

**Major questions and answers on the financial results for FY3/2015**

Frequently asked questions and our answers on the financial results for FY3/2015, announced on May 13, 2015 are as follows. For the overview of the financial results, please refer to the announcement posted on our website at:

[http://www.smfg.co.jp/english/investor/financial/latest\\_statement/2015\\_3/h2703\\_e4\\_01.pdf](http://www.smfg.co.jp/english/investor/financial/latest_statement/2015_3/h2703_e4_01.pdf)

**1. Financial results for FY3/2015**

Q1. Please explain the major factors of the year-on-year decrease in SMFG's consolidated Net income.

A1. SMFG's consolidated Net income was JPY 753.6 billion, JPY 81.7 billion lower compared with the previous fiscal year. Increased profits from the Treasury Unit at SMBC, resulting from ALM operations that quickly responded to market conditions, and steady results of other major subsidiaries such as Sumitomo Mitsui Card and SMBC Consumer Finance pushed up Consolidated gross profit by JPY 82.2 billion year-on-year to JPY 2,980.4 billion. On the other hand, General and administrative expenses rose by JPY 89.4 billion year-on-year mainly because of an increase in expenditures by SMBC, SMBC Nikko Securities, Sumitomo Mitsui Card and other subsidiaries aimed at enhancing the business structure to generate stronger top-line growth. Additionally, Total credit cost was up by JPY 56.9 billion due to a decline on Gains on reversal of reserve for possible loan losses at SMBC.

Q2. Please explain the major factors of the increase in SMFG's Net income compared with the upward-revised target announced in November.

A2. SMFG's consolidated Net income for FY3/2015 was JPY 753.6 billion, a JPY 53.6 billion increase compared with the November announcement. On a SMBC non-consolidated basis, Net income rose by JPY 113.0 billion compared to the November announcement, driven by the ALM operations of the Treasury Unit that quickly responded to market conditions, coupled with an improvement in Total credit cost. Other consolidated subsidiaries and affiliates, including SMBC Nikko Securities generally showed steady results, while SMBC Consumer Finance and Cedyna recorded a total of approximately JPY 65.0 billion in provisions for interest refund claims.

Q3. Please explain profit and loss impact of the tax reform such as the reduction of the effective corporate tax rate.

A3. In accordance with the tax reform, SMFG's consolidated Net income decreased by JPY 30 billion in FY3/2015 due to a partial reversal of deferred tax assets.

Q4. Please explain SMFG's consolidated Common equity Tier 1 capital ratio as of March 31, 2015.

A4. SMFG's consolidated Common equity Tier 1 capital ratio as of March 31, 2015 stood at 11.30%.

## **2. Earnings targets**

Q5. Please explain the major factors of SMFG's consolidated Net income target for FY3/2016 compared with FY3/2015.

A5. SMFG's consolidated Net income target for FY3/2016 is JPY 760 billion, higher by around JPY 10 billion compared with FY3/2015. Consolidated gross profit target is up by around JPY 50 billion as SMBC Nikko Securities and other subsidiaries grow, while profits from SMBC's Treasury Unit, which were strong in FY3/2015, are planned to decrease. On the other hand, spending of expenses is expected to continue for the purpose of strengthening the business platform in Asia and Total credit cost is expected to be zero in light of the recent economic environment, in contrast to a net reversal of JPY 80 billion in FY3/2015. As a result, Consolidated gross profit target is lowered by JPY 80 billion to JPY 1,240 billion.

SMFG's consolidated Net income target is higher than FY3/2015, due to the absence of the negative impact of the tax reform, which was present in the previous year, and a decrease in tax burden resulting from the reduction of the corporate tax rate.

Q6. Please explain the economic assumptions of the FY3/2016 earnings target such as interest and exchange rates.

A6. We assume that the yen interest rate will be unchanged from March 31, 2015. Our assumption of the foreign exchange rate is JPY 120 per U.S. dollar and JPY 135 per Euro.

### **3. Others**

Q7. Please explain the progress of the medium-term management plan.

A7. We are moving steadily forward toward achieving the financial targets of the medium-term management plan, as shown below.

- Growth rate of Consolidated gross profit: +2.8% (target: around +15%<sup>\*1</sup>)
- Consolidated ROE: 11.2% (target: around 10%)
- Consolidated Net income RORA: 1.1% (target: around 1%)
- Consolidated overhead ratio: 55.7% (target: in the mid 50%)
- Common equity Tier 1 capital ratio<sup>\*2</sup>: 12.0% (target: around 10%)

\*1 FY3/2017 targeted consolidated gross profit in comparison with the FY3/2014 figure.

\*2 SMFG consolidated basis; Basel III fully-loaded, based on the definition as of March 31, 2019.

Q8. Please explain SMFG's policy related to shareholder returns.

A8. We aim to increase our shareholder value and enhance shareholder return by focusing on our ROE target of around 10% in our medium-term management plan, and realizing sustainable growth, while maintaining financial soundness.

We intend to enhance shareholder return by measures such as raising the dividend per share in a stable manner, while taking into account the economic environment, financial regulatory changes, our profit outlook and capital position and other factors.

Q9. Please explain SMFG's policy related to Corporate Governance Code.

A9. As part of our effort to strengthen and improve corporate governance with the aim of enhancing transparency and fairness of management and increasing our corporate value over the mid to long term, we have established the SMFG Corporate Governance Guideline (the "Guideline") in due consideration of the content of the Final Proposal of Japan's Corporate Governance Code, recently prepared by a Council of Experts under a joint Secretariat comprising the Financial Services Agency and the Tokyo Stock Exchange.

We will pursue effective corporate governance with the Guideline as a plan of action. For further details about the Guideline, please refer to the news release posted on our web site at: [http://www.smfg.co.jp/news\\_e/pdf/e20150513\\_03.pdf](http://www.smfg.co.jp/news_e/pdf/e20150513_03.pdf)

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 managements with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate”, “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; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; exposure to new risks as we expand the scope of our business; and incurrence of significant credit-related costs. 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 earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and results of operations, and investors’ decisions.