateness of the credit risk management system, and reports the results directly to the Board of Directors and the Management Committee.

(b) Method of credit risk management

The Company properly manages the credit risk inherent in individual loans and the entire portfolio by assessing and quantifying the credit risk of each borrower/loan using the internal rating system. In addition to management of individual loans through credit screening and monitoring, it manages the credit portfolio as described below in order to secure and improve the credit portfolio's soundness and medium-term profitability.

- Appropriate risk-taking within capital

To keep credit risk exposure to a permissible level relative to capital, the Company sets credit risk capital limit for internal control purposes. Under these limits, separate guidelines are issued for each business unit and marketing unit. The Company regularly monitors compliance with these guidelines.

- Controlling concentration of risk

Because concentration of credit risk in an industry or corporate group has the potential to impair the Company's capital significantly, the Company implements measures to prevent excessive concentration of loan in a single industry and to control large exposure to individual borrowers by setting maximum loan amounts and conducting loan reviews thoroughly. To manage country risk, the Company also has credit limit guidelines based on each country's creditworthiness.

- Greater understanding of actual corporate conditions and balancing returns and risks

The Company runs credit operations on the basic principle of thoroughly understanding actual corporate conditions and gaining profit commensurate with the level of credit risk entailed, and makes every effort to improve profit at after-cost (credit cost, capital cost and overhead cost) level.

- Reduction and prevention of non-performing loans

For non-performing loans and potential non-performing loans, the Company carries out loan reviews to clarify credit 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.

In regard to financial instruments such as investments in certain funds, securitized products and credit derivatives that indirectly retain risks related to assets such as corporate bonds and loan claims (underlying assets), such instruments entail market and liquidity risks in addition to credit risk, since such instruments are traded on the market. Credit risk management for these instruments involving detailed analysis and evaluation of characteristics of underlying assets is performed while market risk is comprehensively managed within the framework for managing market and liquidity risks. Moreover, guidelines have been established based on the characteristics of each type of risk to appropriately manage risks of incurring losses.

In regard to credit risk of derivative transactions, the potential exposure based on the market price is regularly calculated and properly managed. When the counterparty is a financial institution with which the Company frequently conducts derivative transactions, measures such as a close-out netting provision, which provide offsetting credit exposures between two parties in a single net payment from one party to the other in case of bankruptcy or other default event, are implemented to reduce credit risk.

2) Management of market and liquidity risks

The Company manages 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 for a highly efficient system of mutual checks and balances.

(a) Market and liquidity risk management systems

In accordance with the group-wide basic policies for risk management decided upon by the Management Committee, the Company 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 Dept., which is independent from the business units that directly handle market transactions, manages market and liquidity risks in an integrated manner. This department not only monitors the current risk situations but also reports regularly to the Management Committee and the Board of Directors. Furthermore, the ALM Committee at SMBC, the core bank of the Company, 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.

In addition, the Internal Audit Dept., which is independent of other departments, periodically performs comprehensive internal audits to verify that the risk management framework is properly functioning and reports the audit results to the Management Committee, the Board of Directors and other concerned committees and departments.

(b) Market and liquidity risk management methodology

- Market risk management

The Company manages market risk by setting maximum loss and VaR (value at risk: maximum potential loss that may be incurred to a specific financial instrument for a given probability) within the market risk capital limit, which is set taking into account stockholders' equity and other factors in accordance with the market transaction policies.

The Company uses the historical simulation method (a method for estimating the maximum loss by running simulations of changes in profit and loss on market fluctuations scenarios based on historical data) to measure VaR. Regarding banking activities (activities for generating profit through management of interest rates, terms, and other aspects such as loans and bonds in assets, deposits in liabilities) and trading activities (activities for generating profit by taking advantage of short-term fluctuations in market values and differences in value among markets), the Company calculates the maximum loss that may occur as a result of market fluctuations in 1 day with a probability of 1% based on 4 years of historical observation. With regard to the holding of shares (such as listed shares) for the purpose of strategic investment, the Company calculates the maximum loss that may occur as a result of market fluctuations in 1 year with a probability of 1% based on 10 years of historical observation.

Regarding risks associated with foreign exchange rates, interest rates, equity risk, option prices and other market risk factors, the Company manages such risks by setting a maximum limit on the indicator suited for each market risk factor such as BPV (basis point value: denotes the change in value of a financial instrument resulting from a 0.01 percentage-point change in the yield).

- Quantitative information on market risks

As of March 31, 2018, total VaR of SMBC and its major consolidated subsidiaries was ¥48.2 billion for the banking activities, ¥21.5 billion for the trading activities and ¥1,603.6 billion for the holding of shares (such as listed shares) for the purpose of strategic investment.

However, it should be noted that these figures are statistical figures that change according to changes in assumptions and calculation methods, and may not cover the risk of future market conditions fluctuating drastically compared to market fluctuations of the past.

- Liquidity risk management

The Company manages liquidity risk based on the framework of "setting management levels of risk appetite indicators" and "developing contingency plans." Risk appetite indicators are quantitative benchmarks of the types and levels of risk that the Company is willing to take on or tolerate. As an example, the Company sets a lower limit on the period over which cash flows could be maintained through sales of pre-determined marketable assets in the event of extreme market turmoil. By setting such a threshold, the Company aims to avoid excessive reliance on short term funding and secure funding sources in the event of extreme market turmoil. In addition, the Company develops contingency plans consisting of instructions, reporting lines and action plans in case of emergency.

Moreover, to manage the liquidity risk of marketable instruments, derivative transactions, etc., the Company has trading limits for each business office classified by currency, instrument, transaction period, etc. As for financial futures, etc., risks are managed by restricting positions to within a certain percentage of open interest in the entire market.

(4) Supplementary explanations about matters concerning fair value of financial instruments

Fair values of financial instruments are based on their market prices and, in cases where market prices are not available, on reasonably calculated prices. These prices have been calculated using certain assumptions, and may differ if calculated based on different assumptions.

2. Fair value of financial instruments

- (1) “Consolidated balance sheet amount,” “Fair value” and “Net unrealized gains (losses)” of financial instruments as of March 31, 2017 and 2018 are as follows:

The amounts shown in the following tables do not include financial instruments (see (3) below) whose fair values are extremely difficult to determine, such as unlisted stocks classified as other securities, and stocks of subsidiaries and affiliates.

March 31, 2017	Millions of yen		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks *1	¥ 46,856,755	¥ 46,863,245	¥ 6,490
2) Call loans and bills bought *1	1,870,376	1,872,041	1,665
3) Receivables under resale agreements	899,897	901,214	1,316
4) Receivables under securities borrowing transactions *1	8,759,837	8,761,000	1,163
5) Monetary claims bought *1	4,415,287	4,428,894	13,606
6) Trading assets			
Securities classified as trading purposes	3,778,798	3,778,798	—
7) Money held in trust	3,439	3,439	—
8) Securities			
Bonds classified as held-to-maturity	1,173,423	1,180,318	6,895
Other securities	22,412,795	22,412,795	—
9) Loans and bills discounted	80,237,322		
Reserve for possible loan losses *1	(360,465)		
	79,876,857	81,964,043	2,087,186
10) Foreign exchanges *1	1,716,259	1,717,458	1,198
11) Lease receivables and investment assets *1	2,387,292	2,483,992	96,699
Total assets	¥174,151,021	¥176,367,243	¥2,216,221
1) Deposits	¥117,830,210	¥117,826,321	¥ (3,888)
2) Negotiable certificates of deposit	11,880,937	11,886,844	5,906
3) Call money and bills sold	2,088,019	2,088,066	47
4) Payables under repurchase agreements	2,715,752	2,715,752	—
5) Payables under securities lending transactions	7,444,655	7,444,655	—
6) Commercial paper	2,311,542	2,311,536	(6)
7) Trading liabilities			
Trading securities sold for short sales	2,071,583	2,071,583	—
8) Borrowed money	10,786,713	10,794,049	7,335
9) Foreign exchanges	683,252	683,252	—
10) Short-term bonds	1,125,600	1,125,590	(9)
11) Bonds	8,129,232	8,333,946	204,713
12) Due to trust account	1,180,976	1,180,976	—
Total liabilities	¥168,248,478	¥168,462,576	¥ 214,097
Derivative transactions *2			
Hedge accounting not applied	¥ 272,439	¥ 272,439	¥ —
Hedge accounting applied	[162,498]	[162,498]	—
Total	¥ 109,940	¥ 109,940	¥ —

*1 The amounts do not include general reserve for possible loan losses and specific reserve for possible loan losses. The reserves for possible losses on “Cash and due from banks,” “Call loans and bills bought,” “Receivables under securities borrowing transactions,” “Monetary claims bought,” “Foreign exchanges” and “Lease receivables and investment assets” are deducted directly from consolidated balance sheet amount since they are immaterial.

*2 The amounts collectively represent the derivative transactions which are recorded in “Trading assets,” “Trading liabilities,” “Other assets” and “Other liabilities.” Debts and credits arising from derivative transactions are presented on a net basis, with a net debt presented in square brackets.

March 31, 2018	Millions of yen		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks * ¹	¥ 53,719,075	¥ 53,727,901	¥ 8,825
2) Call loans and bills bought * ¹	1,880,248	1,882,226	1,977
3) Receivables under resale agreements	827,892	828,019	127
4) Receivables under securities borrowing transactions * ¹	8,337,151	8,337,727	575
5) Monetary claims bought * ¹	4,727,884	4,740,759	12,875
6) Trading assets			
Securities classified as trading purposes	3,166,912	3,166,912	—
7) Money held in trust	1,482	1,482	—
8) Securities			
Bonds classified as held-to-maturity	372,463	374,596	2,132
Other securities	24,231,212	24,231,212	—
9) Loans and bills discounted	72,945,934		
Reserve for possible loan losses * ¹	(318,294)		
	72,627,639	74,501,561	1,873,921
10) Foreign exchanges * ¹	2,163,382	2,166,382	2,999
11) Lease receivables and investment assets * ¹	2,321,355	2,410,967	89,611
Total assets	¥174,376,701	¥176,369,750	¥1,993,048
1) Deposits	¥116,477,534	¥116,473,422	¥(4,111)
2) Negotiable certificates of deposit	11,220,284	11,223,576	3,291
3) Call money and bills sold	1,190,928	1,190,936	7
4) Payables under repurchase agreements	5,509,721	5,509,721	—
5) Payables under securities lending transactions	7,186,861	7,186,861	—
6) Commercial paper	2,384,787	2,384,771	(15)
7) Trading liabilities			
Trading securities sold for short sales	2,139,980	2,139,980	—
8) Borrowed money	10,829,248	10,889,743	60,494
9) Foreign exchanges	865,640	865,640	—
10) Short-term bonds	1,256,600	1,256,600	—
11) Bonds	9,057,683	9,300,891	243,208
12) Due to trust account	1,328,271	1,328,271	—
Total liabilities	¥169,447,542	¥169,750,416	¥ 302,874
Derivative transactions * ²			
Hedge accounting not applied	¥ 185,561	¥ 185,561	¥ —
Hedge accounting applied	[126,340]	[126,340]	—
Total	¥ 311,902	¥ 311,902	¥ —

*¹ The amounts do not include general reserve for possible loan losses and specific reserve for possible loan losses. The reserves for possible losses on "Cash and due from banks," "Call loans and bills bought," "Receivables under securities borrowing transactions," "Monetary claims bought," "Foreign exchanges" and "Lease receivables and investment assets" are deducted directly from consolidated balance sheet amount since they are immaterial.

*² The amounts collectively represent the derivative transactions which are recorded in "Trading assets," "Trading liabilities," "Other assets" and "Other liabilities." Debts and credits arising from derivative transactions are presented on a net basis, with a net debt presented in square brackets.

(2) Fair value calculation methodology for financial instruments

Assets

1) Cash and due from banks, 2) Call loans and bills bought, 3) Receivables under resale agreements, 4) Receivables under securities borrowing transactions, 9) Loans and bills discounted, 10) Foreign exchanges and 11) Lease receivables and investment assets:

Of these transactions, for dues from banks without maturity and overdrafts with no specified repayment dates, the book values are used as fair value as they are considered to approximate their fair value.

For short-term transactions with remaining maturity not exceeding 6 months, in principle, the book values are used as fair value as they are considered to approximate their fair value.

The fair value of those with a remaining maturity of more than 6 months is, in principle, the present value of future cash flows (calculated by discounting estimated future cash flows, taking into account factors such as the borrower's internal rating and pledged collateral, using a rate comprising of a risk-free interest rate and an adjustment). Certain consolidated subsidiaries of the Company calculate the present value by discounting the estimated future cash flows computed based on the contractual interest rate, using a rate comprising a risk-free rate and a credit risk premium.

Regarding claims on bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, expected losses on

such claims are calculated based on either the expected recoverable amount from disposal of collateral or guarantees, or the present value of expected future cash flows. Since the claims' balance sheet amounts minus the expected amount of loan losses approximate their fair values, such amounts are considered to be their fair values.

5) Monetary claims bought:

The fair values of monetary claims bought, such as subordinated trust beneficiary interests related to securitized housing loans, are based on the assessed value of underlying housing loans securitized through the trust scheme minus the assessed value of senior beneficial interests, etc. The fair values of other transactions are, in principle, based on prices calculated using methods similar to the methods applied to 9) Loans and bills discounted.

6) Trading assets:

The fair values of bonds and other securities held for trading purposes are, in principle, based on their market price at the end of the fiscal year.

7) Money held in trust:

The fair values of money held in trust are, in principle, based on the market prices of securities held in trust calculated using methods similar to the methods applied to 8) Securities.

8) Securities:

In principle, the fair values of stocks (including foreign stocks) are based on the average market price during 1 month before the end of the fiscal year. The fair values of bonds and securities with market prices other than stocks are prices calculated based on their market prices as of the end of the fiscal year.

In light of the "Practical Solution on Measurement of Fair Value for Financial Assets" (ASBJ Practical Issue Task Force No. 25), the fair values of floating rate government bonds are based on the present value of future cash flows (the government bond yield is used to discount and estimate future cash flows). Bond yield and yield volatility are the main price parameters. The fair values of those without market prices, such as private placement bonds, are based on the present value of future cash flows calculated by discounting estimated future cash flows taking into account the borrower's internal rating and pledged collateral by a rate comprising a risk-free interest rate and an adjustment.

However, the fair values of bonds, such as private placement bonds issued by bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers are based on the bond's book value after the deduction of the expected amount of a loss on the bond computed by using the same method applied to the estimation of a loan loss. Meanwhile, the fair values of publicly offered investment trusts are calculated based on the published net asset value (NAV) per share, while those of private placement investment trusts are calculated based on the NAV published by securities firms and other financial institutions.

Liabilities

1) Deposits, 2) Negotiable certificates of deposit and 12) Due to trust account:

The fair values of demand deposits and deposits without maturity are based on their book values. The fair values of short-term transactions with remaining maturity not exceeding 6 months are also based on their book values, as their book values are regarded to approximate their market values.

The fair values of transactions with a remaining maturity of more than 6 months are, in principle, based on the present value of estimated future cash flows calculated using the rate applied to the same type of deposits that are newly accepted until the end of the remaining maturity.

3) Call money and bills sold, 4) Payables under repurchase agreements, 5) Payables under securities lending transactions, 6) Commercial paper, 8) Borrowed money, 10) Short-term bonds and 11) Bonds:

The fair values of short-term transactions with remaining maturity not exceeding 6 months are based on their book values, as their book values are considered to approximate their fair values. For transactions with a remaining maturity of more than 6 months, their fair values are, in principle, based on the present value of estimated future cash flows calculated using the refinancing rate applied to the same type of instruments for the remaining maturity. The fair values of bonds are based on the present value of future cash flows calculated using the rate derived from the data on the yields published by securities firms.

7) Trading liabilities:

The fair values of bonds sold for short sales and other securities for trading purposes are, in principle, based on their market prices as of the end of the fiscal year.

9) Foreign exchanges:

The fair values of foreign currency-denominated deposits without maturity received from other banks are based on their book values.

The fair values of foreign exchange related short-term borrowings are based on their book values, as their book values are regarded to approximate their fair values.

Derivatives transactions

The fair values of exchange-traded derivatives are based on their closing prices. With regard to OTC transactions, the fair values of interest rate, currency, stock, bond and credit derivatives are based on their prices calculated based on the present value of the future cash flows, option valuation models, etc. The fair values of commodity derivatives transactions are based on their prices calculated based on the derivative instrument's components, including price and contract term.

(3) Consolidated balance sheet amount of financial instruments whose fair values are extremely difficult to determine are as follows:

March 31	Millions of yen	
	2017	2018
Monetary claims bought:		
Monetary claims bought without market prices *1.....	¥ 2,460	¥ —
Securities:		
Unlisted stocks, etc. *2 *4	176,818	176,491
Investments in partnership, etc. *3 *4	264,205	249,390
Total.....	¥443,485	¥425,881

*1 They are beneficiary claims on loan trusts (a) that behave more like equity than debt, (b) that do not have market prices, and (c) for which it is difficult to rationally estimate their fair values.

*2 They are not included in the scope of fair value disclosure since there are no market prices and it is extremely difficult to determine their fair values.

*3 They are capital contributions with no market prices. The above-stated amount includes the book value amount of investments in the partnership of which the Company records net changes in their balance sheets and statements of income.

*4 Unlisted stocks and investments in partnership totaling ¥9,869 million and ¥9,142 million were written-off in the fiscal year ended March 31, 2017 and 2018, respectively.

(4) Redemption schedule of monetary claims and securities with maturities

March 31, 2017	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits with banks	¥45,684,741	¥ 34,913	¥ 21,577	¥ 1,136
Call loans and bills bought	1,824,664	46,118	1,360	—
Receivables under resale agreements	832,583	67,314	—	—
Receivables under securities borrowing transactions ...	8,754,840	5,550	—	—
Monetary claims bought*1.....	3,456,614	599,502	59,428	266,599
Securities*1	3,530,979	11,390,925	2,658,678	1,353,291
Bonds classified as held-to-maturity.....	791,800	380,836	—	—
Japanese government bonds.....	790,000	370,000	—	—
Japanese local government bonds.....	1,800	5,626	—	—
Japanese corporate bonds.....	—	5,210	—	—
Other	—	—	—	—
Other securities with maturity.....	2,739,178	11,010,089	2,658,678	1,353,291
Japanese government bonds.....	79,000	6,789,300	220,400	147,000
Japanese local government bonds.....	4,822	28,545	49,538	26
Japanese corporate bonds.....	515,524	1,493,515	609,414	145,798
Other	2,139,831	2,698,728	1,779,326	1,060,466
Loans and bills discounted*1 *2.....	18,502,646	33,099,462	12,842,320	8,943,328
Foreign exchanges*1	1,704,057	12,397	—	—
Lease receivables and investment assets*1.....	660,683	1,272,477	171,960	117,548
Total.....	¥84,951,811	¥46,528,660	¥15,755,326	¥10,681,905

*1 The amounts shown in the table above do not include amounts for claims on bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers and other claims for which redemption is unlikely. The amounts for such claims are Monetary claims bought: ¥2 million, Securities: ¥7,340 million, Loans and bills discounted: ¥542,240 million, Foreign exchanges: ¥7,413 million, Lease receivables and investment assets: ¥31,113 million.

*2 "Loans and bills discounted" without the maturity dates are not included. Such amount is totaled to ¥6,306,217 million at March 31, 2017.

March 31, 2018	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits with banks	¥52,990,470	¥ 23,915	¥ 15,210	¥ 1,130
Call loans and bills bought	1,802,316	79,563	—	—
Receivables under resale agreements	758,829	69,062	—	—
Receivables under securities borrowing transactions ...	8,333,400	4,300	—	—
Monetary claims bought*1	3,748,669	569,546	67,347	301,601
Securities*1	5,982,341	9,064,475	3,276,795	1,661,510
Bonds classified as held-to-maturity	92,000	280,000	—	—
Japanese government bonds	92,000	280,000	—	—
Japanese local government bonds	—	—	—	—
Japanese corporate bonds	—	—	—	—
Other	—	—	—	—
Other securities with maturity	5,890,341	8,784,475	3,276,795	1,661,510
Japanese government bonds	3,280,000	5,226,000	344,500	300,200
Japanese local government bonds	17	21,748	25,148	16
Japanese corporate bonds	313,490	1,253,754	736,678	242,819
Other	2,296,833	2,282,972	2,170,468	1,118,474
Loans and bills discounted*1 *2	16,794,489	30,930,098	12,002,922	7,270,166
Foreign exchanges*1	2,161,454	3,776	—	—
Lease receivables and investment assets*1	655,790	1,247,385	166,152	93,880
Total	¥93,227,762	¥41,992,123	¥15,528,429	¥9,328,290

*1 The amounts shown in the table above do not include amounts for claims on bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers and other claims for which redemption is unlikely. The amounts for such claims are Monetary claims bought: ¥0 million, Securities: ¥9,451 million, Loans and bills discounted: ¥423,081 million, Foreign exchanges: ¥960 million, Lease receivables and investment assets: ¥29,545 million.

*2 "Loans and bills discounted" without the maturity dates are not included. Such amount is totaled to ¥5,526,153 million at March 31, 2018.

(5) Redemption schedule of bonds, borrowed money and other interest-bearing debts

March 31, 2017	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits *	¥113,529,261	¥3,562,082	¥ 252,345	¥ 486,521
Negotiable certificates of deposit	11,514,609	363,542	2,785	0
Call money and bills sold	2,088,019	—	—	—
Payables under repurchase agreements	2,715,752	—	—	—
Payables under securities lending transactions	7,444,655	—	—	—
Commercial paper	2,311,542	—	—	—
Borrowed money	7,802,225	1,475,260	1,095,556	413,670
Foreign exchanges	683,252	—	—	—
Short-term bonds	1,125,600	—	—	—
Bonds	1,113,373	3,756,532	2,436,522	825,462
Due to trust account	1,180,976	—	—	—
Total	¥151,509,270	¥9,157,417	¥3,787,208	¥1,725,655

* Demand deposits are included in "Within 1 year." Deposits include current deposits.

March 31, 2018	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits *	¥112,396,477	¥3,426,343	¥ 179,801	¥ 474,912
Negotiable certificates of deposit	10,760,778	459,505	—	—
Call money and bills sold.....	1,190,928	—	—	—
Payables under repurchase agreements	5,509,721	—	—	—
Payables under securities lending transactions	7,186,861	—	—	—
Commercial paper	2,384,787	—	—	—
Borrowed money	7,875,146	1,569,039	981,380	403,682
Foreign exchanges	865,640	—	—	—
Short-term bonds.....	1,256,600	—	—	—
Bonds.....	972,227	4,199,206	2,834,687	1,053,459
Due to trust account.....	1,328,271	—	—	—
Total.....	¥151,727,440	¥9,654,095	¥3,995,869	¥1,932,054

* Demand deposits are included in "Within 1 year." Deposits include current deposits.

(Notes to securities)

The amounts shown in the following tables include trading securities and short-term bonds classified as “Trading assets,” negotiable certificates of deposit classified as “Cash and due from banks,” and beneficiary claims on loan trust classified as “Monetary claims bought,” in addition to “Securities” stated in the consolidated balance sheets.

1. Securities classified as trading purposes

March 31	Millions of yen	
	2017	2018
Valuation gains (losses) included in the earnings for the fiscal year.....	¥(56,814)	¥(5,538)

2. Bonds classified as held-to-maturity

March 31, 2017		Millions of yen		
		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with unrealized gains:	Japanese government bonds.....	¥1,160,754	¥1,167,616	¥6,861
	Japanese local government bonds.....	7,463	7,474	11
	Japanese corporate bonds.....	5,205	5,227	22
	Other.....	—	—	—
	Subtotal.....	1,173,423	1,180,318	6,895
Bonds with unrealized losses:	Japanese government bonds.....	—	—	—
	Japanese local government bonds.....	—	—	—
	Japanese corporate bonds.....	—	—	—
	Other.....	—	—	—
	Subtotal.....	—	—	—
Total.....		¥1,173,423	¥1,180,318	¥6,895

March 31, 2018		Millions of yen		
		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with unrealized gains:	Japanese government bonds.....	¥370,463	¥372,596	¥2,132
	Japanese local government bonds.....	—	—	—
	Japanese corporate bonds.....	—	—	—
	Other.....	—	—	—
	Subtotal.....	370,463	372,596	2,132
Bonds with unrealized losses:	Japanese government bonds.....	2,000	2,000	—
	Japanese local government bonds.....	—	—	—
	Japanese corporate bonds.....	—	—	—
	Other.....	—	—	—
	Subtotal.....	2,000	2,000	—
Total.....		¥372,463	¥374,596	¥2,132

3. Other securities

		Millions of yen		
March 31, 2017		Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other securities with unrealized gains:	Stocks.....	¥ 3,468,261	¥ 1,531,248	¥1,937,012
	Bonds.....	8,052,272	7,981,171	71,100
	Japanese government bonds.....	5,660,891	5,629,640	31,251
	Japanese local government bonds.....	12,242	12,165	76
	Japanese corporate bonds.....	2,379,138	2,339,365	39,772
	Other.....	4,233,661	3,879,509	354,152
	Subtotal.....	15,754,194	13,391,929	2,362,265
Other securities with unrealized losses:	Stocks.....	142,601	157,742	(15,140)
	Bonds.....	2,129,124	2,139,848	(10,724)
	Japanese government bonds.....	1,633,041	1,639,835	(6,793)
	Japanese local government bonds.....	70,537	71,086	(548)
	Japanese corporate bonds.....	425,545	428,927	(3,381)
	Other.....	5,147,417	5,295,109	(147,691)
	Subtotal.....	7,419,143	7,592,700	(173,556)
Total.....	¥23,173,338	¥20,984,630	¥2,188,708	

Notes: 1. There is no net unrealized gains (losses) on other securities shown above for the fiscal year ended March 31, 2017 recognized in the earnings by applying fair value hedge accounting.

2. Consolidated balance sheet amounts of other securities whose fair values are extremely difficult to determine are as follows:

March 31, 2017	Millions of yen
Stocks.....	¥146,906
Other.....	296,578
Total.....	¥443,485

These amounts are not included in "3. Other securities" since there are no market prices and it is extremely difficult to determine their fair values.

		Millions of yen		
March 31, 2018		Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other securities with unrealized gains:	Stocks.....	¥ 3,633,885	¥ 1,442,756	¥2,191,129
	Bonds.....	6,998,992	6,946,588	52,404
	Japanese government bonds.....	4,797,431	4,779,687	17,743
	Japanese local government bonds.....	14,051	14,004	47
	Japanese corporate bonds.....	2,187,509	2,152,896	34,613
	Other.....	3,498,836	3,107,132	391,704
	Subtotal.....	14,131,714	11,496,477	2,635,237
Other securities with unrealized losses:	Stocks.....	113,878	131,341	(17,463)
	Bonds.....	4,835,189	4,843,215	(8,026)
	Japanese government bonds.....	4,405,604	4,410,865	(5,260)
	Japanese local government bonds.....	32,980	33,076	(95)
	Japanese corporate bonds.....	396,604	399,274	(2,670)
	Other.....	5,933,514	6,135,100	(201,585)
	Subtotal.....	10,882,582	11,109,658	(227,075)
Total.....	¥25,014,297	¥22,606,135	¥2,408,161	

Notes: 1. Net unrealized gains (losses) on other securities shown above include gains of ¥15 million for the fiscal year ended March 31, 2018 that are recognized in the earnings by applying fair value hedge accounting.

2. Consolidated balance sheet amounts of other securities whose fair values are extremely difficult to determine are as follows:

March 31, 2018	Millions of yen
Stocks.....	¥141,578
Other.....	284,303
Total.....	¥425,881

These amounts are not included in "3. Other securities" since there are no market prices and it is extremely difficult to determine their fair values.

4. Held-to-maturity bonds sold during the fiscal year

Fiscal year ended March 31, 2017

There are no corresponding transactions.

Fiscal year ended March 31, 2018

There are no corresponding transactions.

5. Other securities sold during the fiscal year

Year ended March 31, 2017	Millions of yen		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 179,108	¥ 70,660	¥ (8,676)
Bonds.....	7,331,730	27,719	(6,727)
Japanese government bonds.....	7,171,992	27,202	(6,330)
Japanese local government bonds.....	24,678	19	(57)
Japanese corporate bonds.....	135,059	496	(339)
Other.....	6,384,241	55,618	(20,032)
Total.....	¥13,895,079	¥153,998	¥(35,436)

Year ended March 31, 2018	Millions of yen		
	Sales amount	Gains on sales	Losses on sales
Stocks.....	¥ 202,808	¥106,361	¥ (89)
Bonds.....	6,477,102	9,798	(2,024)
Japanese government bonds.....	6,088,215	9,534	(86)
Japanese local government bonds.....	89,854	9	(342)
Japanese corporate bonds.....	299,031	254	(1,595)
Other.....	6,867,924	51,414	(22,359)
Total.....	¥13,547,835	¥167,573	¥(24,473)

6. Change of classification of securities

Fiscal year ended March 31, 2017

There are no significant corresponding transactions to be disclosed.

Fiscal year ended March 31, 2018

There are no significant corresponding transactions to be disclosed.

7. Write-down of securities

Bonds classified as held-to-maturity and other securities (excluding securities whose fair values are extremely difficult to determine) are considered as impaired if the fair value decreases materially below the acquisition cost and such decline is not considered as recoverable. The fair value is recognized as the consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss for the fiscal year. Valuation losses for the fiscal years ended March 31, 2017 and 2018 were ¥8,592 million and ¥3,331 million, respectively. The rule for determining “material decline” is as follows and is based on the classification of issuers under the rules of self-assessment of assets.

Bankrupt/Effectively bankrupt/Potentially bankrupt issuers:	Fair value is lower than acquisition cost.
Issuers requiring caution:	Fair value is 30% or lower than acquisition cost.
Normal issuers:	Fair value is 50% or lower than acquisition cost.
Bankrupt issuers:	Issuers that are legally bankrupt or formally declared bankrupt.
Effectively bankrupt issuers:	Issuers that are not legally bankrupt but regarded as substantially bankrupt.
Potentially bankrupt issuers:	Issuers that are not bankrupt now, but are perceived to have a high risk of falling into bankruptcy.
Issuers requiring caution:	Issuers that are identified for close monitoring.
Normal issuers:	Issuers other than the above 4 categories of issuers.

(Notes to money held in trust)**1. Money held in trust classified as trading purposes***Fiscal year ended March 31, 2017*

There are no corresponding transactions.

Fiscal year ended March 31, 2018

There are no corresponding transactions.

2. Money held in trust classified as held-to-maturity*Fiscal year ended March 31, 2017*

There are no corresponding transactions.

Fiscal year ended March 31, 2018

There are no corresponding transactions.

3. Other money held in trust

March 31, 2017	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥3,439	¥3,439	—

March 31, 2018	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥1,482	¥1,482	—

(Notes to net unrealized gains (losses) on other securities)

The breakdown of “Net unrealized gains (losses) on other securities” reported on the consolidated balance sheets is as shown below:

March 31, 2017	Millions of yen
Net unrealized gains (losses)	¥2,189,003
Other securities	2,189,003
Other money held in trust	—
(-) Deferred tax liabilities	584,401
Net unrealized gains (losses) on other securities (before following adjustments)	1,604,602
(-) Non-controlling interests	62,511
(+) The Company’s interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates....	218
Net unrealized gains (losses) on other securities	¥1,542,308

- Notes: 1. There is no net unrealized gains (losses) on other securities shown above for the fiscal year ended March 31, 2017 recognized in the earnings by applying fair value hedge accounting.
2. Net unrealized gains (losses) on other securities include foreign currency translation adjustments on foreign currency denominated securities whose fair value is extremely difficult to determine.

March 31, 2018	Millions of yen
Net unrealized gains (losses)	¥2,408,313
Other securities	2,408,313
Other money held in trust	—
(-) Deferred tax liabilities	659,098
Net unrealized gains (losses) on other securities (before following adjustments)	1,749,215
(-) Non-controlling interests	65,950
(+) The Company’s interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates....	5,577
Net unrealized gains (losses) on other securities	¥1,688,842

- Notes: 1. Net unrealized gains of ¥15 million for the fiscal year ended March 31, 2018 recognized in the fiscal year’s earnings by applying fair value hedge accounting are deducted from net unrealized gains on other securities.
2. Net unrealized gains (losses) on other securities include foreign currency translation adjustments on foreign currency denominated securities whose fair value is extremely difficult to determine.

(Notes to derivative transactions)**1. Derivative transactions to which the hedge accounting method is not applied**

The following tables set forth the contract amount or the amount equivalent to the notional amount, fair value, valuation gains (losses) and fair value calculation methodologies by type of derivative with respect to derivative transactions to which the hedge accounting method is not applied at the end of the fiscal year. Contract amount does not indicate the market risk relating to derivative transactions.

(1) Interest rate derivatives

March 31, 2017	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Interest rate futures:				
Sold	¥ 39,837,289	¥ 3,213,205	¥ 3,982	¥ 3,982
Bought	34,841,230	3,262,040	(1,580)	(1,580)
Interest rate options:				
Sold	718,513	204,206	(240)	(240)
Bought	33,980,612	15,937,968	6,504	6,504
Over-the-counter				
Forward rate agreements:				
Sold	11,433,074	19,570	(2,018)	(2,018)
Bought	11,301,863	5,009	1,953	1,953
Interest rate swaps:				
Receivable fixed rate/payable floating rate	394,190,398	322,989,184	118,372	118,372
Receivable floating rate/payable fixed rate	182,815,914	149,614,851	3,440,828	3,440,828
Receivable floating rate/payable floating rate	176,422,223	147,558,435	(3,338,573)	(3,338,573)
Receivable floating rate/payable floating rate	34,784,385	25,704,222	9,465	9,465
Interest rate swaptions:				
Sold	5,239,445	3,217,041	(4,722)	(4,722)
Bought	4,247,277	2,688,847	(733)	(733)
Caps:				
Sold	34,315,074	21,689,220	(30,630)	(30,630)
Bought	9,224,573	6,854,953	5,479	5,479
Floors:				
Sold	623,227	323,811	(705)	(705)
Bought	967,498	943,700	1,685	1,685
Other:				
Sold	1,173,711	759,423	2,081	2,081
Bought	7,182,812	5,947,819	13,001	13,001
Total	/	/	¥ 112,429	¥ 112,429

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

2. Fair value of transactions listed on exchange is calculated using the closing price on the Tokyo Financial Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using discounted present value and option pricing models.

March 31, 2018	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Interest rate futures:				
Sold.....	¥ 37,301,443	¥ 6,925,140	¥ 16,067	¥ 16,067
Bought.....	37,215,533	6,842,217	(14,654)	(14,654)
Interest rate options:				
Sold.....	1,391,595	45,200	(300)	(300)
Bought.....	65,110,433	29,958,221	4,520	4,520
Over-the-counter				
Forward rate agreements:				
Sold.....	12,680,558	521,495	(4,656)	(4,656)
Bought.....	12,344,032	435,954	4,594	4,594
Interest rate swaps:				
Receivable fixed rate/payable floating rate.....	429,909,020	341,129,716	93,567	93,567
Receivable floating rate/payable fixed rate.....	196,148,823	156,251,285	1,762,226	1,762,226
Receivable floating rate/payable fixed rate.....	193,099,356	154,329,705	(1,689,126)	(1,689,126)
Receivable floating rate/payable floating rate.....	40,571,800	30,474,185	9,649	9,649
Interest rate swaptions:				
Sold.....	5,790,268	3,542,146	(7,850)	(7,850)
Bought.....	4,911,806	3,086,445	8,068	8,068
Caps:				
Sold.....	39,511,432	25,413,931	(27,760)	(27,760)
Bought.....	8,998,567	7,222,545	1,176	1,176
Floors:				
Sold.....	666,212	608,582	(728)	(728)
Bought.....	1,123,673	957,378	895	895
Other:				
Sold.....	1,449,762	701,009	(2,589)	(2,589)
Bought.....	15,456,836	13,055,363	15,918	15,918
Total.....	/	/	¥ 86,268	¥ 86,268

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

2. Fair value of transactions listed on an exchange is calculated using the closing price on the Tokyo Financial Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using discounted present value and option pricing models.

(2) Currency derivatives

March 31, 2017	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Currency futures:				
Sold.....	¥ 1,559	¥ —	¥ (18)	¥ (18)
Bought.....	701	—	0	0
Over-the-counter				
Currency swaps.....	36,267,949	27,100,479	246,213	32,616
Currency swaptions:				
Sold.....	669,791	636,245	(3,328)	(3,328)
Bought.....	793,518	751,472	3,594	3,594
Forward foreign exchange.....	74,917,450	7,537,097	(77,907)	(77,907)
Currency options:				
Sold.....	2,478,270	1,404,036	(87,132)	(86,625)
Bought.....	2,289,036	1,280,452	79,065	78,559
Total.....	/	/	¥160,485	¥(53,110)

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

2. Fair value of transactions listed on exchange is calculated using the closing price on the Tokyo Financial Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using discounted present value, option pricing models and other methodologies.

March 31, 2018	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Currency futures:				
Sold.....	¥ 513	¥ —	¥ (18)	¥ (18)
Bought.....	175	—	0	0
Over-the-counter				
Currency swaps.....	39,984,899	27,675,508	90,337	113,215
Currency swaptions:				
Sold.....	431,065	375,092	(3,156)	(3,156)
Bought.....	874,253	772,102	5,364	5,364
Forward foreign exchange.....	76,246,360	8,727,532	21,951	21,951
Currency options:				
Sold.....	2,606,941	1,357,801	(75,760)	(75,760)
Bought.....	2,424,055	1,177,161	79,404	79,404
Total.....	/	/	¥118,123	¥141,000

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

2. Fair value of transactions listed on exchange is calculated using the closing price on the Tokyo Financial Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using discounted present value, option pricing models and other methodologies.

(3) Equity derivatives

March 31, 2017	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Equity price index futures:				
Sold.....	¥738,963	¥ —	¥ 10,580	¥ 10,580
Bought.....	333,271	17,149	(39)	(39)
Equity price index options:				
Sold.....	516,415	271,916	(41,434)	(41,434)
Bought.....	495,812	211,696	21,651	21,651
Over-the-counter				
Equity options:				
Sold.....	264,806	215,549	(23,648)	(23,648)
Bought.....	265,834	215,026	24,398	24,398
Equity index forward contracts:				
Sold.....	—	—	—	—
Bought.....	15,677	303	156	156
Equity price index swaps:				
Receivable equity index/payable short-term floating rate.....	101,785	91,030	(8,670)	(8,670)
Receivable short-term floating rate/payable equity index.....	204,793	183,842	15,460	15,460
Total.....	/	/	¥ (1,544)	¥ (1,544)

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

2. Fair value of transactions listed on exchange is calculated using the closing price on the Osaka Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using discounted present value and option pricing models.

March 31, 2018	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Equity price index futures:				
Sold.....	¥481,952	¥ 9,744	¥ (5,450)	¥ (5,450)
Bought.....	345,111	3,140	1,693	1,693
Equity price index options:				
Sold.....	842,858	374,414	(68,340)	(68,340)
Bought.....	936,687	327,012	42,208	42,208
Over-the-counter				
Equity options:				
Sold.....	322,508	252,083	(18,727)	(18,727)
Bought.....	334,710	237,738	22,178	22,178
Equity index forward contracts:				
Sold.....	—	—	—	—
Bought.....	7,564	207	537	537
Equity price index swaps:				
Receivable equity index/payable short-term floating rate.....	73,385	58,755	(8,013)	(8,013)
Receivable short-term floating rate/payable equity index.....	167,867	140,115	14,971	14,971
Total.....	/	/	¥(18,943)	¥(18,943)

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

2. Fair value of transactions listed on exchange is calculated using the closing price on the Osaka Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using discounted present value and option pricing models.

(4) Bond derivatives

March 31, 2017	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Bond futures:				
Sold.....	¥2,201,646	¥ —	¥(5,334)	¥(5,334)
Bought.....	1,665,948	—	6,633	6,633
Bond futures options:				
Sold.....	283,595	—	(124)	(124)
Bought.....	29,100	—	24	24
Over-the-counter				
Bond forward contract:				
Sold.....	2,051	—	25	25
Bought.....	—	—	—	—
Bond options:				
Sold.....	212,475	—	(341)	(341)
Bought.....	320,867	104,888	774	774
Total.....	/	/	¥ 1,657	¥ 1,657

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

2. Fair value of transactions listed on exchange is calculated using the closing price on the Osaka Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using option pricing models.

March 31, 2018	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Bond futures:				
Sold.....	¥2,098,517	¥ —	¥(11,317)	¥(11,317)
Bought.....	1,677,824	—	9,729	9,729
Bond futures options:				
Sold.....	427,121	—	(421)	(421)
Bought.....	60,157	—	17	17
Over-the-counter				
Bond forward contract:				
Sold.....	900	—	2	2
Bought.....	5,359	—	40	40
Bond options:				
Sold.....	93,576	—	(223)	(223)
Bought.....	193,642	100,066	644	644
Total.....	/	/	¥ (1,529)	¥ (1,529)

Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.

2. Fair value of transactions listed on exchange is calculated using the closing price on the Osaka Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using option pricing models.

(5) Commodity derivatives

March 31, 2017	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Commodity futures:				
Sold.....	¥13,929	¥ —	¥ 75	¥ 75
Bought.....	14,638	—	(100)	(100)
Over-the-counter				
Commodity swaps:				
Receivable fixed price/payable floating price	57,683	27,606	8,191	8,191
Receivable floating price/payable fixed price	56,396	25,795	(6,551)	(6,551)
Receivable floating price/payable floating price.....	2,444	2,116	(40)	(40)
Commodity options:				
Sold.....	15,401	14,168	(726)	(726)
Bought.....	12,477	12,039	70	70
Total.....	/	/	¥ 920	¥ 920

- Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value of transactions listed on exchange is calculated using the closing price on the New York Mercantile Exchange or other relevant exchanges. Fair value of OTC transactions is calculated based on factors such as price of the relevant commodity and contract term.
3. Underlying assets of commodity derivatives are fuels and metals.

March 31, 2018	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Listed				
Commodity futures:				
Sold.....	¥10,401	¥ —	¥ (191)	¥ (191)
Bought.....	10,500	—	129	129
Over-the-counter				
Commodity swaps:				
Receivable fixed price/payable floating price	63,231	51,460	2,549	2,549
Receivable floating price/payable fixed price	62,061	50,443	(503)	(503)
Receivable floating price/payable floating price.....	3,173	1,922	164	164
Commodity options:				
Sold.....	7,190	6,384	(533)	(533)
Bought.....	4,978	4,189	(8)	(8)
Total.....	/	/	¥1,606	¥1,606

- Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value of transactions listed on exchange is calculated using the closing price on the New York Mercantile Exchange or other relevant exchanges. Fair value of OTC transactions is calculated based on factors such as price of the relevant commodity and contract term.
3. Underlying assets of commodity derivatives are fuels and metals.

(6) Credit derivative transactions

March 31, 2017	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter				
Credit default options:				
Sold	¥555,356	¥412,834	¥ 7,277	¥ 7,277
Bought	732,991	522,137	(8,786)	(8,786)
Total	/	/	¥(1,509)	¥(1,509)

- Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is calculated using discounted present value and option pricing models.
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

March 31, 2018	Millions of yen			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter				
Credit default options:				
Sold	¥549,981	¥465,481	¥ 7,755	¥ 7,755
Bought	691,315	567,065	(7,719)	(7,719)
Total	/	/	¥ 36	¥ 36

- Notes: 1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is calculated using discounted present value and option pricing models.
3. "Sold" represents transactions in which the credit risk is accepted; "Bought" represents transactions in which the credit risk is transferred.

2. Derivative transactions to which the hedge accounting method is applied

The following tables set forth the contract amount or the amount equivalent to the notional amount, fair value and fair value calculation methodologies by type of derivative and hedge accounting method with respect to derivative transactions to which the hedge accounting method is applied at the end of the fiscal year. Contract amount does not indicate the market risk relating to derivative transactions.

(1) Interest rate derivatives

March 31, 2017		Principal items hedged	Millions of yen			
Hedge accounting method	Type of derivative		Contract amount		Fair value	
			Total	Over 1 year		
Deferral hedge method	Interest futures:	Interest-earning/bearing financial assets/liabilities such as loans and bills discounted, other securities, deposits and negotiable certificates of deposit				
	Sold		¥ 5,853,880	¥ 4,263,220	¥ (643)	
	Bought		—	—	—	
	Interest rate swaps:					
	Receivable fixed rate/payable floating rate		34,269,289	30,639,419	119,862	
	Receivable floating rate/payable fixed rate		19,875,014	17,418,379	(97,711)	
	Interest rate swaptions:					
Sold	129,018	129,018	(1,623)			
Bought	—	—	—			
Recognition of gain or loss on the hedged items	Interest rate swaps:	Loans and bills discounted, corporate bonds				
	Receivable fixed rate/payable floating rate		56,095	56,095	(2,046)	
	Receivable floating rate/payable fixed rate		135,303	125,572	(2,743)	
Special treatment for interest rate swaps	Interest rate swaps:	Loans and bills discounted, borrowed money, corporate bonds				
	Receivable floating rate/payable fixed rate		38,192	34,442	(Note 3)	
	Total		/	/	¥ 15,094	

- Notes: 1. The Company applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).
2. Fair value of transactions listed on exchange is calculated using the closing price on the Tokyo Financial Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using discounted present value and option pricing models.
3. Interest rate swap amounts measured by the special treatment for interest rate swaps are treated with the borrowed money or other transactions that are subject to the hedge. Therefore, such fair value is included in the fair value of the relevant transaction subject to the hedge in the "(Notes to financial instruments) 2. Fair value of financial instruments."

March 31, 2018		Millions of yen			
Hedge accounting Method	Type of derivative	Principal items hedged	Contract amount		Fair value
			Total	Over 1 year	
Deferral hedge method	Interest futures:	Interest-earning/bearing financial assets/liabilities such as loans and bills discounted, other securities, deposits and negotiable certificates of deposit			
	Sold		¥16,675,512	¥11,044,262	¥ 4,287
	Bought		1,593,750	—	79
	Interest rate swaps:				
	Receivable fixed rate/payable floating rate		35,415,915	27,945,628	(59,991)
	Receivable floating rate/payable fixed rate		16,132,939	14,569,986	39,356
	Interest rate swaptions:				
	Sold		150,343	150,343	(2,569)
Bought	—	—	—		
Recognition of gain or loss on the hedged items	Interest rate swaps:	Loans and bills discounted, corporate bonds			
	Receivable fixed rate/payable floating rate		62,830	53,125	(2,536)
	Receivable floating rate/payable fixed rate		201,714	187,519	(1,245)
Special treatment for interest rate swaps	Interest rate swaps:	Borrowed money, corporate bonds			
	Receivable floating rate/payable fixed rate		12,840	4,921	(Note 3)
	Total		/	/	¥(22,620)

- Notes: 1. The Company applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).
2. Fair value of transactions listed on exchange is calculated using the closing price on the Tokyo Financial Exchange or other relevant exchanges. Fair value of OTC transactions is calculated using discounted present value and option pricing models.
3. Interest rate swap amounts measured by the special treatment for interest rate swaps are treated with the borrowed money or other transactions that are subject to the hedge. Therefore, such fair value is included in the fair value of the relevant transaction subject to the hedge in the "(Notes to financial instruments) 2. Fair value of financial instruments."

(2) Currency derivatives

March 31, 2017			Millions of yen		
Hedge accounting method	Type of derivative	Principal items hedged	Contract amount		Fair value
			Total	Over 1 year	
Deferral hedge method	Currency swaps.....	Foreign currency denominated loans and bills discounted, other securities, deposits, foreign exchange, etc.	¥6,226,217	¥3,431,683	¥(181,138)
	Forward foreign exchange		5,363	—	106
Recognition of gain or loss on the hedged items	Currency swaps.....	Loans and bills discounted, foreign exchange	117,797	80,427	3,439
Allocation method	Currency swaps.....	Borrowed money	47,081	42,493	(Note 3)
	Total.....		/	/	¥(177,593)

Notes: 1. The Company applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).

