

III. Management Policy

1. Our Basic Policy

We aim to become “a globally competitive financial services group with the highest trust” by maximizing our strength of “Spirit of Innovation,” “Speed” and “Solution & Execution,” by demonstrating our corporate slogan as “LEAD THE VALUE,” and our mission is as follows:

- To provide optimum added value to our customers and together with them achieve growth,
- To create sustainable shareholder value through business growth, and
- To provide a challenging and professionally rewarding work environment for our dedicated employees.

2. Targeted Management Indices

Under the new management, the SMFG group has launched a new medium-term management plan for coming three years from fiscal 2011 to 2013 and we set two management targets as follows:

- Aim for top quality in strategic business areas,
- Establish a solid financial base and corporate infrastructure enough to address the new financial regulations and competitive environment.

We also set the following four objectives and financial targets, aiming to achieve well-balanced and steady improvement of “financial soundness,” “profitability,” and “growth,”

- Achieve sufficient Core Tier I ratio as required for a global player (“financial soundness”),
- Enhance risk-return profile by improving asset quality (“profitability”),
- Aim for top-level cost efficiency among global players (“profitability”), and
- Expand overseas business by capturing growing business opportunities especially in Asia (“growth”).

Numerical targets

Fiscal 2013 Targets	Financial soundness	Core Tier I Ratio*1,2	approx. 8%
	Profitability	Consolidated net income RORA*2	approx. 0.8%
		Consolidated overhead ratio*2	50%-55%
		Overhead ratio*3	45%-50%
	Growth	Overseas banking profit ratio*4	approx. 30%

*1 Calculated based on the definition at the full implementation of Basel III in 2019; regulatory adjustments are fully deducted from Common Equity Tier I

*2 SMFG consolidated basis *3 SMBC non-consolidated basis

*4 Managerial accounting basis. Proportion of Banking profit generated by International Banking Unit within Marketing units

3. Medium- to Long-term Management Strategy

“Unpredictable,” “uncertain,” and “unstable” still continue to describe the business environment surrounding the SMFG group, including economic and market trends, due to the comprehensive impacts of the Great East Japan Earthquake to the Japanese economy, as well as fiscal deficits in the developed countries, soaring commodity prices, inflation in the emerging countries, political turmoil centered on the Middle East, and global strengthening of financial regulations. However, we strongly support Japan’s reconstruction on the financial front collaborating with public sector and will make every effort to put the economy back on the track where it performs a key role in sustainable growth of the global economy.

Against the backdrop, in order to respond sufficiently to clients’ financial needs in a timely and effective manner, we aim to establish a globally competitive business, corporate and financial base by focusing on five strategic business areas, while addressing impacts from new financial regulations and other issues.

Despite such a challenging environment, we, the SMFG group, will move forward responding proactively and flexibly to ever-changing environment, and make effort to increase shareholders’ value to become a top-tier global financial services group by pursuing the aforementioned management targets and financial targets.

4. Issues to be Addressed

For next three years, we implement and execute focused business strategies in five designated critical business areas, establish a solid financial base and corporate infrastructure that support those strategies and maximize power of integrated organization as “Team SMFG, Team SMBC,” in order to achieve the management and financial targets.

(1) Initiatives for each strategic business area

(a) Financial consulting for individuals

To capture growing, and diversifying wealth management needs of our Japanese individual clients, we further strengthen financial consulting capabilities of SMBC, SMBC Nikko Securities Inc. and SMBC Friend Securities Co., Ltd. and increase our assets under management on a group-wide basis, through such initiatives as:

- enhancing consulting skills and expertise of 5,000 financial consultants on a group-wide basis, and
- enhancing cross-sell of products and services by redeployment of skillful consultants on a group-wide basis.

(b) Solution providing for corporations

To respond effectively and quickly to the management agenda of our corporate clients such as global business expansion and diversified funding needs, we strengthen our group-wide capabilities of providing advanced financial solutions by enhancing cross-sell between SMBC and SMBC Nikko Securities, and by integrating operation of SMBC's domestic and overseas offices, through such initiatives as:

- providing solution to our clients leveraging our commercial banking and investment banking capabilities, and
- expanding operational integration between SMBC's domestic and overseas offices from Mainland China into all Greater China, including Hong Kong and Taiwan.

(c) Commercial banking in emerging markets, especially in Asia

To capture expanding business opportunities as well as to respond to an increasing demand for support of our clients' global business developments, we establish a commercial banking platform with top quality in emerging markets centered on Asia, and aim to grow overseas banking profit ratio (*) to 30% in fiscal 2013 and to grow banking profit in Asia by 50% in fiscal 2013 by:

- allocating capital and human resources to overseas business aggressively, and
- setting up a special department in charge of laying out a strategy to significantly expand our network and presence in emerging markets.

(*) Proportion of banking profit generated by overseas operation within Marketing Units

(d) Broker-dealer / Investment banking

To address global and diversified needs of our corporate clients and financial needs of global investors, we fortify SMBC Nikko Securities as the principal driver of the SMFG group's corporate finance capabilities, by:

- strengthening its capability of global underwriting and advisory such as global offerings and cross-boarder M&As through increasing its overseas staff and operation, and
- enforcing its marketing capability to leading investors not only in Japan but also in Asia, the U.S., and Europe.

(e) Non-asset business such as Payment & settlement services and Asset management

To improve risk-return profile of our business portfolio, we reinforce payment & settlement services and asset management by:

- responding to our clients' expanding needs for deposits, foreign exchange, and accompanying financing needs in emerging markets, especially in Asia, and
- promoting vertical integration of supply chain within the group and pursuing strategic alliances with overseas players.

(2) Establish a solid financial base and corporate infrastructure

To support execution of our strategic initiatives, we establish a corporate infrastructure in line with our group-wide and global business operation, by:

- strengthening group-wide management capabilities such as on risk management,
- strengthening a corporate infrastructure to support our global expansion, such as enhancing global capabilities of employees and improving credit management globally, and
- pursuing efficient operation further by leveraging IT systems.

Through these initiatives, we aim to achieve steady results, and further increase its value to its customers and shareholders and in the financial markets and society.