2. Fair value is calculated using discounted present value.

3. Forward foreign exchange amounts treated by the allocation method are treated with the borrowed money that are subject to the hedge. Therefore, such fair value is included in the fair value of the relevant hedged items such as borrowed money disclosed in "(Notes to financial instruments) 2. Fair value of financial instruments."

March 31, 2018			Millions of yen		
Hedge accounting Method	Type of derivative	Principal items hedged	Contract amount		Fair value
			Total	Over 1 year	
Deferral hedge method	Currency swaps.....	Foreign currency denominated loans and bills discounted, other securities, deposits, foreign exchange, etc.	¥5,995,052	¥3,158,350	¥165,826
	Forward foreign exchange		51,850	—	379
Recognition of gain or loss on the hedged items	Currency swaps.....	Loans and bills discounted, foreign exchange	146,889	127,037	(17,089)
Allocation method	Currency swaps.....	Borrowed money	53,215	37,921	(Note 3)
	Forward foreign exchange		1,381	—	
	Total.....		/	/	¥149,116

Notes: 1. The Company applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).

2. Fair value is calculated using discounted present value.

3. Forward foreign exchange amounts treated by the allocation method are treated with the borrowed money that are subject to the hedge. Therefore, such fair value is included in the fair value of the relevant hedged items such as borrowed money disclosed in "(Notes to financial instruments) 2. Fair value of financial instruments."

(3) Equity derivatives

Fiscal year ended March 31, 2017

There are no corresponding transactions.

March 31, 2018		Principal items hedged	Millions of yen		
Hedge accounting method	Type of derivative		Contract amount		Fair value
			Total	Over 1 year	
Recognition of gain or loss on the hedged items	Equity price index swaps: Receivable floating rate/payable equity index	Other securities	2,218	2,218	(155)
	Total		/	/	¥(155)

Note: Fair value is calculated using discounted present value.

(Notes to employee retirement benefits)**1. Outline of employee retirement benefits**

The Company's consolidated subsidiaries have funded and unfunded contributory defined benefit pension plans and defined-contribution pension plans for benefit payments to their employees.

Funded contributory defined benefit pension plans mainly consist of contributory funded defined benefit pension plans and lump-sum severance indemnity plans which set up employee retirement benefit trusts.

Unfunded contributory defined benefit pension plans are lump-sum severance indemnity plans which do not use such trust scheme.

Some consolidated subsidiaries adopt the simplified method in calculating the projected benefit obligation. Additional benefits may also be granted when employees retire.

2. Contributory defined benefit pension plan**(1) Reconciliation of beginning and ending balances of projected benefit obligation**

Year ended March 31	Millions of yen	
	2017	2018
Beginning balance of projected benefit obligation.....	¥1,202,471	¥1,179,737
Service cost	41,098	39,579
Interest cost on projected benefit obligation	4,984	6,905
Unrecognized net actuarial gain or loss incurred	(21,509)	15,451
Payments of retirement benefits	(52,901)	(67,287)
Unrecognized prior service cost	(3)	(43)
Net change as a result of business combinations	7,125	(49,333)
Other	(1,528)	738
Ending balance of projected benefit obligation.....	¥1,179,737	¥1,125,746

(2) Reconciliation of beginning and ending balances of plan assets

Year ended March 31	Millions of yen	
	2017	2018
Beginning balance of plan assets	¥1,357,175	¥1,435,548
Expected return on plan assets	39,975	41,635
Unrecognized net actuarial gain or loss incurred	40,016	65,860
Contributions by the employer	44,574	18,130
Payments of retirement benefits.....	(42,387)	(44,429)
Net change as a result of business combinations.....	—	(49,287)
Other	(3,805)	1,724
Ending balance of plan assets.....	¥1,435,548	¥1,469,182

(3) Reconciliation of the projected benefit obligation and plan assets to net defined benefit asset and net defined benefit liability reported on the consolidated balance sheets

March 31	Millions of yen	
	2017	2018
Funded projected benefit obligation.....	¥(1,134,322)	¥(1,096,677)
Plan assets	1,435,548	1,469,182
	301,226	372,505
Unfunded projected benefit obligation.....	(45,414)	(29,069)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 255,811	¥ 343,435

March 31	Millions of yen	
	2017	2018
Net defined benefit asset	¥314,922	¥383,418
Net defined benefit liability	(59,110)	(39,982)
Net amount of asset and liability reported on the consolidated balance sheet	¥255,811	¥343,435

(4) Pension expenses

Year ended March 31	Millions of yen	
	2017	2018
Service cost	¥ 41,098	¥ 39,579
Interest cost on projected benefit obligation	4,984	6,905
Expected return on plan assets	(39,975)	(41,635)
Amortization of unrecognized net actuarial gain or loss	55,123	20,870
Amortization of unrecognized prior service cost	(162)	(126)
Other (nonrecurring additional retirement allowance paid and other)	6,536	6,730
Pension expenses	¥ 67,605	¥ 32,323

Note: Pension expenses of consolidated subsidiaries which adopt the simplified method are included in "Service cost."

(5) Remeasurements of defined benefit plans

The breakdown of "Remeasurements of defined benefit plans" (before deducting tax effect) is as shown below:

Year ended March 31	Millions of yen	
	2017	2018
Prior service cost	¥ 159	¥ 120
Net actuarial gain or loss	(116,685)	(74,335)
Total	¥(116,525)	¥(74,215)

(6) Accumulated remeasurements of defined benefit plans

The breakdown of "Accumulated remeasurements of defined benefit plans" (before deducting tax effect) is as shown below:

March 31	Millions of yen	
	2017	2018
Unrecognized prior service cost	¥ (648)	¥ (528)
Unrecognized net actuarial gain or loss	(12,052)	(86,388)
Total	¥(12,700)	¥(86,916)

(7) Plan assets

1) Major asset classes of plan assets

The proportion of major asset classes to the total plan assets is as follows:

March 31	2017	2018
Stocks	60.4%	62.7%
Bonds	23.2%	16.4%
General account of life insurance	4.4%	3.0%
Other	12.0%	17.9%
Total	100.0%	100.0%

Note: The retirement benefit trusts set up for employee pension plans and lump-sum severance indemnity plans account for 34.8% and 35.2% of the total plan assets at March 31, 2017 and 2018, respectively.

2) Method for setting the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined based on the current and expected allocation of plan assets and the current and expected long-term rates of return on various asset classes of plan assets.

(8) Actuarial assumptions

The principal assumptions used in determining benefit obligation and pension expenses are as follows:

1) Discount rate

Year ended March 31, 2017	Percentages	Year ended March 31, 2018	Percentages
Domestic consolidated subsidiaries	(0.1)% to 0.8%	Domestic consolidated subsidiaries	(0.1)% to 0.8%
Overseas consolidated subsidiaries	2.5% to 11.3%	Overseas consolidated subsidiaries	2.4% to 10.3%

2) Long-term expected rate of return on plan assets

Year ended March 31, 2017	Percentages	Year ended March 31, 2018	Percentages
Domestic consolidated subsidiaries	0% to 4.0%	Domestic consolidated subsidiaries.....	0% to 4.0%
Overseas consolidated subsidiaries	2.5% to 11.3%	Overseas consolidated subsidiaries	2.6% to 10.3%

3. Defined contribution plan

Fiscal year ended March 31, 2017

The amount required to be contributed by the consolidated subsidiaries is ¥9,787 million.

Fiscal year ended March 31, 2018

The amount required to be contributed by the consolidated subsidiaries is ¥10,702 million.

(Notes to stock options)**1. Amount of stock options expenses**

Stock options expenses which were accounted for as general and administrative expenses for the fiscal years ended March 31, 2017 and 2018 are as follows:

Year ended March 31	Millions of yen	
	2017	2018
General and administrative expenses.....	¥638	¥195

2. Amount of profit by non-exercise of stock acquisition rights

Profit by non-exercise of stock acquisition rights which were accounted for as other income for the fiscal years ended March 31, 2017 and 2018 are as follows:

Year ended March 31	Millions of yen	
	2017	2018
Other income	¥19	¥29

3. Outline of stock options and changes

The Company

(1) Outline of stock options

Date of resolution	July 28, 2010	July 29, 2011	July 30, 2012	July 29, 2013
Title and number of grantees	Directors of the Company 8 Corporate auditors of the Company 3 Executive officers of the Company 2 Directors, corporate auditors and executive officers of SMBC 69	Directors of the Company 9 Corporate auditors of the Company 3 Executive officers of the Company 2 Directors, corporate auditors and executive officers of SMBC 71	Directors of the Company 9 Corporate auditors of the Company 3 Executive officers of the Company 2 Directors, corporate auditors and executive officers of SMBC 71	Directors of the Company 9 Corporate auditors of the Company 3 Executive officers of the Company 3 Directors, corporate auditors and executive officers of SMBC 67
Number of stock options*	Common shares 102,600	Common shares 268,200	Common shares 280,500	Common shares 115,700
Grant date	August 13, 2010	August 16, 2011	August 15, 2012	August 14, 2013
Condition for vesting	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.
Requisite service period	From June 29, 2010 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2011	From June 29, 2011 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2012	From June 28, 2012 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2013	From June 27, 2013 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2014
Exercise period	August 13, 2010 to August 12, 2040	August 16, 2011 to August 15, 2041	August 15, 2012 to August 14, 2042	August 14, 2013 to August 13, 2043

Date of resolution	July 30, 2014	July 31, 2015	July 26, 2016
Title and number of grantees	Directors of the Company 10 Corporate auditors of the Company 3 Executive officers of the Company 2 Directors, corporate auditors and executive officers of SMBC 67	Directors of the Company 8 Corporate auditors of the Company 3 Executive officers of the Company 4 Directors, corporate auditors and executive officers of SMBC 68	Directors of the Company 8 Corporate auditors of the Company 3 Executive officers of the Company 5 Directors, corporate auditors and executive officers of SMBC 73
Number of stock options*	Common shares 121,900	Common shares 132,400	Common shares 201,200
Grant date	August 15, 2014	August 18, 2015	August 15, 2016
Condition for vesting	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director, corporate auditor or executive officer of the Company and SMBC.
Requisite service period	From June 27, 2014 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2015	From June 26, 2015 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2016	From June 29, 2016 to the closing of the ordinary general meeting of shareholders of the Company for the fiscal year ended March 31, 2017
Exercise period	August 15, 2014 to August 14, 2044	August 18, 2015 to August 17, 2045	August 15, 2016 to August 14, 2046

* Number of stock options is converted and stated as number of shares.

(2) Stock options granted and changes

1) Number of stock options

Date of resolution	Number of stock options						
	July 28, 2010	July 29, 2011	July 30, 2012	July 29, 2013	July 30, 2014	July 31, 2015	July 26, 2016
Before vested							
Previous fiscal year-end	26,800	90,100	131,500	86,700	99,200	122,600	201,200
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	2,300
Vested	18,400	31,700	51,100	29,800	34,900	19,900	30,100
Outstanding	8,400	58,400	80,400	56,900	64,300	102,700	168,800
After vested							
Previous fiscal year-end	60,100	167,800	136,600	27,700	21,100	8,600	—
Vested	18,400	31,700	51,100	29,800	34,900	19,900	30,100
Exercised	14,300	31,000	36,000	25,200	26,100	17,200	24,900
Forfeited	—	—	—	—	—	—	—
Exercisable	64,200	168,500	151,700	32,300	29,900	11,300	5,200

Note: Number of stock options has been converted and stated as number of shares.

2) Price information

Date of resolution	Yen						
	July 28, 2010	July 29, 2011	July 30, 2012	July 29, 2013	July 30, 2014	July 31, 2015	July 26, 2016
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average exercise price	4,236	4,172	4,186	4,238	4,406	4,233	4,271
Fair value at the grant date	2,215	1,872	2,042	4,159	3,661	4,904	2,811

(3) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

(Notes to deferred tax assets and liabilities)

1. Significant components of deferred tax assets and liabilities

March 31, 2017	Millions of yen	March 31, 2018	Millions of yen
Deferred tax assets:		Deferred tax assets:	
Net operating loss carryforwards.....	¥ 450,959	Net operating loss carryforwards.....	¥ 372,250
Reserve for possible loan losses and write-off of loans.....	249,877	Reserve for possible loan losses and write-off of loans.....	212,541
Write-off of securities.....	59,304	Write-off of securities.....	46,007
Reserve for losses on interest repayment.....	48,170	Reserve for losses on interest repayment.....	44,328
Net defined benefit liability.....	39,755	Net defined benefit liability.....	32,615
Other.....	208,634	Other.....	243,455
Subtotal.....	1,056,702	Subtotal.....	951,199
Valuation allowance.....	(493,247)	Valuation allowance.....	(454,329)
Total deferred tax assets.....	563,454	Total deferred tax assets.....	496,870
Deferred tax liabilities:		Deferred tax liabilities:	
Net unrealized gains on other securities.....	(586,254)	Net unrealized gains on other securities.....	(658,469)
Gains on securities contributed to employee retirement benefits trust.....	(33,130)	Gains on securities contributed to employee retirement benefits trust.....	(31,890)
Accumulated remeasurements of defined benefit plans.....	(8,531)	Accumulated remeasurements of defined benefit plans.....	(29,330)
Other.....	(208,444)	Other.....	(204,804)
Total deferred tax liabilities.....	(836,361)	Total deferred tax liabilities.....	(924,494)
Net deferred tax assets (liabilities).....	¥ (272,906)	Net deferred tax assets (liabilities).....	¥ (427,624)

2. Significant components of difference between the statutory tax rate used by the Company and the effective income tax rate

March 31, 2017	Percentages	March 31, 2018	Percentages
Statutory tax rate.....	30.86%	Statutory tax rate.....	30.86%
Valuation allowance.....	(12.80)	Valuation allowance.....	(2.51)
Difference between the Company and overseas consolidated subsidiaries.....	(2.29)	Difference between the Company and overseas consolidated subsidiaries.....	(1.89)
Difference of gains on step acquisition.....	(0.92)	Foreign tax.....	(1.27)
Dividends exempted for income tax purposes.....	(0.87)	Equity in gains of affiliates.....	(1.09)
Impairment losses of goodwill.....	1.35	Dividends exempted for income tax purposes.....	(0.85)
Foreign tax.....	1.15	Amortization of goodwill.....	0.70
Other.....	0.98	Other.....	0.45
Effective income tax rate.....	17.46%	Effective income tax rate.....	24.40%

(Notes to asset retirement obligations)*Fiscal year ended March 31, 2017*

There is no significant information to be disclosed.

Fiscal year ended March 31, 2018

There is no significant information to be disclosed.

(Notes to real estate for rent)*Fiscal year ended March 31, 2017*

There is no significant information to be disclosed.

Fiscal year ended March 31, 2018

There is no significant information to be disclosed.

(Notes to segment and other related information)

[Segment information]

1. Summary of reportable segment

The Group's reportable segment is defined as an operating segment for which discrete financial information is available and reviewed by the Board of Directors and the Company's Management Committee regularly in order to make decisions about resources to be allocated to the segment and assess its performance.

The Group introduced group-wide business units from April 1, 2017 which determine strategies for each customer segment across the Group companies, to further enhance the capability to meet the customers' diversified needs. Therefore, the reportable segment was changed from "Commercial banking," "Leasing," "Securities," "Consumer Finance" and "Other business" to "Wholesale Business Unit," "Retail Business Unit," "International Business Unit," "Global Markets Business Unit" and "Head office account" from fiscal 2017.

The businesses operated by each business unit are as follows:

Wholesale Business Unit:	Business to deal with domestic medium-to-large-sized enterprise
Retail Business Unit:	Business to deal with domestic individual and small-to-medium-sized enterprise
International Business Unit:	Business to deal with international (including Japanese) corporate customers
Global Markets Business Unit:	Business to deal with financial market
Head office account:	Business other than businesses above

2. Method of calculating profit and loss amount by reportable segment

Accounting methods applied to the reported business segment are the same as those described in "(Notes to significant accounting policies for preparing consolidated financial statements)." In case several business units cooperate for transactions profit and loss, and expenses related to the transactions are recognized in the business units cooperating for the transactions and those amounts are calculated in accordance with internal managerial accounting policy.

Information on profit and loss amount by reportable segment is provided based on changes above for the fiscal year ended March 31, 2017.

The Company does not assess assets by business segments.

3. Information on profit and loss amount by reportable segment

Year ended March 31, 2017	Millions of yen					Total
	Wholesale Business Unit	Retail Business Unit	International Business Unit	Global Markets Business Unit	Head office account and others	
Consolidated gross profit	¥ 776,358	¥ 1,313,920	¥ 566,109	¥346,779	¥ (82,424)	¥ 2,920,742
Expenses.....	(344,840)	(1,041,120)	(241,153)	(50,153)	(135,167)	(1,812,433)
Others.....	45,689	12,080	38,447	8,129	(79,792)	24,552
Consolidated net business profit.....	¥ 477,207	¥ 284,880	¥ 363,403	¥304,754	¥(297,384)	¥ 1,132,860

- Notes: 1. Figures shown in the parenthesis represent the loss.
 2. "Others" includes equity in profit and loss of affiliates and cooperated profit and loss based on internal managerial accounting.
 3. "Head office account and others" includes profit or loss to be eliminated as inter-segment transactions.

Year ended March 31, 2018	Millions of yen					Total
	Wholesale Business Unit	Retail Business Unit	International Business Unit	Global Markets Business Unit	Head office account and others	
Consolidated gross profit	¥ 772,949	¥ 1,311,727	¥ 631,950	¥356,150	¥ (91,725)	¥ 2,981,050
Expenses.....	(347,864)	(1,027,674)	(280,658)	(53,936)	(106,065)	(1,816,197)
Others.....	53,576	15,516	46,933	17,575	(94,607)	38,992
Consolidated net business profit.....	¥ 478,661	¥ 299,569	¥ 398,225	¥319,789	¥(292,398)	¥ 1,203,845

- Notes: 1. Figures shown in the parenthesis represent the loss.
 2. "Others" includes equity in profit and loss of affiliates and cooperated profit and loss based on internal managerial accounting.
 3. "Head office account and others" includes profit or loss to be eliminated as inter-segment transactions.

4. Difference between total amount of consolidated net business profit by reportable segment and ordinary profit on consolidated statements of income (adjustment of difference)

Year ended March 31, 2017	Millions of yen
Consolidated net business profit.....	¥1,132,860
Other ordinary income (excluding equity in gains of affiliates).....	176,704
Other ordinary expenses	(303,710)
Ordinary profit on consolidated statements of income.....	¥1,005,855

Note: Figures shown in the parenthesis represent the loss.

Year ended March 31, 2018	Millions of yen
Consolidated net business profit.....	¥1,203,845
Other ordinary income (excluding equity in gains of affiliates).....	201,759
Other ordinary expenses	(241,491)
Ordinary profit on consolidated statements of income.....	¥1,164,113

Note: Figures shown in the parenthesis represent the loss.

[Related information]

Fiscal year ended March 31, 2017

1. Information on each service

There is no information to be disclosed since information on each service is similar to the segment information.

2. Geographic information

(1) Ordinary income

Millions of yen				
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total
¥3,747,786	¥493,079	¥461,876	¥430,502	¥5,133,245

Notes: 1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Ordinary income from transactions of the Company and its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries is classified as "Japan." Ordinary income from transactions of overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries is classified as "The Americas," "Europe and Middle East" and "Asia and Oceania," based on their locations and in consideration of their geographic proximity and other factors.

3. The Americas includes the United States, Brazil, Canada and others; Europe and Middle East includes the United Kingdom, Germany, France and others; Asia and Oceania includes China, Singapore, Australia and others except Japan.

(2) Tangible fixed assets

Millions of yen				
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total
¥1,621,388	¥245,816	¥1,223,456	¥10,981	¥3,101,642

3. Information on major customers

There are no major customers individually accounting for 10% or more of ordinary income reported on the consolidated statements of income.

Fiscal year ended March 31, 2018

1. Information on each service

There is no information to be disclosed since information on each service is similar to the segment information.

2. Geographic information

(1) Ordinary income

Millions of yen				
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total
¥4,168,743	¥553,871	¥564,813	¥476,744	¥5,764,172

Notes: 1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Ordinary income from transactions of the Company and its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries is classified as "Japan." Ordinary income from transactions of overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries is classified as "The Americas," "Europe and Middle East" and "Asia and Oceania," based on their locations and in consideration of their geographic proximity and other factors.

3. The Americas includes the United States, Brazil, Canada and others; Europe and Middle East includes the United Kingdom, Germany, France and others; Asia and Oceania includes China, Singapore, Australia and others except Japan.

(2) Tangible fixed assets

Millions of yen				
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total
¥1,645,637	¥626,147	¥1,192,015	¥11,330	¥3,475,131

3. Information on major customers

There are no major customers individually accounting for 10% or more of ordinary income reported on the consolidated statements of income.

[Information on impairment loss for fixed assets by reportable segment]

The Company does not allocate impairment loss for fixed assets to the reportable segment.

Impairment loss for the fiscal year ended March 31, 2017 is ¥49,460 million.

Impairment loss for the fiscal year ended March 31, 2018 is ¥49,900 million.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Year ended March 31, 2017	Millions of yen					Total
	Wholesale Business Unit	Retail Business Unit	International Business Unit	Global Markets Business Unit	Head office account and others	
Amortization of goodwill	¥ 681	¥ 4,019	¥1,063	¥—	¥ 23,507	¥ 29,272
Unamortized balance	12,950	58,140	5,495	—	241,991	318,578

Year ended March 31, 2018	Millions of yen					Total
	Wholesale Business Unit	Retail Business Unit	International Business Unit	Global Markets Business Unit	Head office account and others	
Amortization of goodwill	¥ 681	¥ 4,019	¥1,006	¥—	¥ 19,517	¥ 25,225
Unamortized balance	7,416	54,120	4,197	—	206,469	272,203

[Information on gains on negative goodwill by reportable segment]***Fiscal year ended March 31, 2017***

There are no corresponding transactions.

Fiscal year ended March 31, 2018

There are no corresponding transactions.

[Information on related parties]***Fiscal year ended March 31, 2017***

There is no significant corresponding information to be disclosed.

Fiscal year ended March 31, 2018

There is no significant corresponding information to be disclosed.

(Business Combination)

<Partial sale of the shares of subsidiaries>

Partial sale of the shares of THE MINATO BANK, LTD. (“Minato Bank”) and Kansai Urban Banking Corporation (“Kansai Urban”)

SMBC, a consolidated subsidiary of the Company, sold a portion of shares of Minato Bank and Kansai Urban through tender offers subject to the shares of common stocks of each bank by Resona Holdings, Inc. (the “Sale of the Shares”). As a result, the Company’s voting rights were declined to 34.19% in Minato Bank and to 48.12% in Kansai Urban, and accordingly, the Company excluded 15 companies including Minato Bank and its subsidiaries, and 6 companies including Kansai Urban and its subsidiaries from the scope of consolidation and included them in the scope of equity method affiliates.

1. Objectives of the Sale of the Shares

The Company conducted the Sale of the Shares as a part of the business integration between Minato Bank, Kansai Urban and The Kinki Osaka Bank, Ltd. (“the Business Integration”), to establish a leading regional financial group as well as the largest financial group in the Kansai region, aiming to deepen relationships with customers and local communities fostered for many years, as well as realizing the “New Retail Financial Services Model that is in Step with the Future of the Kansai Region.”

2. Commencement date of settlement of the tender offers

February 20, 2018

3. Outline of the accounting treatment implemented

The Company applied the accounting treatment stipulated in “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22) and “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (JICPA Accounting Practice Committee Statement No. 7). The profit or loss resulting from the Sale of the Shares is immaterial.

4. Period of financial results of Minato Bank and Kansai Urban included in the consolidated financial statements of the Company

From April 1, 2017 to March 31, 2018

5. Outline of the subsidiaries to be excluded from the scope of consolidation (as of March 31, 2018)

Minato Bank (Consolidated)

Total assets	¥3,528,896 million
Total liabilities	¥3,384,488 million
Ordinary income	¥61,590 million
Ordinary profit	¥10,317 million

Kansai Urban (Consolidated)

Total assets	¥4,709,055 million
Total liabilities	¥4,498,339 million
Ordinary income	¥90,268 million
Ordinary profit	¥17,799 million

<Business combination through acquisition>

American Railcar Leasing LLC became a consolidated subsidiary of SMBC Rail Services LLC

On June 1, 2017, SMBC Rail Services LLC ("SMBC Rail"), a consolidated subsidiary of the Company, acquired all shares of American Railcar Leasing LLC ("ARL") under the contract agreed with an affiliate of Icahn Enterprises L.P. in the United States on December 16, 2016. As a result, ARL and its 19 leasing affiliates became consolidated subsidiaries of the Company.

Seven out of the acquired consolidated subsidiaries were liquidated on the acquisition date. The outline of the business combination through acquisition is as follows.

1. Outline of the business combination

- (1) Name of the acquired company and its business
American Railcar Leasing LLC (Railcar leasing business)
- (2) Main reasons for the business combination
SMBC Rail acquired all shares of ARL because the U.S. Railcar leasing business is expected to continue to steadily grow and achieve higher profitability along with the U.S. economy, with stable demand for rail freight transportation as a major mode of a domestic logistic infrastructure.
- (3) Date of the business combination
June 1, 2017
- (4) Legal form of the business combination
Acquisition of stocks
- (5) Name of the entity after the business combination
Sumitomo Mitsui Financial Group, Inc.
- (6) The ratio of acquired voting rights
100%
- (7) Grounds for deciding on the acquirer
SMBC Rail acquired all shares of ARL by cash.

2. Period of the acquired company's financial result included in the consolidated financial statements of the Company

From June 1, 2017 to December 31, 2017

3. Acquisition cost and consideration of the acquired company

Consideration	Cash and due from banks	¥170,506 million
Acquisition cost		¥170,506 million

4. Major acquisition-related costs

Advisory fees, etc. ¥1,264 million

5. Amount of goodwill, reason for recognizing goodwill, amortization method and the period

There is no goodwill and negative goodwill to be recognized.

6. Amounts of assets acquired and liabilities assumed on the date of the business combination

- (1) Assets

Total assets:	¥319,975 million
Tangible fixed assets:	¥304,256 million
- (2) Liabilities

Total liabilities:	¥149,469 million
Borrowed money:	¥147,523 million

7. Approximate amounts and their calculation method of impact on the consolidated statements of income for the fiscal year ended March 31, 2018, assuming that the business combination had been completed at the beginning of the fiscal year

The approximate amounts have not been disclosed since they are immaterial.

(Per Share Data)

As of and year ended March 31	Yen	
	2017	2018
Net assets per share	¥6,901.67	¥7,366.21
Earnings per share	516.00	520.67
Earnings per share (diluted).....	515.58	520.27

Notes: 1. Earnings per share and earnings per share (diluted) are calculated based on the following.

Year ended March 31	Millions of yen except number of shares	
	2017	2018
Earnings per share:		
Profit attributable to owners of parent	¥ 706,519	¥ 734,368
Amount not attributable to common stockholders.....	—	—
Profit attributable to owners of parent attributable to common stock.....	¥ 706,519	¥ 734,368
Average number of common stock during the fiscal year (in thousand).....	1,369,231	1,410,442
Earnings per share (diluted):		
Adjustment for profit attributable to owners of parent.....	¥ (9)	¥ (10)
Adjustment of dilutive shares issued by consolidated subsidiaries and equity method affiliates	(9)	(10)
Increase in number of common stock (in thousand).....	1,092	1,052
Stock acquisition rights	1,092	1,052
Outline of dilutive shares which were not included in the calculation of “Earnings per share (diluted)” because they do not have dilutive effect:	—	—

2. Net assets per share are calculated based on the following:

March 31	Millions of yen except number of shares	
	2017	2018
Net assets	¥11,234,286	¥11,612,892
Amounts excluded from Net assets	1,502,747	1,222,427
Stock acquisition rights	3,482	2,823
Non-controlling interests	1,499,264	1,219,604
Net assets attributable to common stock at the fiscal year-end	¥ 9,731,538	¥10,390,464
Number of common stock at the fiscal year-end used for the calculation of Net assets per share (in thousands)	1,410,026	1,410,558

(Significant Subsequent Events)

Fiscal year ended March 31, 2018

Repurchase and cancellation of own shares

The board of directors of the Company resolved to repurchase its own shares under Article 8 of its Articles of Incorporation pursuant to Paragraph 1 of Article 459 of the Companies Act and cancel the repurchased shares pursuant to Article 178 of the Companies Act.

(1) Reason for the Repurchase of Own Shares

The Company will proceed with a flexible repurchase of its own shares in order to enhance shareholder returns and improve capital efficiency.

(2) Outline of the Repurchase

- 1) Type of shares to be repurchased: Common stock
- 2) Aggregate number of shares to be repurchased:
Up to 20,000,000 shares (Equivalent to 1.4% of the number of shares issued (excluding treasury stock))
- 3) Aggregate amount to be repurchased: Up to JPY 70,000,000,000
- 4) Repurchase period: From May 15, 2018 to July 31, 2018
- 5) Repurchase method:
Market purchases based on a discretionary dealing contract regarding repurchase of its own shares

(3) Result of the Repurchase

- 1) Type of shares repurchased: Common stock
- 2) Aggregate number of shares repurchased: 15,368,300 shares
- 3) Aggregate amount repurchased: JPY 69,999,886,200
- 4) Repurchase period: From May 15, 2018 to June 19, 2018 (on a contract basis)
- 5) Repurchase method:
Market purchases based on a discretionary dealing contract regarding repurchase of its own shares

(4) Outline of the Cancellation

- 1) Type of shares to be cancelled: Common stock
- 2) Number of shares to be cancelled: 15,368,300 shares
- 3) Scheduled cancellation date: August 20, 2018

[Consolidated Supplementary Financial Schedules]
[Schedule of bonds]

Company	Type of bonds	Date of issuance	Millions of yen		Percentages		Date of maturity	
			At the beginning of the fiscal year	At the end of the fiscal year	Interest rate (Note 1)	Collateral		
The Company	Straight bonds, payable in U.S. dollars (Note 3)	Mar.2016 ~ Feb.2018	1,651,436 (\$14,720,000 thousand)	2,601,531 (\$24,485,000 thousand)	2.058 ~ 4.3	None	Mar. 2021 ~ Feb. 2048	
	Straight bonds, payable in Euro (Note 3)	Jun. 2016 ~ Feb. 2018	239,680 (€2,000,000 thousand)	511,154 (€3,910,000 thousand)	0.123 ~ 1.716	None	Jan. 2022 ~ Feb. 2033	
	Straight bonds, payable in Australian dollars (Note 3)	Sep. 2016 ~ Mar. 2018	93,961 (A\$1,095,000 thousand)	179,956 (A\$2,204,000 thousand)	3.065 ~ 4.13	None	Mar. 2022 ~ Mar. 2028	
	Subordinated bonds, payable in Yen ...	Sep. 2014 ~ Sep. 2016	366,335	370,809	0.469 ~ 1.328	None	Sep. 2024 ~ May. 2030	
	Subordinated bonds, payable in Yen ...	Sep. 2014 ~ Mar. 2018	287,878	387,654	0.3 ~ 0.61	None	Sep. 2024 ~ Mar. 2028	
	Perpetual subordinated bonds, payable in Yen	Jul. 2015 ~ Dec. 2017	449,897	599,794	1.29 ~ 2.88	None	Perpetual	
	Subordinated bonds, payable in U.S. dollars (Note 3)	Apr.2, 2014	195,697 (\$1,744,337 thousand)	185,903 (\$1,749,682 thousand)	4.436	None	Apr. 2, 2024	
	SMBC	Straight bonds, payable in Yen (Note 4)	Oct. 2012 ~ Apr. 2014	159,998 [60,000]	100,000 [50,000]	0.254 ~ 0.33	None	Apr. 2018 ~ Apr. 2019
		Straight bonds, payable in U.S. dollars (Notes 3 and 4)	Jan. 2012 ~ Jan. 2018	2,344,158 (\$20,894,544 thousand) [608,069]	2,016,383 (\$18,977,726 thousand) [708,687]	1.67 ~ 4.13	None	Jul. 2018 ~ Mar. 2030
		Subordinated bonds, payable in U.S. dollars (Note 3)	May. 28, 2015	73,484 (\$655,000 thousand)	69,593 (\$655,000 thousand)	4.3	None	May. 30, 2045
Straight bonds, payable in Euro (Notes 3 and 4)		Jul. 2013 ~ Nov. 2015	418,561 (€3,492,666 thousand) [179,760]	260,709 (€1,994,259 thousand) [—]	1 ~ 2.75	None	Dec. 2020 ~ Jul. 2023	
Straight bonds, payable in Australian dollars (Notes 3 and 4)		Jun. 2013 ~ Aug. 2015	78,063 (A\$909,720 thousand) [11,155]	63,673 (A\$779,834 thousand) [27,761]	2.97 ~ 4.13	None	Dec. 2018 ~ Mar. 2025	
Straight bonds, payable in Hong Kong dollars (Note 3)		Mar. 2015 ~ Apr. 2015	34,136 (HK\$2,364,000 thousand)	32,008 (HK\$2,364,000 thousand)	2.09 ~ 2.92	None	Apr. 2020 ~ Apr. 2025	
Straight bonds, payable in Thai Baht (Note 3)		Nov. 2016 ~ Aug. 2017	11,410 (THB3,500,000 thousand)	25,642 (THB7,500,000 thousand)	2 ~ 2.09	None	Nov. 2019 ~ Aug. 2020	
Subordinated bonds, payable in Yen (Note 4)		Dec. 2007 ~ Dec. 2011	463,982 [79,900]	383,567 [21,500]	1.43 ~ 2.8	None	Feb. 2019 ~ Dec. 2026	
Subordinated bonds, payable in Yen ...		Jan. 29, 2013	99,724	—	—	None	—	
Subordinated bonds, payable in Euroyen		Jun. 16, 2008	2,000	2,000	2.564	None	Jun. 16, 2023	
Perpetual subordinated bonds, payable in U.S. dollars (Note 3)		Mar.1, 2012	168,221 (\$1,499,434 thousand)	159,296 (\$1,499,272 thousand)	4.85	None	Mar. 1, 2022	
Subordinated bonds, payable in Euro (Note 3)		Nov. 9, 2010	89,429 (€746,242 thousand)	97,815 (€748,230 thousand)	4	None	Nov. 9, 2020	
(*1)		Consolidated subsidiaries, straight bonds, payable in Yen (Notes 2 and 4)	Feb. 2011 ~ Mar. 2018	786,802 [160,804]	804,339 [141,273]	0.01 ~ 21	None	Apr. 2018 ~ Mar. 2048
(*2)		Consolidated subsidiaries, specified bonds, payable in Yen (Notes 2)	Mar. 24, 2017	—	27,901	0.75	Provided	Sep.30, 2025
(*3)		Consolidated subsidiaries, straight bonds, payable in U.S. dollars (Notes 2,3 and 4)	Apr. 2014 ~ Mar. 2018	15,028 (\$135,510 thousand) [4,996]	24,742 (\$230,387 thousand) [3,757]	0.01 ~ 3.8395	None	Apr. 2018 ~ Nov. 2037
(*4)		Consolidated subsidiaries, straight bonds, payable in Australian dollars (Notes 2,3 and 4)	Mar. 2016 ~ Jan. 2018	1,654 (A\$19,280 thousand)	1,895 (A\$23,220 thousand) [166]	0.01 ~ 3	None	Jan. 2019 ~ Aug. 2031
(*5)		Consolidated subsidiaries, straight bonds, payable in Turkish lira (Notes 2 and 3)	Jul. 2017 ~ Mar. 2018	—	3,567 (TRY 132,290 thousand)	0.01 ~ 9	None	Aug. 2019 ~ Feb. 2023
(*6)		Consolidated subsidiaries, straight bonds, payable in U.S. dollars (Notes 2 and 3)	Jul. 2016 ~ Jul. 2017	54,000 (\$481,333 thousand)	103,660 (\$975,629 thousand)	2.65 ~ 3	None	Jul. 2021 ~ Jul. 2022
(*7)		Consolidated subsidiaries, straight bonds, payable in Indonesia rupiah (Notes 2,3 and 4)	Feb. 2015 ~ Jun. 2017	8,688 (IDR998,631,966 thousand) [8,688]	19,080 (IDR2,298,898,588 thousand) [19,080]	8.25 ~ 9.85	None	Feb. 2018 ~ Jun. 2018
(*8)	Consolidated subsidiaries, subordinated bonds, payable in Yen (Notes 2)	Dec. 1997 ~ Dec. 2012	35,000	25,000	4 ~ 4.15	None	Aug. 2019 ~ Jan. 2028	
(*9)	Consolidated subsidiaries, short-term bonds, payable in Yen (Notes 2 and 4)	Apr. 2015 ~ Mar. 2018	1,125,600 [1,125,600]	1,256,600 [1,256,600]	-0.0002 ~ 0.064	None	Apr. 2018 ~ Sep. 2018	
Total		—	¥9,254,832	¥ 10,314,283	—	—	—	

- Notes: 1. "Interest rate" indicates a nominal interest rate which is applied at respective consolidated balance sheet dates. Therefore, this rate may differ from an actual interest rate.
2. (*1) This represents an aggregate of straight bonds issued in yen by SMFL and SMBC Nikko, domestic consolidated subsidiaries.
 (*2) This represents specified bond issued in yen by Otemachi 142 specified purpose enterprise, a domestic consolidated subsidiary.
 (*3) This represents straight bonds issued in U.S. dollar by SMBC Nikko, a domestic consolidated subsidiary.
 (*4) This represents straight bonds issued in Australian dollar by SMBC Nikko, a domestic consolidated subsidiary.
 (*5) This represents straight bonds issued in Turkish lira by SMBC Nikko, a domestic consolidated subsidiary.
 (*6) This represents straight bonds issued in U.S. dollar by SMBC Aviation Capital Limited, an overseas consolidated subsidiary.
 (*7) This represents straight bonds issued in Indonesia rupiah by PT Bank Sumitomo Mitsui Indonesia, an overseas consolidated subsidiary.
 (*8) This represents subordinated term bonds issued in yen by SMBC International Finance N.V., an overseas consolidated subsidiary. Subordinated term bond issued in yen by Kansai Urban which became an equity method affiliate in the fiscal 2017 is included in the balance at the beginning of the year.
 (*9) This represents an aggregate of short-term bonds issued in yen by SMFL and SMBC Nikko, domestic consolidated subsidiaries. Short-term bonds issued in yen by SMCC is included in the balance at the beginning of the fiscal year.
3. Figures showed in () in "At the beginning of the fiscal year" and "At the end of the fiscal year" are in foreign currency.
4. Figures showed in [] in "At the beginning of the fiscal year" and "At the end of the fiscal year" are the amounts to be redeemed within one year.
5. The redemption schedule over the next 5 years after respective balance sheet dates of the consolidated subsidiaries was as follows:

	Millions of yen				
	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years
	¥2,228,827	¥947,209	¥937,637	¥1,219,962	¥1,094,397

[Schedule of borrowings]

Classification	Millions of yen		Percentages	
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rate	Repayment Term
Borrowed money	¥10,786,713	¥10,829,248	0.57	—
Other borrowings	10,786,713	10,829,248	0.57	Jan. 2018 ~ Perpetual
Lease obligations	106,924	89,940	4.66	Apr. 2018 ~ Jul. 2032

- Notes: 1. "Average interest rate" represents the weighted average interest rate based on the interest rates and "At the end of the fiscal year" at respective balance sheet dates of consolidated subsidiaries.
2. The redemption schedule over the next 5 years on Borrowings and Lease obligations after respective balance sheet dates of the consolidated subsidiaries was as follows:

	Millions of yen				
	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years
Other borrowings	¥7,875,146	¥403,576	¥377,414	¥350,067	¥437,981
Lease obligations	24,948	22,550	20,228	11,305	4,935

Since the commercial banking business accepts deposits and raises and manages funds through the call loan and commercial paper markets as a normal course of business, the schedule of borrowings shows a breakdown of Borrowed money included in the "Liabilities" and Lease obligations included in "Other liabilities" in the consolidated balance sheet.

Reference: Commercial paper issued for funding purpose as a normal course of business is as follows:

Commercial paper	Millions of yen		Percentages	
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rate	Repayment Term
	¥2,311,542	¥2,384,787	1.29	Apr. 2018 ~ Feb. 2019

[Schedule of asset retirement obligations]

Since the amount of asset retirement obligations accounts for 1% or less than the total of liabilities and net assets, the schedule of asset liability obligation is not disclosed.

[Others]

Quarterly consolidated financial information in the fiscal year ended March 31, 2018 is as follows:

	Millions of yen (except Earnings per share)			
	First quarter consolidated total period	Second quarter consolidated total period	Third quarter consolidated total period	Fiscal year ended March 31, 2018
Ordinary income	¥1,361,027	¥2,746,944	¥4,263,194	¥5,764,172
Income before income taxes	315,647	612,020	949,115	1,108,850
Profit attributable to owners of parent	241,521	420,195	648,125	734,368
Earnings per share	171.28	297.94	459.53	520.67

	Yen			
	First quarter consolidated accounting period	Second quarter consolidated accounting period	Third quarter consolidated accounting period	Fourth quarter consolidated accounting period
Earnings per share	¥171.28	¥126.67	¥161.59	¥61.14

(Non-consolidated financial statements)**1. Non-consolidated balance sheets**

March 31	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Assets:			
Current assets			
Cash and due from banks.....	¥ 728,445	¥ 251,680	\$ 2,369
Prepaid expenses.....	140	340	3
Accrued income.....	21,240	31,638	298
Accrued income tax refunds.....	87,571	67,414	634
Deferred tax assets.....	36,266	313	3
Other current assets.....	3,312	45,169	425
Total current assets.....	876,975	396,556	3,732
Fixed assets			
Tangible fixed assets			
Buildings.....	39	89	1
Equipment.....	0	7	0
Construction in progress.....	—	13,718	129
Total tangible fixed assets.....	39	13,815	130
Intangible fixed assets			
Software.....	316	296	3
Total intangible fixed assets.....	316	296	3
Investments and other assets			
Investments in subsidiaries and affiliates.....	6,155,487	6,156,181	57,941
Long-term loans receivable from subsidiaries and affiliates.....	3,424,217	5,537,800	52,120
Long-term prepaid expenses.....	—	315	3
Deferred tax assets.....	102	—	—
Other investments and other assets.....	0	0	0
Total investments and other assets.....	9,579,808	11,694,298	110,064
Total fixed assets.....	9,580,164	11,708,409	110,197
Total assets.....	¥10,457,139	¥12,104,965	\$113,929
Liabilities:			
Current liabilities			
Short-term borrowings.....	¥ 1,228,030	¥ 1,228,030	\$ 11,558
Accounts payable.....	844	11,440	108
Accrued expenses.....	23,156	34,081	321
Income taxes payable.....	80	6	0
Business office taxes payable.....	9	75	1
Reserve for employee bonuses.....	234	693	7
Reserve for executive bonuses.....	95	400	4
Other current liabilities.....	1,090	626	6
Total current liabilities.....	1,253,541	1,275,354	12,003
Fixed liabilities			
Bonds.....	3,558,111	5,105,279	48,050
Long-term borrowings.....	132,805	199,221	1,875
Deferred tax liabilities.....	—	34	0
Total fixed liabilities.....	3,690,917	5,304,535	49,925
Total liabilities.....	4,944,459	6,579,890	61,928
Net assets:			
Stockholders' equity			
Capital stock.....	2,337,895	2,338,743	22,012
Capital surplus			
Capital reserve.....	1,559,374	1,560,221	14,684
Other capital surplus.....	24,327	24,286	229
Total capital surplus.....	1,583,701	1,584,508	14,913
Retained earnings			
Other retained earnings			
Voluntary reserve.....	30,420	30,420	286
Retained earnings brought forward.....	1,570,369	1,581,073	14,881
Total retained earnings.....	1,600,789	1,611,493	15,167
Treasury stock.....	(12,913)	(12,493)	(118)
Total stockholders' equity.....	5,509,473	5,522,252	51,974
Stock acquisition rights.....	3,206	2,823	27
Total net assets.....	5,512,680	5,525,075	52,001
Total liabilities and net assets.....	¥10,457,139	¥12,104,965	\$113,929

3. Non-consolidated statements of changes in net assets

Year ended March 31, 2017	Millions of yen						
	Stockholders' equity						
	Capital surplus				Retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
	Voluntary reserve	Retained earnings brought forward					
Balance at the beginning of the fiscal year ...	¥2,337,895	¥1,559,374	¥24,332	¥1,583,706	¥30,420	¥1,331,100	¥1,361,520
Changes in the fiscal year:							
Cash dividends						(211,506)	(211,506)
Net income						450,775	450,775
Purchase of treasury stock							
Disposal of treasury stock			(4)	(4)			
Net changes in items other than stockholders' equity in the fiscal year							
Net changes in the fiscal year	—	—	(4)	(4)	—	239,268	239,268
Balance at the end of the fiscal year	¥2,337,895	¥1,559,374	¥24,327	¥1,583,701	¥30,420	¥1,570,369	¥1,600,789

Year ended March 31, 2017	Millions of yen			
	Stockholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total		
Balance at the beginning of the fiscal year ...	¥(12,833)	¥5,270,289	¥2,635	¥5,272,925
Changes in the fiscal year:				
Cash dividends		(211,506)		(211,506)
Net income		450,775		450,775
Purchase of treasury stock	(100)	(100)		(100)
Disposal of treasury stock	19	15		15
Net changes in items other than stockholders' equity in the fiscal year			571	571
Net changes in the fiscal year	(80)	239,183	571	239,755
Balance at the end of the fiscal year	¥(12,913)	¥5,509,473	¥3,206	¥5,512,680

Year ended March 31, 2018	Millions of yen						
	Stockholders' equity						
	Capital surplus				Retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
	Voluntary reserve	Retained earnings brought forward					
Balance at the beginning of the fiscal year ...	¥2,337,895	¥1,559,374	¥24,327	¥1,583,701	¥30,420	¥1,570,369	¥1,600,789
Changes in the fiscal year:							
Issuance of new stock	847	847		847			
Cash dividends						(218,596)	(218,596)
Net income						229,300	229,300
Purchase of treasury stock							
Disposal of treasury stock			(41)	(41)			
Net changes in items other than stockholders' equity in the fiscal year							
Net changes in the fiscal year	847	847	(41)	806	—	10,704	10,704
Balance at the end of the fiscal year ...	¥2,338,743	¥1,560,221	¥24,286	¥1,584,508	¥30,420	¥1,581,073	¥1,611,493

Year ended March 31, 2018	Millions of yen			
	Stockholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total		
Balance at the beginning of the fiscal year ...	¥(12,913)	¥5,509,473	¥3,206	¥5,512,680
Changes in the fiscal year:				
Issuance of new stock		1,695		1,695
Cash dividends		(218,596)		(218,596)
Net income		229,300		229,300
Purchase of treasury stock	(142)	(142)		(142)
Disposal of treasury stock	562	521		521
Net changes in items other than stockholders' equity in the fiscal year			(382)	(382)
Net changes in the fiscal year	420	12,778	(382)	12,395
Balance at the end of the fiscal year ...	¥(12,493)	¥5,522,252	¥2,823	¥5,525,075

	Millions of U. S. dollars						
	Stockholders' equity						
	Capital surplus				Retained earnings		
	Capital stock	Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
Voluntary reserve					Retained earnings brought forward		
Year ended March 31, 2018							
Balance at the beginning of the fiscal year ...	\$22,004	\$14,676	\$229	\$14,905	\$286	\$14,780	\$15,066
Changes in the fiscal year:							
Issuance of new stock	8	8		8			
Cash dividends						(2,057)	(2,057)
Net income						2,158	2,158
Purchase of treasury stock							
Disposal of treasury stock			(0)	(0)			
Net changes in items other than stockholders' equity in the fiscal year							
Net changes in the fiscal year	8	8	(0)	8	—	101	101
Balance at the end of the fiscal year	\$22,012	\$14,684	\$229	\$14,913	\$286	\$14,881	\$15,167

	Millions of U. S. dollars			
	Stockholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total		
Year ended March 31, 2018				
Balance at the beginning of the fiscal year ...	\$(122)	\$51,854	\$30	\$51,884
Changes in the fiscal year:				
Issuance of new stock		16		16
Cash dividends		(2,057)		(2,057)
Net income		2,158		2,158
Purchase of treasury stock	(1)	(1)		(1)
Disposal of treasury stock	5	5		5
Net changes in items other than stockholders' equity in the fiscal year			(4)	(4)
Net changes in the fiscal year	4	120	(4)	117
Balance at the end of the fiscal year	\$(118)	\$51,974	\$27	\$52,001

Independent Auditor's Report

To the Board of Directors of
Sumitomo Mitsui Financial Group, Inc.:

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Financial Group, Inc. (“the Company”) and subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and basis of presentation, significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in basis of presentation.

KPMG AZSA LLC

June 27, 2018
Tokyo, Japan

Supplemental Information

Consolidated Balance Sheets (Unaudited)

Sumitomo Mitsui Banking Corporation and Subsidiaries

March 31	Millions of yen		Millions of
	2017	2018	U.S. dollars
Assets:			
Cash and due from banks	¥ 44,992,414	¥ 52,122,407	\$ 490,564
Call loans and bills bought	1,872,144	1,881,879	17,712
Receivables under resale agreements	2,199,733	1,675,693	15,771
Receivables under securities borrowing transactions.....	3,609,903	3,562,107	33,526
Monetary claims bought.....	4,265,954	4,550,592	42,829
Trading assets	2,666,417	2,408,549	22,669
Money held in trust.....	0	0	0
Securities.....	24,181,601	25,217,287	237,339
Loans and bills discounted	83,314,483	75,853,934	713,919
Foreign exchanges	1,722,104	2,164,196	20,369
Lease receivables and investment assets.....	282,505	252,507	2,377
Other assets	3,586,135	3,923,004	36,922
Tangible fixed assets.....	1,121,670	1,410,800	13,278
Assets for rent	201,066	594,576	5,596
Buildings.....	342,078	302,996	2,852
Land	482,659	416,592	3,921
Lease assets	4,724	2,984	28
Construction in progress.....	20,441	19,404	183
Other tangible fixed assets	70,699	74,247	699
Intangible fixed assets.....	339,674	311,810	2,935
Software	258,131	259,587	2,443
Goodwill	30,707	12,727	120
Lease assets	303	21	0
Other intangible fixed assets.....	50,531	39,474	372
Net defined benefit asset	310,588	377,768	3,555
Deferred tax assets	59,928	28,789	271
Customers' liabilities for acceptances and guarantees	6,927,918	7,373,185	69,395
Reserve for possible loan losses.....	(506,515)	(387,022)	(3,643)
Total assets.....	¥180,946,664	¥182,727,495	\$1,719,788

(Continued)

March 31	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Liabilities and net assets:			
Liabilities:			
Deposits	¥118,424,659	¥117,227,296	\$1,103,316
Negotiable certificates of deposit	12,595,937	11,455,284	107,814
Call money and bills sold	844,519	740,928	6,973
Payables under repurchase agreements.....	2,737,947	5,256,519	49,473
Payables under securities lending transactions.....	3,190,161	3,324,893	31,293
Commercial paper.....	2,312,289	2,385,705	22,454
Trading liabilities	2,131,143	1,907,416	17,952
Borrowed money.....	11,981,546	13,973,112	131,512
Foreign exchanges	718,940	906,429	8,531
Bonds	3,987,749	3,255,697	30,642
Due to trust account.....	1,180,976	1,328,271	12,501
Other liabilities.....	4,524,079	3,983,839	37,495
Reserve for employee bonuses.....	34,990	32,826	309
Reserve for executive bonuses	922	1,333	13
Net defined benefit liability.....	16,788	6,552	62
Reserve for executive retirement benefits.....	867	671	6
Reserve for point service program	1,189	966	9
Reserve for reimbursement of deposits	15,464	17,765	167
Reserve for losses on interest repayment	40	—	—
Deferred tax liabilities	378,740	427,853	4,027
Deferred tax liabilities for land revaluation	31,596	30,539	287
Acceptances and guarantees.....	6,927,918	7,373,185	69,395
Total liabilities	172,038,471	173,637,092	1,634,231
Net assets :			
Capital stock	1,770,996	1,770,996	16,668
Capital surplus	1,958,660	1,970,412	18,545
Retained earnings	3,045,979	3,451,151	32,481
Treasury stock	(210,003)	(210,003)	(1,976)
Total stockholders' equity	6,565,632	6,982,557	65,718
Net unrealized gains (losses) on other securities	1,397,396	1,509,249	14,205
Net deferred gains (losses) on hedges.....	(39,174)	(66,918)	(630)
Land revaluation excess.....	38,041	37,042	349
Foreign currency translation adjustments.....	35,589	12,710	120
Accumulated remeasurements of defined benefit plans.....	10,773	60,463	569
Total accumulated other comprehensive income	1,442,626	1,552,547	14,612
Stock acquisition rights.....	276	—	—
Non-controlling interests.....	899,656	555,298	5,226
Total net assets	8,908,192	9,090,403	85,557
Total liabilities and net assets	¥180,946,664	¥182,727,495	\$1,719,788

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Unaudited)

Sumitomo Mitsui Banking Corporation and Subsidiaries
(Consolidated Statements of Income)

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Ordinary income	¥3,014,455	¥3,117,087	\$29,337
Interest income	1,668,533	1,901,507	17,897
Interest on loans and discounts	1,215,517	1,290,981	12,150
Interest and dividends on securities	254,119	331,893	3,124
Interest on call loans and bills bought	12,210	19,464	183
Interest on receivables under resale agreements	23,639	34,278	323
Interest on receivables under securities borrowing transactions.....	6,471	2,588	24
Interest on deposits with banks	47,157	74,009	697
Interest on lease transactions	8,031	7,699	72
Other interest income.....	101,386	140,592	1,323
Trust fees.....	3,698	3,769	35
Fees and commissions	725,920	632,125	5,949
Trading income.....	140,398	85,312	803
Other operating income	245,246	238,304	2,243
Lease-related income.....	16,469	37,239	350
Installment-related income.....	20,365	23,078	217
Other	208,411	177,985	1,675
Other income.....	230,658	256,067	2,410
Gains on reversal of reserve for possible loan losses.....	—	43,984	414
Recoveries of written-off claims.....	4,139	164	2
Other	226,519	211,918	1,995
Ordinary expenses	2,185,035	2,184,353	20,559
Interest expenses	531,108	748,234	7,042
Interest on deposits	189,117	282,966	2,663
Interest on negotiable certificates of deposit.....	67,238	86,817	817
Interest on call money and bills sold.....	5,593	8,686	82
Interest on payables under repurchase agreements.....	16,775	48,851	460
Interest on payables under securities lending transactions.....	4,176	10,394	98
Interest on commercial paper	15,510	18,393	173
Interest on borrowed money	78,309	133,290	1,254
Interest on short-term bonds	24	—	—
Interest on bonds	93,354	88,810	836
Other interest expenses	61,007	70,022	659
Fees and commissions payments.....	169,653	167,832	1,580
Trading losses	—	4,127	39
Other operating expenses.....	82,079	93,120	876
Lease-related expenses	2,639	18,988	179
Installment-related expenses	11,861	14,515	137
Other	67,578	59,617	561
General and administrative expenses	1,247,126	1,098,224	10,336
Other expenses.....	155,067	72,813	685
Provision for reserve for possible loan losses.....	49,458	—	—
Other	105,609	72,813	685
Ordinary profit	829,419	932,733	8,779
Extraordinary gains.....	1,452	798	8
Gains on disposal of fixed assets	1,452	798	8
Extraordinary losses	9,832	46,568	438
Losses on disposal of fixed assets	4,907	2,165	20
Losses on impairment of fixed assets.....	4,866	44,402	418
Provision for reserve for eventual future operating losses from financial instruments transactions.....	58	—	—
Income before income taxes.....	821,039	886,964	8,348
Income taxes-current	159,828	212,275	1,998
Income taxes-deferred	60,932	(8,370)	(79)
Income taxes	220,760	203,904	1,919
Profit	600,279	683,059	6,429
Profit attributable to non-controlling interests.....	57,079	55,477	522
Profit attributable to owners of parent	¥ 543,199	¥ 627,582	\$ 5,907

(Continued)

(Consolidated Statements of Comprehensive Income)

Year ended March 31	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Profit	¥ 600,279	¥ 683,059	\$ 6,429
Other comprehensive income (losses)	86,878	99,442	936
Net unrealized gains (losses) on other securities.....	139,404	113,345	1,067
Net deferred gains (losses) on hedges	(101,794)	(31,163)	(293)
Land revaluation excess	(6)	1	0
Foreign currency translation adjustments.....	(10,930)	(43,565)	(410)
Remeasurements of defined benefit plans	78,031	49,110	462
Share of other comprehensive income of affiliates.....	(17,826)	11,714	110
Total comprehensive income	687,157	782,502	7,365
Comprehensive income attributable to owners of parent.....	639,502	738,503	6,951
Comprehensive income attributable to non-controlling interests.....	47,655	43,999	414

Non-consolidated Balance Sheets (Unaudited)

Sumitomo Mitsui Banking Corporation

March 31	Millions of yen		Millions of
	2017	2018	U.S. dollars
Assets:			
Cash and due from banks	¥ 41,652,508	¥ 49,030,209	\$ 461,461
Call loans	1,465,117	1,417,562	13,342
Receivables under resale agreements	523,913	499,738	4,703
Receivables under securities borrowing transactions.....	3,184,379	3,140,151	29,554
Monetary claims bought.....	1,125,434	1,239,394	11,665
Trading assets	1,879,342	1,723,878	16,225
Securities.....	24,342,369	25,916,718	243,922
Loans and bills discounted	75,585,256	73,896,163	695,493
Foreign exchanges	1,663,102	2,143,021	20,170
Other assets	2,383,307	3,020,300	28,426
Tangible fixed assets	815,808	798,476	7,515
Intangible fixed assets.....	230,984	231,429	2,178
Prepaid pension cost	275,175	279,360	2,629
Customers' liabilities for acceptances and guarantees	7,565,562	7,921,169	74,552
Reserve for possible loan losses.....	(389,726)	(319,868)	(3,011)
Reserve for possible losses on investments	(20,808)	(14,559)	(137)
Total assets	¥162,281,729	¥170,923,146	\$1,608,688
Liabilities and net assets:			
Liabilities:			
Deposits	¥105,590,771	¥110,243,226	\$ 1,037,583
Negotiable certificates of deposit	12,263,091	11,264,807	106,022
Call money.....	1,009,469	928,117	8,735
Payables under repurchase agreements.....	1,359,017	4,383,418	41,256
Payables under securities lending transactions.....	3,076,425	3,073,423	28,926
Commercial paper.....	1,390,123	1,522,354	14,328
Trading liabilities	1,472,340	1,422,824	13,391
Borrowed money	12,026,497	14,023,257	131,984
Foreign exchanges	737,961	915,154	8,613
Bonds	3,944,061	3,211,548	30,226
Due to trust account.....	1,160,014	1,276,907	12,018
Other liabilities.....	2,879,318	2,391,909	22,512
Reserve for employee bonuses.....	14,134	14,163	133
Reserve for executive bonuses	612	978	9
Reserve for point service program	1,058	966	9
Reserve for reimbursement of deposits	13,602	17,307	163
Deferred tax liabilities	329,253	359,803	3,386
Deferred tax liabilities for land revaluation	31,230	30,539	287
Acceptances and guarantees.....	7,565,562	7,921,169	74,552
Total liabilities	154,864,546	163,001,878	1,534,135
Net assets:			
Capital stock	1,770,996	1,770,996	16,668
Capital surplus	1,776,830	1,776,830	16,723
Retained earnings	2,689,638	3,044,175	28,651
Treasury stock	(210,003)	(210,003)	(1,976)
Total stockholders' equity	6,027,462	6,381,999	60,066
Net unrealized gains (losses) on other securities	1,399,125	1,519,691	14,303
Net deferred gains (losses) on hedges.....	(36,110)	(6,286)	(59)
Land revaluation excess.....	26,704	25,863	243
Total valuation and translation adjustments	1,389,719	1,539,268	14,487
Total net assets	7,417,182	7,921,268	74,553
Total liabilities and net assets	¥162,281,729	¥170,923,146	\$1,608,688

Income Analysis (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Operating Income, Classified by Domestic and Overseas Operations

Year ended March 31	Millions of yen							
	2018				2017			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Interest income	¥1,251,484	¥986,827	¥ (72,523)	¥2,165,788	¥1,169,655	¥827,003	¥(84,631)	¥1,912,027
Interest expenses.....	296,895	450,827	27,837	775,560	246,060	319,440	(12,106)	553,394
Net interest income	954,589	535,999	(100,360)	1,390,228	923,594	507,563	(72,524)	1,358,632
Trust fees	3,884	—	—	3,884	3,797	—	—	3,797
Fees and commissions	1,050,071	211,755	(17,763)	1,244,063	983,977	224,712	(13,237)	1,195,452
Fees and commissions payments	140,231	39,791	(2,604)	177,418	144,470	40,224	(2,590)	182,104
Net fees and commissions	909,840	171,964	(15,159)	1,066,645	839,506	184,488	(10,646)	1,013,348
Trading income.....	220,127	37,511	(11,299)	246,338	221,610	42,858	(27,073)	237,394
Trading losses	4,183	7,153	(11,299)	36	9,465	17,607	(27,073)	—
Net trading income.....	215,944	30,357	—	246,301	212,144	25,250	—	237,394
Other operating income	1,460,912	403,890	(1,457)	1,863,345	1,256,723	327,406	(814)	1,583,316
Other operating expenses.....	1,327,062	263,573	(1,280)	1,589,355	1,077,307	199,409	(970)	1,275,747
Net other operating income.....	133,849	140,317	(176)	273,990	179,415	127,997	155	307,568

Notes: 1. Domestic operations comprise the operations of the Company, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Inter-segment transactions are reported in the "Elimination" column.

Average Balance, Interest and Average Rate of Interest-Earning Assets and Interest-Bearing Liabilities

Domestic Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets.....	¥ 92,274,420	¥1,251,484	1.36%	¥ 87,746,070	¥1,169,655	1.33%
Loans and bills discounted.....	56,680,119	822,397	1.45	55,634,086	826,571	1.49
Securities	18,983,741	280,161	1.48	17,693,281	212,691	1.20
Call loans and bills bought.....	81,299	412	0.51	76,166	467	0.61
Receivables under resale agreements	93,971	31	0.03	36,530	(10)	(0.03)
Receivables under securities borrowing transactions	8,896,919	14,619	0.16	7,827,996	12,172	0.16
Deposits with banks.....	1,484,755	14,150	0.95	984,203	6,306	0.64
Lease receivables and investment assets	1,870,300	51,754	2.77	1,801,420	51,237	2.84
Interest-bearing liabilities	¥135,808,445	¥ 296,895	0.22%	¥123,658,898	¥ 246,060	0.20%
Deposits	99,591,183	44,051	0.04	92,978,393	33,592	0.04
Negotiable certificates of deposit	5,919,870	497	0.01	6,064,857	1,081	0.02
Call money and bills sold	845,376	301	0.04	603,065	91	0.02
Payables under repurchase agreements	1,742,218	16,292	0.94	1,325,978	7,854	0.59
Payables under securities lending transactions ...	10,299,770	11,316	0.11	7,374,658	4,631	0.06
Commercial paper.....	137,316	16	0.01	138,698	59	0.04
Borrowed money.....	10,437,455	70,790	0.68	7,621,066	67,559	0.89
Short-term bonds.....	1,169,237	54	0.00	1,183,878	118	0.01
Bonds.....	4,714,648	98,252	2.08	5,358,345	102,926	1.92

Notes: 1. Domestic operations comprise the operations of the Company, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries.

2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or quarterly balances instead.

3. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥41,874,204 million; 2017, ¥33,983,080 million).

Overseas Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets.....	¥42,485,121	¥986,827	2.32%	¥40,533,726	¥827,003	2.04%
Loans and bills discounted	24,442,168	683,341	2.80	23,868,315	599,614	2.51
Securities	4,275,389	77,124	1.80	4,014,209	79,703	1.99
Call loans and bills bought.....	1,740,864	19,050	1.09	1,319,676	11,738	0.89
Receivables under resale agreements	2,377,014	35,477	1.49	2,198,666	26,255	1.19
Receivables under securities borrowing transactions	—	—	—	—	—	—
Deposits with banks.....	5,070,548	71,232	1.40	4,888,341	44,092	0.90
Lease receivables and investment assets	466,191	19,187	4.12	497,302	18,990	3.82
Interest-bearing liabilities	¥34,920,175	¥450,827	1.29%	¥32,659,822	¥319,440	0.98%
Deposits	20,416,044	248,973	1.22	18,867,692	157,977	0.84
Negotiable certificates of deposit	6,152,649	86,312	1.40	6,461,498	66,151	1.02
Call money and bills sold	786,372	8,169	1.04	645,301	5,399	0.84
Payables under repurchase agreements	4,112,837	43,247	1.05	3,241,888	15,784	0.49
Payables under securities lending transactions ..	—	—	—	—	—	—
Commercial paper.....	2,005,997	18,376	0.92	2,206,493	15,450	0.70
Borrowed money.....	970,117	19,530	2.01	830,387	13,805	1.66
Short-term bonds.....	—	—	—	—	—	—
Bonds.....	167,887	5,313	3.16	107,166	4,153	3.88

- Notes: 1. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or quarterly balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥3,089,333 million; 2017, ¥2,134,415 million).

Total of Domestic and Overseas Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets.....	¥131,788,216	¥2,165,788	1.64%	¥125,630,472	¥1,912,027	1.52%
Loans and bills discounted	80,478,319	1,469,232	1.83	78,679,693	1,384,119	1.76
Securities	23,016,994	342,013	1.49	21,494,609	259,840	1.21
Call loans and bills bought.....	1,822,164	19,462	1.07	1,395,842	12,205	0.87
Receivables under resale agreements	1,297,130	24,566	1.89	1,096,826	18,886	1.72
Receivables under securities borrowing transactions	8,896,919	14,619	0.16	7,827,996	12,172	0.16
Deposits with banks.....	5,694,884	75,619	1.33	5,430,503	48,040	0.88
Lease receivables and investment assets	2,336,490	70,941	3.04	2,298,722	70,227	3.06
Interest-bearing liabilities	¥171,823,617	¥ 775,560	0.45%	¥155,870,100	¥ 553,394	0.36%
Deposits	119,140,090	283,229	0.24	111,384,184	189,204	0.17
Negotiable certificates of deposit	12,072,519	86,810	0.72	12,526,355	67,232	0.54
Call money and bills sold	1,631,748	8,471	0.52	1,248,366	5,491	0.44
Payables under repurchase agreements	4,681,200	48,597	1.04	3,429,496	16,281	0.47
Payables under securities lending transactions ..	10,299,770	11,316	0.11	7,374,658	4,631	0.06
Commercial paper.....	2,143,314	18,393	0.86	2,345,192	15,510	0.66
Borrowed money.....	10,859,024	54,654	0.50	7,654,498	39,528	0.52
Short-term bonds.....	1,169,237	54	0.00	1,183,878	118	0.01
Bonds.....	8,618,579	186,095	2.16	7,451,001	144,755	1.94

- Notes: 1. The figures above comprise totals for domestic and overseas operations after inter-segment eliminations.
2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or quarterly balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥44,957,810 million; 2017, ¥36,098,076 million).

Fees and Commissions

Year ended March 31	Millions of yen							
	2018				2017			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Fees and commissions.....	¥1,050,071	¥211,755	¥(17,763)	¥1,244,063	¥983,977	¥224,712	¥(13,237)	¥1,195,452
Deposits and loans	22,291	115,568	(4,783)	133,075	22,622	118,683	(5,703)	135,602
Remittances and transfers.....	119,472	20,469	(38)	139,903	118,768	19,881	(30)	138,618
Securities-related business.....	122,104	36,172	(2,029)	156,248	118,164	42,662	(1,056)	159,769
Agency	16,559	—	—	16,559	16,772	—	—	16,772
Safe deposits	5,223	2	—	5,225	5,413	2	—	5,416
Guarantees.....	81,074	12,235	(4,475)	88,834	75,725	14,915	(3,894)	86,745
Credit card business.....	290,782	1	—	290,783	264,255	3	—	264,258
Investment trusts	147,724	6,694	—	154,418	122,018	4,574	—	126,592
Fees and commissions payments.....	¥ 140,231	¥ 39,791	¥ (2,604)	¥ 177,418	¥144,470	¥ 40,224	¥ (2,590)	¥ 182,104
Remittances and transfers.....	30,206	9,616	(2)	39,820	29,997	9,750	(27)	39,720

Notes: 1. Domestic operations comprise the operations of the Company, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Inter-segment transactions are reported in the "Elimination" column.

Trading Income

Year ended March 31	Millions of yen							
	2018				2017			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Trading income.....	¥220,127	¥37,511	¥(11,299)	¥246,338	¥221,610	¥42,858	¥(27,073)	¥237,394
Gains on trading securities	191,693	—	(4,638)	187,054	178,218	—	(13,099)	165,119
Gains on securities related to trading transactions.....	6,004	—	(281)	5,722	13,025	—	(155)	12,869
Gains on trading-related financial derivatives.....	22,347	37,511	(6,297)	53,561	30,336	42,858	(13,818)	59,375
Others	82	—	(82)	—	30	—	—	30
Trading losses.....	4,183	7,153	(11,299)	36	9,465	17,607	(27,073)	—
Losses on trading securities	—	4,638	(4,638)	—	—	13,099	(13,099)	—
Losses on securities related to trading transactions.....	—	281	(281)	—	—	155	(155)	—
Losses on trading-related financial derivatives.....	4,183	2,114	(6,297)	—	9,465	4,353	(13,818)	—
Others	—	119	(82)	36	—	—	—	—

Notes: 1. Domestic operations comprise the operations of the Company, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

2. Inter-segment transactions are reported in the "Elimination" column.

Assets and Liabilities (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Deposits and Negotiable Certificates of Deposit

Year-End Balance

March 31	Millions of yen	
	2018	2017
Domestic operations:		
Liquid deposits	¥ 70,073,538	¥ 68,135,738
Fixed-term deposits	18,171,661	22,249,043
Others	7,338,619	7,290,869
Subtotal	95,583,818	97,675,651
Negotiable certificates of deposit	5,408,020	6,021,235
Total	¥100,991,839	¥103,696,887
Overseas operations:		
Liquid deposits	¥ 13,298,126	¥ 12,766,301
Fixed-term deposits	7,469,541	7,256,466
Others	126,047	131,791
Subtotal	20,893,715	20,154,558
Negotiable certificates of deposit	5,812,264	5,859,702
Total	¥ 26,705,979	¥ 26,014,260
Grand total	¥127,697,819	¥129,711,148

- Notes: 1. Domestic operations comprise the operations of the Company, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
 2. Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice
 3. Fixed-term deposits = Time deposits + Installment savings

Balance of Loan Portfolio, Classified by Industry

Year-End Balance

March 31	Millions of yen			
	2018		2017	
Domestic operations:				
Manufacturing	¥ 6,178,840	12.46%	¥ 7,714,405	13.55%
Agriculture, forestry, fisheries and mining	133,866	0.27	120,160	0.21
Construction	755,081	1.52	906,799	1.59
Transportation, communications and public enterprises	4,963,271	10.01	4,633,725	8.14
Wholesale and retail	4,197,459	8.47	4,556,865	8.00
Finance and insurance	2,138,843	4.31	2,468,763	4.34
Real estate, goods rental and leasing	7,700,984	15.53	8,716,521	15.31
Services	4,180,396	8.43	4,694,153	8.25
Municipalities	914,763	1.85	1,108,202	1.95
Others	18,416,729	37.15	22,007,202	38.66
Subtotal	¥49,580,236	100.00%	¥56,926,799	100.00%
Overseas operations:				
Public sector	¥ 296,236	1.27%	¥ 217,056	0.93%
Financial institutions	1,591,536	6.81	1,494,278	6.41
Commerce and industry	19,036,593	81.47	19,037,470	81.67
Others	2,441,330	10.45	2,561,716	10.99
Subtotal	¥23,365,696	100.00%	¥23,310,523	100.00%
Total	¥72,945,934	—	¥80,237,322	—

- Notes: 1. Domestic operations comprise the operations of the Company, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
 2. Japan offshore banking accounts are included in overseas operations' accounts.

Reserve for Possible Loan Losses

March 31	Millions of yen	
	2018	2017
General reserve	¥378,469	¥431,510
Specific reserve	156,914	213,205
Loan loss reserve for specific overseas countries	704	1,498
Reserve for possible loan losses	¥536,088	¥646,215
Amount of direct reduction	¥190,945	¥288,145

Risk-Monitored Loans

March 31	Millions of yen	
	2018	2017
Bankrupt loans	¥ 27,709	¥ 34,441
Non-accrual loans	406,066	558,855
Past due loans (3 months or more)	12,822	22,434
Restructured loans	210,616	252,790
Total	¥657,215	¥868,521
Amount of direct reduction	¥140,488	¥245,719

Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Loans on which accrued interest income is not recognized, and to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or borrowers receiving a disposition to suspend transactions with a clearing house.
2. Non-accrual loans: Loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
3. Past due loans (3 months or more): Loans on which the principal or interest is past due for 3 months or more, excluding loans in categories 1. and 2.
4. Restructured loans: Loans to borrowers on which terms and conditions have been amended in favor of the borrowers in order to support the borrowers' recovery from financial difficulties and facilitate collection of loans, excluding loans in categories 1. through 3.

NPLs Based on the Financial Reconstruction Act

March 31	Millions of yen	
	2018	2017
Bankrupt and quasi-bankrupt assets	¥ 97,941	¥ 160,665
Doubtful assets	350,884	491,353
Substandard loans	223,480	275,646
Total of NPLs	672,306	927,665
Normal assets	85,211,809	91,575,200
Total	¥85,884,115	¥92,502,865
Amount of direct reduction	¥ 190,945	¥ 288,145

Notes: Definition of problem asset categories

1. Bankrupt and quasi-bankrupt assets: Credits to borrowers undergoing bankruptcy, corporate reorganization, and rehabilitation proceedings, as well as claims of a similar nature
2. Doubtful assets: Credits for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower
3. Substandard loans: Past due loans (3 months or more) and restructured loans, excluding 1. and 2.
4. Normal assets: Credits to borrowers with good business performance and in financial standing without identified problems and not classified into the 3 categories above

Securities

Year-End Balance

March 31	Millions of yen	
	2018	2017
Domestic operations:		
Japanese government bonds.....	¥ 9,575,499	¥ 8,454,687
Japanese local government bonds	47,032	90,243
Japanese corporate bonds	2,508,618	2,731,856
Japanese stocks.....	4,111,234	3,925,112
Others	4,692,531	5,297,701
Subtotal	¥20,934,916	¥20,499,601
Overseas operations:		
Japanese government bonds.....	¥ —	¥ —
Japanese local government bonds	—	—
Japanese corporate bonds	75,495	78,031
Japanese stocks.....	—	—
Others	4,645,121	3,998,504
Subtotal	¥ 4,720,616	¥ 4,076,536
Unallocated corporate assets:		
Japanese government bonds.....	¥ —	¥ —
Japanese local government bonds	—	—
Japanese corporate bonds	—	—
Japanese stocks.....	57,175	55,654
Others	—	—
Subtotal	¥ 57,175	¥ 55,654
Total	¥25,712,709	¥24,631,792

- Notes: 1. Domestic operations comprise the operations of the Company, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. "Others" include foreign bonds and foreign stocks.

Trading Assets and Liabilities

March 31	Millions of yen							
	2018				2017			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Trading assets	¥4,674,817	¥938,646	¥(27,872)	¥5,585,591	¥5,882,221	¥906,906	¥(33,700)	¥6,755,428
Trading securities.....	2,896,497	228,922	—	3,125,419	3,543,982	136,723	—	3,680,705
Derivatives of trading securities.....	74,802	—	—	74,802	56,901	—	—	56,901
Securities related to trading transactions	—	—	—	—	—	—	—	—
Derivatives of securities related to trading transactions	13,834	59	—	13,894	10,586	97	—	10,684
Trading-related financial derivatives	1,648,189	709,664	(27,872)	2,329,981	2,172,657	770,086	(33,700)	2,909,043
Other trading assets.....	41,493	—	—	41,493	98,093	—	—	98,093
Trading liabilities.....	¥3,619,541	¥810,441	¥(27,872)	¥4,402,110	¥3,904,067	¥834,564	¥(33,700)	¥4,704,931
Trading securities sold for short sales	2,042,937	97,043	—	2,139,980	2,013,249	58,334	—	2,071,583
Derivatives of trading securities.....	94,962	—	—	94,962	58,961	—	—	58,961
Securities related to trading transactions sold for short sales	—	—	—	—	—	—	—	—
Derivatives of securities related to trading transactions	14,035	147	—	14,182	8,633	91	—	8,724
Trading-related financial derivatives	1,467,606	713,250	(27,872)	2,152,983	1,823,223	776,138	(33,700)	2,565,661
Other trading liabilities	—	—	—	—	—	—	—	—

- Notes: 1. Domestic operations comprise the operations of the Company, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. Overseas operations comprise the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.
2. Inter-segment transactions are reported in the "Elimination" column.

Capital (Non-consolidated)

Sumitomo Mitsui Financial Group, Inc.

Changes in Number of Shares Issued and Capital Stock

	Millions of yen					
	Number of shares issued		Capital stock		Capital reserve	
	Changes	Balances	Changes	Balances	Changes	Balances
July 26, 2017*.....	387,765	1,414,443,390	847	2,338,743	847	1,560,221

Remarks:

* Allotment to third parties (in-kind contributions of monetary compensation claims):

Common stock: 387,765 shares

Issue price: ¥4,372

Capitalization: ¥2,186

Number of Shares Issued

March 31, 2018	Number of shares issued
Common stock.....	1,414,443,390
Total.....	1,414,443,390

Stock Exchange Listings

Tokyo Stock Exchange (First Section)
Nagoya Stock Exchange (First Section)
New York Stock Exchange*

* The Company listed its ADRs on the New York Stock Exchange.

Number of Common Shares, Classified by Type of Shareholders

March 31, 2018	Number of shareholders	Number of units	Percentage of total
Japanese government and local government.....	8	4,778	0.03%
Financial institutions.....	353	3,998,204	28.31
Securities companies.....	81	786,823	5.57
Other institutions.....	6,762	1,241,951	8.79
Foreign institutions.....	1,178	6,532,794	46.25
Foreign individuals.....	333	4,560	0.03
Individuals and others.....	260,929	1,556,023	11.02
Total.....	269,644	14,125,133	100.00%
Fractional shares (shares).....	—	1,930,090	—

Notes: 1. Of 3,884,968 shares in treasury stock, 38,849 units are included in "Individuals and others" and the remaining 68 shares are included in "Fractional shares."
2. "Other institutions" and "Fractional shares" includes 29 units and 48 shares, held at Japan Securities Depository Center, Incorporated.
3. In the row "Fractional shares," title in the Register of Shareholders is in the name of Sumitomo Mitsui Banking Corporation, but 60 of the shares listed are not substantially in the ownership of the bank.

Principal Shareholders

March 31, 2018	Number of shares	Percentage of shares outstanding
Japan Trustee Services Bank, Ltd. (Trust Account).....	82,563,000	5.85%
The Master Trust Bank of Japan, Ltd. (Trust Account).....	72,716,900	5.15
NATSCUMCO*.....	39,842,032	2.82
Japan Trustee Services Bank, Ltd. (Trust Account 9).....	30,932,300	2.19
Japan Trustee Services Bank, Ltd. (Trust Account 5).....	28,529,200	2.02
STATE STREET BANK WEST CLIENT - TREATY 505234**.....	24,748,158	1.75
Japan Trustee Services Bank, Ltd. (Trust Account 1).....	21,209,100	1.50
Japan Trustee Services Bank, Ltd. (Trust Account 2).....	20,939,400	1.48
Barclays Securities Japan Limited.....	18,477,000	1.30
Japan Trustee Services Bank, Ltd. (Trust Account 7).....	18,442,300	1.30
Total.....	358,399,390	25.40%

* Standing agent: Sumitomo Mitsui Banking Corporation

** Standing agent: Mizuho Bank, Ltd. Settlement Service Department

Notes: 1. Sumitomo Mitsui Trust Bank, Limited has submitted a Report of Possession of Large Volume regarding its shareholding as of September 6, 2016. It stated that Sumitomo Mitsui Trust Bank, Limited and two other shareholders held the following common shares in the Company as of August 31, 2016. But, these three are not included in the above Principal Shareholders because the Company was unable to confirm the number of shares owned by them at the end of the fiscal year ended March 31, 2018.

The Report of Possession of Large Volume is detailed as follows:

Principal Shareholder: Sumitomo Mitsui Trust Bank, Limited (and two other joint holders)

Number of shares held: 71,542,000 shares (including joint ownership)

Shareholding ratio: 5.06%

2. BlackRock Japan Co., Ltd. has submitted a Change Report of Possession of Large Volume regarding its shareholding as of March 22, 2017. It stated that BlackRock Japan Co., Ltd. and nine other shareholders held the following common shares in the Company as of March 15, 2017. But, these ten are not included in the above Principal Shareholders because the Company was unable to confirm the number of shares owned by them at the end of the fiscal year ended March 31, 2018.

The Change Report of Possession of Large Volume is detailed as follows:

Principal Shareholder: BlackRock Japan Co., Ltd. (and nine other joint holders)

Number of shares held: 90,686,690 shares (including joint ownership)

Shareholding ratio: 6.41%

3. Mizuho Securities Co., Ltd. has submitted a Change Report of Possession of Large Volume regarding its shareholding as of September 25, 2017. It stated that Mizuho Securities Co., Ltd. and another shareholder held the following common shares in the Company as of September 15, 2017. But, these two are not included in the above Principal Shareholders because the Company was unable to confirm the number of shares owned by them at the end of the fiscal year ended March 31, 2018.

The Change Report of Possession of Large Volume is detailed as follows:

Principal Shareholder: Mizuho Securities Co., Ltd. (and another joint holder)

Number of shares held: 67,325,407 shares (including joint ownership)

Shareholding ratio: 4.76%

4. Mitsubishi UFJ Financial Group, Inc. has submitted a Change Report of Possession of Large Volume regarding its shareholding as of October 30, 2017. It stated that Mitsubishi UFJ Trust and Banking Corporation and two other shareholders held the following common shares in the Company as of October 23, 2017. But, these three are not included in the above Principal Shareholders because the Company was unable to confirm the number of shares owned by them at the end of the fiscal year ended March 31, 2018.

The Change Report of Possession of Large Volume is detailed as follows:

Principal Shareholder: Mitsubishi UFJ Trust and Banking Corporation (and two other joint holders)

Number of shares held: 65,407,063 shares (including joint ownership)

Shareholding ratio: 4.62%

Stock Options

March 31	2018
Number of shares granted.....	72,600 shares
Type of stock	Common stock
Issue price	¥2,216 per share
Amount capitalized when shares are issued	¥1,108 per share
Exercise period of stock options.....	From August 13, 2010 to August 12, 2040
Date of resolution: Meeting of the Board of Directors held on July 28, 2010	
March 31	2018
Number of shares granted.....	226,900 shares
Type of stock	Common stock
Issue price	¥1,873 per share
Amount capitalized when shares are issued	¥937 per share
Exercise period of stock options.....	From August 16, 2011 to August 15, 2041
Date of resolution: Meeting of the Board of Directors held on July 29, 2011	
March 31	2018
Number of shares granted.....	232,100 shares
Type of stock	Common stock
Issue price	¥2,043 per share
Amount capitalized when shares are issued	¥1,022 per share
Exercise period of stock options.....	From August 15, 2012 to August 14, 2042
Date of resolution: Meeting of the Board of Directors held on July 30, 2012	
March 31	2018
Number of shares granted.....	89,200 shares
Type of stock	Common stock
Issue price	¥4,160 per share
Amount capitalized when shares are issued	¥2,080 per share
Exercise period of stock options.....	From August 14, 2013 to August 13, 2043
Date of resolution: Meeting of the Board of Directors held on July 29, 2013	
March 31	2018
Number of shares granted.....	94,200 shares
Type of stock	Common stock
Issue price	¥3,662 per share
Amount capitalized when shares are issued	¥1,831 per share
Exercise period of stock options.....	From August 15, 2014 to August 14, 2044
Date of resolution: Meeting of the Board of Directors held on July 30, 2014	
March 31	2018
Number of shares granted.....	114,000 shares
Type of stock	Common stock
Issue price	¥4,905 per share
Amount capitalized when shares are issued	¥2,453 per share
Exercise period of stock options.....	From August 18, 2015 to August 17, 2045
Date of resolution: Meeting of the Board of Directors held on July 31, 2015	
March 31	2018
Number of shares granted.....	174,000 shares
Type of stock	Common stock
Issue price	¥2,812 per share
Amount capitalized when shares are issued	¥1,406 per share
Exercise period of stock options.....	From August 15, 2016 to August 14, 2046
Date of resolution: Meeting of the Board of Directors held on July 26, 2016	

Common Stock Price Range

Stock Price Performance

Year ended March 31	Yen				
	2018	2017	2016	2015	2014
High	¥5,333.0	¥4,768.0	¥5,770.0	¥4,915.0	¥5,470
Low	3,760.0	2,766.5	2,819.5	3,800	3,545

Note: Stock prices of common stock as quoted on the Tokyo Stock Exchange (First Section).

Six-Month Performance

	Yen					
	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018
High	¥4,643.0	¥4,615.0	¥5,009.0	¥5,333.0	¥5,139.0	¥4,642.0
Low	4,278.0	4,328.0	4,541.0	4,878.0	4,642.0	4,375.0

Note: Stock prices of common stock as quoted on the Tokyo Stock Exchange (First Section).

Basel III Information

Capital Ratio Information (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

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.

“Consolidated Capital 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: 347

Please refer to “Principal Subsidiaries and Affiliates” on page 122 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 Structure Information (Consolidated Capital Ratio (International Standard))

Regarding the calculation of the capital ratio, certain procedures were performed by KPMG AZSA LLC pursuant to “Treatment of Inspection of the Capital Ratio Calculation Framework Based on Agreed-Upon Procedures” (JICPA Industry Committee Practical Guideline No. 30).

The certain procedures performed by the external auditor are not part of the audit of consolidated financial statements. The certain procedures performed on our internal control framework for calculating the capital ratio are based on procedures agreed upon by Sumitomo Mitsui Financial Group and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to the capital ratio calculation.

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Common Equity Tier 1 capital: instruments and reserves					
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	8,510,089		8,013,333	
1a	of which: capital and capital surplus	3,096,958		3,095,242	
2	of which: retained earnings	5,552,573		5,036,756	
1c	of which: treasury stock (-)	12,493		12,913	
26	of which: cash dividends to be paid (-)	126,950		105,752	
	of which: other than the above	-		-	
1b	Stock acquisition rights to common shares	2,823		3,206	
3	Accumulated other comprehensive income and other disclosed reserves	1,753,424	-	1,289,962	322,490
5	Adjusted non-controlling interests, etc. (amount allowed to be included in group Common Equity Tier 1)	332		172,277	
	Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	-		27,797	
	of which: non-controlling interests and other items corresponding to common share capital issued by consolidated subsidiaries (amount allowed to be included in group Common Equity Tier 1)	-		27,797	
6	Common Equity Tier 1 capital: instruments and reserves (A)	10,266,670		9,506,577	
Common Equity Tier 1 capital: regulatory adjustments					
8+9	Total intangible assets (excluding those relating to mortgage servicing rights)	711,731	-	629,840	157,460
8	of which: goodwill (including those equivalent)	292,318	-	274,818	68,704
9	of which: other intangible assets other than goodwill and mortgage servicing rights	419,413	-	355,022	88,755
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,432	-	3,350	837
11	Net deferred gains or losses on hedges	(67,433)	-	(32,470)	(8,117)
12	Shortfall of eligible provisions to expected losses	66,256	-	63,740	15,935
13	Gain on sale on securitisation transactions	60,215	-	46,740	11,685
14	Gains and losses due to changes in own credit risk on fair valued liabilities	2,646	-	2,761	690
15	Net defined benefit asset	266,468	-	174,987	43,746
16	Investments in own shares (excluding those reported in the Net assets section)	7,981	-	9,135	2,283
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 ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (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 Other Financial Institutions, net of eligible short positions	-	-	-	-
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 Other Financial Institutions, net of eligible short positions	-	-	-	-
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)	1,049,297		898,087	
Common Equity Tier 1 capital (CET1)					
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	9,217,372		8,608,490	

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Additional Tier 1 capital: instruments					
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			
		Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities			
34-35	Adjusted non-controlling interests, etc. (amount allowed to be included in group Additional Tier 1)				
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)				
	Total of items included in Additional Tier 1 capital: items subject to transitional arrangements				
	of which: foreign currency translation adjustments				
36	Additional Tier 1 capital: instruments (D)				
Additional Tier 1 capital: regulatory adjustments					
37	Investments in own Additional Tier 1 instruments				
38	Reciprocal cross-holdings in Additional Tier 1 instruments				
39	Non-significant Investments in the Additional Tier 1 capital of Other Financial Institutions, net of eligible short positions (amount above 10% threshold)				
40	Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)				
	Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements				
	of which: goodwill and others				
	of which: gain on sale on securitisation transactions				
	of which: amount equivalent to 50% of shortfall of eligible provisions to expected losses				
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions				
43	Additional Tier 1 capital: regulatory adjustments (E)				
Additional Tier 1 capital (AT1)					
44	Additional Tier 1 capital ((D)-(E)) (F)				
Tier 1 capital (T1 = CET1 + AT1)					
45	Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)				
Tier 2 capital: instruments and provisions					
46	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its 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				
	Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities				
48-49	Adjusted non-controlling interests, etc. (amount allowed to be included in group Tier 2)				
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				
50a	of which: general reserve for possible loan losses				
50b	of which: eligible provisions				
	Total of items included in Tier 2 capital: instruments and provisions subject to transitional arrangements				
	of which: unrealized gains on other securities after 55% discount				
	of which: land revaluation excess after 55% discount				
51	Tier 2 capital: instruments and provisions (H)				

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Tier 2 capital: regulatory adjustments					
52	Investments in own Tier 2 instruments	0	—	—	—
53	Reciprocal cross-holdings in Tier 2 instruments	—	—	—	—
54	Non-significant Investments in the Tier 2 capital of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)	—	—	—	—
55	Significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)	50,000	—	40,000	10,000
	Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	—		30,569	
	of which: Tier 2 and deductions under Basel II	—		30,569	
57	Tier 2 capital: regulatory adjustments (I)	50,000		70,569	
Tier 2 capital (T2)					
58	Tier 2 capital (T2) ((H)-(I)) (J)	1,693,888		2,027,488	
Total capital (TC = T1 + T2)					
59	Total capital (TC = T1 + T2) ((G) + (J)) (K)	12,304,117		11,973,667	
Risk weighted assets					
	Total of items included in risk weighted assets subject to transitional arrangements	—		38,835	
	of which: intangible assets (excluding those relating to mortgage servicing rights)	—		16,711	
	of which: net defined benefit asset	—		12,010	
	of which: significant investments in Tier 2 capital of Other Financial Institutions (net of eligible short positions)	—		7,709	
60	Risk weighted assets (L)	63,540,277		70,683,540	
Capital ratio (consolidated)					
61	Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	14.50%		12.17%	
62	Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))	16.69%		14.07%	
63	Total risk-weighted capital ratio (consolidated) ((K)/(L))	19.36%		16.93%	
Regulatory adjustments					
72	Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	699,361		729,452	
73	Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	617,191		542,985	
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)	3,997		24,339	
Provisions included in Tier 2 capital: instruments and provisions					
76	Provisions (general reserve for possible loan losses)	75,328		74,104	
77	Cap on inclusion of provisions (general reserve for possible loan losses)	85,252		84,683	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	—		—	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	288,292		331,220	
Capital instruments subject to transitional arrangements					
82	Current cap on Additional Tier 1 instruments subject to transitional arrangements	650,343		812,928	
83	Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	79,809		58,050	
84	Current cap on Tier 2 instruments subject to transitional arrangements	813,713		1,017,141	
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	—		—	

(Millions of yen)

Items	As of March 31, 2018	As of March 31, 2017
Required capital ((L) × 8%)	5,083,222	5,654,683

■ Overview of RWA (OV1)

(Millions of yen)

OV1: Overview of RWA		a	b	c	d
Basel III Template No.		RWA		Minimum capital requirements	
		As of March 31, 2018	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017
1	Credit risk (CR) (excluding counterparty credit risk)	44,008,267		3,691,956	
2	Of which: Standardised Approach (SA)	4,773,898		381,911	
3	Of which: internal ratings-based (IRB) approach	35,686,496		3,026,214	
	Of which: significant investments in commercial entities	—		—	
	Of which: lease residual value	467,926		37,434	
	Other assets	3,079,946		246,395	
4	Counterparty credit risk (CCR)	3,918,579		318,144	
5	Of which: standardised approach for counterparty credit risk (SA-CCR)	—		—	
	Of which: current exposure method (CEM)	1,051,112		88,124	
6	Of which: Expected Positive Exposure (EPE)	—		—	
	Of which: Credit Valuation Adjustment (CVA)	2,252,318		180,185	
	Of which: Central Counterparty (CCP)	172,536		13,802	
	Others	442,610		36,031	
7	Equity positions in banking book under market-based approach	1,134,141		96,175	
	Equity investment in funds (SA)	140,870		11,269	
	Equity investment in funds (IRB)	3,125,588		265,049	
11	Settlement risk	—		—	
12	Securitisation exposures in banking book	817,315		69,249	
13	Of which: IRB ratings-based approach (RBA)	47,692		4,044	
14	Of which: IRB Supervisory Formula Approach (SFA)	184,229		15,622	
15	Of which: Standardised Approach (SA)	12,334		986	
	Of which: Risk weight (RW) 1250% is applied	573,058		48,595	
16	Market risk	2,697,316		215,785	
17	Of which: standardised approach (SA)	1,135,003		90,800	
18	Of which: internal model approaches (IMA)	1,562,313		124,985	
19	Operational risk	3,549,141		283,931	
20	Of which: Basic Indicator Approach	700,718		56,057	
21	Of which: Standardised Approach	—		—	
22	Of which: Advanced Measurement Approach	2,848,423		227,873	
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	1,552,824		131,661	
	RWA subject to transitional arrangements	—		—	
24	Floor adjustment	—		—	
25	Total (after applying scaling factors)	63,540,277		5,083,222	

■ 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 94 to 98 (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 effectively 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 235 to 236 “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, 2018			
		a	b	c	d
Item No.		Gross carrying values of:		Allowances	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
On-balance sheet assets					
1	Loans	712,660	72,812,660	482,264	73,043,056
2	Securities (of which: debt securities)	5,522	18,988,606	—	18,994,128
3	Other on-balance sheet assets (of which: debt-based assets)	5,799	59,162,065	62,432	59,105,432
4	Subtotal (1+2+3)	723,981	150,963,333	544,697	151,142,617
Off-balance sheet assets					
5	Acceptances and guarantees, etc.	7,939	8,701,550	87,594	8,621,895
6	Commitments, etc.	13,508	18,854,794	67,096	18,801,206
7	Subtotal (5+6)	21,447	27,556,345	154,691	27,423,101
Total					
8	Total (4+7)	745,428	178,519,678	699,388	178,565,718

3. 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, 2018			
	Loans, commitments and other off-balance sheet exposures except derivatives	Bonds	Others	Total
Domestic operations (excluding offshore banking accounts)	105,435,792	14,838,466	10,784,910	131,059,169
Manufacturing	8,622,976	311,691	2,817,598	11,752,266
Agriculture, forestry, fishery and mining	383,489	4,251	33,127	420,868
Construction	1,154,497	49,254	321,144	1,524,896
Transport, information, communications and utilities	5,936,126	181,049	992,859	7,110,035
Wholesale and retail	5,789,870	259,965	832,307	6,882,143
Financial and insurance	47,550,467	933,232	378,959	48,862,659
Real estate, goods rental and leasing	8,066,088	1,208,487	343,144	9,617,719
Services	4,506,592	404,287	1,074,615	5,985,494
Local municipal corporations	2,678,992	65,751	20,961	2,765,705
Other industries	20,746,690	11,420,496	3,970,193	36,137,379
Overseas operations and offshore banking accounts	46,481,209	4,155,824	2,879,224	53,516,258
Sovereigns	11,236,616	1,830,040	—	13,066,656
Financial institutions	5,331,988	728,389	428,845	6,489,222
C&I companies	24,798,102	180,533	—	24,978,636
Others	5,114,503	1,416,859	2,450,379	8,981,742
Total	151,917,001	18,994,290	13,664,135	184,575,428

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, 2018			
	Loans, commitments and other off-balance sheet exposures except derivatives	Bonds	Others	Total
To 1 year	41,938,248	6,650,406	475,934	49,064,590
More than 1 year to 3 years	17,161,498	5,587,944	443,433	23,192,875
More than 3 years to 5 years	13,094,941	1,086,147	434,360	14,615,449
More than 5 years to 7 years	5,084,112	451,333	205,309	5,740,755
More than 7 years	21,489,662	5,218,459	308,768	27,016,890
No fixed maturity	53,148,538	—	11,796,328	64,944,867
Total	151,917,001	18,994,290	13,664,135	184,575,428

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.

4. 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 2017		
	Term-end balance	Term-end Reserves	Write-offs for the year
Domestic operations (excluding offshore banking accounts)	859.8	285.9	41.0
Overseas operations and offshore banking accounts	191.1	85.4	14.5
Asia	15.8	11.3	4.3
North America	38.1	6.8	2.1
Other regions	137.2	67.3	8.1
Total	1,050.9	371.3	55.5

(2) By Industry

(Billions of yen)

	Fiscal 2017		
	Term-end balance	Term-end Reserves	Write-offs for the year
Domestic operations (excluding offshore banking accounts)	859.8	285.9	41.0
Manufacturing	88.0	37.5	(0.3)
Agriculture, forestry, fishery and mining	9.5	7.7	1.5
Construction	16.8	6.2	(0.1)
Transport, information, communications and utilities	57.7	27.5	(8.3)
Wholesale and retail	110.7	49.7	3.0
Financial and insurance	3.6	3.0	(0.3)
Real estate, goods rental and leasing	68.7	12.1	(0.5)
Services	92.1	39.7	2.1
Other industries	412.7	102.5	43.9
Overseas operations and offshore banking accounts	191.1	85.4	14.5
Financial institutions	2.5	0.4	0.0
C&I companies	91.5	52.6	8.9
Others	97.1	32.4	5.6
Total	1,050.9	371.3	55.5

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.

5. Term-End Balance of Exposures by Past Due Periods

(Billions of yen)

Fiscal 2017				
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
174.2	61.5	26.3	116.2	378.2

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.

6. 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 2017		
Term-end balance	Of which: amounts of increased Reserves for such exposures due to the restructuring of the loan conditions	Of which: other amounts
247.9	247.9	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., Cedyna Financial Corporation

(2) Overseas Operations

Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation (China) Limited, Banco Sumitomo Mitsui Brasileiro S.A., JSC Sumitomo Mitsui Rus Bank, PT Bank Sumitomo Mitsui Indonesia, Sumitomo Mitsui Banking Corporation Malaysia Berhad, SMBC Leasing and Finance, Inc., SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited and SMBC Capital Markets (Asia) Limited

SMBC Finance Service Co., Ltd. and Sumitomo Mitsui Finance and Leasing Co., Ltd. have 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 94 to 95). 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		Definition	Borrower Category
Domestic Corporate	Overseas Corporate		
J1	G1	Very high certainty of debt repayment	Normal Borrowers
J2	G2	High certainty of debt repayment	
J3	G3	Satisfactory certainty of debt repayment	
J4	G4	Debt repayment is likely but this could change in cases of significant changes in economic trends or business environment	
J5	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 significant changes in economic trends or business environment	
J6	G6	Currently no problem with debt repayment, but there are unstable business and financial factors that could lead to debt repayment problems	
J7	G7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish/unstable business, or financial problems	Borrowers Requiring Caution
J7R	G7R	Borrowers Requiring Caution identified as Substandard Borrowers	Substandard Borrowers
J8	G8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring, and highly likely to go bankrupt	Potentially Bankrupt Borrowers
J9	G9	Though not yet legally or formally bankrupt, has serious business difficulties and rehabilitation is unlikely; thus, effectively bankrupt	Virtually Bankrupt Borrowers
J10	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, 2018.
- 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, results of an exclusive grading model and a borrower category under self-assessment executed in accordance with the financial inspection manual of the Japanese FSA, 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, results of exclusive grading model and borrower category under self-assessment executed in accordance with the financial inspection manual of the Japanese FSA, 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 96) 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 numerator and the number of defaults occurred during the fiscal year as the denominator.

For assets, ratings, and portfolios 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 regulation.

The actual default rates in the past three periods 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 parameter 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 Basel requirement, discount rate is estimated with using recovery cost. The averaged period from the time of default and the termination of recovery is used as discount period.

As for validation, backtesting and pretesting are conducted as in the above 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 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 the above A. PD.

4. Percentage of EAD by Asset Class by Type of Approach for Calculating Credit RWA to Total EAD

	As of March 31, 2018
IRB approach	94.17 %
Corporate exposures (Advanced Internal Ratings-Based (AIRB) approach)	78.73 %
Corporate exposures (Foundation Internal Ratings-Based (FIRB) approach)	1.27 %
Retail exposures	8.78 %
Equity exposures	2.43 %
Purchased receivables (AIRB approach)	1.00 %
Purchased receivables (FIRB approach)	0.04 %
Other assets, etc.	1.89 %
SA	5.82 %
Total	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, 2018											
Item No.	PD scale	a	b	c	d	e	f	g	h	i	j	k	l
		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	68,167,222	125,318	76.91	70,969,920	0.00	0.4	34.07	3.7	213,320	0.30	219	
2	0.15 to <0.25	317,319	35,948	47.75	319,948	0.17	0.0	33.89	2.6	103,974	32.49	188	
3	0.25 to <0.50	55,549	17,544	47.94	59,366	0.33	0.0	32.71	1.7	20,409	34.37	62	
4	0.50 to <0.75	54	—	—	54	0.55	0.0	35.00	1.0	23	42.70	0	
5	0.75 to <2.50	109,383	60,078	66.65	58,440	2.01	0.0	32.36	2.9	49,689	85.02	391	
6	2.50 to <10.00	58,134	28,997	47.31	22,313	4.05	0.0	31.38	2.7	24,865	111.43	283	
7	10.00 to <100.00	5,023	13,152	52.84	2,298	15.43	0.0	23.46	1.7	2,590	112.67	85	
8	100.00 (Default)	5,691	—	—	5,691	100.00	0.0	52.99	1.0	2,974	52.25	3,016	
9	Subtotal	68,718,379	281,038	65.00	71,438,035	0.01	0.5	34.07	3.7	417,847	0.58	4,246	5,658
Sovereign exposures (FIRB approach)													
1	0.00 to <0.15	10,630	—	—	10,630	0.00	0.0	45.00	4.0	—	0.00	—	
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	168	—	—	168	2.58	0.0	45.00	4.2	243	144.51	1	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	10,798	—	—	10,798	0.04	0.0	45.00	4.0	243	2.25	1	2
Bank exposures (AIRB approach)													
1	0.00 to <0.15	2,624,230	581,505	77.15	3,146,406	0.03	0.6	33.42	1.8	411,117	13.06	406	
2	0.15 to <0.25	702,915	167,241	83.68	834,879	0.17	0.2	30.31	1.1	196,553	23.54	431	
3	0.25 to <0.50	124,531	12,565	69.61	117,658	0.34	0.0	32.08	1.4	45,858	38.97	132	
4	0.50 to <0.75	3,204	—	—	3,204	0.55	0.0	35.16	1.6	2,058	64.22	6	
5	0.75 to <2.50	542,118	34,427	74.90	493,919	1.08	0.1	34.91	1.0	334,179	67.65	1,862	
6	2.50 to <10.00	68,625	80,669	33.45	91,369	3.24	0.6	33.59	1.2	89,728	98.20	979	
7	10.00 to <100.00	—	83	20.00	—	—	0.0	—	—	0	—	0	
8	100.00 (Default)	2,661	—	—	2,661	100.00	0.0	98.44	1.0	1,299	48.83	2,620	
9	Subtotal	4,068,287	876,492	74.17	4,690,099	0.29	1.7	33.03	1.5	1,080,795	23.04	6,439	7,994
Bank exposures (FIRB approach)													
1	0.00 to <0.15	2,637	243	100.00	2,881	0.03	0.0	45.00	4.9	1,088	37.77	0	
2	0.15 to <0.25	—	10	100.00	10	0.18	0.0	45.00	5.0	8	85.48	0	
3	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
4	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
5	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
6	2.50 to <10.00	1,773	315	100.00	2,089	2.58	0.0	45.00	4.0	3,666	175.49	24	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	4,411	568	100.00	4,980	1.10	0.1	45.00	4.5	4,763	95.64	24	42
Corporate exposures (AIRB approach)													
1	0.00 to <0.15	22,196,795	10,658,246	54.59	32,012,176	0.05	6.8	35.48	2.5	5,766,807	18.01	6,488	
2	0.15 to <0.25	10,819,575	6,450,034	53.60	13,061,831	0.17	6.0	29.39	2.4	3,638,855	27.85	6,655	
3	0.25 to <0.50	4,553,570	2,055,308	54.63	5,150,552	0.34	3.1	28.78	2.5	1,933,386	37.53	5,006	
4	0.50 to <0.75	938,711	68,336	54.33	965,362	0.55	1.4	29.96	2.5	477,409	49.45	1,591	
5	0.75 to <2.50	4,150,918	2,115,541	52.85	3,385,408	1.46	3.8	27.21	3.0	2,232,607	65.94	13,227	
6	2.50 to <10.00	1,310,290	271,399	63.23	1,122,868	3.09	1.5	32.62	3.6	1,277,847	113.80	10,699	
7	10.00 to <100.00	494,124	395,537	55.88	596,149	13.95	0.5	32.63	2.3	916,897	153.80	25,753	
8	100.00 (Default)	197,593	16,194	100.00	192,826	100.00	0.3	48.77	2.1	54,227	28.12	94,047	
9	Subtotal	44,661,581	22,030,599	54.30	56,487,175	0.75	23.7	32.83	2.5	16,298,039	28.85	163,471	196,675

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2018											
Item No.	PD scale	a	b	c	d	e	f	g	h	i	j	k	l
		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	777,916	28,934	96.05	805,710	0.06	1.6	45.44	2.7	205,774	25.53	250	
2	0.15 to <0.25	347,029	6,838	99.36	353,824	0.17	1.3	45.19	3.4	194,414	54.94	287	
3	0.25 to <0.50	98,751	1,770	99.77	100,517	0.28	0.8	45.79	2.4	55,231	54.94	128	
4	0.50 to <0.75	66,698	2,129	100.00	68,827	0.55	0.5	45.00	2.7	52,840	76.77	170	
5	0.75 to <2.50	83,269	817	100.00	84,087	1.38	0.9	45.00	2.9	92,376	109.85	522	
6	2.50 to <10.00	262,382	3,066	91.77	265,196	2.58	1.4	45.09	3.3	404,402	152.49	3,086	
7	10.00 to <100.00	74,717	59	100.00	74,777	13.94	0.1	60.25	2.5	205,493	274.80	5,867	
8	100.00 (Default)	24,759	—	—	24,759	100.00	0.0	45.00	2.0	—	0.00	11,141	
9	Subtotal	1,735,525	43,614	96.69	1,777,700	2.53	7.0	45.94	2.9	1,210,531	68.09	21,455	12,461
Mid-sized corporations and small-medium enterprises (SMEs) exposures (AIRB approach)													
1	0.00 to <0.15	486,380	14,611	53.22	498,998	0.08	1.1	26.07	2.7	71,166	14.26	107	
2	0.15 to <0.25	1,326,614	96,538	60.69	1,330,684	0.17	4.8	30.73	3.4	385,239	28.95	721	
3	0.25 to <0.50	1,236,338	21,826	55.93	1,205,066	0.30	6.5	32.74	3.7	497,080	41.24	1,221	
4	0.50 to <0.75	887,394	13,866	49.25	838,231	0.55	5.6	31.35	3.5	405,845	48.41	1,469	
5	0.75 to <2.50	2,122,881	124,359	68.45	1,767,292	1.49	24.9	37.29	3.1	1,294,555	73.25	10,244	
6	2.50 to <10.00	1,015,395	131,837	55.37	676,208	2.66	16.1	29.41	4.0	480,886	71.11	5,306	
7	10.00 to <100.00	339,793	2,744	49.96	207,014	17.26	6.0	35.31	2.1	304,012	146.85	15,119	
8	100.00 (Default)	262,978	1,227	100.00	205,651	100.00	4.0	47.01	1.6	29,434	14.31	96,695	
9	Subtotal	7,677,777	407,011	60.47	6,729,149	4.41	69.3	33.05	3.3	3,468,220	51.54	130,885	124,114
Mid-sized corporations and SMEs exposures (FIRB approach)													
1	0.00 to <0.15	4,575	68	100.00	4,643	0.08	0.1	45.00	2.9	1,361	29.31	1	
2	0.15 to <0.25	12,696	54	100.00	12,750	0.17	0.4	45.00	2.9	5,557	43.58	10	
3	0.25 to <0.50	9,265	72	100.00	9,337	0.27	0.4	45.00	2.6	4,547	48.70	11	
4	0.50 to <0.75	9,706	125	100.00	9,832	0.55	0.4	45.00	2.6	6,646	67.59	24	
5	0.75 to <2.50	28,852	965	99.92	29,817	1.61	1.6	45.00	2.9	28,738	96.38	216	
6	2.50 to <10.00	6,091	116	100.00	6,208	2.58	0.3	45.00	2.5	6,697	107.87	72	
7	10.00 to <100.00	2,345	52	100.00	2,397	21.46	0.2	45.00	2.5	4,836	201.72	231	
8	100.00 (Default)	544	6	100.00	551	100.00	0.0	45.00	1.7	—	0.00	248	
9	Subtotal	74,078	1,460	99.95	75,538	2.40	3.7	45.00	2.8	58,385	77.29	816	684
Specialized lending (SL)													
1	0.00 to <0.15	1,744,348	159,449	47.79	1,777,731	0.04	0.2	23.81	3.4	212,294	11.94	180	
2	0.15 to <0.25	1,551,583	496,168	53.75	1,624,615	0.17	0.3	23.23	4.1	455,224	28.02	642	
3	0.25 to <0.50	1,715,293	574,376	57.85	1,444,767	0.35	0.3	26.58	3.8	622,533	43.08	1,344	
4	0.50 to <0.75	160,319	—	—	160,319	0.55	0.0	28.68	3.7	89,793	56.00	252	
5	0.75 to <2.50	796,408	203,735	55.78	751,006	1.36	0.1	29.48	3.8	562,793	74.93	2,833	
6	2.50 to <10.00	192,784	42,326	79.70	118,808	3.49	0.0	30.36	3.6	118,367	99.62	1,203	
7	10.00 to <100.00	74,703	244	47.79	60,921	16.19	0.0	33.49	3.1	109,117	179.11	3,444	
8	100.00 (Default)	52,575	1,148	100.00	42,740	100.00	0.0	56.86	4.0	22,331	52.25	24,306	
9	Subtotal	6,288,017	1,477,449	55.76	5,980,911	1.28	1.2	25.63	3.8	2,192,457	36.65	34,208	34,435
Equity exposures													
1	0.00 to <0.15	3,872,128	—	—	3,872,128	0.04	1.4	90.00	5.0	3,911,909	101.02	—	
2	0.15 to <0.25	210,449	—	—	210,449	0.17	0.5	90.00	5.0	288,416	137.04	—	
3	0.25 to <0.50	22,503	—	—	22,503	0.28	0.2	90.00	5.0	36,736	163.24	—	
4	0.50 to <0.75	4,671	—	—	4,671	0.55	0.1	90.00	5.0	9,575	204.96	—	
5	0.75 to <2.50	8,256	—	—	8,256	1.22	0.1	90.00	5.0	22,777	275.86	—	
6	2.50 to <10.00	10,538	—	—	10,538	2.58	0.0	90.00	5.0	40,108	380.60	—	
7	10.00 to <100.00	19,848	—	—	19,848	10.44	0.0	90.00	5.0	112,310	565.83	—	
8	100.00 (Default)	188	—	—	188	100.00	0.0	90.00	5.0	2,125	1,125.00	—	
9	Subtotal	4,148,585	—	—	4,148,585	0.11	2.5	90.00	5.0	4,423,959	106.63	—	—

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2018											
Item No.	PD scale	a	b	c	d	e	f	g	h	i	j	k	l
		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	983,853	44,762	99.99	1,017,578	0.05	3.6	35.16	1.3	104,854	10.30	213	
2	0.15 to <0.25	332,316	44,072	87.58	363,873	0.17	3.6	32.90	1.3	85,306	23.44	219	
3	0.25 to <0.50	99,760	68,714	98.42	163,014	0.36	8.3	44.23	1.5	72,557	44.50	246	
4	0.50 to <0.75	14,747	29,991	100.00	43,153	0.59	3.9	56.24	1.0	30,631	70.98	145	
5	0.75 to <2.50	76,713	102,062	91.26	164,126	1.51	16.5	48.61	1.2	150,419	91.64	1,152	
6	2.50 to <10.00	5,636	19,652	100.00	23,899	3.03	3.8	58.36	1.0	29,578	123.76	393	
7	10.00 to <100.00	23,528	2,825	100.00	25,367	13.36	0.4	37.66	1.0	36,947	145.64	1,411	
8	100.00 (Default)	4,016	260	100.00	4,201	100.00	0.1	80.11	1.0	525	12.50	3,366	
9	Subtotal	1,540,572	312,341	95.04	1,805,215	0.71	40.6	37.70	1.3	510,821	28.29	7,147	4,550
Purchased receivables (corporates) (the amount equivalent to dilution risks) (AIRB approach)													
1	0.00 to <0.15	593,602	116,625	99.99	710,216	0.06	0.4	39.42	1.0	95,949	13.50	196	
2	0.15 to <0.25	238,937	64,726	97.43	302,005	0.17	0.3	37.45	1.4	79,808	26.42	202	
3	0.25 to <0.50	84,015	24,921	100.00	108,937	0.29	0.1	38.61	1.0	37,823	34.72	122	
4	0.50 to <0.75	11,266	10,463	100.00	21,729	0.55	0.1	49.44	1.1	13,128	60.41	59	
5	0.75 to <2.50	73,619	34,149	89.66	104,238	1.45	0.4	42.29	1.0	85,067	81.60	647	
6	2.50 to <10.00	1,736	31,479	100.00	33,215	2.65	0.2	62.92	1.0	47,786	143.86	545	
7	10.00 to <100.00	7,098	2,437	100.00	9,536	11.14	0.0	42.66	1.0	16,239	170.29	471	
8	100.00 (Default)	151	112	100.00	264	100.00	0.0	47.75	1.0	33	12.50	126	
9	Subtotal	1,010,428	284,914	98.17	1,290,143	0.40	1.8	39.92	1.1	375,839	29.13	2,371	2,702
Purchased receivables (corporates) (the amount equivalent to default risks) (FIRB approach)													
1	0.00 to <0.15	51,118	234	100.00	50,507	0.05	0.3	45.00	1.8	19,755	39.11	51	
2	0.15 to <0.25	4,898	790	70.27	5,376	0.18	0.0	45.00	1.8	5,247	97.59	9	
3	0.25 to <0.50	2,393	1,671	100.00	4,020	0.31	0.0	45.00	1.8	1,890	47.02	5	
4	0.50 to <0.75	3,621	2,330	100.00	5,895	0.58	0.1	45.00	2.9	5,495	93.21	15	
5	0.75 to <2.50	3,511	5,015	100.00	8,265	1.05	0.4	45.00	2.3	9,463	114.49	52	
6	2.50 to <10.00	11,815	215	100.00	11,887	2.58	0.2	45.00	2.4	23,956	201.51	184	
7	10.00 to <100.00	2,987	–	–	2,987	26.33	0.0	45.00	4.8	8,956	299.75	354	
8	100.00 (Default)	200	–	–	194	100.00	0.0	45.00	1.1	0	0.00	87	
9	Subtotal	80,548	10,258	97.70	89,135	1.64	1.3	45.00	2.1	74,764	83.87	760	810
Purchased receivables (corporates) (the amount equivalent to dilution risks) (FIRB approach)													
1	0.00 to <0.15	41,923	3,763	93.75	45,451	0.04	0.0	84.74	1.4	9,896	21.77	16	
2	0.15 to <0.25	2,825	3,291	100.00	6,116	0.18	0.0	58.64	1.4	2,773	45.35	6	
3	0.25 to <0.50	136	2,201	100.00	2,338	0.32	0.0	45.00	1.0	884	37.83	3	
4	0.50 to <0.75	402	272	100.00	674	0.58	0.0	76.35	1.7	863	128.00	2	
5	0.75 to <2.50	4,576	488	100.00	5,065	0.96	0.0	88.82	1.1	6,995	138.10	41	
6	2.50 to <10.00	3,989	240	100.00	4,229	2.61	0.0	79.06	1.6	9,145	216.23	86	
7	10.00 to <100.00	1,039	–	–	1,039	26.33	0.0	45.00	1.0	2,432	234.08	123	
8	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
9	Subtotal	54,891	10,258	97.70	64,915	0.73	0.2	80.08	1.4	32,992	50.82	280	337
Purchased receivables (retail) (the amount equivalent to default risks)													
1	0.00 to <0.15	4,726	–	–	4,718	0.06	1.3	60.89	–	1,539	32.62	3	
2	0.15 to <0.25	3,221	–	–	3,220	0.19	0.3	65.00	–	1,047	32.51	4	
3	0.25 to <0.50	9,606	–	–	9,562	0.30	1.7	49.87	–	3,190	33.36	15	
4	0.50 to <0.75	604	–	–	604	0.63	0.1	63.69	–	316	52.44	2	
5	0.75 to <2.50	2,009	18	100.00	1,994	1.21	0.7	54.81	–	1,735	87.04	14	
6	2.50 to <10.00	12	2	100.00	14	3.14	0.0	65.00	–	27	197.60	0	
7	10.00 to <100.00	1	–	–	1	26.56	0.0	52.04	–	2	150.79	0	
8	100.00 (Default)	21	–	–	19	100.00	0.0	27.86	–	53	272.39	5	
9	Subtotal	20,201	21	100.00	20,134	0.42	4.3	55.76	–	7,912	39.29	45	48

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2018											
Item No.	PD scale	a	b	c	d	e	f	g	h	i	j	k	l
		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	405	0	100.00	405	0.07	0.0	86.89	3.7	251	61.97	0	
2	0.15 to <0.25	1,991	—	—	1,991	0.18	0.0	99.89	3.2	2,154	108.16	3	
3	0.25 to <0.50	53	0	100.00	53	0.27	0.0	47.55	4.5	42	78.02	0	
4	0.50 to <0.75	96	—	—	96	0.55	0.0	100.00	4.3	263	272.82	0	
5	0.75 to <2.50	15	1	100.00	17	0.87	0.0	94.21	2.3	30	175.83	0	
6	2.50 to <10.00	113	18	100.00	132	2.66	0.0	69.82	3.5	324	245.12	2	
7	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
8	100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	
9	Subtotal	2,676	21	100.00	2,697	0.30	0.0	95.38	3.4	3,066	113.66	7	8
Qualifying revolving retail exposures (QRRE)													
1	0.00 to <0.15	60,794	172,036	7.02	232,831	0.08	6,746.5	69.25		8,053	3.45	128	
2	0.15 to <0.25	258,257	109,606	7.24	367,864	0.19	3,479.5	70.37		26,482	7.19	491	
3	0.25 to <0.50	297,081	297,923	7.81	595,005	0.43	7,740.5	61.18		71,847	12.07	1,559	
4	0.50 to <0.75	232,333	369,070	60.47	601,404	0.51	6,058.6	74.06		102,236	16.99	2,308	
5	0.75 to <2.50	560,936	59,252	20.80	620,189	1.55	1,259.5	78.17		256,303	41.32	7,487	
6	2.50 to <10.00	836,700	184,263	13.74	1,020,964	4.72	3,274.2	75.22		876,927	85.89	35,818	
7	10.00 to <100.00	33,790	4,017	16.85	37,807	47.55	141.5	73.21		66,147	174.95	13,100	
8	100.00 (Default)	71,709	4,905	100.00	76,614	100.00	192.6	78.16		72,691	94.87	59,884	
9	Subtotal	2,351,604	1,201,076	33.80	3,552,680	4.47	28,893.2	72.33		1,480,691	41.67	120,779	89,131
Residential mortgage exposures													
1	0.00 to <0.15	—	—	—	75,902	0.04	7.7	40.70		16,848	22.19	14	
2	0.15 to <0.25	—	—	—	2,108	0.17	0.2	63.26		921	43.67	2	
3	0.25 to <0.50	7,682,449	12,935	100.00	7,696,120	0.29	471.8	28.43		1,164,045	15.12	6,419	
4	0.50 to <0.75	1,004,639	2,074	100.00	1,006,714	0.60	55.5	30.44		274,505	27.26	1,869	
5	0.75 to <2.50	1,167,124	3,603	100.00	1,096,658	1.03	82.9	36.86		530,081	48.33	4,373	
6	2.50 to <10.00	—	—	—	—	—	—	—		—	—	—	
7	10.00 to <100.00	48,445	1,615	100.00	45,383	22.95	3.9	31.87		81,296	179.13	3,296	
8	100.00 (Default)	108,824	168	100.00	108,992	100.00	8.4	30.95		26,811	24.59	33,736	
9	Subtotal	10,011,483	20,397	100.00	10,031,880	1.59	630.7	29.70		2,094,510	20.87	49,711	33,682
Other retail exposures													
1	0.00 to <0.15	21,127	2,422	98.96	23,525	0.07	—	61.85		2,745	11.67	10	
2	0.15 to <0.25	97,719	—	—	97,719	0.17	—	35.69		12,639	12.93	59	
3	0.25 to <0.50	372,939	4,325	99.27	377,233	0.38	—	39.45		89,699	23.77	560	
4	0.50 to <0.75	138,075	1,895	100.00	139,970	0.61	—	45.02		51,448	36.75	400	
5	0.75 to <2.50	1,176,450	508,853	99.97	1,685,196	1.51	—	50.78		988,941	58.68	13,139	
6	2.50 to <10.00	54,834	154,610	100.00	209,444	3.55	—	47.71		142,107	67.84	3,496	
7	10.00 to <100.00	19,876	4,623	100.00	24,500	22.80	—	50.46		26,596	108.55	2,832	
8	100.00 (Default)	65,578	1,115	100.00	66,693	100.00	—	52.98		93,642	140.40	35,337	
9	Subtotal	1,946,602	677,847	99.97	2,624,284	4.10	—	48.19		1,407,820	53.64	55,837	33,076
Total (all portfolios)		154,406,453	27,635,372	59.40	170,824,061	0.77	29,682.4	35.65	—	35,143,661	20.57	598,491	546,416

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, 2018	
Item No.	Portfolio	a	b
		Pre-credit derivatives credit RWA	Actual credit RWA
1	Sovereign exposures - FIRB	243	243
2	Sovereign exposures - AIRB	315,559	315,559
3	Bank exposures - FIRB	4,763	4,763
4	Bank exposures - AIRB	1,046,365	1,046,365
5	Corporate exposures (excluding SL) - FIRB	1,268,916	1,268,916
6	Corporate exposures (excluding SL) - AIRB	19,797,293	19,796,917
7	SL - FIRB	552,198	552,198
8	SL - AIRB	2,289,154	2,289,154
9	Retail - QRRE	1,480,691	1,480,691
10	Retail - Residential mortgage exposures	2,094,510	2,094,510
11	Retail - Other retail exposures	1,407,820	1,407,820
12	Equity - FIRB	171,058	171,058
13	Equity - AIRB	5,387,041	5,387,041
14	Purchased receivables - FIRB	107,757	107,757
15	Purchased receivables - AIRB	897,638	897,638
16	Total	36,821,014	36,820,637

7. 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, 2017	As of March 31, 2018			
Corporates	0.00 to < 0.05	AAA~A+	Aaa~A1	AAA~A+	AAA~A-	AAA~A-	0.00%	0.02%	–	482	0	0	0.00%
	0.05 to < 0.10	A~A-	A2~A3	A~A-	BBB+~BBB-	BBB+~BBB-	0.06%	0.07%	–	5,643	2	0	0.04%
	0.10 to < 0.50	BBB+~BB	Baa1~Ba2	BBB+~BB	to BB+	to BB+	0.21%	0.25%	–	13,688	18	0	0.09%
	0.50 to < 2.50	BB~B	Ba3~B2	BB~B	to BB+	to BB+	0.96%	1.25%	–	18,893	28	1	0.29%
	2.50 to < 100.00	to B-	to B3	to B-	to BB+	to BB+	5.86%	6.32%	–	34,510	1,358	9	6.00%
Qualifying revolving retail	0.00 to < 0.05						–	–	–	–	–	–	–
	0.05 to < 0.10						0.08%	0.08%	–	4,624,194	3,449	1,189	0.07%
	0.10 to < 0.50						0.28%	0.23%	–	2,015,548	3,236	497	0.16%
	0.50 to < 2.50						1.18%	0.74%	–	3,686,275	15,099	1,851	0.51%
	2.50 to < 100.00						6.64%	7.36%	–	599,074	42,519	2,827	6.00%
Residential mortgage	0.00 to < 0.05						–	–	–	–	–	–	–
	0.05 to < 0.10						–	–	–	–	–	–	–
	0.10 to < 0.50						0.29%	0.29%	–	720,211	787	11	0.14%
	0.50 to < 2.50						0.87%	0.88%	–	264,510	1,054	1	0.49%
	2.50 to < 100.00						19.20%	20.08%	–	7,449	600	0	10.81%
Other retail	0.00 to < 0.05						0.03%	0.03%	–	807	0	0	0.00%
	0.05 to < 0.10						–	–	–	–	–	–	–
	0.10 to < 0.50						0.32%	0.32%	–	54,167	72	8	0.19%
	0.50 to < 2.50						1.22%	1.23%	–	168,418	1,287	72	0.64%
	2.50 to < 100.00						5.83%	5.59%	–	34,268	1,191	56	3.74%

- 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," "Financial entities," "Specialized lending," "Equity (PD/LGD method)" 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 82.51 percent, "Qualifying revolving retail" accounts for 3.67 percent, "Residential mortgage" accounts for 7.77 percent, and "Other retail" accounts for 4.31 percent.

8. 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, 2018									
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	19,945	401	50%	13,732	—	—	6,404	20,137	10,068	—
	Equal to or more than 2.5 years	14,996	13,228	70%	12,418	3,627	—	5,287	21,333	14,933	85
Good	Less than 2.5 years	10,834	27,550	70%	36,175	—	—	2,209	38,384	26,869	153
	Equal to or more than 2.5 years	35,767	585	90%	34,536	—	—	1,511	36,047	32,442	288
Satisfactory		35,415	1,360	115%	13,270	—	—	22,795	36,065	41,475	1,009
Weak		47	350	250%	262	47	—	—	309	774	24
Default		4,874	—	—	3,282	—	—	1,592	4,874	—	2,437
Total		121,882	43,475	—	113,677	3,674	—	39,800	157,153	126,563	3,999
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	6,752	4,028	70%				8,677	6,074	34	
	Equal to or more than 2.5 years	5,507	17,688	95%				13,960	13,262	55	
Good	Less than 2.5 years	31,122	16,770	95%				39,136	37,179	156	
	Equal to or more than 2.5 years	80,441	14,202	120%				87,512	105,014	350	
Satisfactory		168,459	10,768	140%				173,606	243,048	4,860	
Weak		1,787	3,851	250%				4,676	11,690	374	
Default		—	—	—				—	—	—	
Total		294,070	67,310	—				327,569	416,270	5,832	
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		25,093	—	300%				25,093	75,280		
Simple risk weight method –unlisted shares		117,759	8,715	400%				121,924	487,697		
Internal models approach		184,951	20,949	277%				205,900	571,163		
Total		327,804	29,664	—				352,918	1,134,141		
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%				—	—		

9. 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 equity exposures account for more than half of the underlying assets of the fund, or it is difficult to directly calculate the credit risk-weighted asset amount of individual underlying assets, the credit risk-weighted asset amount of the fund is calculated using the simple majority adjustment method, in which credit risk-weighted assets are calculated using a risk weight of 400% (when the risk-weighted average of individual assets underlying the portfolio is less than 400%) or a risk weight of 1250% (in other cases).

(Millions of yen)

Calculation method	As of March 31, 2018
Exposure under Article 145 of the Notification	1,317,837

■ Standardised Approach

1. Scope

The following consolidated subsidiaries have adopted the standardised approach for exposures as of March 31, 2018 (i.e. consolidated subsidiaries not listed in the “Internal Ratings-Based (IRB) Approach: 1. Scope” on page 233).

(1) Consolidated Subsidiaries Planning to Adopt Phased Rollout of the AIRB Approach

SMBC Aviation Capital Limited and SMBC Consumer Finance Co., Ltd.

(2) Consolidated Subsidiaries Planning to Adopt Phased Rollout of the FIRB Approach

Currently, there are no subsidiaries applicable.

(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)

CR4: SA – CR exposure and CRM effects		As of March 31, 2018					
Item No.	Asset classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		Credit RWA amount	RWA density
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1	Cash	16,048	—	16,048	—	0	0.00%
2	Government of Japan and Bank of Japan (BOJ)	2,470,922	—	2,470,922	—	0	0.00%
3	Foreign central governments and foreign central banks	1,150,561	—	1,150,561	—	9	0.00%
4	Bank for International Settlements, etc.	—	—	—	—	—	—
5	Local governments of Japan	1,570	—	1,570	—	0	0.00%
6	Foreign non-central government public sector entities (PSEs)	31,310	—	31,310	—	1,337	4.27%
7	Multilateral development banks (MDBs)	5,454	—	5,454	—	0	0.00%
8	Japan Finance Organization for Municipalities (JFM)	—	—	—	—	—	—
9	Government-affiliated agencies of Japan	17,675	—	17,675	—	1,767	10.00%
10	The three local public corporations	6,977	—	6,977	—	0	0.01%
11	Banks entities and financial instruments business operators engaged in Type I Financial Instruments Business	510,984	4,797	510,984	2,398	134,872	26.27%
12	Corporates	3,043,686	225,151	3,043,686	102,874	3,138,389	99.74%
13	SMEs and retail	1,048,482	1,006,652	1,048,482	769,972	1,363,841	75.00%
14	Residential mortgage loans	88,014	—	88,014	—	30,805	35.00%
15	Real estate acquisition activities	—	—	—	—	—	—
16	Past due loans (three months or more), etc. (excluding residential mortgage loans)	76,914	869	76,914	869	102,814	132.18%
17	Past due loans (three months or more) (residential mortgage loans)	59	—	59	—	59	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	8,468,662	1,237,470	8,468,662	876,114	4,773,898	51.08%

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, 2018										
Item No.	Risk weight	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	16,048	–	–	–	–	–	–	–	–	–	16,048
2	Government of Japan and BOJ	2,470,922	–	–	–	–	–	–	–	–	–	2,470,922
3	Foreign central governments and foreign central banks	1,150,511	–	49	–	–	–	–	–	–	–	1,150,561
4	Bank for International Settlements, etc.	–	–	–	–	–	–	–	–	–	–	–
5	Local governments of Japan	1,570	–	–	–	–	–	–	–	–	–	1,570
6	Foreign non-central government PSEs	24,621	–	6,688	–	–	–	–	–	–	–	31,310
7	MDBs	5,454	–	–	–	–	–	–	–	–	–	5,454
8	JFM	–	–	–	–	–	–	–	–	–	–	–
9	Government- affiliated agencies of Japan	–	17,675	–	–	–	–	–	–	–	–	17,675
10	The three local public corporations	6,973	–	3	–	–	–	–	–	–	–	6,977
11	Banks and financial instruments business operators engaged in Type I Financial Instruments Business	–	–	488,165	–	22,122	–	3,095	–	–	–	513,382
12	Corporates	3,886	–	5,356	–	–	–	3,137,317	–	–	–	3,146,560
13	SMEs and retail	–	–	–	–	–	1,818,455	–	–	–	–	1,818,455
14	Residential mortgage loans	–	–	–	88,014	–	–	–	–	–	–	88,014
15	Real estate acquisition activities	–	–	–	–	–	–	–	–	–	–	–
16	Past due loans (three months or more), etc. (excluding residential mortgage loans)	57	–	91	–	13,654	–	–	63,979	–	–	77,783
17	Past due loans (three months or more) (residential mortgage loans)	–	–	–	–	–	–	59	–	–	–	59
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	3,680,047	17,675	500,355	88,014	35,777	1,818,455	3,140,472	63,979	–	–	9,344,777

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 93 to 98). 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, 2018				
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	45,660,454	27,382,601	13,034,567	8,743,128	5,312
2	Securities (of which: Debt securities)	18,024,738	969,389	258,935	63,312	—
3	Other on-balance sheet assets (of which: debt-based assets)	58,895,107	210,324	5,620	154,070	—
4	Total (1+2+3)	122,580,301	28,562,315	13,299,124	8,960,511	5,312
5	Of which: defaulted	512,629	251,536	91,471	5,594	—

■ 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, 2018					
		a	b	c	d	e	f
Item No.		Replacement cost	PFE	Effective EPE (EEPE)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR	—	—	—	1.4	—	—
	CEM	1,490,810	2,249,561	—	—	3,740,371	1,051,112
2	Expected exposure method (IMM)	—	—	—	—	—	—
3	Simple approach for CRM	—	—	—	—	5,658,971	312,840
4	Comprehensive approach for CRM	—	—	—	—	3,178,754	129,770
5	Exposure fluctuation estimation model	—	—	—	—	—	—
6	Total	—	—	—	—	—	1,493,723

4. CVA Capital Charge (CCR2)

(Millions of yen)

CCR2: CVA risk capital charge		As of March 31, 2018	
Item No.		a	b
		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	3,353,374	2,252,318
5	Total subject to the CVA capital charge	3,353,374	2,252,318

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, 2018								
Item No.	Regulatory portfolio	a	b	c	d	e	f	g	h	i
		Credit equivalent amounts (post-CRM)								
	Risk weight	0%	10%	20%	50%	75%	100%	150%	Others	Total
1	Government of Japan and BOJ	163,953	—	—	—	—	—	—	—	163,953
2	Foreign central governments and foreign central banks	—	—	—	—	—	—	—	—	—
3	Bank for International Settlements, etc.	—	—	—	—	—	—	—	—	—
4	Local governments of Japan	6,979	—	—	—	—	—	—	—	6,979
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	974,127	—	403,048	1,953	—	383	—	—	1,379,513
11	Corporates	4,083,144	—	7,868	—	—	245,565	—	—	4,336,577
12	SMEs and retail	—	—	—	—	171,452	—	—	—	171,452
13	Other than the above	—	—	—	—	—	21,264	—	—	21,264
14	Total	5,228,204	—	410,916	1,953	171,452	267,214	—	—	6,079,742

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, 2018						
Item No.	PD scale	a	b	c	d	e	f	g
		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	156,313	0.00	0.5	22.69	1.2	150	0.09
2	0.15 to <0.25	31,027	0.16	0.0	23.76	0.6	4,405	14.20
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	0	0.55	0.0	35.00	1.0	0	42.70
5	0.75 to <2.50	118	1.69	0.0	35.00	3.1	107	91.45
6	2.50 to <10.00	51	2.60	0.0	34.93	1.0	42	81.22
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	187,511	0.02	0.5	22.88	1.1	4,706	2.50
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	3,160,226	0.03	13.9	18.87	1.0	210,607	6.66
2	0.15 to <0.25	741,034	0.16	4.3	16.49	0.9	121,970	16.45
3	0.25 to <0.50	972	0.34	0.0	34.97	1.5	432	44.45
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	61,064	0.96	0.0	5.01	0.0	6,088	9.97
6	2.50 to <10.00	121,139	4.11	0.1	0.38	0.0	1,372	1.13
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	4,084,436	0.19	18.4	17.69	1.0	340,471	8.33
Bank exposures (FIRB approach)								
1	0.00 to <0.15	737	0.09	0.0	45.00	1.2	193	26.18
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	737	0.09	0.0	45.00	1.2	193	26.18

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2018						
Item No.	PD scale	a	b	c	d	e	f	g
		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	1,125,009	0.04	47.0	38.35	2.2	171,663	15.25
2	0.15 to <0.25	378,409	0.16	23.8	29.78	3.4	130,581	34.50
3	0.25 to <0.50	91,512	0.29	9.3	31.24	3.3	40,672	44.44
4	0.50 to <0.75	16,474	0.55	3.0	34.24	2.4	9,392	57.01
5	0.75 to <2.50	86,968	2.04	3.9	16.18	1.3	35,695	41.04
6	2.50 to <10.00	32,765	2.99	1.5	32.10	4.0	37,083	113.17
7	10.00 to <100.00	10,342	11.68	1.8	33.42	1.5	14,559	140.77
8	100.00 (Default)	419	100.00	0.0	48.38	3.2	52	12.50
9	Subtotal	1,741,901	0.34	90.7	34.83	2.5	439,701	25.24
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	941	2.58	0.0	45.00	3.7	1,603	170.30
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	941	2.58	0.0	45.00	3.7	1,603	170.30
Mid-sized corporations and SMEs exposures (AIRB approach)								
1	0.00 to <0.15	8,050	0.08	2.9	35.00	2.5	1,559	19.37
2	0.15 to <0.25	14,954	0.17	5.2	34.16	2.9	4,533	30.31
3	0.25 to <0.50	10,642	0.29	3.5	34.28	3.0	4,293	40.34
4	0.50 to <0.75	8,806	0.55	3.5	35.00	3.1	4,821	54.74
5	0.75 to <2.50	8,880	1.33	6.3	34.39	2.9	6,231	70.16
6	2.50 to <10.00	5,630	2.58	0.9	34.99	4.2	5,203	92.41
7	10.00 to <100.00	694	12.28	0.3	35.00	3.0	951	137.08
8	100.00 (Default)	228	100.00	0.2	50.40	4.1	28	12.50
9	Subtotal	57,887	1.19	23.1	34.61	3.0	27,623	47.71
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, 2018						
Item No.	PD scale	a	b	c	d	e	f	g
		EAD post-CRM	Average PD (%)	Number of counterparties	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
SL								
1	0.00 to <0.15	99,975	0.04	0.2	20.90	4.8	15,582	15.58
2	0.15 to <0.25	202,540	0.16	0.4	23.82	4.9	65,072	32.12
3	0.25 to <0.50	72,588	0.36	0.3	25.28	4.8	34,680	47.77
4	0.50 to <0.75	168	0.55	0.0	34.24	2.7	97	58.01
5	0.75 to <2.50	43,064	1.46	0.1	27.14	4.4	32,318	75.04
6	2.50 to <10.00	4,203	4.13	0.0	39.91	4.9	6,372	151.60
7	10.00 to <100.00	469	17.00	0.0	35.17	4.3	924	197.03
8	100.00 (Default)	1,928	100.00	0.0	68.76	4.8	1,007	52.25
9	Subtotal	424,938	0.81	1.1	24.10	4.8	156,055	36.72
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)		6,498,356	0.27	134.0	23.01	1.6	970,354	14.93

7. Composition of Collateral for CCR Exposure (CCR5)

(Millions of yen)

CCR5: Composition of collateral for CCR exposure		As of March 31, 2018					
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)	20,250	191,880	—	116,006	7,050,517	7,905,030
2	Cash (other currencies)	521	162,951	—	368,536	2,747,648	1,436,126
3	Domestic sovereign debt	277	796	—	27,963	6,492,040	7,481,005
4	Other sovereign debt	4,217	3,498	—	4,544	1,185,978	2,669,201
5	Government agency debt	50	—	—	—	264,077	—
6	Corporate bonds	11,574	—	—	—	48,602	70,898
7	Equity securities	5,674	—	—	—	605,426	40,877
8	Other collateral	—	—	—	—	35,732	—
9	Total	42,567	359,126	—	517,052	18,430,024	19,603,140

8. Credit Derivative Transaction Exposures (CCR6)

(Millions of yen)

CCR6: Credit derivative transaction exposures		As of March 31, 2018	
Item No.		a	b
		Protection bought	Protection sold
Notionals			
1	Single-name credit default swaps	444,503	719,100
2	Index credit default swaps	66,000	120,834
3	Total return swaps	—	—
4	Credit options	—	—
5	Other credit derivatives	—	—
6	Total notionals	510,503	839,934
Fair values			
7	Positive fair value (asset)	387	12,996
8	Negative fair value (liability)	8,034	2,660

9. Exposures to Central Counterparties (CCR8)

(Millions of yen)

CCR8: Exposures to central counterparties (CCP)		As of March 31, 2018	
Item No.		a	b
		EAD to CCP (post-CRM)	RWA
1	Exposures to qualifying central counterparties (QCCPs) (total)		125,935
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,574,667	51,493
3	(i) OTC derivatives	1,335,139	26,702
4	(ii) Exchange-traded derivatives	1,215,202	24,304
5	(iii) SFTs	24,324	486
6	(iv) Netting sets where cross-product netting has been approved	—	—
7	Segregated initial margin	—	—
8	Non-segregated initial margin	134,883	2,697
9	Pre-funded default fund contributions	136,695	71,744
10	Unfunded default fund contributions	—	—
11	Exposures to non-QCCPs (total)		46,601
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	183,077	44,374
13	(i) OTC derivatives	4,428	4,428
14	(ii) Exchange-traded derivatives	178,616	39,913
15	(iii) SFTs	32	32
16	(iv) Netting sets where cross-product netting has been approved	—	—
17	Segregated initial margin	—	—
18	Non-segregated initial margin	10,843	2,227
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

Excluding consolidated subsidiaries, subsidiaries or affiliated companies holding securitisation exposures related to the security transactions conducted by the Holding Company Group are as follows:

- NEC Capital Solutions Limited
- THE MINATO BANK, LTD.

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 apply the rating-based approach under the IRB approach or standardised approach or to calculate an 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, 2018								
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	412,410	—	412,410	533,449	—	533,449	655,834	—	655,834
2	Residential mortgage	412,410	—	412,410	—	—	—	31,574	—	31,574
3	Credit card	—	—	—	39,497	—	39,497	296,940	—	296,940
4	Other retail exposures	—	—	—	493,951	—	493,951	327,319	—	327,319
5	Re-securitisation	—	—	—	—	—	—	—	—	—
6	Wholesale (total) - of which	17,722	101,189	118,911	771,531	—	771,531	886,361	230,748	1,117,110
7	Loans to corporates	17,722	101,189	118,911	20,296	—	20,296	685,765	220,973	906,738
8	Commercial mortgage	—	—	—	—	—	—	1,100	—	1,100
9	Lease and receivables	—	—	—	745,635	—	745,635	132,870	9,775	142,645
10	Other wholesale	—	—	—	5,600	—	5,600	66,626	—	66,626
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, 2018								
		a	b	c	d	e	f	g	h	i
Item No.	Type of underlying asset	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	-	-	-	-	-	-	10,624	-	10,624
2	Residential mortgage	-	-	-	-	-	-	-	-	-
3	Credit card	-	-	-	-	-	-	6,611	-	6,611
4	Other retail exposures	-	-	-	-	-	-	4,013	-	4,013
5	Re-securitisation	-	-	-	-	-	-	-	-	-
6	Wholesale (total) - of which	-	-	-	-	-	-	3,855	-	3,855
7	Loans to corporates	-	-	-	-	-	-	17	-	17
8	Commercial mortgage	-	-	-	-	-	-	-	-	-
9	Lease and receivables	-	-	-	-	-	-	3,838	-	3,838
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, 2018							
		a	b	c	d	e	f	g	h
Item No.		Total	Traditional securitisation (subtotal)	Securitisation	Retail underlying		Re-securitisation	Senior	Non-senior
					Wholesale				
Exposure values (by RW bands)									
1	≤20% RW	1,805,620	1,707,334	1,707,334	922,711	784,622	—	—	—
2	>20% to 50% RW	3,333	2,387	2,387	—	2,387	—	—	—
3	>50% to 100% RW	2,426	2,144	2,144	—	2,144	—	—	—
4	>100% to <1250% RW	184	—	—	—	—	—	—	—
5	1250% RW	24,737	23,246	23,246	23,147	99	—	—	—
Exposure values (by regulatory approach)									
6	IRB RBA (including IAA)	73,071	73,071	73,071	73,071	—	—	—	—
7	IRB SFA	1,738,493	1,638,794	1,638,794	849,640	789,154	—	—	—
8	Securitisation exposures subject to SA	—	—	—	—	—	—	—	—
9	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	24,737	23,246	23,246	23,147	99	—	—	—
Credit RWA amounts (by regulatory approach)									
10	IRB RBA (including IAA)	5,115	5,115	5,115	5,115	—	—	—	—
11	IRB SFA	100,661	92,354	92,354	32,226	60,128	—	—	—
12	SA	—	—	—	—	—	—	—	—
13	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	309,222	290,585	290,585	289,345	1,239	—	—	—
Capital charge after cap (by regulatory approach)									
14	IRB RBA (including IAA)	433	433	433	433	—	—	—	—
15	IRB SFA	8,536	7,831	7,831	2,732	5,098	—	—	—
16	SA	—	—	—	—	—	—	—	—
17	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	26,222	24,641	24,641	24,536	105	—	—	—

(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, 2018						
		i	j	k	l	m	n	o
Item No.		Synthetic securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
		Exposure values (by RW bands)						
1	≤20% RW	98,285	98,285	—	98,285	—	—	—
2	>20% to 50% RW	946	946	—	946	—	—	—
3	>50% to 100% RW	281	281	—	281	—	—	—
4	>100% to <1250% RW	184	184	—	184	—	—	—
5	1250% RW	1,490	1,490	—	1,490	—	—	—
Exposure values (by regulatory approach)								
6	IRB RBA (including IAA)	—	—	—	—	—	—	—
7	IRB SFA	99,698	99,698	—	99,698	—	—	—
8	SA	—	—	—	—	—	—	—
9	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	1,490	1,490	—	1,490	—	—	—
Credit RWA amounts (by regulatory approach)								
10	IRB RBA (including IAA)	—	—	—	—	—	—	—
11	IRB SFA	8,306	8,306	—	8,306	—	—	—
12	SA	—	—	—	—	—	—	—
13	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	18,637	18,637	—	18,637	—	—	—
Capital requirement values (by regulatory approach)								
14	IRB RBA (including IAA)	—	—	—	—	—	—	—
15	IRB SFA	704	704	—	704	—	—	—
16	SA	—	—	—	—	—	—	—
17	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	1,580	1,580	—	1,580	—	—	—

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, 2018							
		a	b	c	d	e	f	g	h
Item No.		Total	Traditional securitisation (subtotal)	Securitisation	Retail underlying		Re-securitisation	Senior	Non-senior
					Wholesale				
Exposure values (by RW bands)									
1	≤20% RW	1,721,862	1,510,845	1,510,845	635,543	875,301	—	—	—
2	>20% to 50% RW	301	301	301	—	301	—	—	—
3	>50% to 100% RW	28,573	28,573	28,573	20,291	8,282	—	—	—
4	>100% to <1250% RW	600	600	600	—	600	—	—	—
5	1250% RW	21,606	1,875	1,875	—	1,875	—	—	—
Exposure values (by regulatory approach)									
6	IRB RBA (including IAA)	345,204	345,204	345,204	264,534	80,670	—	—	—
7	IRB SFA	1,400,220	1,189,203	1,189,203	385,988	803,215	—	—	—
8	SA	5,912	5,912	5,912	5,312	600	—	—	—
9	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	21,606	1,875	1,875	—	1,875	—	—	—
Credit RWA amounts (by regulatory approach)									
10	IRB RBA (including IAA)	42,577	42,577	42,577	28,948	13,628	—	—	—
11	IRB SFA	83,567	82,324	82,324	27,683	54,641	—	—	—
12	SA	6,084	6,084	6,084	3,984	2,100	—	—	—
13	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	270,086	23,449	23,449	—	23,449	—	—	—
Capital charge after cap (by regulatory approach)									
14	IRB RBA (including IAA)	3,610	3,610	3,610	2,454	1,155	—	—	—
15	IRB SFA	7,086	6,981	6,981	2,347	4,633	—	—	—
16	SA	486	486	486	318	168	—	—	—
17	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	22,873	1,958	1,958	—	1,958	—	—	—

(Millions of yen)

SEC4: Securitisation exposures in the banking book and associated capital requirements (bank acting as investor) (2/2)		As of March 31, 2018						
		i	j	k	l	m	n	o
Item No.		Synthetic securitisation (subtotal)	Securitisation	Retail underlying		Re-securitisation	Senior	Non-senior
				Wholesale				
Exposure values (by RW bands)								
1	≤20% RW	211,017	211,017	—	211,017	—	—	—
2	>20% to 50% RW	—	—	—	—	—	—	—
3	>50% to 100% RW	—	—	—	—	—	—	—
4	>100% to <1250% RW	—	—	—	—	—	—	—
5	1250% RW	19,730	19,730	—	19,730	—	—	—
Exposure values (by regulatory approach)								
6	IRB RBA (including IAA)	—	—	—	—	—	—	—
7	IRB SFA	211,017	211,017	—	211,017	—	—	—
8	SA	—	—	—	—	—	—	—
9	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	19,730	19,730	—	19,730	—	—	—
Credit RWA amounts (by regulatory approach)								
10	IRB RBA (including IAA)	—	—	—	—	—	—	—
11	IRB SFA	1,242	1,242	—	1,242	—	—	—
12	SA	—	—	—	—	—	—	—
13	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	246,636	246,636	—	246,636	—	—	—
Capital charge after cap (by regulatory approach)								
14	IRB RBA (including IAA)	—	—	—	—	—	—	—
15	IRB SFA	105	105	—	105	—	—	—
16	SA	—	—	—	—	—	—	—
17	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	20,914	20,914	—	20,914	—	—	—

■ 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.

Regarding stocks of subsidiaries, assets and liabilities of subsidiaries are risk-managed on a consolidated basis. As for stocks of affiliates, risks related to gains and losses from investments are recognized separately. As in each case maximum allowable amount of risk is managed individually, risks as stocks are not measured.

The limits are established within the “risk capital limit” of SMBC group, taking into account the financial and business situations of the subsidiaries and affiliates.

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 with market prices (including foreign stocks) are carried at their average market prices during the final month of the fiscal year. Securities other than these securities are carried at their market prices at the end of the fiscal year under review (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, Sumitomo Mitsui Banking Corporation Europe Limited, 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, Sumitomo Mitsui Banking Corporation Europe Limited, 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, 2018
Item No.		RWA (Amounts calculated by dividing risk equivalent amounts by 8%)
1	Interest rate risk (general and specific)	467,888
2	Equity risk (general and specific)	166,758
3	Foreign exchange risk	20,640
4	Commodity risk	0
	Options	
5	Simplified approach	—
6	Delta-plus method	298,703
7	Scenario approach	—
8	Specific risk related to securitisation exposures	181,012
9	Total	1,135,003

3. IMA values for trading portfolios (MR3)

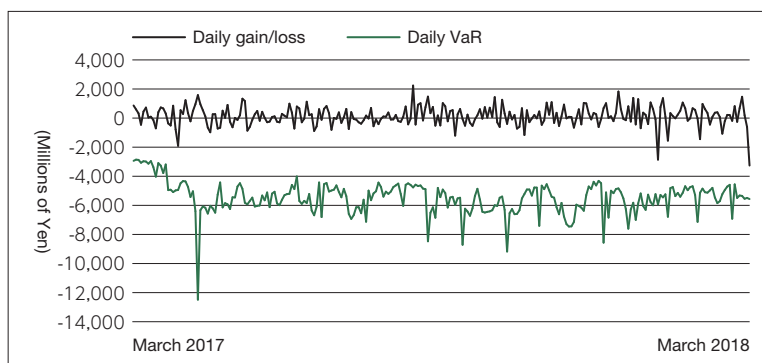
(Millions of yen)

MR3: IMA values for trading portfolios		Fiscal 2017
Item No.		
	VaR (holding period of 10 business days, one-sided confidence level of 99%)	
1	Maximum value	24,051
2	Average value	17,066
3	Minimum value	9,356
4	Period end	17,606
	Stressed VaR (holding period of 10 business days, one-sided confidence level of 99%)	
5	Maximum value	45,773
6	Average value	25,283
7	Minimum value	13,672
8	Period end	20,254
	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.

4. Backtesting results by the internal models approach (MR4)

The status of backtesting of trading for Fiscal 2017 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 98 to 99). 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 dates for 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 (2.5 years on average). The maturity of the bank's demand deposits are recognized with 5 years as the maximum term (the average is 0.8 year).

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, fixed-term 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 (Δ EVE) and net interest income (Δ NII) 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 Δ EVE with 15% of its Tier 1 capital, under a set of prescribed interest rate shock scenarios. The measurement result of SMBC Group's Δ EVE 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' Δ EVE is not larger than 15% of our Tier 1 capital.

As for Δ NII, net interest income declines under the prescribed parallel shock up scenario and increased under the parallel shock down 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 subsidiaries of SMBC

- Δ EVE is calculated by simple aggregation of the decrease in economic value for all currencies.
- Δ NII is calculated by simple aggregation of the change amount of interest income for each currency in which the total amount of interest rate-sensitive assets and liabilities is 5% or more of the total.

Definition of Each Figure and Calculation Assumption

- Δ EVE

Decrease in economic value (EVE, Economic Value on Equity) against interest rate shock (excluding the credit spread).

- Δ NII

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		a	b	c	d
Item No.		Δ EVE		Δ NII	
		As of March 31, 2018	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017
1	Parallel up	450,833		(298,916)	
2	Parallel down	0		446,481	
3	Steepener	234,602			
4	Flattener	14,509			
5	Short rate up	69,880			
6	Short rate down	236			
7	Maximum	450,833		446,481	
		e		f	
		As of March 31, 2018		As of March 31, 2017	
8	Tier 1 capital	10,610,229			

Note: Interest rate shocks of deposits with central banks is considered to be the same with the standardized interest rate shocks when calculating Δ NII.

■ 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, Sumitomo Mitsui Finance and Leasing Co., Ltd., SMBC Finance Service Co., Ltd., SMBC Guarantee Co., Ltd., SMBC Center Service Co., Ltd., SMBC Delivery Service Co., Ltd., SMBC Green Service Co., Ltd., SMBC International Business Co., Ltd., SMBC Loan Administration and Operations Service Co., Ltd., Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Nikko Securities Inc., Cedyne Financial Corporation and SMBC Consumer Finance Co., Ltd.

2. Outline of the AMA

For the “Outline of the AMA,” please refer to pages 101 to 103.

3. Usage of Insurance to Mitigate Risk

Sumitomo Mitsui Financial Group had not taken measures to mitigate operational risk through insurance coverage for exposures.

■ Reconciliation of Regulatory Capital Elements Back to the Balance Sheet (As of March 31, 2017 and 2018)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Items	(Millions of yen)		Cross-reference to Appended Table	Reference # of Basel III common disclosure template under the Composition of Capital Disclosure (Basel III Template)
	Consolidated balance sheet as in published financial statements			
	As of March 31, 2018	As of March 31, 2017		
(Assets)				
Cash and due from banks	53,732,582	46,865,538		
Call loans and bills bought	1,881,879	1,872,144		
Receivables under resale agreements	827,892	899,897		
Receivables under securities borrowing transactions	8,337,700	8,760,390		
Monetary claims bought	4,730,770	4,420,377		
Trading assets	5,585,591	6,755,428	7-a	
Money held in trust	1,482	3,439		
Securities	25,712,709	24,631,792	3-b, 7-b	
Loans and bills discounted	72,945,934	80,237,322	7-c	
Foreign exchanges	2,166,190	1,723,867		
Lease receivables and investment assets	2,329,431	2,395,597		
Other assets	8,005,807	7,355,845		
Tangible fixed assets	3,475,131	3,101,642		
Intangible fixed assets	865,584	946,506	3-a	
Net defined benefit asset	383,418	314,922	4	
Deferred tax assets	27,609	63,001	5-a	
Customers' liabilities for acceptances and guarantees	8,575,499	8,090,111		
Reserve for possible loan losses	(536,088)	(646,215)		
Total assets	199,049,128	197,791,611		
(Liabilities)				
Deposits	116,477,534	117,830,210		
Negotiable certificates of deposit	11,220,284	11,880,937		
Call money and bills sold	1,190,928	2,088,019		
Payables under repurchase agreements	5,509,721	2,715,752		
Payables under securities lending transactions	7,186,861	7,444,655		
Commercial paper	2,384,787	2,311,542		
Trading liabilities	4,402,110	4,704,931	7-d	
Borrowed money	10,829,248	10,786,713	9-a	
Foreign exchanges	865,640	683,252		
Short-term bonds	1,256,600	1,125,600		
Bonds	9,057,683	8,129,232	9-b	
Due to trust account	1,328,271	1,180,976		
Other liabilities	6,348,202	6,880,273		
Reserve for employee bonuses	84,046	77,375		
Reserve for executive bonuses	3,861	3,045		
Net defined benefit liability	39,982	59,110		
Reserve for executive retirement benefits	2,026	2,347		
Reserve for point service program	22,244	21,744		
Reserve for reimbursement of deposits	17,765	15,464		
Reserve for losses on interest repayment	144,763	156,775		
Reserve under the special laws	2,397	1,745		
Deferred tax liabilities	455,234	335,908	5-b	
Deferred tax liabilities for land revaluation	30,539	31,596	5-c	
Acceptances and guarantees	8,575,499	8,090,111		
Total liabilities	187,436,236	186,557,325		
(Net assets)				
Capital stock	2,338,743	2,337,895	1-a	
Capital surplus	758,215	757,346	1-b	
Retained earnings	5,552,573	5,036,756	1-c	
Treasury stock	(12,493)	(12,913)	1-d	
Total stockholders' equity	8,637,039	8,119,085		
Net unrealized gains on other securities	1,688,842	1,542,308		
Net deferred gains or losses on hedges	(68,543)	(42,077)	6	
Land revaluation excess	37,097	38,109		
Foreign currency translation adjustments	36,906	65,078		
Remeasurements of defined benefit plans	59,121	9,034		
Total accumulated other comprehensive income	1,753,424	1,612,453		3
Stock acquisition rights	2,823	3,482	2, 8-a	
Non-controlling interests	1,219,604	1,499,264	8-b	
Total net assets	11,612,892	11,234,286		
Total liabilities and net assets	199,049,128	197,791,611		

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)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Capital stock	2,338,743	2,337,895		1-a
Capital surplus	758,215	757,346		1-b
Retained earnings	5,552,573	5,036,756		1-c
Treasury stock	(12,493)	(12,913)		1-d
Total stockholders' equity	8,637,039	8,119,085		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Directly issued qualifying common share capital plus related capital surplus and retained earnings	8,637,039	8,119,085	Stockholders' equity attributable to common shares (before adjusting national specific regulatory adjustments (earnings to be distributed))	
of which: capital and capital surplus	3,096,958	3,095,242		1a
of which: retained earnings	5,552,573	5,036,756		2
of which: treasury stock (-)	12,493	12,913		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)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Stock acquisition rights	2,823	3,482		2
of which: Stock acquisition rights issued by bank holding company	2,823	3,206		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Stock acquisition rights to common shares	2,823	3,206		1b
Stock acquisition rights to Additional Tier 1 instruments	—	—		31b
Stock acquisition rights to Tier 2 instruments	—	—		46

3. Intangible assets

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Intangible fixed assets	865,584	946,506		3-a
Securities	25,712,709	24,631,792		3-b
of which: goodwill attributable to equity-method investees	27,520	33,029		
Income taxes related to above	181,373	192,234		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Goodwill (including those equivalent)	292,318	343,523		8
Other intangible assets other than goodwill and mortgage servicing rights	419,413	443,777	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, 2018	As of March 31, 2017	Remarks	Ref. No.
Net defined benefit asset	383,418	314,922		4
Income taxes related to above	116,950	96,187		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Net defined benefit asset	266,468	218,734		15

5. Deferred tax assets

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Deferred tax assets	27,609	63,001		5-a
Deferred tax liabilities	455,234	335,908		5-b
Deferred tax liabilities for land revaluation	30,539	31,596		5-c
Tax effects on other intangible assets	181,373	192,234		
Tax effects on net defined benefit asset	116,950	96,187		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,432	4,188	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)	3,997	24,339	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)	3,997	24,339		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, 2018	As of March 31, 2017	Remarks	Ref. No.
Net deferred gains or losses on hedges	(68,543)	(42,077)		6

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Net deferred gains or losses on hedges	(67,433)	(40,588)	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, 2018	As of March 31, 2017	Remarks	Ref. No.
Trading assets	5,585,591	6,755,428	Including trading account securities and derivatives for trading assets	7-a
Securities	25,712,709	24,631,792		7-b
Loans and bills discounted	72,945,934	80,237,322	Including subordinated loans	7-c
Trading liabilities	4,402,110	4,704,931	Including trading account securities sold and derivatives for trading liabilities	7-d

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Investments in own capital instruments	7,981	11,419		
Common Equity Tier 1 capital	7,981	11,419		16
Additional Tier 1 capital	—	—		37
Tier 2 capital	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	—	—		53
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (amount above the 10% threshold)	699,361	729,452		
Common Equity Tier 1 capital	—	—		18
Additional Tier 1 capital	—	—		39
Tier 2 capital	—	—		54
Non-significant investments in the capital of Other Financial Institutions that are below the thresholds for deductions (before risk weighting)	699,361	729,452		72
Significant investments in the capital of Other Financial Institutions, net of eligible short positions	748,831	673,029		
Amount exceeding the 10% threshold on specified items	—	—		19
Amount exceeding the 15% threshold on specified items	—	—		23
Additional Tier 1 capital	81,640	80,044		40
Tier 2 capital	50,000	50,000		55
Significant investments in the common stocks of Other Financial Institutions that are below the thresholds for deductions (before risk weighting)	617,191	542,985		73

8. Non-controlling interests

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Stock acquisition rights	2,823	3,482		8-a
Non-controlling interests	1,219,604	1,499,264		8-b

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Amount allowed to be included in group Common Equity Tier 1	332	172,277		5
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—		30-31ab-32
Amount allowed to be included in group Additional Tier 1	224,359	234,697		34-35
Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—		46
Amount allowed to be included in group Tier 2	49,810	54,539		48-49

9. Other capital instruments

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Borrowed money	10,829,248	10,786,713		9-a
Bonds	9,057,683	8,129,232		9-b

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	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	599,794	449,897		32
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	993,367	898,911		46

Note:

Amounts in the "Composition of capital disclosure" are based on those before considering under transitional arrangements and includes "Amounts excluded under transitional arrangements" disclosed in "Capital Structure Information" as well as amounts included as regulatory capital. In addition, items for regulatory purpose under transitional arrangement are excluded from this table.

■ 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, 2018						
	a	b	c	d	e	f	g
	Carrying values as reported in published Consolidated financial statement	Carrying values under scope of regulatory consolidation	CR (excluding amounts relevant to d and e)	Carrying values of items:			
CCR				Securitisation (excluding amounts relevant to f)	Market risk	Items not subject to capital requirements or subject to deduction from capital	
Assets							
Cash and due from banks	53,732,582	53,732,582	53,732,582	—	—	—	—
Call loans and bills bought	1,881,879	1,881,879	1,881,879	—	—	—	—
Receivables under resale agreements	827,892	827,892	—	827,892	—	—	—
Receivables under securities borrowing transactions	8,337,700	8,337,700	—	8,337,700	—	—	—
Monetary claims bought	4,730,770	4,730,770	2,935,869	—	1,794,900	—	—
Trading assets	5,585,591	5,585,591	—	2,418,678	—	5,585,591	7,838
Money held in trust	1,482	1,482	1,482	—	—	—	—
Securities	25,712,709	25,712,709	25,111,327	—	492,221	—	109,160
Loans and bills discounted	72,945,934	72,945,934	72,358,267	—	537,666	—	50,000
Foreign exchanges	2,166,190	2,166,190	2,166,190	—	—	—	—
Lease receivables and investment assets	2,329,431	2,329,431	2,329,431	—	—	—	—
Other assets	8,005,807	8,005,807	4,729,195	2,394,436	19,687	—	862,487
Tangible fixed assets	3,475,131	3,475,131	3,475,131	—	—	—	—
Intangible fixed assets	865,584	865,584	181,373	—	—	—	684,211
Net defined benefit asset	383,418	383,418	116,950	—	—	—	266,468
Deferred tax assets	27,609	27,609	8,048	—	—	—	19,561
Customers' liabilities for acceptances and guarantees	8,575,499	8,575,499	8,354,354	—	221,144	—	—
Reserve for possible loan losses	(536,088)	(536,088)	(536,088)	—	—	—	—
Total assets	199,049,128	199,049,128	176,845,998	13,978,706	3,065,621	5,585,591	1,999,727
Liabilities							
Deposits	116,477,534	116,477,534	3,540	—	—	—	116,473,993
Negotiable certificates of deposit	11,220,284	11,220,284	—	—	—	—	11,220,284
Call money and bills sold	1,190,928	1,190,928	—	—	—	—	1,190,928
Payables under repurchase agreements	5,509,721	5,509,721	—	2,238,633	—	—	3,271,087
Payables under securities lending transactions	7,186,861	7,186,861	—	5,547,010	—	—	1,639,851
Commercial paper	2,384,787	2,384,787	—	—	—	—	2,384,787
Trading liabilities	4,402,110	4,402,110	—	2,262,129	—	4,402,110	17,362
Borrowed money	10,829,248	10,829,248	—	—	—	—	10,829,248
Foreign exchanges	865,640	865,640	—	—	—	—	865,640
Short-term bonds	1,256,600	1,256,600	—	—	—	—	1,256,600
Bonds	9,057,683	9,057,683	—	—	—	—	9,057,683
Due to trust account	1,328,271	1,328,271	—	—	—	—	1,328,271
Other liabilities	6,348,202	6,348,202	—	1,912,702	2,252	—	4,433,248
Reserve for employee bonuses	84,046	84,046	—	—	—	—	84,046
Reserve for executive bonuses	3,861	3,861	—	—	—	—	3,861
Net defined benefit liability	39,982	39,982	—	—	—	—	39,982
Reserve for executive retirement benefits	2,026	2,026	—	—	—	—	2,026
Reserve for point service program	22,244	22,244	—	—	—	—	22,244
Reserve for reimbursement of deposits	17,765	17,765	—	—	—	—	17,765
Reserve for losses on interest repayment	144,763	144,763	—	—	—	—	144,763
Reserve under the special laws	2,397	2,397	—	—	—	—	2,397
Deferred tax liabilities	455,234	455,234	—	—	—	—	455,234
Deferred tax liabilities for land revaluation	30,539	30,539	—	—	—	—	30,539
Acceptances and guarantees	8,575,499	8,575,499	—	—	—	—	8,575,499
Total liabilities	187,436,236	187,436,236	3,540	11,960,475	2,252	4,402,110	173,347,349

- 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, 2018				
		a	b	c	d	e
Item No.		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	197,049,401	176,845,998	13,978,706	3,065,621	5,585,591
2	Liabilities carrying value amount under scope of regulatory consolidation	14,088,886	3,540	11,960,475	2,252	4,402,110
3	Total net amount under regulatory scope of consolidation	182,960,514	176,842,457	2,018,231	3,063,369	1,183,480
4	Off-balance sheet amounts	14,498,018	8,819,294 (Note 1)	5,144,715	534,008	—
5	Differences due to consideration of provisions and write-offs	650,474	650,474 (Note 2)	—	—	—
6	Differences due to derivative transactions	6,408,367	—	6,249,473 (Note 3)	11,869	—
7	Differences due to SFTs	2,021,735	—	2,021,735	—	—
8	Other differences	378,881	194,769	184,111	—	—
9	Regulatory exposure amounts	206,917,991	186,506,996	15,618,266	3,609,247	1,183,480

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.

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)

(In 0.1 billion yen)

Item No.	Description	As of March 31, 2018	As of March 31, 2017
1	Total exposures (a + b + c + d): a. On-balance sheet assets (other than assets specifically identified below b., c. and contra-account of guarantees) b. Sum of counterparty exposure of derivatives contracts, capped notional amount of written credit derivatives and potential future exposure of derivatives contracts c. Adjusted gross value of securities financing transactions (SFTs) and counterparty exposure of SFTs d. Gross notional amount of off-balance sheet items (other than derivatives contracts and SFTs)	2,132,321	2,110,462
2	Intra-financial system assets (a + b + c + d): a. Funds deposited with or lent to other financial institutions and undrawn committed lines extended to other financial institutions b. Holdings of securities issued by other financial institutions (Note 1) c. Net positive current exposure of SFTs with other financial institutions d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive fair value	301,347	293,360
3	Intra-financial system liabilities (a + b + c): a. Deposits due to, and loans and undrawn committed lines obtained from, other financial institutions b. Net negative current exposure of SFTs with other financial institutions c. OTC derivatives with other financial institutions that have a net negative fair value	198,901	192,960
4	Securities outstanding (Note 1)	302,249	291,742
5	Assets under custody	130,642	154,250
6	Notional amount of OTC derivatives	7,162,184	6,610,354
7	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 (Note 2)	103,215	108,600
8	Level 3 assets (Note 3)	8,793	8,672
9	Cross-jurisdictional claims	488,753	460,341
10	Cross-jurisdictional liabilities	334,131	423,632

Item No.	Description	FY ended March 31, 2018	FY ended March 31, 2017
11	Payments (settled through the BOJ-NET, the Japanese Banks' Payment Clearing Network and other similar settlement systems, excluding intragroup payments)	33,115,429	31,291,084
12	Underwritten transactions in debt and equity markets (Note 4)	94,397	97,279

- Notes: 1. Securities refer to secured debt securities, senior unsecured debt securities, subordinated debt securities, commercial paper, certificate of deposits, and common equities.
2. Level 1 and Level 2 assets with haircuts are defined in the Basel III Liquidity Coverage Ratio (LCR).
3. The amount is calculated in accordance with the International Financial Reporting Standards.
4. This refers to underwriting of securities defined in article 2 paragraph 8 item 6 of the Financial Instruments and Exchange Act.

Leverage Ratio Information (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

■ Composition of Leverage Ratio

(In million yen, %)

Corresponding line # on Basel III disclosure template (Table2)	Corresponding line # on Basel III disclosure template (Table1)	Item	As of March 31, 2018	As of March 31, 2017
On-balance sheet exposures (1)				
1		On-balance sheet exposures before deducting adjustment items	177,220,554	173,317,789
1a	1	Total assets reported in the consolidated balance sheet	199,049,128	197,791,611
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) (-)	21,828,574	24,473,822
2	7	The amount of adjustment items pertaining to Tier 1 capital (-)	1,135,509	945,091
3		Total on-balance sheet exposures (a)	176,085,044	172,372,697
Exposures related to derivative transactions (2)				
4		Replacement cost associated with derivatives transactions, etc.	2,170,604	2,059,221
5		Add-on amount associated with derivatives transactions, etc.	3,809,594	3,492,391
		The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.	244,794	617,273
6		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) (-)	244,794	617,273
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	549,981	555,356
10		The amount of deductions from effective notional amount of written credit derivatives (-)	509,474	518,520
11	4	Total exposures related to derivative transactions (b)	6,020,706	5,588,449
Exposures related to repo transactions (3)				
12		The amount of assets related to repo transactions, etc.	9,165,592	9,660,288
13		The amount of deductions from the assets above (line 12) (-)	—	—
14		The exposures for counterparty credit risk for repo transactions, etc.	144,762	674,034
15		The exposures for agent repo transaction		
16	5	Total exposures related to repo transactions, etc. (c)	9,310,354	10,334,322
Exposures related to off-balance sheet transactions (4)				
17		Notional amount of off-balance sheet transactions	60,490,251	64,061,261
18		The amount of adjustments for conversion in relation to off-balance sheet transactions (-)	40,188,216	42,687,096
19	6	Total exposures related to off-balance sheet transactions (d)	20,302,034	21,374,165
Leverage ratio on a consolidated basis (5)				
20		The amount of capital (Tier 1 capital) (e)	10,610,229	9,946,179
21	8	Total exposures ((a)+(b)+(c)+(d)) (f)	211,718,140	209,669,634
22		Leverage ratio on a consolidated basis ((e)/(f))	5.01%	4.74%

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 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 “LCR 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 with no significant fluctuation since the introduction of the liquidity regulation on March 31, 2015.

2. Assessment of Consolidated LCR

The LCR Notification stipulates that the minimum requirement of the LCR for 2018 is set at 90%, and from 2019 onwards, the minimum requirement of the LCR will be 100%. The LCR of Sumitomo Mitsui Financial Group (consolidated) exceeds the minimum requirements of the LCR for 2018 and for 2019 onwards, having no cause for concern. Sumitomo Mitsui Financial Group does not expect that the future LCR forecasts will differ significantly from the announced ratios. In addition, the actual LCR does not differ significantly from the initial forecast.

3. Composition of High-Quality Liquid Assets

Currency denominations, categories and locations, etc. of the high-quality liquid assets allowed to be included in the calculation have not shown any significant changes. 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 LCR 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 LCR Notification. Meanwhile, Sumitomo Mitsui Financial Group records “cash outflows related to small-sized consolidated subsidiaries,” etc. under “cash outflows based on other contracts” prescribed in Article 59 of the LCR Notification.

■ Disclosure of Quantitative Information about Liquidity Coverage Ratio (Consolidated)

(In million yen, %, the number of data)

Item		Current Quarter (From 2018/1/1 To 2018/3/31)		Prior Quarter (From 2017/10/1 To 2017/12/31)	
High-Quality Liquid Assets (1)					
1	Total high-quality liquid assets (HQLA)	61,587,108		60,893,733	
Cash Outflows (2)					
		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
2	Cash outflows related to unsecured retail funding	51,669,343	4,038,944	52,338,349	4,061,870
3	of which, Stable deposits	16,130,042	484,092	16,760,394	503,006
4	of which, Less stable deposits	35,539,301	3,554,852	35,577,955	3,558,864
5	Cash outflows related to unsecured wholesale funding	65,511,220	33,837,020	64,600,867	33,059,500
6	of which, Qualifying operational deposits	—	—	—	—
7	of which, Cash outflows related to unsecured wholesale funding other than qualifying operational deposits and debt securities	59,303,993	27,629,793	59,130,140	27,588,773
8	of which, Debt securities	6,207,228	6,207,228	5,470,727	5,470,727
9	Cash outflows related to secured funding, etc.	135,092		67,118	
10	Cash outflows related to derivative transactions, etc. funding programs, credit and liquidity facilities	21,151,405	7,366,153	21,477,928	7,606,367
11	of which, Cash outflows related to derivative transactions, etc.	1,471,849	1,471,849	1,519,555	1,519,555
12	of which, Cash outflows related to funding programs	453,129	453,129	471,590	471,590
13	of which, Cash outflows related to credit and liquidity facilities	19,226,427	5,441,175	19,486,783	5,615,221
14	Cash outflows related to contractual funding obligations, etc.	9,575,807	6,685,450	9,302,161	6,519,854
15	Cash outflows related to contingencies	72,101,263	1,291,851	71,604,274	1,303,406
16	Total cash outflows	53,354,510		52,618,115	
Cash Inflows (3)					
		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
17	Cash inflows related to secured lending, etc.	6,188,356	506,062	5,547,629	295,369
18	Cash inflows related to collection of loans, etc.	3,843,499	2,692,714	4,173,253	2,849,345
19	Other cash inflows	4,013,741	1,935,559	4,012,293	1,780,270
20	Total cash inflows	14,045,596	5,134,335	13,733,176	4,924,984
Consolidated Liquidity Coverage Ratio (4)					
21	Total HQLA allowed to be included in the calculation	61,587,108		60,893,733	
22	Net cash outflows	48,220,176		47,693,131	
23	Consolidated liquidity coverage ratio (LCR)	127.7%		127.6%	
24	The number of data used to calculate the average value	59		62	

Notes: 1. The data after the introduction of the liquidity regulation on March 31, 2015 is available on Sumitomo Mitsui Financial Group's website.
(http://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. For attribute information on customers and some data on consolidated subsidiaries, etc., monthly or quarterly data is used.

■ Breakdown of High-Quality Liquid Assets

(In million yen)

Item		Current Quarter (From 2018/1/1 To 2018/3/31)		Prior Quarter (From 2017/10/1 To 2017/12/31)	
1	Cash and due from banks	52,182,345		51,515,649	
2	Securities	9,404,763		9,378,084	
3	of which, government bonds, etc.	6,649,552		6,507,229	
4	of which, municipal bonds, etc.	189,439		202,669	
5	of which, other bonds	716,237		723,736	
6	of which, stocks	1,849,535		1,944,450	
7	Total high-quality liquid assets (HQLA)	61,587,108		60,893,733	

Note: The above amounts are those of high-quality liquid assets in accordance with the liquidity regulation under the Basel III and do not correspond to the financial amounts.
The amounts stated are those after multiplying factors in the liquidity regulation under the Basel III.

■ Capital Requirements

March 31	Billions of yen 2017
Capital requirements for credit risk:	
Internal ratings-based approach	5,271.7
Corporate exposures:	3,145.0
Corporate exposures (excluding specialized lending)	2,665.8
Sovereign exposures	45.4
Bank exposures	135.7
Specialized lending	298.2
Retail exposures:	793.6
Residential mortgage exposures	346.4
Qualifying revolving retail exposures	223.5
Other retail exposures	223.7
Equity exposures:	489.1
PD/LGD approach	342.0
Market-based approach	147.1
Simple risk weight method	105.2
Internal models method	41.9
Credit risk-weighted assets under Article 145 of the Notification	300.1
Securitisation exposures	81.2
Other exposures	462.7
Standardised approach	520.8
Amount corresponding to CVA risk	179.8
CCP-related exposures	8.9
Total capital requirements for credit risk	5,981.2
Capital requirements for market risk:	
Standardised method	102.0
Interest rate risk	36.7
Equity position risk	42.6
Foreign exchange risk	2.0
Commodities risk	0.0
Options	20.7
Internal models approach	117.8
Securitisation exposures	6.9
Total capital requirements for market risk	226.8
Capital requirements for operational risk:	
Advanced measurement approach	228.5
Basic indicator approach	49.3
Total capital requirements for operational risk	277.8
Total amount of capital requirements	6,485.9

Notes: 1. Capital requirements for credit risk are capital equivalents to "credit risk-weighted assets × 8%" under the standardised approach and "credit risk-weighted assets × 8% + expected loss amount" under the Internal-Ratings Based (IRB) approach.

2. Portfolio classification is after CRM.

3. "Securitisation exposures" includes such exposures based on the standardised approach.

4. "Other exposures" includes estimated lease residual values, purchased receivables (including exposures to qualified corporate enterprises and others), long settlement transactions and other assets.

Internal Ratings-Based (IRB) Approach

Exposures by Asset Class

(1) Corporate Exposures

A. Corporate, Sovereign and Bank Exposures

Portfolio

a. Domestic Corporate, Sovereign and Bank Exposures

	Billions of yen									
	Exposure amount			Undrawn amount						
	Total	On-balance sheet assets	Off-balance sheet assets	Total	Weighted average CCF	Weighted average PD	Weighted average LGD	Weighted average EL _{default}	Weighted average risk weight	
March 31, 2017										
J1-J3	28,682.2	22,987.5	5,694.7	5,303.7	49.50%	0.06%	35.23%	—%	18.61%	
J4-J6	16,467.3	14,346.5	2,120.7	856.1	50.10	0.75	33.65	—	50.28	
J7 (excluding J7R)	1,289.9	1,080.4	209.5	188.8	49.43	13.70	39.83	—	173.72	
Japanese government and local municipal corporations	49,945.7	49,586.0	359.7	135.7	49.38	0.00	35.31	—	0.01	
Others	4,432.8	4,212.0	220.8	100.1	49.87	0.84	44.01	—	56.29	
Default (J7R, J8-J10)	597.8	559.3	38.5	0.1	84.61	100.00	48.12	47.12	12.44	
Total	101,415.7	92,771.9	8,643.8	6,584.6	—	—	—	—	—	

Note: "Others" includes exposures guaranteed by credit guarantee corporations, exposures to public sector entities and voluntary organizations, exposures to obligors not assigned obligor grades because they have yet to close their books (for example, newly established companies), as well as business loans of more than ¥100 million.

b. Overseas Corporate, Sovereign and Bank Exposures

	Billions of yen									
	Exposure amount			Undrawn amount						
	Total	On-balance sheet assets	Off-balance sheet assets	Total	Weighted average CCF	Weighted average PD	Weighted average LGD	Weighted average EL _{default}	Weighted average risk weight	
March 31, 2017										
G1-G3	39,940.4	28,984.6	10,955.8	10,791.7	49.38%	0.14%	28.86%	—%	17.11%	
G4-G6	2,080.0	1,601.9	478.1	350.1	49.38	2.89	24.89	—	72.27	
G7 (excluding G7R)	373.1	248.9	124.2	195.4	49.38	14.91	24.02	—	119.58	
Others	480.8	62.7	418.1	51.9	50.16	1.26	24.72	—	26.21	
Default (G7R, G8-G10)	104.0	90.6	13.4	9.2	100.00	100.00	63.82	59.61	52.63	
Total	42,978.2	30,988.6	11,989.6	11,398.4	—	—	—	—	—	

B. Specialized Lending (SL)

Portfolio

a. Slotting Criteria Applicable Portion

(a) Project Finance, Object Finance and Income-Producing Real Estate (IPRE)

	Risk weight	Billions of yen		
		2017		
		Project finance	Object finance	IPRE
March 31				
Strong:				
Residual term less than 2.5 years	50%	0.0	—	5.4
Residual term 2.5 years or more	70%	28.4	4.2	16.4
Good:				
Residual term less than 2.5 years	70%	33.7	—	0.8
Residual term 2.5 years or more	90%	17.4	—	5.6
Satisfactory	115%	18.2	0.8	17.1
Weak	250%	—	—	—
Default	—	3.5	—	0.0
Total		101.1	5.0	45.2

(b) High-Volatility Commercial Real Estate (HVCRE)

March 31	Risk weight	Billions of yen
		2017
Strong:		
Residual term less than 2.5 years	70%	9.1
Residual term 2.5 years or more	95%	8.8
Good:		
Residual term less than 2.5 years	95%	91.1
Residual term 2.5 years or more	120%	75.4
Satisfactory	140%	275.1
Weak.....	250%	3.4
Default	—	—
Total.....		463.0

b. PD/LGD Approach Applicable Portion, Other Than Slotting Criteria Applicable Portion

(a) Project Finance

March 31, 2017	Billions of yen									
	Exposure amount			Undrawn amount		Weighted average CCF	Weighted average PD	Weighted average LGD	Weighted average EL _{default}	Weighted average risk weight
	Total	On-balance sheet assets	Off-balance sheet assets	Total	Weighted average CCF					
G1-G3.....	3,646.3	2,642.4	1,003.8	1,078.9	49.38%	0.31%	26.03%	—%	39.39%	
G4-G6.....	243.9	181.9	62.0	92.4	49.38	2.73	29.10	—	94.56	
G7 (excluding G7R)	42.9	33.1	9.8	2.5	49.38	15.37	40.13	—	219.24	
Others.....	—	—	—	—	—	—	—	—	—	
Default (G7R, G8-G10)	52.3	51.0	1.3	0.1	100.00	100.00	55.45	51.24	52.63	
Total.....	3,985.4	2,908.4	1,077.0	1,173.8	—	—	—	—	—	

(b) Object Finance

March 31, 2017	Billions of yen									
	Exposure amount			Undrawn amount		Weighted average CCF	Weighted average PD	Weighted average LGD	Weighted average EL _{default}	Weighted average risk weight
	Total	On-balance sheet assets	Off-balance sheet assets	Total	Weighted average CCF					
G1-G3.....	200.9	172.6	28.3	19.7	49.38%	0.28%	11.28%	—%	15.84%	
G4-G6.....	35.9	35.1	0.8	—	—	3.47	6.77	—	22.44	
G7 (excluding G7R)	3.9	3.2	0.7	—	—	23.62	71.82	—	428.34	
Others.....	—	—	—	—	—	—	—	—	—	
Default (G7R, G8-G10)	2.1	2.1	—	—	—	100.00	61.56	57.35	52.63	
Total.....	242.9	213.0	29.8	19.7	—	—	—	—	—	

(c) Income-Producing Real Estate (IPRE)

March 31, 2017	Billions of yen									
	Exposure amount			Undrawn amount		Weighted average CCF	Weighted average PD	Weighted average LGD	Weighted average EL _{default}	Weighted average risk weight
	Total	On-balance sheet assets	Off-balance sheet assets	Total	Weighted average CCF					
J1-J3	1,009.7	905.3	104.4	2.8	49.38%	0.04%	22.68%	—%	11.44%	
J4-J6	356.8	284.2	72.6	—	—	0.86	26.06	—	51.12	
J7 (excluding J7R)	7.5	7.5	—	—	—	10.36	5.00	—	23.66	
Others.....	399.1	377.6	21.6	36.7	49.38	0.25	30.84	—	24.94	
Default (J7R, J8-J10)	—	—	—	—	—	—	—	—	—	
Total.....	1,773.1	1,574.6	198.5	39.5	—	—	—	—	—	

(2) Retail Exposures

A. Residential Mortgage Exposures

Portfolio

March 31, 2017	Billions of yen			Weighted average PD	Weighted average LGD	Weighted average EL _{default}	Weighted average risk weight
	Exposure amount						
	Total	On-balance sheet assets	Off-balance sheet assets				
Mortgage loans							
PD segment:							
Not delinquent							
Use model.....	11,804.7	11,782.5	22.2	0.44%	33.75%	—%	23.18%
Others	386.5	386.5	—	1.03	51.24	—	67.67
Delinquent.....	88.9	87.0	1.9	18.42	36.61	—	191.19
Default	152.9	152.8	0.1	100.00	34.07	32.43	20.43
Total	12,433.0	12,408.8	24.2	—	—	—	—

Notes: 1. "Others" includes loans guaranteed by employers.

2. "Delinquent" loans are past due loans and loans to obligors categorized as "Borrowers Requiring Caution" that do not satisfy the definition of default stipulated in the Notification.

B. Qualifying Revolving Retail Exposures (QRRE)

Portfolio

March 31, 2017	Billions of yen					Weighted average CCF	Weighted average PD	Weighted average LGD	Weighted average EL _{default}	Weighted average risk weight	
	Total	Exposure amount		Off-balance sheet assets	Undrawn amount						
		Balance	Increase		Total						Weighted average CCF
Card loans											
PD segment:											
Not delinquent	947.8	778.2	106.9	62.7	254.3	42.04%	2.88%	81.25%	—%	63.95%	
Delinquent.....	14.7	14.1	0.6	—	2.7	23.00	28.34	77.68	—	214.04	
Credit card balances											
PD segment:											
Not delinquent	2,440.6	1,449.2	685.8	305.7	8,977.4	7.64	1.92	69.79	—	32.79	
Delinquent.....	6.7	5.7	1.0	—	—	—	78.05	72.15	—	119.50	
Default	46.2	42.2	3.0	1.0	—	—	100.00	83.79	73.93	123.21	
Total	3,456.0	2,289.4	797.3	369.4	9,234.4	—	—	—	—	—	

Notes: 1. The on-balance sheet exposure amount is estimated by estimating the amount of increase in each transaction balance and not by multiplying the undrawn amount by the CCF.

2. "Weighted average CCF" is "On-balance sheet exposure amount ÷ Undrawn amount" and provided for reference only. It is not used for estimating on-balance sheet exposure amounts.

3. Past due loans of less than three months are recorded in "Delinquent."

C. Other Retail Exposures

Portfolio

March 31, 2017	Billions of yen			Weighted average PD	Weighted average LGD	Weighted average EL _{default}	Weighted average risk weight
	Exposure amount						
	Total	On-balance sheet assets	Off-balance sheet assets				
Business loans							
PD segment:							
Not delinquent							
Use model.....	1,022.3	1,004.5	17.8	0.87%	47.47%	—%	40.50%
Others	207.5	206.5	1.0	0.67	40.26	—	30.91
Delinquent.....	73.1	72.2	0.8	6.26	41.94	—	66.66
Consumer loans							
PD segment:							
Not delinquent							
Use model.....	1,660.4	1,025.8	634.6	2.20	50.56	—	62.26
Others	128.7	127.3	1.3	1.59	53.18	—	63.70
Delinquent.....	23.1	21.0	2.2	24.62	49.64	—	107.78
Default	82.1	81.2	0.9	100.00	62.07	54.01	100.82
Total	3,197.2	2,538.6	658.7	—	—	—	—

Notes: 1. "Business loans" includes apartment construction loans. Following implementation of our domestic business structure revision started in April 2014, "Domestic Corporate Exposures" includes SME loans because their grading system is integrated into that of Corporate loans.

2. "Others" includes loans guaranteed by employers.

3. "Delinquent" loans are past due loans and loans to obligors categorized as "Borrowers Requiring Caution" that do not satisfy the definition of default stipulated in the Notification.

(3) Equity Exposures and Credit Risk-Weighted Assets under Article 145 of the Notification

A. Equity Exposures

Portfolio

a. Equity Exposure Amounts

	Billions of yen
March 31	2017
Market-based approach.....	706.5
Simple risk weight method.....	370.3
Listed equities (300%).....	240.7
Unlisted equities (400%).....	129.6
Internal models method.....	336.2
PD/LGD approach.....	3,763.0
Total.....	<u>4,469.5</u>

Note: The above exposures are "equity exposures" stipulated in the Notification and differ from "stocks" described in the consolidated financial statements.

b. PD/LGD Approach

	Billions of yen		
March 31	2017		
	Exposure amount	Weighted average PD	Weighted average risk weight
J1-J3.....	3,457.4	0.05%	100.39%
J4-J6.....	176.1	0.32	152.52
J7 (excluding J7R).....	15.1	10.45	566.42
Others.....	113.6	0.48	175.70
Default (J7R, J8-J10).....	0.7	100.00	1,125.00
Total.....	<u>3,763.0</u>	—	—

Notes: 1. The above exposures are "equity exposures" stipulated in the Notification to which the PD/LGD approach is applied and differ from "stocks" described in the consolidated financial statements.

2. "Others" includes exposures to overseas corporate entities.

3. Weighted average risk weight is calculated by including the amount derived by multiplication of the expected loss by a risk weight of 1250% in the credit risk-weighted assets.

B. Credit Risk-Weighted Assets under Article 145 of the Notification

Portfolio

	Billions of yen
March 31	2017
Exposures under Article 145 of the Notification.....	<u>1,324.0</u>

(4) Analysis of Actual Losses

A. Year-on-Year Comparison of Actual Losses

We recorded an increase of ¥61.6 billion in total credit costs (the total of the general reserve, non-performing loan write-offs and gains on collection of written-off claims) compared to the previous fiscal year, amounting to ¥164.4 billion on a consolidated basis for fiscal year 2016.

SMBC recorded an increase of ¥64.3 billion in total credit costs compared to the previous fiscal year, which resulted in an expense of ¥61.1 billion on a non-consolidated basis in fiscal year 2016, due to the recognition of costs derived from a downturn in the business of obligors with large exposure.

Total Credit Costs

	Billions of yen			Increase (decrease) (A) – (B)
	Fiscal 2016 (A)	Fiscal 2015 (B)	Fiscal 2014	
Sumitomo Mitsui Financial Group (consolidated) total	164.4	102.8	7.8	61.6
SMBC (consolidated) total	63.3	13.9	(65.4)	49.4
SMBC (non-consolidated) total	61.1	(3.2)	(80.1)	64.3
Corporate exposures	64.0	0.1	(40.6)	63.9
Sovereign exposures	(0.1)	(1.7)	(6.0)	1.6
Bank exposures	(0.3)	(0.1)	(0.7)	(0.3)
Residential mortgage exposures	(0.1)	0.0	(0.3)	(0.2)
QRRE	(0.0)	0.0	(0.1)	(0.1)
Other retail exposures	(0.3)	(1.8)	(2.6)	1.5

- Notes: 1. The above amounts do not include gains/losses on “equity exposures,” “exposures on capital market-driven transactions (such as bonds)” and “exposures under Article 145 of the Notification” that were recognized as gains/losses on bonds and stocks in the statements of income.
2. Exposure category amounts do not include general reserve for Normal Borrowers.
3. Bracketed fiscal year amounts indicate gains generated by the reversal of reserve, etc.
4. Credit costs for “Residential mortgage exposures” and “QRRE” guaranteed by consolidated subsidiaries are not included in the total credit costs of SMBC (non-consolidated).

B. Comparison of Estimated and Actual Losses

	Billions of yen					
	Fiscal 2016			Fiscal 2015		
	Estimated loss amounts		Actual loss amounts	Estimated loss amounts		Actual loss amounts
	After deduction of reserves			After deduction of reserves		
Sumitomo Mitsui Financial Group (consolidated) total ...	—	—	164.4	—	—	102.8
SMBC (consolidated) total	—	—	63.3	—	—	13.9
SMBC (non-consolidated) total	461.2	167.8	61.1	513.1	153.9	(3.2)
Corporate exposures	438.3	158.7	64.0	483.0	139.0	0.1
Sovereign exposures	8.9	7.4	(0.1)	9.1	3.8	(1.7)
Bank exposures	7.5	3.9	(0.3)	10.7	7.2	(0.1)
Residential mortgage exposures	2.3	(1.1)	(0.1)	3.9	3.5	0.0
QRRE	0.0	(0.3)	(0.0)	0.0	0.0	0.0
Other retail exposures	4.2	4.2	(0.3)	6.4	5.5	(1.8)

	Billions of yen					
	Fiscal 2014			Fiscal 2013		
	Estimated loss amounts		Actual loss amounts	Estimated loss amounts		Actual loss amounts
	After deduction of reserves			After deduction of reserves		
Sumitomo Mitsui Financial Group (consolidated) total ...	—	—	7.8	—	—	(49.1)
SMBC (consolidated) total	—	—	(65.4)	—	—	(113.3)
SMBC (non-consolidated) total	642.5	171.1	(80.1)	871.2	171.2	(123.9)
Corporate exposures	523.6	128.1	(40.6)	734.0	123.6	(122.8)
Sovereign exposures	12.7	1.4	(6.0)	5.6	4.1	0.3
Bank exposures	8.5	4.2	(0.7)	11.4	6.1	(0.9)
Residential mortgage exposures	2.9	2.3	(0.3)	5.2	4.3	(0.1)
QRRE	0.0	(0.0)	(0.1)	0.0	(0.0)	(0.0)
Other retail exposures	94.8	40.7	(2.6)	114.9	38.2	(0.5)

	Billions of yen					
	Fiscal 2012			Fiscal 2011		
	Estimated loss amounts		Actual loss amounts	Estimated loss amounts		Actual loss amounts
	After deduction of reserves			After deduction of reserves		
Sumitomo Mitsui Financial Group (consolidated) total ...	—	—	173.1	—	—	121.3
SMBC (consolidated) total	—	—	70.6	—	—	91.7
SMBC (non-consolidated) total	940.1	245.4	19.5	1,062.7	213.9	58.6
Corporate exposures	765.9	164.9	10.7	889.3	132.2	57.5
Sovereign exposures	22.0	11.4	(0.3)	12.4	1.8	(0.2)
Bank exposures	14.9	5.5	(0.4)	14.9	4.7	(0.0)
Residential mortgage exposures	3.7	2.9	0.2	3.8	2.9	0.2
QRRE	0.1	(0.0)	0.1	0.1	(0.0)	(0.0)
Other retail exposures	133.5	65.6	9.7	142.3	77.4	10.5

Notes: 1. Amounts on consumer loans guaranteed by consolidated subsidiaries or affiliates as well as on "equity exposures" and "exposures under Article 145 of the Notification" are excluded.

2. "Estimated loss amounts" are the EL at the beginning of the term.

3. "After deduction of reserves" represents the estimated loss amounts after deduction of reserves for possible losses on substandard borrowers or below.

■ Standardised Approach

Exposure Balance by Risk Weight Segment

March 31	Billions of yen	
	2017	
		Of which assigned country risk score
0%	9,453.1	914.9
10%	9.1	—
20%	1,574.0	939.2
35%	62.8	—
50%	82.7	6.6
75%	1,766.3	—
100%	4,299.2	3.5
150%	76.9	0.0
250%	158.7	—
1250%	1.4	1.3
Others	1.6	—
Total	17,485.8	1,865.5

Notes: 1. The above amounts are exposures after CRM (but before deduction of direct write-offs). Please note that for off-balance sheet assets the credit equivalent amount has been included.

2. "Securitisation exposures" have not been included.

■ Credit Risk Mitigation (CRM) Techniques

Exposure Balance after CRM

March 31	Billions of yen	
	2017	
	Eligible financial collateral	Other eligible IRB collateral
Advanced Internal Ratings-Based (AIRB) approach	—	—
Foundation Internal Ratings-Based (FIRB) approach	160.0	59.8
Corporate exposures	46.8	59.8
Sovereign exposures	—	—
Bank exposures	113.2	—
Standardised approach	5,586.1	—
Total	5,746.1	59.8

Note: For exposures to which the AIRB approach was applied, eligible collateral is separately taken into account in Loss Given Default (LGD) estimates.

March 31	Billions of yen	
	2017	
	Guarantee	Credit derivative
Internal Ratings-Based (IRB) approach	9,600.3	334.2
Corporate exposures	9,094.4	334.2
Sovereign exposures	294.1	—
Bank exposures	120.2	—
Residential mortgage exposures	91.7	—
QRRE	—	—
Other retail exposures	—	—
Standardised approach	51.7	—
Total	9,651.9	334.2

■ Derivative Transactions and Long Settlement Transactions

Credit Equivalent Amounts

(1) Derivative Transactions and Long Settlement Transactions

A. Calculation Method

Current exposure method

B. Credit Equivalent Amounts

March 31	Billions of yen 2017
Gross replacement cost	4,547.3
Gross add-on amount	4,558.5
Gross credit equivalent amount	9,105.8
Foreign exchange related transactions	3,477.7
Interest rate related transactions	5,297.5
Gold related transactions	—
Equities related transactions	198.2
Precious metals (excluding gold) related transactions	—
Other commodity related transactions	87.0
Credit default swaps	45.4
Reduction in credit equivalent amount due to netting	3,378.7
Net credit equivalent amount	5,727.2
Collateral amount	16.6
Eligible financial collateral	16.6
Other eligible IRB collateral	—
Net credit equivalent amount (after taking into account the CRM effect of collateral)	5,710.5

(2) Notional Principal Amounts of Credit Derivatives

Credit Default Swaps

March 31	Billions of yen	
	2017	
	Notional principal amount	
	Total	Of which for CRM
Protection purchased	623.7	334.2
Protection provided	456.7	—

Note: "Notional principal amount" is defined as the total of "amounts subject to calculation of credit equivalents" and "amounts employed for CRM."

■ Securitisation Exposures

1. Portfolio (Credit Risk)

(1) Securitisation Transactions as Originator

A. As Originator (Excluding as Sponsor)

(A) Underlying Assets

	Billions of yen						
	March 31, 2017			Fiscal 2016			
	Underlying asset amount			Securitized amount	Default amount	Loss amount	Gains/losses on sales
Total	Asset transfer type	Synthetic type					
Claims on corporates	107.1	0.0	107.0	100.0	2.7	24.9	—
Mortgage loans	1,353.9	1,353.9	—	321.9	1.2	0.3	21.8
Retail loans (excluding mortgage loans)	—	—	—	—	—	—	—
Other claims	0.2	0.2	—	—	—	—	—
Total	1,461.2	1,354.2	107.0	421.9	3.9	25.2	21.8

Notes: 1. The above amounts include the amount of underlying assets securitized during the term without entailing "securitisation exposures."

2. "Default amount" is the total of underlying assets which are past due three months or more and defaulted underlying assets.

3. Asset type classification is based on the major items in the underlying assets for each transaction.

4. "Other claims" includes claims on Private Finance Initiative (PFI) businesses and lease fees.

5. Following Articles 230 and 248 of the Notification, there are no amounts that represent "exposure to products subject to early amortization provisions" to investors.

6. There are no amounts that represent "assets held for securitisation transactions."

(B) Securitisation Exposures (Excluding Resecuritisation Exposures)

a. Underlying Assets by Asset Type

	Billions of yen				
	2017				
	Term-end balance		Amounts subject to a 1250% risk weight	Increase in capital equivalent	
Total	On-balance sheet assets	Off-balance sheet assets			
March 31					
Claims on corporates	103.5	103.5	—	1.5	—
Mortgage loans	304.7	304.7	—	24.7	58.4
Retail loans (excluding mortgage loans)	—	—	—	—	—
Other claims	0.2	0.2	—	0.0	—
Total	408.4	408.4	—	26.2	58.4

b. Risk Weights

	Billions of yen			
	2017			
	Term-end balance			Required capital
Total	On-balance sheet assets	Off-balance sheet assets		
March 31				
20% or less	99.1	99.1	—	0.6
100% or less	1.2	1.2	—	0.1
650% or less	0.1	0.1	—	0.0
Less than 1250%	—	—	—	—
1250%	308.0	308.0	—	27.8
Total	408.4	408.4	—	28.5

(C) Resecuritisation Exposures

There are no amounts that represent “resecuritisation exposures.”

B. As Sponsor**(A) Underlying Assets**

	Billions of yen					
	March 31, 2017			Fiscal 2016		
	Underlying asset amount			Securitized amount	Default amount	Loss amount
Total	Asset transfer type	Synthetic type				
Claims on corporates	903.5	903.5	—	5,834.3	63.1	106.5
Mortgage loans	—	—	—	—	—	—
Retail loans (excluding mortgage loans)....	832.7	832.7	—	418.2	2.2	11.8
Other claims	29.6	29.6	—	27.6	0.0	0.0
Total	1,765.7	1,765.7	—	6,280.1	65.3	118.3

Notes: 1. The above amounts include the amount of underlying assets securitized during the term without entailing “securitisation exposures.”

2. “Default amount” is the total of underlying assets which are past due three months or more and defaulted underlying assets.

3. “Default amount” and “Loss amount” when acting as a sponsor of securitisation of customer claims are estimated using the following methods and alternative data, as in some cases it can be difficult to obtain relevant data in a timely manner because the underlying assets have been recovered by the customer.

(1) “Default amount” estimation method

- For securitisation transactions subject to the ratings-based approach, the amount is estimated based on information on underlying assets obtainable from customers, etc.

- For securitisation transactions subject to the supervisory formula, the amount is estimated based on obtainable information on, or default rate of, each obligor. Further, when it is difficult to estimate the amount using either method, it is conservatively estimated by assuming that the underlying asset is a default asset.

(2) “Loss amount” estimation method

- For securitisation transactions subject to the ratings-based approach, the amount is the same amount as the “Default amount” estimated conservatively in (1) above.

- For securitisation transactions subject to the supervisory formula, when expected loss ratios of defaulted underlying assets can be determined, the amount is estimated using the ratios. When it is difficult to determine the ratios, the amount is the same amount as the “Default amount” estimated conservatively in (1) above.

4. Asset type classification is based on the major items in the underlying assets for each transaction.

5. “Other claims” includes lease fees.

6. Following Articles 230 and 248 of the Notification, there are no amounts that represent “exposure to products subject to early amortization provisions” to investors.

7. There are no amounts that represent “assets held for securitisation transactions.”

(B) Securitisation Exposures (Excluding Resecuritisation Exposures)**a. Underlying Assets by Asset Type**

	Billions of yen				
	2017				
	Term-end balance			Amounts subject to a 1250% risk weight	Increase in capital equivalent
Total	On-balance sheet assets	Off-balance sheet assets			
March 31					
Claims on corporates	687.4	674.2	13.2	0.3	—
Mortgage loans	—	—	—	—	—
Retail loans (excluding mortgage loans)	466.9	466.9	—	—	—
Other claims	24.4	24.4	—	—	—
Total	1,178.7	1,165.5	13.2	0.3	—

b. Risk Weights

	Billions of yen			
	2017			
	Term-end balance			Required capital
Total	On-balance sheet assets	Off-balance sheet assets		
March 31				
20% or less	1,156.9	1,143.7	13.2	7.1
100% or less	21.5	21.5	—	1.0
650% or less	—	—	—	—
Less than 1250%	—	—	—	—
1250%	0.3	0.3	—	0.3
Total	1,178.7	1,165.5	13.2	8.3

(C) Resecuritisation Exposures

There are no amounts that represent “resecuritisation exposures.”

(2) Securitisation Transactions in which the Group is the Investor

(A) Securitisation Exposures (Excluding Resecuritisation Exposures)

a. Underlying Assets by Asset Type

	Billions of yen				
	2017				
	Term-end balance			Amounts subject to a 1250% risk weight	Increase in capital equivalent
Total	On-balance sheet assets	Off-balance sheet assets			
March 31					
Claims on corporates	1,013.3	562.2	451.0	29.8	—
Mortgage loans	30.2	30.2	—	—	—
Retail loans (excluding mortgage loans)	628.5	498.3	130.2	—	—
Other claims	12.5	12.4	0.1	0.1	—
Total	1,684.5	1,103.2	581.3	29.8	—

Notes: 1. Asset type classification is based on the major items in the underlying assets for each transaction.

2. "Retail loans (excluding mortgage loans)" includes balances of ¥5.6 billion as of March 31, 2017 for the securitisation exposures which includes loans whose credit risk are relatively high, such as U.S. subprime loans.

b. Risk Weights

	Billions of yen			
	2017			
	Term-end balance			Required capital
Total	On-balance sheet assets	Off-balance sheet assets		
March 31				
20% or less	1,522.9	1,048.8	474.1	8.6
100% or less	37.0	36.9	0.1	2.6
650% or less	17.4	17.4	—	1.5
Less than 1250%	—	—	—	—
1250%	107.2	0.1	107.1	31.6
Total	1,684.5	1,103.2	581.3	44.4

Note: The risk weight of "100% or less" includes balances of ¥5.6 billion as of March 31, 2017 for the securitisation exposures which includes loans whose credit risk are relatively high, such as U.S. subprime loans.

(B) Resecuritisation Exposures

a. Underlying Assets by Asset Type

	Billions of yen				
	2017				
	Term-end balance			Amounts subject to a 1250% risk weight	Increase in capital equivalent
Total	On-balance sheet assets	Off-balance sheet assets			
March 31					
Claims on corporates	—	—	—	—	—
Mortgage loans	—	—	—	—	—
Retail loans (excluding mortgage loans)	—	—	—	—	—
Other claims	0.2	0.0	0.2	0.0	—
Total	0.2	0.0	0.2	0.0	—

Notes: 1. Asset type classification is based on the major items in the underlying assets for each transaction.

2. "Other claims" includes securitisation products.

3. Credit risk mitigation (CRM) techniques are not applied to the resecuritisation exposures.

b. Risk Weights

	Billions of yen			
	2017			
	Term-end balance			Required capital
Total	On-balance sheet assets	Off-balance sheet assets		
March 31				
20% or less	0.2	—	0.2	0.0
100% or less	—	—	—	—
650% or less	—	—	—	—
Less than 1250%	—	—	—	—
1250%	0.0	0.0	—	0.0
Total	0.2	0.0	0.2	0.0

2. Portfolio (Market Risk)

(1) Securitisation Transactions as Originator

There are no amounts that represent “securitisation transactions where the Group serves as the originator.”

(2) Securitisation Transactions as Investor

(A) Securitisation Exposures (Excluding Resecuritisation Exposures)

a. Underlying Assets by Asset Type

March 31	Billions of yen				
	2017				
	Term-end balance			Amounts subject to a 100% risk weight	Increase in capital equivalent
Total	On-balance sheet assets	Off-balance sheet assets			
Claims on corporates	0.9	0.9	—	0.9	—
Mortgage loans	—	—	—	—	—
Retail loans (excluding mortgage loans)	6.1	6.1	—	6.1	—
Other claims	—	—	—	—	—
Total	6.9	6.9	—	6.9	—

Note: There are no amounts that represent “securitisation exposures subject to the measurement of the comprehensive risk held.”

b. Risk Weights

March 31	Billions of yen			
	2017			
	Term-end balance			Required capital
Total	On-balance sheet assets	Off-balance sheet assets		
Less than 100%	—	—	—	—
100%	6.9	6.9	—	6.9
Total	6.9	6.9	—	6.9

(B) Resecuritisation Exposures

There are no amounts that represent “resecuritisation exposures.”

■ Equity Exposures in Banking Book

1. Consolidated Balance Sheet Amounts and Fair Values

March 31	Billions of yen	
	2017	
	Balance sheet amount	Fair value
Listed equity exposures	4,157.1	4,157.1
Equity exposures other than above	218.3	—
Total	4,375.4	—

2. Gains (Losses) on Sale and Devaluation of Equity Exposures

	Billions of yen
	Fiscal 2016
Gains (losses)	55.0
Gains on sale	80.3
Losses on sale	10.5
Devaluation	14.9

Note: The above amounts are gains (losses) on stocks and available-for-sale securities in the consolidated statements of income.

3. Unrealized Gains (Losses) Recognized on Consolidated Balance Sheets but Not on Consolidated Statements of Income

	Billions of yen
	2017
Unrealized gains (losses) recognized on consolidated balance sheets but not on consolidated statements of income	2,157.5

Note: The above amount is for stocks of Japanese companies and foreign stocks with market prices.

4. Unrealized Gains (Losses) Not Recognized on Consolidated Balance Sheets or Consolidated Statements of Income

	Billions of yen
March 31	2017
Unrealized gains (losses) not recognized on consolidated balance sheets or consolidated statements of income.....	1.8

Note: The above amount is for stocks of affiliates with market prices.

■ Exposure Balance by Type of Assets, Geographic Region, Industry and Residual Term

1. Exposure Balance by Type of Assets, Geographic Region and Industry

	Billions of yen				
March 31, 2017	Loans, etc.	Bonds	Derivatives	Others	Total
Domestic operations (excluding offshore banking accounts)					
Manufacturing.....	10,682.4	110.1	219.1	2,879.7	13,891.3
Agriculture, forestry, fishery and mining.....	358.3	4.9	14.5	44.8	422.5
Construction.....	1,365.0	24.9	6.7	293.1	1,689.7
Transport, information, communications and utilities.....	6,474.9	104.7	148.8	1,112.0	7,840.4
Wholesale and retail.....	6,347.7	23.3	128.5	896.7	7,396.3
Financial and insurance.....	47,124.7	437.3	1,746.4	1,357.8	50,666.2
Real estate, goods rental and leasing.....	9,966.2	414.7	56.0	388.1	10,824.9
Services.....	5,449.6	36.5	46.2	1,159.1	6,691.4
Local municipal corporations.....	1,257.3	99.9	10.9	24.2	1,392.2
Other industries.....	30,186.7	11,301.1	280.5	6,153.9	47,922.2
Subtotal.....	119,212.8	12,557.4	2,657.7	14,309.3	148,737.1
Overseas operations and offshore banking accounts					
Sovereigns.....	6,626.2	1,425.3	15.3	14.9	8,081.8
Financial institutions.....	8,189.0	642.4	2,014.2	970.3	11,815.9
C&I companies.....	24,823.9	193.0	901.5	956.3	26,874.7
Others.....	5,128.0	1,158.4	121.3	2,537.7	8,945.4
Subtotal.....	44,767.3	3,419.1	3,052.4	4,479.2	55,717.9
Total.....	163,980.1	15,976.4	5,710.0	18,788.5	204,455.0

Notes: 1. The above amounts are exposures after CRM.

2. The above amounts do not include "securitisation exposures" and "credit risk-weighted assets under Article 145 of the Notification."

3. "Loans, etc." includes loans, commitments and off-balance sheet assets except derivatives, and "Others" includes equity exposures, standardised approach applied funds, and CVA risk equivalent amount exposures, etc.

4. "Domestic operations" comprises the operations of Sumitomo Mitsui Financial Group, 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

	Billions of yen				
March 31, 2017	Loans, etc.	Bonds	Derivatives	Others	Total
To 1 year.....	44,774.2	2,800.0	808.1	1,000.7	49,383.0
More than 1 year to 3 years.....	18,262.4	5,032.2	1,261.4	1,392.5	25,948.5
More than 3 years to 5 years.....	18,323.5	4,262.3	1,147.9	1,103.4	24,837.1
More than 5 years to 7 years.....	7,703.1	402.8	508.6	495.8	9,110.3
More than 7 years.....	26,304.1	3,479.0	1,984.0	1,370.1	33,137.2
No fixed maturity.....	48,612.8	—	—	13,426.0	62,038.9
Total.....	163,980.1	15,976.4	5,710.0	18,788.5	204,455.0

Notes: 1. The above amounts are exposures after CRM.

2. The above amounts do not include "securitisation exposures" and "credit risk-weighted assets under Article 145 of the Notification."

3. "Loans, etc." includes loans, commitments and off-balance sheet assets except derivatives, and "Others" includes equity exposures, standardised approach applied funds, and CVA risk equivalent amount exposures, etc.

4. "No fixed maturity" includes exposures not classified by residual term.

3. Term-End Balance of Exposures Past Due 3 Months or More or Defaulted and Their Breakdown

(1) By Geographic Region

	Billions of yen
March 31	2017
Domestic operations (excluding offshore banking accounts)	1,086.3
Overseas operations and offshore banking accounts.....	231.1
Asia.....	41.4
North America.....	58.3
Other regions.....	131.4
Total.....	<u>1,317.4</u>

Notes: 1. The above amounts are credits subject to self-assessment, including mainly off-balance sheet credits to obligors categorized as "Substandard Borrowers" or lower under self-assessment.

2. The above amounts include partial direct write-offs (direct reductions).

3. "Domestic operations" comprises the operations of Sumitomo Mitsui Financial Group, 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, and the term-end balances are calculated based on the obligor's domicile country.

(2) By Industry

	Billions of yen
March 31	2017
Domestic operations (excluding offshore banking accounts)	
Manufacturing.....	141.9
Agriculture, forestry, fishery and mining.....	2.5
Construction.....	33.2
Transport, information, communications and utilities.....	94.4
Wholesale and retail.....	132.4
Financial and insurance.....	4.9
Real estate, goods rental and leasing.....	176.3
Services.....	136.0
Other industries.....	364.7
Subtotal.....	<u>1,086.3</u>
Overseas operations and offshore banking accounts	
Financial institutions.....	2.6
C&I companies.....	150.1
Others.....	78.4
Subtotal.....	<u>231.1</u>
Total.....	<u>1,317.4</u>

Notes: 1. The above amounts are credits subject to self-assessment, including mainly off-balance sheet credits to obligors categorized as "Substandard Borrowers" or lower under self-assessment.

2. The above amounts include partial direct write-offs (direct reductions).

3. "Domestic operations" comprises the operations of Sumitomo Mitsui Financial Group, 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.

4. Term-End Balances of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses and Loan Loss Reserve for Specific Overseas Countries

(1) By Geographic Region

	Billions of yen		Increase (decrease)
March 31	2017 (A)	2016 (B)	(A) - (B)
General reserve for possible loan losses.....	431.5	395.5	36.0
Loan loss reserve for specific overseas countries	1.5	1.3	0.2
Specific reserve for possible loan losses	501.4	530.1	(28.7)
Domestic operations (excluding offshore banking accounts)	422.2	457.9	(35.7)
Overseas operations and offshore banking accounts.....	79.2	72.2	7.0
Asia.....	22.0	19.0	3.0
North America.....	7.7	15.3	(7.6)
Other regions.....	49.5	37.9	11.6
Total.....	<u>934.4</u>	<u>926.9</u>	<u>7.5</u>

Notes: 1. "Specific reserve for possible loan losses" includes partial direct write-offs (direct reductions).

2. "Domestic operations" comprises the operations of Sumitomo Mitsui Financial Group, 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, and the term-end balances are calculated based on the obligor's domicile country.

(2) By Industry

March 31	Billions of yen		
	2017 (A)	2016 (B)	Increase (decrease) (A) – (B)
General reserve for possible loan losses.....	431.5	395.5	36.0
Loan loss reserve for specific overseas countries	1.5	1.3	0.2
Specific reserve for possible loan losses	501.4	530.1	(28.7)
Domestic operations (excluding offshore banking accounts)	422.2	457.9	(35.7)
Manufacturing.....	56.1	60.0	(3.9)
Agriculture, forestry, fishery and mining	2.3	2.6	(0.3)
Construction	14.6	13.7	0.9
Transport, information, communications and utilities.....	55.5	69.8	(14.3)
Wholesale and retail.....	55.0	63.9	(8.9)
Financial and insurance	3.7	6.7	(3.0)
Real estate, goods rental and leasing	74.7	81.3	(6.6)
Services	56.8	48.0	8.8
Other industries	103.5	111.9	(8.4)
Overseas operations and offshore banking accounts.....	79.2	72.2	7.0
Financial institutions	0.2	0.3	(0.1)
C&I companies	64.8	65.9	(1.1)
Others	14.2	6.0	8.2
Total	934.4	926.9	7.5

Notes: 1. "Specific reserve for possible loan losses" includes partial direct write-offs (direct reductions).

2. "Domestic operations" comprises the operations of Sumitomo Mitsui Financial Group, 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.

5. Loan Write-Offs by Industry

	Billions of yen
	Fiscal 2016
Domestic operations (excluding offshore banking accounts)	
Manufacturing.....	0.2
Agriculture, forestry, fishery and mining	0.1
Construction	0.8
Transport, information, communications and utilities.....	0.1
Wholesale and retail	1.0
Financial and insurance.....	(0.1)
Real estate, goods rental and leasing	0.1
Services	2.9
Other industries	76.4
Subtotal	81.5
Overseas operations and offshore banking accounts	
Financial institutions	—
C&I companies	(0.2)
Others	6.5
Subtotal	6.3
Total	87.8

Note: "Domestic operations" comprises the operations of Sumitomo Mitsui Financial Group, 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.

■ Market Risk

VaR Results (Trading Book)

	Billions of yen	
	Fiscal 2016	
	VaR	Stressed VaR
Fiscal year-end	3.0	4.5
Maximum.....	7.2	13.7
Minimum.....	2.6	4.2
Average	4.1	6.9

Notes: 1. The stressed VaR is calculated on a daily basis by using the historical simulation method for the holding period of one day, one-sided confidence interval of 99.0%, and measurement period of 12 months (including the stress period).

2. Principal consolidated subsidiaries are included.

■ Interest Rate Risk in Banking Book

VaR Results (Banking Book)

	Billions of yen
	Fiscal 2016
Fiscal year-end	47.4
Maximum	53.2
Minimum	40.2
Average	46.1

Notes: 1. The stressed VaR is calculated on a daily basis by using the historical simulation method for the holding period of one day, one-sided confidence interval of 99.0%, and measurement period of 12 months (including the stress period).
 2. Principal consolidated subsidiaries are included.

Financial Highlights

Sumitomo Mitsui Banking Corporation

■ Consolidated

Year ended March 31	Millions of yen				
	2018	2017	2016	2015	2014
For the Year:					
Ordinary income.....	¥ 3,117,087	¥ 3,014,455	¥ 3,059,022	¥ 3,199,409	¥ 3,105,992
Ordinary profit	932,733	829,419	930,332	1,198,955	1,298,738
Profit attributable to owners of parent	627,582	543,199	680,162	736,904	785,687
Comprehensive income	782,502	687,157	143,086	1,937,374	1,174,292
At Year-End:					
Total net assets	¥ 9,090,403	¥ 8,908,192	¥ 9,446,193	¥ 10,036,003	¥ 8,640,763
Total assets	182,727,495	180,946,664	180,408,672	177,559,197	155,824,141
Total capital ratio (BIS guidelines).....	21.14%	17.77%	18.19%	17.93%	17.08%
Tier 1 capital ratio (BIS guidelines).....	18.22%	14.61%	14.58%	13.91%	13.43%
Common equity Tier 1 capital ratio (BIS guidelines)	15.29%	12.89%	13.04%	12.61%	12.27%
Number of employees.....	40,058	45,963	54,192	50,249	48,824

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

Year ended March 31	Millions of yen				
	2018	2017	2016	2015	2014
For the Year:					
Ordinary income.....	¥ 2,540,450	¥ 2,551,931	¥ 2,277,812	¥ 2,370,998	¥ 2,342,582
Trust fees.....	2,038	2,111	2,589	1,872	1,972
Gross banking profit (A)	1,427,924	1,663,654	1,534,271	1,634,284	1,558,184
Expenses (excluding nonrecurring losses) (B)	810,752	816,942	805,483	791,211	745,745
Overhead ratio (B) / (A).....	56.8%	49.1%	52.5%	48.4%	47.9%
Banking profit.....	617,171	809,052	728,787	843,073	812,438
Banking profit (before provision for general reserve for possible loan losses)	617,171	846,711	728,787	843,073	812,438
Ordinary profit.....	755,266	864,022	747,892	955,992	952,516
Net income.....	577,028	681,767	609,171	643,015	605,255
At Year-End:					
Total net assets.....	¥ 7,921,268	¥ 7,417,182	¥ 7,756,810	¥ 7,998,715	¥ 7,077,360
Total assets.....	170,923,146	162,281,729	153,641,430	154,724,079	135,966,434
Deposits	110,243,226	105,590,771	98,839,722	91,337,714	84,137,339
Loans and bills discounted	73,896,163	75,585,256	69,276,735	68,274,308	63,370,678
Securities	25,916,718	24,342,369	25,602,156	29,985,267	27,317,549
Trust assets and liabilities	4,756,748	6,881,408	3,394,170	3,542,957	3,108,012
Loans and bills discounted.....	398,772	635,206	537,839	373,230	143,469
Securities.....	2,358,665	4,156,409	1,305,284	1,451,206	1,420,372
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.....	55.22%	32.61%	67.02%	77.18%	75.92%
Total capital ratio (BIS guidelines).....	21.11%	18.61%	19.47%	18.89%	18.30%
Tier 1 capital ratio (BIS guidelines).....	18.11%	15.05%	15.29%	14.26%	14.02%
Common equity Tier 1 capital ratio (BIS guidelines)	15.07%	13.15%	13.44%	12.80%	12.47%
Number of employees.....	29,192	29,283	28,002	26,416	22,915

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, temporary staff, and executive officers who are not also Board members.

Income Analysis (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Operating Income, Classified by Domestic and Overseas Operations

Year ended March 31	Millions of yen							
	2018				2017			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Interest income	¥1,001,201	¥951,447	¥(51,141)	¥1,901,507	¥932,959	¥804,213	¥(68,639)	¥1,668,533
Interest expenses.....	358,652	437,038	(47,456)	748,234	268,069	310,868	(47,829)	531,108
Net interest income	642,548	514,409	(3,685)	1,153,273	664,889	493,344	(20,809)	1,137,425
Trust fees.....	3,769	—	—	3,769	3,698	—	—	3,698
Fees and commissions	440,754	202,675	(11,303)	632,125	518,029	217,532	(9,641)	725,920
Fees and commissions payments	129,219	40,966	(2,353)	167,832	131,519	40,708	(2,574)	169,653
Net fees and commissions.....	311,534	161,709	(8,950)	464,293	386,509	176,824	(7,067)	556,266
Trading income.....	55,015	37,511	(7,213)	85,312	124,615	42,858	(27,075)	140,398
Trading losses.....	4,183	7,158	(7,213)	4,127	9,465	17,609	(27,075)	—
Net trading income.....	50,831	30,353	—	81,184	115,150	25,248	—	140,398
Other operating income	152,073	87,209	(979)	238,304	186,519	59,381	(655)	245,246
Other operating expenses.....	61,614	31,882	(376)	93,120	64,180	18,240	(341)	82,079
Net other operating income.....	90,458	55,327	(603)	145,183	122,338	41,141	(314)	163,166

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. Inter-segment transactions are reported in the "Elimination" column.

Average Balance, Interest and Average Rate of Interest-Earning Assets and Interest-Bearing Liabilities

Domestic Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets.....	¥ 86,218,582	¥1,001,201	1.16%	¥ 85,019,098	¥932,959	1.10%
Loans and bills discounted	58,949,435	649,872	1.10	57,680,696	654,588	1.13
Securities	18,836,786	270,731	1.44	17,666,269	207,047	1.17
Call loans and bills bought.....	79,414	414	0.52	65,133	471	0.72
Receivables under resale agreements.....	0	(0)	(0.54)	10,707	61	0.58
Receivables under securities borrowing transactions	3,416,319	2,588	0.08	5,319,862	6,471	0.12
Deposits with banks.....	990,820	13,465	1.36	754,439	5,924	0.79
Interest-bearing liabilities	¥130,787,112	¥ 358,652	0.27%	¥120,824,550	¥268,069	0.22%
Deposits.....	99,987,013	44,072	0.04	93,322,272	33,601	0.04
Negotiable certificates of deposit	6,594,336	504	0.01	6,672,747	1,087	0.02
Call money and bills sold	241,184	517	0.21	303,787	193	0.06
Payables under repurchase agreements	524,433	6,802	1.30	628,915	3,668	0.58
Payables under securities lending transactions.....	5,787,108	10,394	0.18	5,686,151	4,176	0.07
Commercial paper.....	137,316	16	0.01	138,698	59	0.04
Borrowed money.....	12,961,893	161,957	1.25	8,330,793	114,300	1.37
Short-term bonds.....	—	—	—	146,594	24	0.02
Bonds.....	3,617,420	85,993	2.38	4,595,891	90,868	1.98

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries.
2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or quarterly balances instead.
3. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥40,923,785 million; 2017, ¥33,412,267 million).

Overseas Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets.....	¥42,296,617	¥951,447	2.25%	¥40,424,491	¥804,213	1.99%
Loans and bills discounted.....	24,924,401	677,546	2.72	24,341,091	603,092	2.48
Securities.....	3,977,921	64,907	1.63	3,745,964	68,099	1.82
Call loans and bills bought.....	1,740,864	19,050	1.09	1,319,676	11,738	0.89
Receivables under resale agreements.....	2,377,014	35,477	1.49	2,198,666	26,255	1.19
Receivables under securities borrowing transactions.....	—	—	—	—	—	—
Deposits with banks.....	4,986,887	70,303	1.41	4,835,758	43,587	0.90
Interest-bearing liabilities.....	¥34,314,197	¥437,038	1.27%	¥32,201,103	¥310,868	0.97%
Deposits.....	20,405,863	248,653	1.22	18,888,908	157,909	0.84
Negotiable certificates of deposit.....	6,152,649	86,312	1.40	6,461,498	66,151	1.02
Call money and bills sold.....	786,372	8,169	1.04	645,301	5,399	0.84
Payables under repurchase agreements.....	4,112,837	43,247	1.05	3,241,888	15,784	0.49
Payables under securities lending transactions.....	—	—	—	—	—	—
Commercial paper.....	2,005,997	18,376	0.92	2,206,493	15,450	0.70
Borrowed money.....	466,803	7,831	1.68	396,342	6,172	1.56
Short-term bonds.....	—	—	—	—	—	—
Bonds.....	59,619	2,817	4.73	57,348	2,665	4.65

Notes: 1. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.

2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or quarterly balances instead.

3. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥3,087,837 million; 2017, ¥2,132,461 million).

Total of Domestic and Overseas Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets.....	¥126,901,633	¥1,901,507	1.50%	¥123,764,394	¥1,668,533	1.35%
Loans and bills discounted.....	83,223,826	1,290,981	1.55	81,249,659	1,215,517	1.50
Securities.....	22,814,707	331,893	1.45	21,412,234	254,119	1.19
Call loans and bills bought.....	1,820,279	19,464	1.07	1,384,809	12,210	0.88
Receivables under resale agreements.....	2,280,570	34,278	1.50	1,776,977	23,639	1.33
Receivables under securities borrowing transactions.....	3,416,319	2,588	0.08	5,319,862	6,471	0.12
Deposits with banks.....	5,121,331	74,009	1.45	5,137,670	47,157	0.92
Interest-bearing liabilities.....	¥163,483,617	¥ 748,234	0.46%	¥151,354,044	¥ 531,108	0.35%
Deposits.....	119,532,087	282,966	0.24	111,761,048	189,117	0.17
Negotiable certificates of deposit.....	12,746,985	86,817	0.68	13,134,246	67,238	0.51
Call money and bills sold.....	1,027,556	8,686	0.85	949,088	5,593	0.59
Payables under repurchase agreements.....	4,540,826	48,851	1.08	3,438,407	16,775	0.49
Payables under securities lending transactions.....	5,787,108	10,394	0.18	5,686,151	4,176	0.07
Commercial paper.....	2,143,314	18,393	0.86	2,345,192	15,510	0.66
Borrowed money.....	12,778,946	133,290	1.04	7,954,971	78,309	0.98
Short-term bonds.....	—	—	—	146,594	24	0.02
Bonds.....	3,677,039	88,810	2.42	4,653,240	93,354	2.01

Notes: 1. The figures above comprise totals for domestic and overseas operations after inter-segment eliminations.

2. In principle, average balances are calculated by using daily balances. However, some consolidated subsidiaries use weekly, monthly or quarterly balances instead.

3. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥44,006,805 million; 2017, ¥35,538,969 million).

Fees and Commissions

Year ended March 31	Millions of yen							
	2018				2017			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Fees and commissions.....	¥440,754	¥202,675	¥(11,303)	¥632,125	¥518,029	¥217,532	¥(9,641)	¥725,920
Deposits and loans	22,299	115,568	(4,458)	133,409	22,631	118,683	(5,496)	135,818
Remittances and transfers.....	119,472	20,469	(29)	139,913	118,768	19,881	(18)	138,631
Securities-related business.....	12,932	33,757	(2)	46,688	57,510	40,462	(1,550)	96,422
Agency	15,444	—	—	15,444	15,616	—	—	15,616
Safe deposits	5,223	2	—	5,225	5,413	2	—	5,416
Guarantees.....	35,331	12,235	(1,161)	46,405	35,253	12,500	(1,299)	46,453
Credit card business.....	2,006	—	—	2,006	1,906	—	—	1,906
Investment trusts	35,334	30	—	35,365	60,282	2,013	—	62,295
Fees and commissions payments.....	¥129,219	¥ 40,966	¥ (2,353)	¥167,832	¥131,519	¥ 40,708	¥(2,574)	¥169,653
Remittances and transfers.....	30,206	9,616	(2)	39,820	29,997	9,750	(27)	39,720

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. Inter-segment transactions are reported in the "Elimination" column.

Trading Income

Year ended March 31	Millions of yen							
	2018				2017			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Trading income.....	¥55,015	¥37,511	¥(7,213)	¥85,312	¥124,615	¥42,858	¥(27,075)	¥140,398
Gains on trading securities	611	—	(611)	—	42,276	—	(13,101)	29,175
Gains on securities related to trading transactions.....	6,004	—	(281)	5,722	13,025	—	(155)	12,869
Gains on trading-related financial derivatives.....	48,376	37,511	(6,297)	79,589	69,283	42,858	(13,818)	98,322
Others	22	—	(22)	—	30	—	—	30
Trading losses.....	¥ 4,183	¥ 7,158	¥(7,213)	¥ 4,127	¥ 9,465	¥17,609	¥(27,075)	¥ —
Losses on trading securities	—	4,643	(611)	4,031	—	13,101	(13,101)	—
Losses on securities related to trading transactions.....	—	281	(281)	—	—	155	(155)	—
Losses on trading-related financial derivatives.....	4,183	2,114	(6,297)	—	9,465	4,353	(13,818)	—
Others	—	119	(22)	96	—	—	—	—

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. Inter-segment transactions are reported in the "Elimination" column.

Assets and Liabilities (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Deposits and Negotiable Certificates of Deposit

Year-End Balance

March 31	Millions of yen	
	2018	2017
Domestic operations:		
Liquid deposits	¥ 70,786,037	¥ 68,719,448
Fixed-term deposits	18,198,759	22,262,641
Others	7,357,074	7,231,764
Subtotal	96,341,871	98,213,853
Negotiable certificates of deposit	5,643,020	6,736,235
Total	¥101,984,892	¥104,950,089
Overseas operations:		
Liquid deposits	¥ 13,349,167	¥ 12,824,148
Fixed-term deposits	7,496,203	7,279,735
Others	40,053	106,921
Subtotal	20,885,424	20,210,805
Negotiable certificates of deposit	5,812,264	5,859,702
Total	¥ 26,697,689	¥ 26,070,508
Grand total	¥128,682,581	¥131,020,597

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.

2. Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice

3. Fixed-term deposits = Time deposits + Installment savings

Balance of Loan Portfolio, Classified by Industry

Year-End Balance

March 31	Millions of yen			
	2018		2017	
Domestic operations:				
Manufacturing	¥ 6,172,929	11.84%	¥ 7,705,672	12.94%
Agriculture, forestry, fisheries and mining	132,783	0.25	119,042	0.20
Construction	753,873	1.45	905,549	1.52
Transportation, communications and public enterprises	4,952,098	9.50	4,622,344	7.76
Wholesale and retail	4,192,897	8.04	4,550,621	7.64
Finance and insurance	5,448,476	10.45	5,637,877	9.47
Real estate, goods rental and leasing	8,250,016	15.83	9,463,729	15.90
Services	4,165,416	7.99	4,676,312	7.86
Municipalities	914,763	1.76	1,108,202	1.86
Others	17,143,345	32.89	20,752,415	34.85
Subtotal	¥52,126,599	100.00%	¥59,541,768	100.00%
Overseas operations:				
Public sector	¥ 296,236	1.25%	¥ 217,056	0.91%
Financial institutions	1,596,924	6.73	1,499,568	6.31
Commerce and industry	19,490,365	82.14	19,584,313	82.38
Others	2,343,808	9.88	2,471,777	10.40
Subtotal	¥23,727,335	100.00%	¥23,772,715	100.00%
Total	¥75,853,934	—	¥83,314,483	—

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.

2. Japan offshore banking accounts are included in overseas operations' accounts.

Risk-Monitored Loans

March 31	Millions of yen	
	2018	2017
Bankrupt loans	¥ 25,728	¥ 34,428
Non-accrual loans	356,353	512,487
Past due loans (3 months or more)	5,297	14,977
Restructured loans	138,261	185,250
Total	¥525,640	¥747,144
Amount of direct reduction	¥110,497	¥216,375

Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Loans on which accrued interest income is not recognized, and to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or borrowers receiving a disposition to suspend transactions with a clearing house.
2. Non-accrual loans: Loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
3. Past due loans (3 months or more): Loans on which the principal or interest is past due for 3 months or more, excluding loans in categories 1. and 2.
4. Restructured loans: Loans to borrowers on which terms and conditions have been amended in favor of the borrowers in order to support the borrowers' recovery from financial difficulties and facilitate collection of loans, excluding loans in categories 1. through 3.

Securities

Year-End Balance

March 31	Millions of yen	
	2018	2017
Domestic operations:		
Japanese government bonds	¥ 9,575,499	¥ 8,454,687
Japanese local government bonds	47,032	90,243
Japanese corporate bonds	2,541,760	2,739,649
Japanese stocks	3,840,989	3,676,900
Others	4,516,750	5,144,881
Subtotal	¥20,522,031	¥20,106,361
Overseas operations:		
Japanese government bonds	¥ —	¥ —
Japanese local government bonds	—	—
Japanese corporate bonds	75,495	78,031
Japanese stocks	—	—
Others	4,619,760	3,997,207
Subtotal	¥ 4,695,255	¥ 4,075,239
Total	¥25,217,287	¥24,181,601

- Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. "Others" include foreign bonds and foreign stocks.

Trading Assets and Liabilities

March 31	Millions of yen							
	2018				2017			
	Domestic operations	Overseas operations	Elimination	Total	Domestic operations	Overseas operations	Elimination	Total
Trading assets	¥1,497,775	¥938,646	¥(27,872)	¥2,408,549	¥1,793,210	¥906,906	¥(33,700)	¥2,666,417
Trading securities	220,584	228,922	—	449,506	13,179	136,723	—	149,902
Derivatives of trading securities	182	—	—	182	233	—	—	233
Securities related to trading transactions	—	—	—	—	—	—	—	—
Derivatives of securities related to trading transactions	13,834	59	—	13,894	10,586	97	—	10,684
Trading-related financial derivatives	1,224,180	709,664	(27,872)	1,905,971	1,671,117	770,086	(33,700)	2,407,504
Other trading assets	38,994	—	—	38,994	98,093	—	—	98,093
Trading liabilities	¥1,124,847	¥810,441	¥(27,872)	¥1,907,416	¥1,330,279	¥834,564	¥(33,700)	¥2,131,143
Trading securities sold for short sales	49,422	97,043	—	146,466	4,984	58,334	—	63,318
Derivatives of trading securities	335	—	—	335	261	—	—	261
Securities related to trading transactions sold for short sales	—	—	—	—	—	—	—	—
Derivatives of securities related to trading transactions	14,035	147	—	14,182	8,633	91	—	8,724
Trading-related financial derivatives	1,061,053	713,250	(27,872)	1,746,431	1,316,400	776,138	(33,700)	2,058,838
Other trading liabilities	—	—	—	—	—	—	—	—

- Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches) and its domestic consolidated subsidiaries. Overseas operations comprise the operations of SMBC's overseas branches and its overseas consolidated subsidiaries.
2. Inter-segment transactions are reported in the "Elimination" column.

Income Analysis (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Gross Banking Profit, Classified by Domestic and International Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Interest income	¥746,837	¥917,340	¥1,647,643	¥ 948,120	¥705,899	¥1,635,774
			[16,535]			[18,246]
Interest expenses	39,548	667,593	690,606	43,940	471,141	496,834
			[16,535]			[18,246]
Net interest income	707,288	249,747	957,036	904,180	234,758	1,138,939
Trust fees	2,001	37	2,038	1,927	184	2,111
Fees and commissions	336,037	176,111	512,149	343,363	189,584	532,948
Fees and commissions payments	135,292	47,027	182,319	137,214	47,051	184,265
Net fees and commissions	200,745	129,084	329,829	206,149	142,533	348,682
Trading income	632	58,765	59,398	656	59,366	60,022
Trading losses	—	—	—	—	0	—
Net trading income	632	58,765	59,398	656	59,365	60,022
Other operating income	24,956	77,925	101,955	51,414	94,156	145,570
Other operating expenses	5,691	17,569	22,334	10,794	20,877	31,671
Net other operating income	19,265	60,355	79,620	40,619	73,278	113,898
Gross banking profit	¥929,933	¥497,990	¥1,427,924	¥1,153,533	¥510,121	¥1,663,654
Gross banking profit rate (%)	1.29%	1.08%	1.25%	1.65%	1.21%	1.54%

- Notes: 1. Domestic operations include yen-denominated transactions by domestic branches, while international operations include foreign-currency-denominated transactions by domestic branches and operations by overseas branches. Yen-denominated nonresident transactions and Japan offshore banking accounts are included in international operations.
2. Figures in brackets [] indicate interest payments between domestic and international operations. Difference between sums of domestic and international operations and some figures in the total column due to indication on a net basis of interest from interest rate swaps and similar instruments, is included in figures in brackets [].
3. As net figures are shown for trading income and losses, figures in the total column of trading income and trading losses are less than sums of domestic operations and international operations, respectively, (¥0 million for the year ended March 31, 2017).
4. As net figures are shown for financial derivatives, figures in the total column of other operating income and other operating expenses are less than sums of domestic operations and international operations, respectively (¥925 million for the year ended March 31, 2018).
5. Gross banking profit rate = Gross banking profit / Average balance of interest-earning assets × 100

Average Balance, Interest and Average Rate of Interest-Earning Assets and Interest-Bearing Liabilities

Domestic Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets	¥ 71,547,412	¥746,837	1.04%	¥69,501,871	¥948,120	1.36%
	[3,581,209]	[16,535]		[3,603,100]	[18,246]	
Loans and bills discounted	49,225,499	476,702	0.96	48,606,540	505,631	1.04
Securities	14,915,999	217,089	1.45	14,418,571	387,399	2.68
Call loans	13,157	8	0.06	7,236	9	0.12
Receivables under resale agreements	0	(0)	(0.55)	0	(0)	(0.49)
Receivables under securities borrowing transactions	2,875,506	546	0.01	2,393,767	812	0.03
Bills bought	—	—	—	—	—	—
Deposits with banks	11,993	16	0.13	9,456	7	0.07
Interest-bearing liabilities	¥106,977,341	¥ 39,548	0.03%	¥96,792,184	¥ 43,940	0.04%
Deposits	85,721,254	7,931	0.00	79,873,541	8,926	0.01
Negotiable certificates of deposit	6,733,487	487	0.00	6,856,486	1,143	0.01
Call money	112,490	(84)	(0.07)	10,462	(6)	(0.05)
Payables under repurchase agreements	26,866	0	0.00	30,388	0	0.00
Payables under securities lending transactions	4,641,577	480	0.01	3,052,165	316	0.01
Borrowed money	7,790,072	19,933	0.25	4,794,088	18,560	0.38
Short-term bonds	—	—	—	—	—	—
Bonds	665,912	9,486	1.42	1,079,796	13,944	1.29

- Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥39,179,583 million; 2017, ¥31,403,755 million).
2. Figures in brackets [] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses. Difference between sums of domestic and international operations and some figures in the "Total of Domestic and International Operations" due to indication on a net basis of interest from interest rate swaps and similar instruments, is included in figures in brackets [].

International Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets.....	¥46,049,661	¥917,340	1.99%	¥41,969,137	¥705,899	1.68%
Loans and bills discounted.....	25,972,547	624,764	2.40	24,161,450	515,390	2.13
Securities.....	8,163,052	132,857	1.62	7,270,938	100,895	1.38
Call loans.....	1,401,904	(2,076)	(0.14)	947,474	(189)	(0.01)
Receivables under resale agreements.....	731,619	15,216	2.07	587,084	9,554	1.62
Receivables under securities borrowing transactions.....	110,750	322	0.29	112,951	349	0.30
Deposits with banks.....	5,910,956	70,381	1.19	5,565,821	39,151	0.70
Interest-bearing liabilities.....	¥45,749,102	¥667,593	1.45%	¥41,329,522	¥471,141	1.13%
	[3,581,209]	[16,535]		[3,603,700]	[18,246]	
Deposits.....	21,008,293	221,430	1.05	19,096,890	133,958	0.70
Negotiable certificates of deposit.....	5,642,513	83,747	1.48	6,026,377	63,404	1.05
Call money.....	1,039,930	8,200	0.78	995,318	6,838	0.68
Payables under repurchase agreements....	3,326,086	40,441	1.21	1,939,558	9,990	0.51
Payables under securities lending transactions.....	887,029	9,139	1.03	666,134	3,104	0.46
Borrowed money.....	5,012,948	142,519	2.84	3,200,740	95,707	2.99
Bonds.....	2,964,361	76,751	2.58	3,210,055	76,335	2.37

Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥139,390 million; 2017, ¥115,337 million).

2. Figures in brackets [] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses. Difference between sums of domestic and international operations and some figures in the "Total of Domestic and International Operations" due to indication on a net basis of interest from interest rate swaps and similar instruments, is included in figures in brackets [].

3. The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method, under which the TT middle rate at the end of the previous month is applied to nonexchange transactions of the month concerned.

Total of Domestic and International Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets.....	¥114,015,864	¥1,647,643	1.44%	¥107,867,908	¥1,635,774	1.51%
Loans and bills discounted.....	75,198,046	1,101,467	1.46	72,767,990	1,021,022	1.40
Securities.....	23,079,051	349,947	1.51	21,689,510	488,294	2.25
Call loans.....	1,415,062	(2,067)	(0.14)	954,711	(180)	(0.01)
Receivables under resale agreements.....	731,620	15,216	2.07	587,085	9,554	1.62
Receivables under securities borrowing transactions.....	2,986,256	868	0.02	2,506,719	1,161	0.04
Bills bought.....	—	—	—	—	—	—
Deposits with banks.....	5,922,949	70,398	1.18	5,575,277	39,158	0.70
Interest-bearing liabilities.....	¥149,145,234	¥ 690,606	0.46%	¥134,518,606	¥ 496,834	0.36%
Deposits.....	106,729,547	229,362	0.21	98,970,431	142,884	0.14
Negotiable certificates of deposit.....	12,376,001	84,235	0.68	12,882,863	64,548	0.50
Call money.....	1,152,420	8,115	0.70	1,005,781	6,831	0.67
Payables under repurchase agreements....	3,352,952	40,441	1.20	1,969,947	9,990	0.50
Payables under securities lending transactions.....	5,528,607	9,619	0.17	3,718,299	3,421	0.09
Borrowed money.....	12,803,020	162,453	1.26	7,994,829	114,268	1.42
Short-term bonds.....	—	—	—	—	—	—
Bonds.....	3,630,273	86,238	2.37	4,289,851	90,279	2.10

Notes: 1. "Interest-earning assets" are shown after deduction of the average balance of noninterest-earning deposits (2018, ¥39,318,973 million; 2017, ¥31,519,092 million).

2. Figures in the table above indicate the net average balances of amounts adjusted for interdepartmental lending and borrowing activities between domestic and international operations and related interest expenses.

Breakdown of Interest Income and Interest Expenses

Domestic Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)
Interest income.....	¥21,352	¥(222,635)	¥(201,283)	¥(26,129)	¥120,033	¥ 93,904
Loans and bills discounted.....	5,993	(34,922)	(28,929)	33,088	(83,821)	(50,733)
Securities.....	7,239	(177,549)	(170,309)	(63,939)	205,626	141,687
Call loans.....	4	(4)	(0)	(68)	(30)	(99)
Receivables under resale agreements.....	(0)	(0)	(0)	(0)	(0)	(0)
Receivables under securities borrowing transactions.....	91	(357)	(266)	187	(1,365)	(1,177)
Bills bought.....	—	—	—	—	—	—
Deposits with banks.....	2	7	9	(1)	1	0
Interest expenses.....	¥ 3,765	¥ (8,157)	¥ (4,391)	¥ 1,217	¥ (23,881)	¥ (22,664)
Deposits.....	541	(1,535)	(994)	731	(13,539)	(12,807)
Negotiable certificates of deposit.....	(20)	(635)	(655)	(585)	(4,178)	(4,763)
Call money.....	(60)	(17)	(78)	(275)	(595)	(870)
Payables under repurchase agreements....	(0)	(0)	(0)	(5)	(23)	(28)
Payables under securities lending transactions.....	164	(0)	163	30	(1,225)	(1,195)
Borrowed money.....	7,666	(6,293)	1,372	(4,681)	4,374	(307)
Short-term bonds.....	—	—	—	(6)	(6)	(12)
Bonds.....	(5,344)	887	(4,457)	(4,300)	1,639	(2,660)

International Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)
Interest income.....	¥73,001	¥138,439	¥211,441	¥ 24,712	¥100,014	¥124,726
Loans and bills discounted.....	40,457	68,916	109,374	28,963	62,187	91,150
Securities.....	13,267	18,693	31,961	9,669	10,860	20,530
Call loans.....	(673)	(1,214)	(1,887)	(65)	(4,181)	(4,246)
Receivables under resale agreements.....	2,659	3,001	5,661	1,129	2,884	4,013
Receivables under securities borrowing transactions.....	(6)	(20)	(27)	(587)	(258)	(845)
Deposits with banks.....	2,565	28,664	31,230	(4,630)	12,928	8,297
Interest expenses.....	¥54,280	¥142,171	¥196,452	¥ 12,689	¥113,242	¥125,932
Deposits.....	14,527	72,944	87,471	14,553	47,880	62,433
Negotiable certificates of deposit.....	(4,038)	24,381	20,343	(7,824)	28,886	21,061
Call money.....	317	1,044	1,361	665	2,087	2,753
Payables under repurchase agreements....	10,488	19,962	30,451	3,719	2,183	5,903
Payables under securities lending transactions.....	1,297	4,737	6,035	(1,058)	1,173	114
Commercial paper.....	(1,575)	1,019	(556)	(2,198)	3,900	1,702
Borrowed money.....	51,521	(4,709)	46,811	31,736	(5,395)	26,340
Bonds.....	(5,842)	6,258	416	(10,685)	(831)	(11,517)

Total of Domestic and International Operations

Year ended March 31	Millions of yen					
	2018			2017		
	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)	Volume-related increase (decrease)	Rate-related increase (decrease)	Net increase (decrease)
Interest income.....	¥ 88,844	¥ (76,975)	¥ 11,869	¥ 4,868	¥208,537	¥213,406
Loans and bills discounted.....	34,743	45,701	80,444	65,427	(25,009)	40,417
Securities.....	21,069	(159,417)	(138,347)	(54,271)	216,488	162,217
Call loans.....	(672)	(1,214)	(1,887)	(53)	(4,293)	(4,346)
Receivables under resale agreements.....	2,659	3,001	5,661	1,129	2,884	4,013
Receivables under securities borrowing transactions.....	139	(432)	(293)	176	(2,200)	(2,023)
Bills bought.....	—	—	—	—	—	—
Deposits with banks.....	2,581	28,658	31,239	(4,635)	12,933	8,297
Interest expenses.....	¥ 58,134	¥ 135,637	¥ 193,771	¥ 15,904	¥ 82,139	¥ 98,043
Deposits.....	11,958	74,518	86,477	10,651	38,974	49,626
Negotiable certificates of deposit.....	(2,539)	22,226	19,687	(7,066)	23,365	16,298
Call money.....	1,025	258	1,283	(2,977)	4,859	1,882
Payables under repurchase agreements....	10,276	20,175	30,451	3,590	2,284	5,874
Payables under securities lending transactions.....	2,189	4,008	6,198	(86)	(993)	(1,080)
Commercial paper.....	(1,575)	1,019	(556)	(2,198)	3,900	1,702
Borrowed money.....	61,009	(12,824)	48,184	(5,395)	31,428	26,033
Short-term bonds.....	—	—	—	(6)	(6)	(12)
Bonds.....	(13,880)	9,839	(4,041)	(16,872)	2,694	(14,178)

Note: Increase (decrease) attributed to both volume-related and rate-related is prorated according to proportion of change in each factor.

Fees and Commissions

Year ended March 31	Millions of yen					
	2018			2017		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Fees and commissions.....	¥336,037	¥176,111	¥512,149	¥343,363	¥189,584	¥532,948
Deposits and loans.....	12,444	96,517	108,961	12,261	108,578	120,840
Remittances and transfers.....	93,992	39,593	133,585	93,073	39,246	132,320
Securities-related business.....	10,848	1,322	12,171	11,906	1,293	13,199
Agency.....	9,218	—	9,218	10,294	—	10,294
Safe deposits.....	4,817	—	4,817	5,001	—	5,001
Guarantees.....	15,025	19,266	34,292	15,634	19,041	34,676
Fees and commissions payments.....	¥135,292	¥ 47,027	¥182,319	¥137,214	¥ 47,051	¥184,265
Remittances and transfers.....	24,819	12,472	37,292	24,532	13,145	37,678

Trading Income

Year ended March 31	Millions of yen					
	2018			2017		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Trading income.....	¥632	¥58,765	¥59,398	¥656	¥59,366	¥60,022
Gains on trading securities.....	610	—	610	625	—	625
Gains on securities related to trading transactions.....	—	5,722	5,722	—	12,869	12,869
Gains on trading-related derivatives.....	—	53,042	53,042	—	46,496	46,496
Others.....	22	—	22	30	—	30
Trading losses.....	¥ —	¥ —	¥ —	¥ —	¥ 0	¥ —
Losses on trading securities.....	—	—	—	—	—	—
Losses on securities related to trading transactions.....	—	—	—	—	—	—
Losses on trading-related financial derivatives.....	—	—	—	—	—	—
Others.....	—	—	—	—	0	—

Note: Figures represent net income and loss after offsetting income against expenses.

Net Other Operating Income (Expenses)

Year ended March 31	Millions of yen					
	2018			2017		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Net other operating income (expenses).....	¥19,265	¥60,355	¥79,620	¥40,619	¥73,278	¥113,898
Gains (losses) on bonds.....	7,503	4,185	11,688	18,236	25,483	43,720
Gains (losses) on derivatives.....	(1,154)	925	(228)	559	9,489	10,048
Gains on foreign exchange transactions....	—	57,057	57,057	—	41,513	41,513

General and Administrative Expenses

Year ended March 31	Millions of yen	
	2018	2017
	Salaries and related expenses.....	¥291,592
Retirement benefit cost.....	(1,526)	(505)
Welfare expenses.....	45,896	46,299
Depreciation.....	101,753	100,552
Rent and lease expenses.....	60,697	60,618
Building and maintenance expenses.....	7,124	4,664
Supplies expenses.....	5,083	5,275
Water, lighting, and heating expenses.....	5,252	5,120
Traveling expenses.....	5,509	5,357
Communication expenses.....	7,229	6,997
Publicity and advertising expenses.....	14,689	14,890
Taxes, other than income taxes.....	48,843	50,481
Deposit insurance.....	30,804	31,676
Others.....	187,801	193,802
Total.....	¥810,752	¥816,942

Deposits (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Deposits and Negotiable Certificates of Deposit

Year-End Balance

March 31	Millions of yen			
	2018		2017	
Domestic operations:				
Liquid deposits	¥ 69,675,968	73.5%	¥ 64,641,628	70.6%
Fixed-term deposits	18,079,255	19.1	18,369,138	20.1
Others	1,138,105	1.2	1,689,657	1.8
Subtotal	88,893,330	93.8	84,700,425	92.5
Negotiable certificates of deposit	5,895,907	6.2	6,844,357	7.5
Total	¥ 94,789,237	100.0%	¥ 91,544,782	100.0%
International operations:				
Liquid deposits	¥ 9,157,135	34.3%	¥ 9,615,086	36.5%
Fixed-term deposits	6,576,308	24.6	6,384,596	24.3
Others	5,616,451	21.0	4,890,663	18.6
Subtotal	21,349,896	79.9	20,890,346	79.4
Negotiable certificates of deposit	5,368,900	20.1	5,418,734	20.6
Total	¥ 26,718,796	100.0%	¥ 26,309,080	100.0%
Grand total	¥121,508,034	—	¥117,853,863	—

Notes: 1. Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice
2. Fixed-term deposits = Time deposits + Installment savings

Average Balance

Year ended March 31	2018		2017	
	Millions of yen			
Domestic operations:				
Liquid deposits	¥ 66,542,423		¥ 60,235,051	
Fixed-term deposits	18,334,773		18,777,737	
Others	844,057		860,752	
Subtotal	85,721,254		79,873,541	
Negotiable certificates of deposit	6,733,487		6,856,486	
Total	¥ 92,454,742		¥ 86,730,027	
International operations:				
Liquid deposits	¥ 9,642,739		¥ 8,982,190	
Fixed-term deposits	6,283,475		5,537,372	
Others	5,082,077		4,577,327	
Subtotal	21,008,293		19,096,890	
Negotiable certificates of deposit	5,642,513		6,026,377	
Total	¥ 26,650,806		¥ 25,123,268	
Grand total	¥119,105,548		¥111,853,295	

Notes: 1. Liquid deposits = Current deposits + Ordinary deposits + Savings deposits + Deposits at notice
2. Fixed-term deposits = Time deposits + Installment savings
3. The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method.

Balance of Deposits, Classified by Type of Depositor

March 31	Millions of yen			
	2018		2017	
Individual	¥45,321,720	48.8%	¥43,642,069	49.7%
Corporate	47,557,379	51.2	44,098,250	50.3
Total	¥92,879,099	100.0%	¥87,740,319	100.0%

Note: The figures above exclude negotiable certificates of deposit and Japan offshore banking accounts.

Balance of Investment Trusts, Classified by Type of Customer

March 31	Millions of yen	
	2018	2017
Individual	¥1,831,496	¥1,835,300
Corporate	385,883	371,785
Total	¥2,217,379	¥2,207,085

Note: Balance of investment trusts is recognized on a contract basis and measured according to each fund's net asset balance at the fiscal year-end.

Balance of Time Deposits, Classified by Maturity

March 31	Millions of yen	
	2018	2017
Less than three months	¥11,376,644	¥11,119,585
Fixed interest rates	6,420,030	6,354,221
Floating interest rates	5,155	6,260
Others	4,951,457	4,759,103
Three — six months	4,329,652	4,482,910
Fixed interest rates	3,497,572	3,532,410
Floating interest rates	6,480	9,700
Others	825,599	940,799
Six months — one year	5,040,694	5,335,550
Fixed interest rates	4,768,276	4,869,745
Floating interest rates	1,460	3,650
Others	270,957	462,154
One — two years	1,499,400	1,530,508
Fixed interest rates	1,289,327	1,466,936
Floating interest rates	10,454	5,300
Others	199,618	58,271
Two — three years	1,110,494	926,357
Fixed interest rates	1,010,198	909,652
Floating interest rates	2,610	12,189
Others	97,686	4,515
Three years or more	1,298,642	1,358,787
Fixed interest rates	496,746	553,203
Floating interest rates	572,332	645,832
Others	229,562	159,751
Total	¥24,655,527	¥24,753,697
Fixed interest rates	17,482,152	17,686,169
Floating interest rates	598,492	682,931
Others	6,574,883	6,384,596

Note: The figures above do not include installment savings.

Loans (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Balance of Loans and Bills Discounted

Year-End Balance

March 31	Millions of yen	
	2018	2017
Domestic operations:		
Loans on notes	¥ 394,395	¥ 457,036
Loans on deeds	38,852,395	39,231,045
Overdrafts	9,898,871	10,576,844
Bills discounted	68,805	74,810
Subtotal	¥49,214,467	¥50,339,737
International operations:		
Loans on notes	¥ 1,177,844	¥ 1,158,112
Loans on deeds	23,335,028	23,899,932
Overdrafts	168,822	187,473
Bills discounted	—	—
Subtotal	¥24,681,695	¥25,245,518
Total	¥73,896,163	¥75,585,256

Average Balance

Year ended March 31	Millions of yen	
	2018	2017
Domestic operations:		
Loans on notes	¥ 437,013	¥ 508,124
Loans on deeds	38,735,608	38,496,524
Overdrafts	9,990,889	9,528,666
Bills discounted	61,988	73,225
Subtotal	¥49,225,499	¥48,606,540
International operations:		
Loans on notes	¥ 1,264,012	¥ 1,060,545
Loans on deeds	24,491,784	22,896,460
Overdrafts	216,740	204,444
Bills discounted	10	—
Subtotal	¥25,972,547	¥24,161,450
Total	¥75,198,046	¥72,767,990

Note: The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method.

Balance of Loans and Bills Discounted, Classified by Purpose

March 31	Millions of yen			
	2018		2017	
Funds for capital investment	¥20,920,584	28.3%	¥21,140,418	28.0%
Funds for working capital	52,975,578	71.7	54,444,837	72.0
Total	¥73,896,163	100.0%	¥75,585,256	100.0%

Balance of Loans and Bills Discounted, Classified by Collateral

March 31	Millions of yen	
	2018	2017
Securities	¥ 1,665,388	¥ 1,546,947
Commercial claims	1,177,980	1,189,280
Commercial goods	—	—
Real estate	7,033,067	6,972,692
Others	1,197,769	1,227,878
Subtotal	11,074,206	10,936,798
Guaranteed	19,588,275	23,390,149
Unsecured	43,233,680	41,258,308
Total	¥73,896,163	¥75,585,256

Balance of Loans and Bills Discounted, Classified by Maturity

March 31	Millions of yen	
	2018	2017
One year or less	¥12,059,922	¥12,599,687
One — three years	12,836,241	12,984,919
Floating interest rates	10,377,892	10,182,892
Fixed interest rates	2,458,348	2,802,026
Three — five years	12,120,427	12,439,572
Floating interest rates	9,010,749	9,885,770
Fixed interest rates	3,109,678	2,553,801
Five — seven years	5,531,818	5,818,610
Floating interest rates	4,331,834	4,634,969
Fixed interest rates	1,199,983	1,183,641
More than seven years	21,280,057	20,978,148
Floating interest rates	19,561,190	19,343,838
Fixed interest rates	1,718,867	1,634,310
No designated term	10,067,694	10,764,318
Floating interest rates	10,067,694	10,764,318
Fixed interest rates	—	—
Total	¥73,896,163	¥75,585,256

Note: Loans with a maturity of one year or less are not classified by floating or fixed interest rates.

Balance of Loan Portfolio, Classified by Industry

March 31	Millions of yen			
	2018		2017	
Domestic operations:				
Manufacturing	¥ 6,072,608	11.4%	¥ 7,279,849	13.4%
Agriculture, forestry, fisheries and mining	132,783	0.3	115,017	0.2
Construction	741,835	1.4	701,698	1.3
Transportation, communications and public enterprises	4,861,154	9.1	4,307,167	7.9
Wholesale and retail	4,178,942	7.9	4,115,200	7.5
Finance and insurance	7,352,639	13.8	7,352,196	13.5
Real estate	6,684,889	12.6	6,301,402	11.6
Goods rental and leasing	1,499,241	2.8	1,650,512	3.0
Services	4,090,964	7.7	3,994,039	7.3
Municipalities	914,763	1.7	934,334	1.7
Others	16,678,320	31.3	17,751,449	32.6
Subtotal	¥53,208,143	100.0%	¥54,502,869	100.0%
Overseas operations:				
Public sector	¥ 195,113	1.0%	¥ 206,772	1.0%
Financial institutions	1,621,969	7.8	1,581,991	7.5
Commerce and industry	17,418,127	84.2	17,609,453	83.5
Others	1,452,810	7.0	1,684,170	8.0
Subtotal	¥20,688,019	100.0%	¥21,082,386	100.0%
Total	¥73,896,163	—	¥75,585,256	—

Notes: 1. Domestic operations comprise the operations of SMBC (excluding overseas branches). Overseas operations comprise the operations of SMBC's overseas branches.

2. Japan offshore banking accounts are included in overseas operations' accounts.

Loans to Individuals/Small and Medium-Sized Enterprises

March 31	Millions of yen	
	2018	2017
Total domestic loans (A)	¥53,208,143	¥54,502,869
Loans to individuals, and small and medium-sized enterprises (B)	33,700,117	34,082,987
(B) / (A)	63.3%	62.5%

Notes: 1. The figures above exclude the outstanding balance of loans at overseas branches and of Japan offshore banking accounts.

2. Small and medium-sized enterprises are individuals or companies with capital stock of ¥300 million or less, or an operating staff of 300 or fewer employees. (Exceptions to these capital stock and staff restrictions include wholesalers: ¥100 million or less, 100 employees or fewer; retailers: ¥50 million or less, 50 employees or fewer; and service industry companies: ¥50 million or less, 100 employees or fewer.)

Consumer Loans Outstanding

March 31	Millions of yen	
	2018	2017
Consumer loans	¥13,498,645	¥13,873,169
Housing loans.....	12,566,778	12,912,398
Residential purpose.....	9,998,693	10,302,283
Others.....	931,866	960,771

Note: Housing loans include general-purpose loans used for housing purposes as well as housing loans and apartment house acquisition loans.

Breakdown of Reserve for Possible Loan Losses

Year ended March 31, 2018	Millions of yen				
	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year		Balance at end of the fiscal year
			Objectives	Others	
General reserve for possible loan losses.....	¥255,838	¥223,567	¥ —	¥255,838*	¥223,567
	[3,118]				
Specific reserve for possible loan losses	128,460	95,720	23,216	105,244*	95,720
	[1,303]				
For nonresident loans.....	35,882	33,694	12,232	23,650*	33,694
	[1,249]				
Loan loss reserve for specific overseas countries ...	1,005	581	—	1,005*	581
Total.....	¥385,304	¥319,868	¥23,216	¥362,087	¥319,868
	[4,421]				

* Reversal by reversal method

Note: Figures in brackets [] indicate foreign exchange translation adjustments.

Year ended March 31, 2017	Millions of yen				
	Balance at beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year		Balance at end of the fiscal year
			Objectives	Others	
General reserve for possible loan losses.....	¥220,963	¥258,956	¥ —	¥220,963*	¥258,956
	[334]				
Specific reserve for possible loan losses	134,527	129,764	22,699	111,827*	129,764
	[180]				
For nonresident loans.....	39,450	37,131	12,067	27,383*	37,131
	[99]				
Loan loss reserve for specific overseas countries ...	1,179	1,005	—	1,179*	1,005
Total.....	¥356,670	¥389,726	¥22,699	¥333,971	¥389,726
	[515]				

* Reversal by reversal method

Note: Figures in brackets [] indicate foreign exchange translation adjustments.

Write-Off of Loans

Year ended March 31	Millions of yen	
	2018	2017
Write-off of loans.....	¥7,364	¥462

Note: Write-off of loans include amount of direct reduction.

Specific Overseas Loans

March 31	Millions of yen	
	2018	2017
Egypt.....	¥4,711	¥ 7,072
Azerbaijan.....	4,652	8,089
Argentina.....	22	26
Mongolia.....	—	133
Total.....	¥9,386	¥15,321
Ratio of the total amounts to total assets	0.01%	0.01%
Number of countries.....	3	4

Risk-Monitored Loans

March 31	Millions of yen	
	2018	2017
Bankrupt loans	¥ 24,444	¥ 31,029
Non-accrual loans	328,954	381,651
Past due loans (3 months or more)	4,460	12,593
Restructured loans	67,521	89,319
Total	¥425,380	¥514,594
Amount of direct reduction.....	¥ 92,343	¥103,671

Notes: Definition of risk-monitored loan categories

1. Bankrupt loans: Loans on which accrued interest income is not recognized, and to borrowers that are undergoing bankruptcy, corporate reorganization and rehabilitation proceedings or borrowers receiving a disposition to suspend transactions with a clearing house.
2. Non-accrual loans: Loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
3. Past due loans (3 months or more): Loans on which the principal or interest is past due for 3 months or more, excluding loans in categories 1. and 2.
4. Restructured loans: Loans to borrowers on which terms and conditions have been amended in favor of the borrowers in order to support the borrowers' recovery from financial difficulties and facilitate collection of loans, excluding loans in categories 1. through 3.

Non-performing loans (NPLs) based on the Financial Reconstruction Act

March 31	Millions of yen	
	2018	2017
Bankrupt and quasi-bankrupt assets	¥ 80,942	¥ 118,420
Doubtful assets	283,393	347,350
Substandard loans	71,981	101,913
Total	436,317	567,684
Normal assets	85,468,271	86,410,604
Grand Total	¥85,904,588	¥86,978,288
Amount of direct reduction.....	¥ 99,662	¥ 109,818

Notes: Definition of NPLs categories

These assets are disclosed based on the provisions of Article 7 of the Financial Reconstruction Act (Act No. 132 of 1998) and classified into the 4 categories based on financial position and business performance of obligors in accordance with Article 6 of the Act. Assets in question include private placement bonds, loans and bills discounted, foreign exchanges, accrued interest, and suspense payment in "other assets," customers' liabilities for acceptances and guarantees, and securities lent under the loan for consumption or leasing agreements.

1. Bankrupt and quasi-bankrupt assets: Credits to borrowers undergoing bankruptcy, corporate reorganization, and rehabilitation proceedings, as well as claims of a similar nature
2. Doubtful assets: Credits for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower
3. Substandard loans: Past due loans (3 months or more) and restructured loans, excluding 1. and 2.
4. Normal assets: Credits to borrowers with good business performance and in financial standing without identified problems and not classified into the 3 categories above

Non-performing loans (NPLs) based on the Financial Reconstruction Act, and Risk-Monitored Loans

Category of borrowers under self-assessment	NPLs based on the Financial Reconstruction Act		Risk-monitored loans		Other assets
	Total loans	Other assets	Total loans		
Bankrupt Borrowers	Bankrupt and quasi-bankrupt assets		Bankrupt loans	<div style="border: 1px dashed black; padding: 5px; text-align: center;"> © </div>	
Effectively Bankrupt Borrowers			Non-accrual loans		
Potentially Bankrupt Borrowers			Doubtful assets		
Borrowers Requiring Caution	Substandard loans	Past due loans (3 months or more)			
		Restructured loans			
Normal Borrowers	(Normal assets)				
Ⓐ		Ⓑ		=	Ⓒ

Classification based on Self-Assessment, and the Financial Reconstruction Act, and Write-Offs/Reserves

March 31, 2018		(Billions of yen)						
Category of borrowers under self-assessment	NPLs based on the Financial Reconstruction Act	Classification under self-assessment				Reserve for possible loan losses	Reserve ratio	
		Classification I	Classification II	Classification III	Classification IV			
Bankrupt Borrowers	Bankrupt and quasi-bankrupt assets (1) ¥80.9	Portion of claims secured by collateral or guarantees, etc. (a) ¥73.9	Fully reserved ¥7.0	Direct write-offs (Note 1)	Specific reserve	¥11.8 (Note 2)	100% (Note 3)	
Effectively Bankrupt Borrowers								
Potentially Bankrupt Borrowers	Doubtful assets (2) ¥283.4	Portion of claims secured by collateral or guarantees, etc. (b) ¥168.4	Necessary amount reserved ¥115.0		General reserve	¥83.5 (Note 2)	72.55% (Note 3)	
Borrowers Requiring Caution	Substandard loans (3) ¥72.0 (Claims to substandard borrowers)	Portion of substandard loans secured by collateral or guarantees, etc. (c) ¥38.3					General reserve for substandard loans ¥12.9	¥224.0 (Note 5)
Normal Borrowers	Normal assets ¥85,468.3	Claims to borrowers requiring caution, excluding claims to substandard borrowers	Claims to normal borrowers			6.16% (11.03%) (Note 4)		
						Loan loss reserve for specific overseas countries ¥0.6		
NPL ratio (5) / (4) 0.51%	Total (4) ¥85,904.6			Total reserve for possible loan losses (D) Specific reserve + General reserve for substandard loans ¥108.2	¥319.9		Reserve ratio (D) / (C) 69.49% (Note 6)	
	(A) = (1) + (2) + (3) ¥436.3 (5)	Portion secured by collateral or guarantees, etc. (B) = (a) + (b) + (c) ¥280.6		Unsecured portion (C) = (A) - (B) ¥155.7				
				Coverage ratio {(B) + (D)} / (A)			89.11%	

- Notes: 1. Includes amount of direct reduction totaling ¥99.7 billion.
2. Includes reserves for assets that are not subject to disclosure under the Financial Reconstruction Act. (Bankrupt/Effectively Bankrupt Borrowers: ¥4.8 billion; Potentially Bankrupt Borrowers: ¥6.4 billion)
3. Reserve ratios for claims on Bankrupt/Effectively Bankrupt Borrowers, Potentially Bankrupt Borrowers, Substandard Borrowers, and Borrowers Requiring Caution (including Substandard Borrowers): The proportion of each category's total unsecured claims covered by reserve for possible loan losses.
4. Reserve ratios for claims on Normal Borrowers and Borrowers Requiring Caution (excluding claims to Substandard Borrowers): The proportion of each category's total claims covered by reserve for possible loan losses. The reserve ratio for unsecured claims on Borrowers Requiring Caution (excluding claims to Substandard Borrowers) is shown in brackets.
5. Includes Specific reserve for Borrowers Requiring Caution totaling ¥0.5 billion.
6. The proportion of the reserve to the claims, excluding the portion secured by collateral or guarantees, etc.

Results of off-balancing of NPLs

	Billions of yen						March 31, 2018 ③
	March 31, 2016 ①	Fiscal 2016		March 31, 2017 ②	Fiscal 2017		
		New occurrences	Off-balanced		New occurrences	Off-balanced	
Bankrupt and quasi-bankrupt assets...	¥135.6	¥ 44.4	¥ (61.6)	¥118.4	¥ 31.9	¥ (69.4)	¥ 80.9
Doubtful assets	376.4	127.4	(156.4)	347.4	78.0	(142.0)	283.4
Total	¥512.0	¥171.8	¥(218.0)	¥465.8	¥109.9	¥(211.4)	¥364.3
				Increase/ Decrease ② - ①			Increase/ Decrease ③ - ②
Bankrupt and quasi-bankrupt assets...				¥(17.2)			¥ (37.5)
Doubtful assets				(29.0)			(64.0)
Total				¥(46.2)			¥(101.5)

- Notes: 1. The off-balancing (also known as "final disposal") of NPLs refers to the removal of such assets from the bank's balance sheet by way of sale, direct write-off or other means.
2. The figures shown in the above table under "new occurrences" and "off-balanced" are simple additions of the figures for the first and second halves of fiscal 2017. Amount of ¥25.8 billion in fiscal 2017, recognized as "new occurrences" in the first half of the term, was included in the amounts off-balanced in the second half.

Securities (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Balance of Securities

Year-End Balance

March 31	Millions of yen	
	2018	2017
Domestic operations:		
Japanese government bonds.....	¥ 9,313,092	¥ 8,009,687
Japanese local government bonds	47,032	70,545
Japanese corporate bonds	2,563,569	2,519,027
Japanese stocks.....	4,238,818	4,164,031
Others	1,018,723	1,028,654
Foreign bonds.....	/	/
Foreign stocks	/	/
Subtotal	¥17,181,235	¥15,791,947
International operations:		
Japanese government bonds.....	¥ —	¥ —
Japanese local government bonds	—	—
Japanese corporate bonds	—	—
Japanese stocks.....	—	—
Others	8,735,482	8,550,422
Foreign bonds.....	5,342,481	5,586,975
Foreign stocks	3,393,001	2,963,447
Subtotal	¥ 8,735,482	¥ 8,550,422
Total	¥25,916,718	¥24,342,369

Average Balance

Year ended March 31	Millions of yen	
	2018	2017
Domestic operations:		
Japanese government bonds.....	¥ 8,904,513	¥ 8,088,171
Japanese local government bonds	80,701	47,783
Japanese corporate bonds	2,523,831	2,400,500
Japanese stocks.....	2,414,764	2,953,233
Others	992,188	928,882
Foreign bonds.....	/	/
Foreign stocks	/	/
Subtotal	¥14,915,999	¥14,418,571
International operations:		
Japanese government bonds.....	¥ —	¥ —
Japanese local government bonds	—	—
Japanese corporate bonds	—	—
Japanese stocks.....	—	—
Others	8,163,052	7,270,938
Foreign bonds.....	5,164,854	4,418,229
Foreign stocks	2,998,198	2,852,709
Subtotal	¥ 8,163,052	¥ 7,270,938
Total	¥23,079,051	¥21,689,510

Note: The average balance of foreign-currency-denominated transactions by domestic branches in international operations is calculated by the monthly current method.

Balance of Securities Held, Classified by Maturity

March 31	Millions of yen	
	2018	2017
One year or less		
Japanese government bonds.....	¥3,373,256	¥ 790,044
Japanese local government bonds	17	—
Japanese corporate bonds	187,331	312,421
Others.....	1,560,459	1,705,317
Foreign bonds.....	1,543,149	1,675,557
Foreign stocks	—	—
One — three years		
Japanese government bonds.....	4,451,753	3,679,481
Japanese local government bonds	4,677	53
Japanese corporate bonds	593,116	647,132
Others.....	751,964	1,515,791
Foreign bonds.....	714,367	1,476,309
Foreign stocks	2,251	893
Three — five years		
Japanese government bonds.....	818,615	3,177,920
Japanese local government bonds	17,063	21,175
Japanese corporate bonds	681,269	681,855
Others.....	428,767	532,094
Foreign bonds.....	397,387	513,436
Foreign stocks	—	1,616
Five — seven years		
Japanese government bonds.....	51,985	52,260
Japanese local government bonds	4,081	—
Japanese corporate bonds	346,164	276,128
Others.....	325,851	389,719
Foreign bonds.....	250,470	317,482
Foreign stocks	8,882	6,092
Seven — ten years		
Japanese government bonds.....	296,787	170,260
Japanese local government bonds	21,173	49,286
Japanese corporate bonds	432,659	399,796
Others.....	1,759,954	984,714
Foreign bonds.....	1,676,773	868,504
Foreign stocks	6,918	6,225
More than ten years		
Japanese government bonds.....	320,694	139,720
Japanese local government bonds	18	30
Japanese corporate bonds	323,028	201,692
Others.....	1,033,261	954,447
Foreign bonds.....	760,333	735,685
Foreign stocks	119,447	108,214
No designated term		
Japanese government bonds.....	—	—
Japanese local government bonds	—	—
Japanese corporate bonds	—	—
Japanese stocks.....	4,238,818	4,164,031
Others.....	3,893,946	3,496,992
Foreign bonds.....	—	—
Foreign stocks	3,255,502	2,840,404
Total		
Japanese government bonds.....	¥9,313,092	¥8,009,687
Japanese local government bonds	47,032	70,545
Japanese corporate bonds	2,563,569	2,519,027
Japanese stocks.....	4,238,818	4,164,031
Others.....	9,754,206	9,579,077
Foreign bonds.....	5,342,481	5,586,975
Foreign stocks	3,393,001	2,963,447

Ratios (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Income Ratio

Year ended March 31	Percentage	
	2018	2017
Ordinary profit to total assets	0.43%	0.53%
Ordinary profit to stockholders' equity	9.84	11.38
Net income to total assets	0.32	0.42
Net income to stockholders' equity	7.52	8.98

Notes: 1. Ordinary profit (net income) to total assets = Ordinary profit (net income) / Average balance of total assets excluding customers' liabilities for acceptances and guarantees × 100
 2. Ordinary profit (net income) to stockholders' equity = (Ordinary profit (net income) – Preferred dividends) / {(Net assets at the beginning of the fiscal year – Number of shares of preferred stock outstanding at the beginning of the fiscal year × Issue price) + (Net assets at the end of the fiscal year – Number of shares of preferred stock outstanding at the end of the fiscal year × Issue price)} divided by 2 × 100

Yield/Interest Rate

Year ended March 31	Percentage	
	2018	2017
Domestic operations:		
Interest-earning assets (A)	1.04%	1.36%
Interest-bearing liabilities (B)	0.62	0.70
(A) – (B)	0.42	0.66
International operations:		
Interest-earning assets (A)	1.99%	1.68%
Interest-bearing liabilities (B)	1.86	1.56
(A) – (B)	0.13	0.12
Total:		
Interest-earning assets (A)	1.44%	1.51%
Interest-bearing liabilities (B)	1.00	0.97
(A) – (B)	0.44	0.54

Loan-Deposit Ratio

March 31	Millions of yen	
	2018	2017
Domestic operations:		
Loans and bills discounted (A)	¥ 49,214,467	¥ 50,339,737
Deposits (B)	94,789,237	91,544,782
Loan-deposit ratio (%)		
(A) / (B)	51.91%	54.98%
Ratio by average balance for the fiscal year	53.24	56.04
International operations:		
Loans and bills discounted (A)	¥ 24,681,695	¥ 25,245,518
Deposits (B)	26,718,796	26,309,080
Loan-deposit ratio (%)		
(A) / (B)	92.37%	95.95%
Ratio by average balance for the fiscal year	97.45	96.17
Total:		
Loans and bills discounted (A)	¥ 73,896,163	¥ 75,585,256
Deposits (B)	121,508,034	117,853,863
Loan-deposit ratio (%)		
(A) / (B)	60.81%	64.13%
Ratio by average balance for the fiscal year	63.13	65.05

Note: Deposits include negotiable certificates of deposit.

Securities-Deposit Ratio

March 31	Millions of yen	
	2018	2017
Domestic operations:		
Securities (A).....	¥ 17,181,235	¥ 15,791,947
Deposits (B).....	94,789,237	91,544,782
Securities-deposit ratio (%)		
(A) / (B).....	18.12%	17.25%
Ratio by average balance for the fiscal year.....	16.13	16.62
International operations:		
Securities (A).....	¥ 8,735,482	¥ 8,550,422
Deposits (B).....	26,718,796	26,309,080
Securities-deposit ratio (%)		
(A) / (B).....	32.69%	32.49%
Ratio by average balance for the fiscal year.....	30.62	28.94
Total:		
Securities (A).....	¥ 25,916,718	¥ 24,342,369
Deposits (B).....	121,508,034	117,853,863
Securities-deposit ratio (%)		
(A) / (B).....	21.32%	20.65%
Ratio by average balance for the fiscal year.....	19.37	19.39

Note: Deposits include negotiable certificates of deposit.

Capital (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Changes in Number of Shares Issued and Capital Stock

	Millions of yen					
	Number of shares issued		Capital stock		Capital reserve	
	Changes	Balances	Changes	Balances	Changes	Balances
February 16, 2010*	20,016,015	106,318,401	484,037	1,770,996	484,037	1,771,043

Remarks:

* Allotment to third parties:

Common stock: 20,016,015 shares

Issue price: ¥48,365

Capitalization: ¥24,182.5

Number of Shares Issued

March 31, 2017	Number of shares issued
Common stock	106,248,400
Preferred stock (1st series Type 6)	70,001
Total	106,318,401

Note: The shares above are not listed on any stock exchange.

Principal Shareholders

a. Common Stock

March 31, 2018	Number of shares	Percentage of shares outstanding
Sumitomo Mitsui Financial Group, Inc.	106,248,400	100.00%

b. Preferred Stock (1st series Type 6)

March 31, 2018	Number of shares	Percentage of shares outstanding
Sumitomo Mitsui Banking Corporation	70,001	100.00%

Others (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Employees

March 31	2018	2017
Number of employees	29,192	29,283
Average age (years–months)	36-4	36-3
Average length of employment (years–months)	13-1	13-1
Average annual salary (thousands of yen)	¥8,105	¥8,148

Notes: 1. Temporary and part-time staff are excluded from the above calculations but includes overseas local staff. Executive officers who do not concurrently serve as Directors are excluded from "Number of employees."
 2. "Average annual salary" includes bonus, overtime pay and other fringe benefits.
 3. Overseas local staff are excluded from the above calculations other than "Number of employees."

Number of Offices

March 31	2018	2017
Domestic network:		
Main offices and branches	507	506
Subbranches	455	431
Agency	1	1
Overseas network:		
Branches	18	18
Subbranches	22	20
Representative offices	4	4
Total	1,007	980

Notes: 1. "Main offices and branches" includes the International Business Operations Dept. (2018, 2 branches; 2017, 2 branches), specialized deposit account branches (2018, 46 branches; 2017, 46 branches) and ATM administration branches (2018, 17 branches; 2017, 17 branches).
 2. "Subbranches" includes Corporate Business Office, etc.

Number of Automated Service Centers

March 31	2018	2017
Automated service centers	49,518	48,201

Domestic Exchange Transactions

Year ended March 31	Millions of yen	
	2018	2017
Exchange for remittance:		
Destined for various parts of the country:		
Number of accounts (thousands)	416,752	410,484
Amount	¥ 528,632,417	¥ 496,678,416
Received from various parts of the country:		
Number of accounts (thousands)	312,105	305,267
Amount	¥ 916,130,917	¥ 894,717,286
Collection:		
Destined for various parts of the country:		
Number of accounts (thousands)	1,897	2,049
Amount	¥ 4,638,705	¥ 4,898,249
Received from various parts of the country:		
Number of accounts (thousands)	690	737
Amount	¥ 1,827,751	¥ 1,640,568
Total	¥1,451,229,791	¥1,397,934,521

Foreign Exchange Transactions

Year ended March 31	Millions of U.S. dollars	
	2018	2017
Outward exchanges:		
Foreign bills sold.....	\$ 2,243,809	\$1,930,715
Foreign bills bought.....	1,536,739	1,713,670
Incoming exchanges:		
Foreign bills payable.....	\$ 1,056,842	\$ 931,198
Foreign bills receivable.....	38,355,894	39,779
Total.....	\$ 4,875,747	\$4,615,364

Note: The figures above include foreign exchange transactions by overseas branches.

Breakdown of Collateral for Customers' Liabilities for Acceptances and Guarantees

March 31	Millions of yen	
	2018	2017
Securities.....	¥ 145,511	¥ 74,235
Commercial claims.....	86,690	89,431
Commercial goods.....	—	—
Real estate.....	40,986	48,461
Others.....	32,529	24,128
Subtotal.....	¥ 305,717	¥ 236,256
Guaranteed.....	752,407	813,273
Unsecured.....	6,863,044	6,516,032
Total.....	¥7,921,169	¥7,565,562

Trust Assets and Liabilities (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Statements of Trust Assets and Liabilities

March 31	Millions of yen	
	2018	2017
Assets:		
Loans and bills discounted.....	¥ 398,772	¥ 635,206
Loans on deeds.....	398,772	635,206
Securities.....	2,358,665	4,156,409
Japanese government bonds.....	65,099	126,392
Corporate bonds.....	2,255,684	3,990,300
Japanese stocks.....	—	—
Foreign securities.....	37,881	39,716
Trust beneficiary right.....	33,040	38,583
Entrusted securities.....	15,000	20,211
Monetary claims.....	593,135	759,095
Monetary claims for housing loans.....	13,481	11,906
Other monetary claims.....	579,653	747,188
Other claims.....	1,107	1,215
Call loans.....	—	—
Due from banking account.....	1,275,695	1,158,780
Cash and due from banks.....	81,222	111,699
Deposits with banks.....	81,222	111,699
Others.....	108	208
Others.....	108	208
Total assets.....	¥4,756,748	¥6,881,408
Liabilities:		
Designated money trusts.....	¥1,376,554	¥1,225,851
Specified money trusts.....	1,038,705	1,855,753
Money in trusts other than money trusts.....	—	100,000
Securities in trusts.....	15,000	20,211
Monetary claims trusts.....	346,176	420,242
Composite trusts.....	1,980,311	3,259,349
Total liabilities.....	¥4,756,748	¥6,881,408

Notes: 1. Amounts less than 1 million yen have been rounded down.

2. SMBC has no co-operative trusts under any other trust bank's administration as of the year-end.

3. Excludes trusts whose monetary values are difficult to calculate.

Basel III Information

Capital Ratio Information (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Capital Structure Information (Consolidated Capital Ratio (International Standard))

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Common Equity Tier 1 capital: instruments and reserves					
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	6,856,015		6,534,395	
1a	of which: capital and capital surplus	3,531,406		3,519,653	
2	of which: retained earnings	3,451,151		3,045,979	
1c	of which: treasury stock (-)	-		-	
26	of which: cash dividends to be paid (-)	126,541		31,237	
	of which: other than the above	-		-	
1b	Stock acquisition rights to common shares	-		-	
3	Accumulated other comprehensive income and other disclosed reserves	1,552,547	-	1,154,101	288,525
5	Adjusted non-controlling interests, etc. (amount allowed to be included in group Common Equity Tier 1)	333		183,880	
	Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	-		13,024	
	of which: non-controlling interests and other items corresponding to common share capital issued by consolidated subsidiaries (amount allowed to be included in group Common Equity Tier 1)	-		13,024	
6	Common Equity Tier 1 capital: instruments and reserves (A)	8,408,896		7,885,402	
Common Equity Tier 1 capital: regulatory adjustments					
8+9	Total intangible assets (excluding those relating to mortgage servicing rights)	239,397	-	215,215	53,803
8	of which: goodwill (including those equivalent)	31,588	-	43,542	10,885
9	of which: other intangible assets other than goodwill and mortgage servicing rights	207,809	-	171,672	42,918
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,213	-	1,297	324
11	Net deferred gains or losses on hedges	(65,809)	-	(30,148)	(7,537)
12	Shortfall of eligible provisions to expected losses	-	-	-	-
13	Gain on sale on securitisation transactions	60,215	-	46,740	11,685
14	Gains and losses due to changes in own credit risk on fair valued liabilities	2,646	-	2,761	690
15	Net defined benefit asset	262,547	-	172,582	43,145
16	Investments in own shares (excluding those reported in the Net assets section)	-	-	24	6
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 ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (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 Other Financial Institutions, net of eligible short positions	-	-	-	-
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 Other Financial Institutions, net of eligible short positions	-	-	-	-
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)	500,211		408,473	
Common Equity Tier 1 capital (CET1)					
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	7,908,684		7,476,928	

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017		
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Additional Tier 1 capital: instruments						
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	1,100,000		450,000	
		Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—	
34-35	Adjusted non-controlling interests, etc. (amount allowed to be included in group Additional Tier 1)	30,026		24,315		
33+35	Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments	466,652		607,479		
33	of which: instruments issued by banks and their special purpose vehicles	466,652		607,479		
35	of which: instruments issued by subsidiaries (excluding banks' special purpose vehicles)	—		—		
	Total of items included in Additional Tier 1 capital: items subject to transitional arrangements	—		7,117		
	of which: foreign currency translation adjustments	—		7,117		
36	Additional Tier 1 capital: instruments (D)	1,596,678		1,088,912		
Additional Tier 1 capital: regulatory adjustments						
37	Investments in own Additional Tier 1 instruments	—	—	—	—	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	—	—	—	—	
39	Non-significant Investments in the Additional Tier 1 capital of Other Financial Institutions, net of eligible short positions (amount above 10% threshold)	—	—	—	—	
40	Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	81,640	—	64,035	16,008	
	Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	—		23,591		
	of which: goodwill and others	—		11,906		
	of which: gain on sale on securitisation transactions	—		11,685		
	of which: amount equivalent to 50% of shortfall of eligible provisions to expected losses	—		—		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—		—		
43	Additional Tier 1 capital: regulatory adjustments (E)	81,640		87,626		
Additional Tier 1 capital (AT1)						
44	Additional Tier 1 capital ((D)-(E)) (F)	1,515,038		1,001,285		
Tier 1 capital (T1 = CET1 + AT1)						
45	Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	9,423,723		8,478,214		
Tier 2 capital: instruments and provisions						
46	Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its 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	994,937		905,332		
	Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—		—		
48-49	Adjusted non-controlling interests, etc. (amount allowed to be included in group Tier 2)	3,488		5,039		
47+49	Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and provisions	625,890		873,368		
47	of which: instruments issued by banks and their special purpose vehicles	625,890		873,368		
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	33,097		13,348		
50a	of which: general reserve for possible loan losses	6,210		6,900		
50b	of which: eligible provisions	26,886		6,448		
	Total of items included in Tier 2 capital: instruments and provisions subject to transitional arrangements	—		177,022		
	of which: unrealized gains on other securities after 55% discount	—		170,772		
	of which: land revaluation excess after 55% discount	—		6,250		
51	Tier 2 capital: instruments and provisions (H)	1,657,414		1,974,111		

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Tier 2 capital: regulatory adjustments					
52	Investments in own Tier 2 instruments	-	-	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-	-	-
54	Non-significant Investments in the Tier 2 capital of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)	-	-	-	-
55	Significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)	150,000	-	120,000	30,000
	Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	-	/	20,744	/
	of which: Tier 2 and deductions under Basel II	-	/	20,744	/
57	Tier 2 capital: regulatory adjustments	(I) 150,000	/	140,744	/
Tier 2 capital (T2)					
58	Tier 2 capital (T2) ((H)-(I))	(J) 1,507,414	/	1,833,366	/
Total capital (TC = T1 + T2)					
59	Total capital (TC = T1 + T2) ((G) + (J))	(K) 10,931,137	/	10,311,580	/
Risk weighted assets					
	Total of items included in risk weighted assets subject to transitional arrangements	-	/	32,764	/
	of which: intangible assets (excluding those relating to mortgage servicing rights)	-	/	10,307	/
	of which: net defined benefit asset	-	/	11,846	/
	of which: significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)	-	/	9,914	/
60	Risk weighted assets	(L) 51,707,483	/	58,004,379	/
Capital ratio (consolidated)					
61	Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))	15.29%	/	12.89%	/
62	Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))	18.22%	/	14.61%	/
63	Total risk-weighted capital ratio (consolidated) ((K)/(L))	21.14%	/	17.77%	/
Regulatory adjustments					
72	Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	331,209	/	400,680	/
73	Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	596,582	/	523,446	/
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)	1,617	/	4,715	/
Provisions included in Tier 2 capital: instruments and provisions					
76	Provisions (general reserve for possible loan losses)	6,210	/	6,900	/
77	Cap on inclusion of provisions (general reserve for possible loan losses)	22,963	/	20,271	/
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	26,886	/	6,448	/
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	259,290	/	301,311	/
Capital instruments subject to transitional arrangements					
82	Current cap on Additional Tier 1 instruments subject to transitional arrangements	495,143	/	618,928	/
83	Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	-	/	-	/
84	Current cap on Tier 2 instruments subject to transitional arrangements	813,811	/	1,017,264	/
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	-	/	-	/

(Millions of yen)

Items	As of March 31, 2018	As of March 31, 2017
Required capital ((L) × 8%)	4,136,598	4,640,350

■ Reconciliation of Regulatory Capital Elements Back to the Balance Sheet (As of March 31, 2017 and 2018)

Sumitomo Mitsui Banking Corporation and Subsidiaries

Items	(Millions of yen)		Cross-reference to Appended Table	Reference # of Basel III common disclosure template under the Composition of Capital Disclosure (Basel III Template)
	Consolidated balance sheet as in published financial statements			
	As of March 31, 2018	As of March 31, 2017		
(Assets)				
Cash and due from banks	52,122,407	44,992,414		
Call loans and bills bought	1,881,879	1,872,144		
Receivables under resale agreements	1,675,693	2,199,733		
Receivables under securities borrowing transactions	3,562,107	3,609,903		
Monetary claims bought	4,550,592	4,265,954		
Trading assets	2,408,549	2,666,417	6-a	
Money held in trust	0	0		
Securities	25,217,287	24,181,601	2-b, 6-b	
Loans and bills discounted	75,853,934	83,314,483	6-c	
Foreign exchanges	2,164,196	1,722,104		
Lease receivables and investment assets	252,507	282,505		
Other assets	3,923,004	3,586,135		
Tangible fixed assets	1,410,800	1,121,670		
Intangible fixed assets	311,810	339,674	2-a	
Net defined benefit asset	377,768	310,588	3	
Deferred tax assets	28,789	59,928	4-a	
Customers' liabilities for acceptances and guarantees	7,373,185	6,927,918		
Reserve for possible loan losses	(387,022)	(506,515)		
Total assets	182,727,495	180,946,664		
(Liabilities)				
Deposits	117,227,296	118,424,659		
Negotiable certificates of deposit	11,455,284	12,595,937		
Call money and bills sold	740,928	844,519		
Payables under repurchase agreements	5,256,519	2,737,947		
Payables under securities lending transactions	3,324,893	3,190,161		
Commercial paper	2,385,705	2,312,289		
Trading liabilities	1,907,416	2,131,143	6-d	
Borrowed money	13,973,112	11,981,546	8	
Foreign exchanges	906,429	718,940		
Bonds	3,255,697	3,987,749		
Due to trust account	1,328,271	1,180,976		
Other liabilities	3,983,839	4,524,079		
Reserve for employee bonuses	32,826	34,990		
Reserve for executive bonuses	1,333	922		
Net defined benefit liability	6,552	16,788		
Reserve for executive retirement benefits	671	867		
Reserve for point service program	966	1,189		
Reserve for reimbursement of deposits	17,765	15,464		
Reserve for losses on interest repayment	—	40		
Deferred tax liabilities	427,853	378,740	4-b	
Deferred tax liabilities for land revaluation	30,539	31,596	4-c	
Acceptances and guarantees	7,373,185	6,927,918		
Total liabilities	173,637,092	172,038,471		
(Net assets)				
Capital stock	1,770,996	1,770,996	1-a	
Capital surplus	1,970,412	1,958,660	1-b	
Retained earnings	3,451,151	3,045,979	1-c	
Treasury stock	(210,003)	(210,003)	1-d	
Total stockholders' equity	6,982,557	6,565,632		
Net unrealized gains on other securities	1,509,249	1,397,396		
Net deferred gains or losses on hedges	(66,918)	(39,174)	5	
Land revaluation excess	37,042	38,041		
Foreign currency translation adjustments	12,710	35,589		
Remeasurements of defined benefit plans	60,463	10,773		
Total accumulated other comprehensive income	1,552,547	1,442,626		
Stock acquisition rights	—	276	7-a	
Non-controlling interests	555,298	899,656	7-b	
Total net assets	9,090,403	8,908,192		
Total liabilities and net assets	182,727,495	180,946,664		

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)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Capital stock	1,770,996	1,770,996	Including eligible Tier 1 capital instruments subject to transitional arrangement	1-a
Capital surplus	1,970,412	1,958,660	Including eligible Tier 1 capital instruments subject to transitional arrangement	1-b
Retained earnings	3,451,151	3,045,979		1-c
Treasury stock	(210,003)	(210,003)	Eligible Tier 1 capital instruments subject to transitional arrangement	1-d
Total stockholders' equity	6,982,557	6,565,632		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Directly issued qualifying common share capital plus related capital surplus and retained earnings	6,982,557	6,565,632	Stockholders' equity attributable to common shares (before adjusting national specific regulatory adjustments (earnings to be distributed))	
of which: capital and capital surplus	3,531,406	3,519,653		1a
of which: retained earnings	3,451,151	3,045,979		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 assets

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Intangible fixed assets	311,810	339,674		2-a
Securities	25,217,287	24,181,601		2-b
of which: goodwill attributable to equity-method investees	18,861	23,744		
Income taxes related to above	91,273	94,399		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Goodwill (including those equivalent)	31,588	54,427		8
Other intangible assets other than goodwill and mortgage servicing rights	207,809	214,591	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)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Net defined benefit asset	377,768	310,588		3
Income taxes related to above	115,220	94,860		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Net defined benefit asset	262,547	215,728		15

4. Deferred tax assets

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Deferred tax assets	28,789	59,928		4-a
Deferred tax liabilities	427,853	378,740		4-b
Deferred tax liabilities for land revaluation	30,539	31,596		4-c
Tax effects on other intangible assets	91,273	94,399		
Tax effects on net defined benefit asset	115,220	94,860		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,213	1,621	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)	1,617	4,715	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)	1,617	4,715		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, 2018	As of March 31, 2017	Remarks	Ref. No.
Net deferred gains or losses on hedges	(66,918)	(39,174)		5

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Net deferred gains or losses on hedges	(65,809)	(37,685)	Excluding those items whose valuation differences arising from hedged items are recognized as "Accumulated other comprehensive income"	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, 2018	As of March 31, 2017	Remarks	Ref. No.
Trading assets	2,408,549	2,666,417	Including trading account securities and derivatives for trading assets	6-a
Securities	25,217,287	24,181,601		6-b
Loans and bills discounted	75,853,934	83,314,483	Including subordinated loans	6-c
Trading liabilities	1,907,416	2,131,143	Including trading account securities sold and derivatives for trading liabilities	6-d

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Investments in own capital instruments	—	30		
Common Equity Tier 1 capital	—	30		16
Additional Tier 1 capital	—	—		37
Tier 2 capital	—	—		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	—	—		53
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (amount above the 10% threshold)	331,209	400,680		
Common Equity Tier 1 capital	—	—		18
Additional Tier 1 capital	—	—		39
Tier 2 capital	—	—		54
Non-significant investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	331,209	400,680		72
Significant investments in the capital of Other Financial Institutions, net of eligible short positions	828,222	753,490		
Amount exceeding the 10% threshold on specified items	—	—		19
Amount exceeding the 15% threshold on specified items	—	—		23
Additional Tier 1 capital	81,640	80,044		40
Tier 2 capital	150,000	150,000		55
Significant investments in the common stocks of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	596,582	523,446		73

7. Non-controlling interests

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Stock acquisition rights	—	276		7-a
Non-controlling interests	555,298	899,656		7-b

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Amount allowed to be included in group Common Equity Tier 1	333	183,880		5
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—		30-31ab-32
Amount allowed to be included in group Additional Tier 1	30,026	24,315		34-35
Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—		46
Amount allowed to be included in group Tier 2	3,488	5,039		48-49

8. Other capital instruments

(1) Consolidated balance sheet

(Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Borrowed money	13,973,112	11,981,546		8

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	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	1,100,000	450,000		32
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	994,937	905,332		46

Note:

Amounts in the "Composition of capital disclosure" are based on those before considering under transitional arrangements and includes "Amounts excluded under transitional arrangements" disclosed in "Capital Structure Information" as well as amounts included as regulatory capital. In addition, items for regulatory purpose under transitional arrangement are excluded from this table.

Leverage Ratio Information (Consolidated)

Sumitomo Mitsui Banking Corporation and Subsidiaries

■ Composition of Leverage Ratio

(In million yen, %)

Corresponding line # on Basel III disclosure template (Table2)	Corresponding line # on Basel III disclosure template (Table1)	Item	As of March 31, 2018	As of March 31, 2017
On-balance sheet exposures (1)				
1		On-balance sheet exposures before deducting adjustment items	166,530,561	162,047,155
1a	1	Total assets reported in the consolidated balance sheet	182,727,495	180,946,664
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) (-)	16,196,934	18,899,509
2	7	The amount of adjustment items pertaining to Tier 1 capital (-)	584,798	453,155
3		Total on-balance sheet exposures (a)	165,945,762	161,594,000
Exposures related to derivative transactions (2)				
4		Replacement cost associated with derivatives transactions, etc.	1,878,627	1,970,160
5		Add-on amount associated with derivatives transactions, etc.	2,921,033	2,620,126
		The amount of receivables arising from providing cash margin in relation to derivatives transactions, etc.	244,794	617,273
6		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) (-)	244,794	617,273
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	86,781	121,281
10		The amount of deductions from effective notional amount of written credit derivatives (-)	86,781	108,987
11	4	Total exposures related to derivative transactions (b)	4,799,660	4,602,580
Exposures related to repo transactions (3)				
12		The amount of assets related to repo transactions, etc.	5,237,801	5,809,637
13		The amount of deductions from the assets above (line 12) (-)	—	—
14		The exposures for counterparty credit risk for repo transactions, etc.	125,211	652,754
15		The exposures for agent repo transaction		
16	5	Total exposures related to repo transactions, etc. (c)	5,363,012	6,462,392
Exposures related to off-balance sheet transactions (4)				
17		Notional amount of off-balance sheet transactions	54,953,486	58,401,965
18		The amount of adjustments for conversion in relation to off-balance sheet transactions (-)	36,521,778	38,860,189
19	6	Total exposures related to off-balance sheet transactions (d)	18,431,707	19,541,775
Leverage ratio on a consolidated basis (5)				
20		The amount of capital (Tier 1 capital) (e)	9,423,723	8,478,214
21	8	Total exposures ((a)+(b)+(c)+(d)) (f)	194,540,143	192,200,748
22		Leverage ratio on a consolidated basis ((e)/(f))	4.84%	4.41%

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 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 “LCR 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 with no significant fluctuation since the introduction of the liquidity regulation on March 31, 2015.

2. Assessment of Consolidated LCR

The LCR Notification stipulates that the minimum requirement of the LCR for 2018 is set at 90%, and from 2019 onwards, the minimum requirement of the LCR will be 100%. The LCR of SMBC (consolidated) exceeds the minimum requirements of the LCR for 2018 and for 2019 onwards, having no cause for concern. SMBC does not expect that the future LCR forecasts will differ significantly from the announced ratios. In addition, the actual LCR does not differ significantly from the initial forecast.

3. Composition of High-Quality Liquid Assets

Currency denominations, categories and locations, etc. of the high-quality liquid assets allowed to be included in the calculation have not shown any significant changes. 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 LCR 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 LCR Notification. Meanwhile, SMBC records “cash outflows related to small-sized consolidated subsidiaries,” etc. under “cash outflows based on other contracts” prescribed in Article 60 of the LCR Notification.

■ Disclosure of Quantitative Information about Liquidity Coverage Ratio (Consolidated)

(In million yen, %, the number of data)

Item		Current Quarter (From 2018/1/1 To 2018/3/31)		Prior Quarter (From 2017/10/1 To 2017/12/31)	
High-Quality Liquid Assets (1)					
1	Total high-quality liquid assets (HQLA)	60,267,923		59,573,784	
Cash Outflows (2)					
		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
2	Cash outflows related to unsecured retail funding	50,370,304	3,923,663	52,338,456	4,061,878
3	of which, Stable deposits	15,919,657	477,780	16,760,437	503,007
4	of which, Less stable deposits	34,450,647	3,445,883	35,578,018	3,558,871
5	Cash outflows related to unsecured wholesale funding	64,883,035	33,442,407	64,103,295	32,552,731
6	of which, Qualifying operational deposits	—	—	—	—
7	of which, Cash outflows related to unsecured wholesale funding other than qualifying operational deposits and debt securities	58,650,200	27,209,572	58,638,500	27,087,936
8	of which, Debt securities	6,232,835	6,232,835	5,464,795	5,464,795
9	Cash outflows related to secured funding, etc.	130,521		56,905	
10	Cash outflows related to derivative transactions, etc. funding programs, credit and liquidity facilities	21,164,500	7,217,647	21,480,084	7,431,138
11	of which, Cash outflows related to derivative transactions, etc.	1,233,974	1,233,974	1,249,995	1,249,995
12	of which, Cash outflows related to funding programs	448,984	448,984	470,785	470,785
13	of which, Cash outflows related to credit and liquidity facilities	19,481,542	5,534,689	19,759,304	5,710,359
14	Cash outflows related to contractual funding obligations, etc.	5,858,374	4,348,487	5,566,046	4,330,546
15	Cash outflows related to contingencies	66,264,951	1,133,919	65,806,792	1,146,741
16	Total cash outflows	50,196,645		49,579,938	
Cash Inflows (3)					
		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
17	Cash inflows related to secured lending, etc.	2,797,117	505,033	1,892,220	282,732
18	Cash inflows related to collection of loans, etc.	3,458,284	2,498,076	3,783,298	2,647,021
19	Other cash inflows	2,544,615	1,334,015	2,420,676	1,169,136
20	Total cash inflows	8,800,017	4,337,123	8,096,194	4,098,889
Consolidated Liquidity Coverage Ratio (4)					
21	Total HQLA allowed to be included in the calculation	60,267,923		59,573,784	
22	Net cash outflows	45,859,521		45,481,049	
23	Consolidated liquidity coverage ratio (LCR)	131.4%		130.9%	
24	The number of data used to calculate the average value	59		62	

Notes: 1. The data after the introduction of the liquidity regulation on March 31, 2015 is available on Sumitomo Mitsui Financial Group's website. (http://www.smgf.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. For attribute information on customers and some data on consolidated subsidiaries, etc., monthly or quarterly data is used.

■ Breakdown of High-Quality Liquid Assets

(In million yen)

Item		Current Quarter (From 2018/1/1 To 2018/3/31)		Prior Quarter (From 2017/10/1 To 2017/12/31)	
1	Cash and due from banks	51,275,367		50,708,289	
2	Securities	8,992,556		8,865,496	
3	of which, government bonds, etc.	6,586,521		6,451,734	
4	of which, municipal bonds, etc.	126,716		136,284	
5	of which, other bonds	660,766		653,129	
6	of which, stocks	1,618,553		1,624,349	
7	Total high-quality liquid assets (HQLA)	60,267,923		59,573,784	

Note: The above amounts are those of high-quality liquid assets in accordance with the liquidity regulation under the Basel III and do not correspond to the financial amounts. The amounts stated are those after multiplying factors in the liquidity regulation under the Basel III.

Capital Ratio Information (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Capital Structure Information (Non-consolidated Capital Ratio (International Standard))

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Common Equity Tier 1 capital: instruments and reserves					
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	6,255,453		5,997,169	
1a	of which: capital and capital surplus	3,337,824		3,337,824	
2	of which: retained earnings	3,044,170		2,690,582	
1c	of which: treasury stock (-)	-		-	
26	of which: cash dividends to be paid (-)	126,541		31,237	
	of which: other than the above	-		-	
1b	Stock acquisition rights to common shares	-		-	
3	Valuation and translation adjustment and other disclosed reserves	1,539,402	-	1,110,652	277,663
	Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	-		-	
6	Common Equity Tier 1 capital: instruments and reserves (A)	7,794,855		7,107,822	
Common Equity Tier 1 capital: regulatory adjustments					
8+9	Total intangible assets (excluding those relating to mortgage servicing rights)	160,658	-	128,279	32,069
8	of which: goodwill (including those equivalent)	-	-	-	-
9	of which: other intangible assets other than goodwill and mortgage servicing rights	160,658	-	128,279	32,069
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
11	Net deferred gains or losses on hedges	(5,293)	-	(28,183)	(7,045)
12	Shortfall of eligible provisions to expected losses	454	-	23,124	5,781
13	Gain on sale on securitisation transactions	60,215	-	46,740	11,685
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
15	Prepaid pension cost	193,931	-	152,821	38,205
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 ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (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 Other Financial Institutions, net of eligible short positions	-	-	-	-
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 Other Financial Institutions, net of eligible short positions	-	-	-	-
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)	409,966		322,783	
Common Equity Tier 1 capital (CET1)					
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	7,384,889		6,785,039	

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017		
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements	
Additional Tier 1 capital: instruments						
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	1,100,000		450,000	
		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	466,652		607,479		
	Total of items included in Additional Tier 1 capital: items subject to transitional arrangements	—		(160)		
	of which: foreign currency translation adjustments	—		(160)		
36	Additional Tier 1 capital: instruments (D)	1,566,652		1,057,318		
Additional Tier 1 capital: regulatory adjustments						
37	Investments in own Additional Tier 1 instruments	—	—	—	—	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	—	—	—	—	
39	Non-significant Investments in the Additional Tier 1 capital of Other Financial Institutions, net of eligible short positions (amount above 10% threshold)	—	—	—	—	
40	Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	76,261	—	61,008	15,252	
	Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements	—		14,575		
	of which: gain on sale on securitisation transactions	—		11,685		
	of which: amount equivalent to 50% of shortfall of eligible provisions to expected losses	—		2,890		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—		—		
43	Additional Tier 1 capital: regulatory adjustments (E)	76,261		75,584		
Additional Tier 1 capital (AT1)						
44	Additional Tier 1 capital ((D)-(E)) (F)	1,490,391		981,733		
Tier 1 capital (T1 = CET1 + AT1)						
45	Tier 1 capital (T1 = CET1 + AT1) ((C)+(F)) (G)	8,875,280		7,766,772		
Tier 2 capital: instruments and provisions						
46		Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its 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	994,937		905,332	
		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	625,890		873,744		
50	Total of general reserve for possible loan losses and eligible provisions included in Tier 2	—		—		
50a	of which: general reserve for possible loan losses	—		—		
50b	of which: eligible provisions	—		—		
	Total of items included in Tier 2 capital: instruments and provisions subject to transitional arrangements	—		175,432		
	of which: unrealized gains on other securities after 55% discount	—		170,218		
	of which: land revaluation excess after 55% discount	—		5,214		
51	Tier 2 capital: instruments and provisions (H)	1,620,828		1,954,510		

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018		As of March 31, 2017	
			Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Tier 2 capital: regulatory adjustments					
52	Investments in own Tier 2 instruments	-	-	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-	-	-
54	Non-significant Investments in the Tier 2 capital of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)	-	-	-	-
55	Significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)	150,000	-	120,000	30,000
	Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements	-	/	2,890	/
	of which: Tier 2 and deductions under Basel II	-	/	2,890	/
57	Tier 2 capital: regulatory adjustments (I)	150,000	/	122,890	/
Tier 2 capital (T2)					
58	Tier 2 capital (T2) ((H)-(I)) (J)	1,470,828	/	1,831,619	/
Total capital (TC = T1 + T2)					
59	Total capital (TC = T1 + T2) ((G) + (J)) (K)	10,346,108	/	9,598,392	/
Risk weighted assets					
	Total of items included in risk weighted assets subject to transitional arrangements	-	/	72,106	/
	of which: prepaid pension cost	-	/	10,436	/
	of which: significant investments in Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)	-	/	42,995	/
	of which: significant investments in Tier 2 capital of Other Financial Institutions (net of eligible short positions)	-	/	9,914	/
60	Risk weighted assets (L)	49,001,855	/	51,575,789	/
Capital ratio					
61	Common Equity Tier 1 risk-weighted capital ratio ((C)/(L))	15.07%	/	13.15%	/
62	Tier 1 risk-weighted capital ratio ((G)/(L))	18.11%	/	15.05%	/
63	Total risk-weighted capital ratio ((K)/(L))	21.11%	/	18.61%	/
Regulatory adjustments					
72	Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	324,525	/	386,929	/
73	Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	572,602	/	524,160	/
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)	-	/	-	/
Provisions included in Tier 2 capital: instruments and provisions					
76	Provisions (general reserve for possible loan losses)	-	/	-	/
77	Cap on inclusion of provisions (general reserve for possible loan losses)	2,694	/	2,412	/
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	/	-	/
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	262,631	/	277,287	/
Capital instruments subject to transitional arrangements					
82	Current cap on Additional Tier 1 instruments subject to transitional arrangements	494,943	/	618,678	/
83	Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	-	/	-	/
84	Current cap on Tier 2 instruments subject to transitional arrangements	806,896	/	1,008,620	/
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	-	/	-	/

(Millions of yen)

Items	As of March 31, 2018	As of March 31, 2017
Required capital ((L) × 8%)	3,920,148	4,126,063

■ Reconciliation of Regulatory Capital Elements Back to the Balance Sheet (As of March 31, 2017 and 2018)

Sumitomo Mitsui Banking Corporation

(Millions of yen)

Items	Balance sheet as in published financial statements		Cross-reference to Appended Table	Reference # of Basel III common disclosure template under the Composition of Capital Disclosure (Basel III Template)
	As of March 31, 2018	As of March 31, 2017		
(Assets)				
Cash and due from banks	49,030,209	41,652,508		
Call loans	1,417,562	1,465,117		
Receivables under resale agreements	499,738	523,913		
Receivables under securities borrowing transactions	3,140,151	3,184,379		
Monetary claims bought	1,239,394	1,125,434		
Trading assets	1,723,878	1,879,342	6-a	
Securities	25,916,718	24,342,369		
Loans and bills discounted	73,896,163	75,585,256	6-c	
Foreign exchanges	2,143,021	1,663,102		
Other assets	3,020,300	2,383,307		
Tangible fixed assets	798,476	815,808		
Intangible fixed assets	231,429	230,984	2	
Prepaid pension cost	279,360	275,175	3	
Customers' liabilities for acceptances and guarantees	7,921,169	7,565,562		
Reserve for possible loan losses	(319,868)	(389,726)		
Reserve for possible losses on investments	(14,559)	(20,808)		
Total assets	170,923,146	162,281,729		
(Liabilities)				
Deposits	110,243,226	105,590,771		
Negotiable certificates of deposit	11,264,807	12,263,091		
Call money	928,117	1,009,469		
Payables under repurchase agreements	4,383,418	1,359,017		
Payables under securities lending transactions	3,073,423	3,076,425		
Commercial paper	1,522,354	1,390,123		
Trading liabilities	1,422,824	1,472,340	6-d	
Borrowed money	14,023,257	12,026,497		
Foreign exchanges	915,154	737,961		
Bonds	3,211,548	3,944,061		
Due to trust account	1,276,907	1,160,014		
Other liabilities	2,391,909	2,879,318		
Reserve for employee bonuses	14,163	14,134		
Reserve for executive bonuses	978	612		
Reserve for point service program	966	1,058		
Reserve for reimbursement of deposits	17,307	13,602		
Deferred tax liabilities	359,803	329,253	4-a	
Deferred tax liabilities for land revaluation	30,539	31,230	4-b	
Acceptances and guarantees	7,921,169	7,565,562		
Total liabilities	163,001,878	154,864,546		
(Net assets)				
Capital stock	1,770,996	1,770,996	1-a	
Capital surplus	1,776,830	1,776,830	1-b	
Retained earnings	3,044,175	2,689,638		
Treasury stock	(210,003)	(210,003)	1-d	
Total stockholders' equity	6,381,999	6,027,462		
Net unrealized gains on other securities	1,519,691	1,399,125		
Net deferred gains or losses on hedges	(6,286)	(36,110)		
Land revaluation excess	25,863	26,704		
Total valuation and translation adjustments	1,539,268	1,389,719		
Total net assets	7,921,268	7,417,182		
Total liabilities and net assets	170,923,146	162,281,729		

Note: The non-consolidated capital adequacy ratio is calculated based on the consolidated financial statements which include special purpose vehicles and other equivalent entities in accordance with Article 15 of "Criteria for Judging Whether A Financial Institution's Capital Is Sufficient in Light of the Assets Held, etc. under the Provision of Article 14-2 of the Banking Act" (Notification No. 19 of 2006, the Financial Services Agency). The above capital adequacy ratio is calculated using the following balance sheet accounts reported on the consolidated financial statements.

Balance sheet account	(Millions of yen)		Cross-reference to Appended Table	Reference # of Basel III common disclosure template under the Composition of Capital Disclosure (Basel III Template)
	Amount reported on the consolidated financial statements			
Securities	25,905,947	24,328,791	6-b	3
Borrowed money	13,552,461	11,412,841	7	
Retained earnings	3,044,170	2,690,582	1-c	
Net deferred gains or losses on hedges	(6,383)	(36,710)	5	
Total valuation and translation adjustments	1,539,402	1,388,315		

(Appended Table)

1. Stockholders' equity

(1) Balance sheet

(Millions of yen)

Balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Capital stock	1,770,996	1,770,996	Including eligible Tier 1 capital instruments subject to transitional arrangement	1-a
Capital surplus	1,776,830	1,776,830	Including eligible Tier 1 capital instruments subject to transitional arrangement	1-b
Retained earnings	3,044,170	2,690,582		1-c
Treasury stock	(210,003)	(210,003)	Eligible Tier 1 capital instruments subject to transitional arrangement	1-d
Total stockholders' equity	6,381,995	6,028,406		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Directly issued qualifying common share capital plus related capital surplus and retained earnings	6,381,995	6,028,406	Stockholders' equity attributable to common shares (before adjusting national specific regulatory adjustments (earnings to be distributed))	
of which: capital and capital surplus	3,337,824	3,337,824		1a
of which: retained earnings	3,044,170	2,690,582		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 assets

(1) Balance sheet

(Millions of yen)

Balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Intangible fixed assets	231,429	230,984		2
Income taxes related to above	70,771	70,635		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Goodwill (including those equivalent)	—	—		8
Other intangible assets other than goodwill and mortgage servicing rights	160,658	160,349	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)

Balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Prepaid pension cost	279,360	275,175		3
Income taxes related to above	85,428	84,148		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Prepaid pension cost	193,931	191,027		15

4. Deferred tax assets

(1) Balance sheet

(Millions of yen)

Balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Deferred tax liabilities	359,803	329,253		4-a
Deferred tax liabilities for land revaluation	30,539	31,230		4-b
Tax effects on other intangible assets	70,771	70,635		
Tax effects on prepaid pension cost	85,428	84,148		

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	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)	—	—	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)	—	—		75

5. Deferred gains or losses on derivatives under hedge accounting

(1) Balance sheet

(Millions of yen)

Balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Net deferred gains or losses on hedges	(6,383)	(36,710)		5

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Net deferred gains or losses on hedges	(5,293)	(35,228)	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)

Balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Trading assets	1,723,878	1,879,342	Including trading account securities and derivatives for trading assets	6-a
Securities	25,905,947	24,328,791		6-b
Loans and bills discounted	73,896,163	75,585,256	Including subordinated loans	6-c
Trading liabilities	1,422,824	1,472,340	Including trading account securities sold and derivatives for trading liabilities	6-d

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Investments in own capital instruments	—	—		
Common Equity Tier 1 capital	—	—		16
Additional Tier 1 capital	—	—		37
Tier 2 capital	—	—		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	—	—		53
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (amount above the 10% threshold)	324,525	386,929		
Common Equity Tier 1 capital	—	—		18
Additional Tier 1 capital	—	—		39
Tier 2 capital	—	—		54
Non-significant investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	324,525	386,929		72
Significant investments in the capital of Other Financial Institutions, net of eligible short positions	798,863	750,421		
Amount exceeding the 10% threshold on specified items	—	—		19
Amount exceeding the 15% threshold on specified items	—	—		23
Additional Tier 1 capital	76,261	76,261		40
Tier 2 capital	150,000	150,000		55
Significant investments in the common stocks of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)	572,602	524,160		73

7. Other capital instruments

(1) Balance sheet

(Millions of yen)

Balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Borrowed money	13,552,461	11,412,841		7

(2) Composition of capital

(Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	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	1,100,000	450,000		32
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	994,937	905,332		46

Note:

Amounts in the "Composition of capital disclosure" are based on those before considering under transitional arrangements and includes "Amounts excluded under transitional arrangements" disclosed in "Capital Structure Information" as well as amounts included as regulatory capital. In addition, items for regulatory purpose under transitional arrangement are excluded from this table.

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 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 “LCR 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 with no significant fluctuation since the introduction of the liquidity regulation on March 31, 2015.

2. Assessment of Non-consolidated LCR

The LCR Notification stipulates that the minimum requirement of the LCR for 2018 is set at 90%, and from 2019 onwards, the minimum requirement of the LCR will be 100%. The LCR of SMBC (non-consolidated) exceeds the minimum requirements of the LCR for 2018 and for 2019 onwards, having no cause for concern. SMBC does not expect that the future LCR forecasts will differ significantly from the announced ratios. In addition, the actual LCR does not differ significantly from the initial forecast.

3. Composition of High-Quality Liquid Assets

Currency denominations, categories and locations, etc. of the high-quality liquid assets allowed to be included in the calculation have not shown any significant changes. 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 non-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 Non-consolidated LCR

SMBC has not applied “special provisions concerning qualifying operational deposits” prescribed in Article 29 of the LCR 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 LCR Notification. Meanwhile, SMBC records “due to trust account,” etc. under “cash outflows based on other contracts” prescribed in Article 60 of the LCR Notification.

■ Disclosure of Quantitative Information about Liquidity Coverage Ratio (Non-Consolidated)

(In million yen, %, the number of data)

Item		Current Quarter (From 2018/1/1 To 2018/3/31)		Prior Quarter (From 2017/10/1 To 2017/12/31)	
High-Quality Liquid Assets (1)					
1	Total high-quality liquid assets (HQLA)	54,628,520		53,317,723	
Cash Outflows (2)					
		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
2	Cash outflows related to unsecured retail funding	45,143,866	3,511,229	44,630,990	3,474,723
3	of which, Stable deposits	14,338,903	430,167	14,127,338	423,820
4	of which, Less stable deposits	30,804,963	3,081,062	30,503,652	3,050,903
5	Cash outflows related to unsecured wholesale funding	61,030,814	31,543,462	59,416,882	30,273,689
6	of which, Qualifying operational deposits	—	—	—	—
7	of which, Cash outflows related to unsecured wholesale funding other than qualifying operational deposits and debt securities	55,028,660	25,541,308	54,148,965	25,005,773
8	of which, Debt securities	6,002,154	6,002,154	5,267,917	5,267,917
9	Cash outflows related to secured funding, etc.	114,773		49,431	
10	Cash outflows related to derivative transactions, etc. funding programs, credit and liquidity facilities	19,425,072	6,501,027	19,781,931	6,699,813
11	of which, Cash outflows related to derivative transactions, etc.	623,474	623,474	613,633	613,633
12	of which, Cash outflows related to funding programs	448,984	448,984	470,785	470,785
13	of which, Cash outflows related to credit and liquidity facilities	18,352,614	5,428,569	18,697,513	5,615,395
14	Cash outflows related to contractual funding obligations, etc.	4,887,472	2,891,520	4,576,728	2,855,855
15	Cash outflows related to contingencies	66,260,849	1,057,686	65,031,196	1,040,531
16	Total cash outflows	45,619,697		44,394,042	
Cash Inflows (3)					
		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
17	Cash inflows related to secured lending, etc.	2,153,567	486,388	1,305,333	274,817
18	Cash inflows related to collection of loans, etc.	4,040,755	3,183,602	4,377,521	3,381,861
19	Other cash inflows	1,812,889	1,110,779	1,792,163	989,353
20	Total cash inflows	8,007,212	4,780,769	7,475,017	4,646,032
Non-Consolidated Liquidity Coverage Ratio (4)					
21	Total HQLA allowed to be included in the calculation	54,628,520		53,317,723	
22	Net cash outflows	40,838,928		39,748,010	
23	Non-consolidated liquidity coverage ratio (LCR)	133.7%		134.1%	
24	The number of data used to calculate the average value	59		62	

Notes: 1. The data after the introduction of the liquidity regulation on March 31, 2015 is available on Sumitomo Mitsui Financial Group's website.
(http://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. For attribute information on customers etc., monthly or quarterly data is used.

■ Breakdown of High-Quality Liquid Assets

(In million yen)

Item		Current Quarter (From 2018/1/1 To 2018/3/31)		Prior Quarter (From 2017/10/1 To 2017/12/31)	
1	Cash and due from banks	46,197,840		45,125,703	
2	Securities	8,430,680		8,192,021	
3	of which, government bonds, etc.	6,179,079		6,032,343	
4	of which, municipal bonds, etc.	106,599		106,289	
5	of which, other bonds	526,449		429,040	
6	of which, stocks	1,618,553		1,624,349	
7	Total high-quality liquid assets (HQLA)	54,628,520		53,317,723	

Note: The above amounts are those of high-quality liquid assets in accordance with the liquidity regulation under the Basel III and do not correspond to the financial amounts.
The amounts stated are those after multiplying factors in the liquidity regulation under the Basel III.

Glossary

ABL

Abbreviation for Asset Based Lending of having movable assets as collateral 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 exposure 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 regarding 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 under 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.

LCR Notification

Administrative action and written ordinance for official notification to the general public of regulations concerning the LCR of financial institutions in Japan which are decided by the Japanese Financial Services 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 imposed 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 transactions when we have the securitisation exposure; or the cases of providing 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 (credit risk, operational risk), it is a transition made by certain group companies planning to apply the Internal Ratings-Based Approach or the Advanced Measurement 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 tangible 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 securitisation 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.

Root-T rule

A method of converting the term of estimating the maximum loss as VaR into short term or long term 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.

Small-sized consolidated subsidiaries

Consolidated subsidiaries that have extremely small impact on the level of the consolidated LCR.

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 each obligor classification (corporation, financial institution, country, retail, etc.) by the risk-weight designated by the authorities.

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 Sumitomo Mitsui Banking Corporation Europe Limited 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, 2017 to March 31, 2018)
Compensation Committee (Sumitomo Mitsui Financial Group)*Including those held before the transition to a company with a Nomination Committee ..	4
Compensation Committee (SMBC Nikko Securities Inc.).....	1

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 and our medium-/long-term vision of becoming “a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region”.

Group companies of Sumitomo Mitsui Financial Group shall determine their executive compensations in accordance with this Policy.

<Core Principles>

- I. Sumitomo Mitsui Financial Group’s executive compensation aims at providing appropriate incentives toward the realization of our mission and our vision.
- II. Sumitomo Mitsui Financial 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 and customer satisfaction.
- III. Individual remuneration shall reflect the assigned roles and responsibilities as well as the performance of the respective Executive.
- IV. Sumitomo Mitsui Financial 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. Sumitomo Mitsui Financial 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. Sumitomo Mitsui Financial 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. Sumitomo Mitsui Financial Group’s executive compensation programme (the “Programme”) shall have three components: base salary, cash bonus, and stock compensation.
- 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 and the business environment, 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 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 annual performance of the group, the group company and the business unit each Executive is accountable for, as well as on the performance of the respective Executive reviewed both from short-term and medium-/long-term perspectives. 70% of the determined amount shall be paid as a cash bonus and the remaining 30% shall be paid under Stock Compensation Plan I (annual performance share plan).
- 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 Sumitomo Mitsui Financial Group’s medium-term performance, etc., Stock Compensation Plan II (the “Plan II”), determined based on Sumitomo Mitsui Financial 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 Sumitomo Mitsui Financial Group common stock. The transfer of such stock shall be restricted for appropriately defined periods.
 - b. Remuneration under Plan I shall be determined based on Sumitomo Mitsui Financial Group’s performance against the Medium-term Management Plan, performance of Sumitomo Mitsui Financial Group shares, and the results of customer satisfaction surveys, etc.
 - c. Remunerations under Plan II shall be determined based on the annual performance of Sumitomo Mitsui Financial Group, the group company, and the business unit each Executive is accountable for, 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 forfeit.
- IX. Notwithstanding the above, executive compensation for the Executives domiciled outside Japan shall be individually designed and determined not only in accordance with this Policy, 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, has established a Compensation Committee to resolve the following:

- The Policy, executive compensation programme and relevant regulations.
- Individual remunerations for Sumitomo Mitsui Financial Group’s directors and corporate executive officers.

In addition to the above, Sumitomo Mitsui Financial Group Compensation Committee shall review and discuss the below:

- Executive compensation programmes/practices of group companies of Sumitomo Mitsui Financial Group.
- The individual remuneration for Sumitomo Mitsui Financial Group’s other executive officers.

(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.

■ 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.

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 based on the annual performance of the group, as well as on the performance of the respective Executive reviewed both from short-term and medium-/long-term perspectives. Stock compensation is determined based on the progress 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 variable compensation, 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 the 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	16	146
2		Total fixed compensation (3+5+7)	910	6,285
3		of which: cash compensation	860	5,576
4		of which in 3: deferred amount	—	—
5		of which: amount of stock compensation or stock-linked compensation	46	338
6		of which in 5: deferred amount	46	338
7		of which: other compensation	3	370
8		of which in 7: deferred amount	—	—
9	Variable compensation	Number of applicable officers, employees and others	12	143
10		Total variable compensation (11+13+15)	501	5,114
11		of which: cash compensation	276	4,340
12		of which in 11: deferred amount	—	613
13		of which: amount of stock compensation or stock-linked compensation	225	773
14		of which in 13: deferred amount	225	621
15		of which: amount of other compensation	—	—
16	of which in 15: deferred amount	—	—	
17	Retirement allowance	Number of applicable officers, employees and others	3	71
18		Amount of retirement allowance	9	338
19		of which: deferred amount	—	—
20	Other compensation	Number of applicable officers, employees and others	—	13
21		Amount of other compensation	—	284
22		of which: deferred amount	—	64
23	Total compensation, etc. (2+10+18+21)		1,421	12,023

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.

2. Stock options and Stock Compensation Plan III are classified as fixed compensation because the number of stock options granted 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	2	63	—	—	1	38

■ 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	725	249	—	—	135
	Amount of other compensation	—	—	—	—	—
Employees and others	Amount of cash compensation	1,138	252	—	—	484
	Amount of stock compensation or stock-linked compensation	1,856	1,062	—	—	317
	Amount of other compensation	—	—	—	—	—
Total amount		3,720	1,563	—	—	937

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 (excluding outside directors and corporate auditors).

(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 Sumitomo Mitsui Banking Corporation Europe Limited 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

Determination of compensation 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” on page 341).

■ Assessment of Design and Operation of Compensation Structure

Compensation Policy

Compensation policy is stated in “Compensation” of Sumitomo Mitsui Financial Group (please refer to “Compensation Policy” on page 342).

■ 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 pages 342 to 343).

■ 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	130
2		Total fixed compensation (3+5+7)	976	5,567
3		of which: cash compensation	883	4,913
4		of which in 3: deferred amount	—	—
5		of which: amount of stock compensation or stock-linked compensation	89	295
6		of which in 5: deferred amount	89	295
7		of which: other compensation	3	358
8		of which in 7: deferred amount	—	—
9	Variable compensation	Number of applicable officers, employees and others	12	129
10		Total variable compensation (11+13+15)	455	4,411
11		of which: cash compensation	224	3,673
12		of which in 11: deferred amount	—	514
13		of which: amount of stock compensation or stock-linked compensation	230	738
14		of which in 13: deferred amount	230	585
15		of which: amount of other compensation	—	—
16	of which in 15: deferred amount	—	—	
17	Retirement allowance	Number of applicable officers, employees and others	2	70
18		Amount of retirement allowance	6	333
19		of which: deferred amount	—	—
20	Other compensation	Number of applicable officers, employees and others	—	13
21		Amount of other compensation	—	284
22		of which: deferred amount	—	64
23	Total compensation, etc. (2+10+18+21)		1,437	10,597

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.

2. Stock options and Stock Compensation Plan III are classified as fixed compensation because the number of stock options granted 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	—	—	—	—	1	38

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	130
2		Total fixed compensation (3+5+7)	976	5,567
3		of which: cash compensation	883	4,913
4		of which in 3: deferred amount	—	—
5		of which: amount of stock compensation or stock-linked compensation	89	295
6		of which in 5: deferred amount	89	295
7		of which: other compensation	3	358
8		of which in 7: deferred amount	—	—
9	Variable compensation	Number of applicable officers, employees and others	12	129
10		Total variable compensation (11+13+15)	455	4,411
11		of which: cash compensation	224	3,673
12		of which in 11: deferred amount	—	514
13		of which: amount of stock compensation or stock-linked compensation	230	738
14		of which in 13: deferred amount	230	585
15		of which: amount of other compensation	—	—
16	of which in 15: deferred amount	—	—	
17	Retirement allowance	Number of applicable officers, employees and others	2	70
18		Amount of retirement allowance	6	333
19		of which: deferred amount	—	—
20	Other compensation	Number of applicable officers, employees and others	—	13
21		Amount of other compensation	—	284
22		of which: deferred amount	—	64
23	Total compensation, etc. (2+10+18+21)		1,437	10,597

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.

2. Stock options and Stock Compensation Plan III are classified as fixed compensation because the number of stock options granted 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	—	—	—	—	1	38

■ 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	779	293	—	—	97
	Amount of other compensation	—	—	—	—	—
Employees and others	Amount of cash compensation	970	252	—	—	426
	Amount of stock compensation or stock-linked compensation	1,751	988	—	—	248
	Amount of other compensation	—	—	—	—	—
Total amount		3,501	1,533	—	—	772

Amount of Deferred Compensation, Etc. (SMBC non-consolidated)

Deferred compensation, etc.

(Millions of yen)

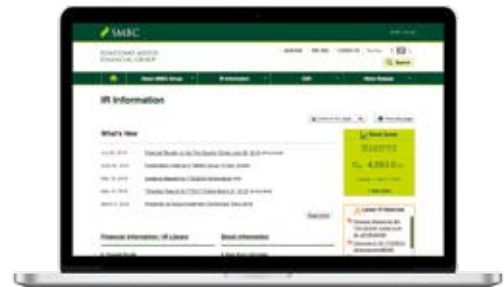
		(a)	(b)	(c)	(d)	(e)
		Balance of deferred compensation, etc.	Of the amount in (a), balance of deferred compensation, etc. subjected to adjustment or prone to fluctuations	With respect to post allocation compensation, amount of fluctuation after adjustment not linked to fluctuations of criteria in the 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	779	293	—	—	97
	Amount of other compensation	—	—	—	—	—
Employees and others	Amount of cash compensation	970	252	—	—	426
	Amount of stock compensation or stock-linked compensation	1,751	988	—	—	248
	Amount of other compensation	—	—	—	—	—
Total amount		3,501	1,533	—	—	772

Websites



SMBC Group Home Page

<http://www.smfg.co.jp/> (Japanese)
<http://www.smfg.co.jp/english/> (English)



IR Information

<http://www.smfg.co.jp/investor/> (Japanese)
<http://www.smfg.co.jp/english/investor/> (English)



Corporate Social Responsibility

<http://www.smfg.co.jp/responsibility/> (Japanese)
<http://www.smfg.co.jp/english/responsibility/> (English)

