

Message from Top Management

Dear Fellow Stakeholders,

We sincerely thank you for your continued support and patronage. We would like to present the initiatives we implemented in fiscal 2013 (fiscal year ended March 2014) and our management policies going forward.

Principal Initiatives in Fiscal 2013

In fiscal 2013, the Japanese economy continued to recover moderately as capital spending increased on improved corporate earnings, and consumer spending stayed firm reflecting an improvement in employment and household income, among other factors. Although some emerging countries experienced an economic slowdown, overall, the global economy also continued to recover mainly due to an economic pickup in developed countries, including a continued moderate recovery in the U.S. and an improvement in Europe.

Against this backdrop, we had set fiscal 2013 as the year to “proactively contribute to the revitalization of the Japanese economy, and as a result achieve the growth of SMFG” and “create new business models and take on the challenge of innovation for our next leap forward.” We continued to proactively support the revitalization of the Japanese economy through financing, and implemented initiatives to accommodate changes in the

financial needs of our clients and business environment in order to achieve our medium- to long-term growth.

Specifically, in the consumer business, in May 2013, we launched on a trial basis a bank-securities integration model between SMBC and SMBC Nikko Securities to better meet the needs of our consumer clients for asset management and increased the number of trial offices in October 2013. In addition, we acquired Société Générale Private Banking Japan and commenced its operation as SMBC Trust Bank, a wholly-owned subsidiary of SMBC, on October 1, 2013, to strengthen our wealth management business.

In the corporate business, SMBC actively extended loans by utilizing the loan support program of the Bank of Japan and through other measures, and also supported growth industries by investing in a regenerative medicine fund and an agricultural fund, and arranging project finance for solar energy projects. Furthermore, in November 2013, we established a new bank-securities dual-role department within SMBC, functioning also as a department of SMBC Nikko Securities, and enhanced our capability to address various needs of our corporate clients such as for loans, corporate bond issuance, new share issuance, and M&As through one-stop services.

In the international business, we continued to increase our overseas loan balance and diversified our foreign currency funding for the sustainable growth of our business, and also obtained FHC status in the U.S. We also expanded our global network. SMBC and SMBC (China) established six representative offices in emerging markets mainly in Asia, and Sumitomo Mitsui Finance & Leasing and SMBC Consumer Finance set up offices in China. Moreover, we made progress in our Multi-Franchise strategy, which calls for firmly establishing



Koichi Miyata
President
Sumitomo Mitsui Financial Group, Inc.

a full-scale commercial banking franchise in Asia and other rapidly growing emerging markets. As part of this strategy, we acquired a stake in PT Bank Tabungan Pensiunan Nasional Tbk in Indonesia. Furthermore, we expanded our U.S. business and diversified our business portfolio by acquiring the ninth largest railcar leasing company in the U.S. in December 2013, which commenced its operation as SMBC Rail Services LLC.

We also continued to strengthen our corporate infrastructure. We advanced human resources development through personnel exchanges across borders, group companies and business units, in addition to expanding training programs.

In fiscal 2013, SMBC recorded net reversal of total credit cost mainly due to individualized efforts to assist borrowers to improve their business and financial conditions. In addition, other group companies, such as SMBC Nikko Securities, which increased equity commissions, showed steady results. As a result, SMFG's consolidated ordinary profit increased by ¥358.6 billion to a record-high ¥1,432.3 billion and net income increased by ¥41.3 billion to a record-high ¥835.4 billion with an ROE of 13.8%. We also achieved all of the financial targets of the medium-term management plan for the three years from fiscal 2011 to 2013.

Achievement of financial targets in the medium-term management plan (fiscal 2011 to 2013)

Common Equity Tier 1 capital ratio*1	Mar. 2011	Mar. 2014	Mar. 2014 Target
Basel III fully-loaded basis*2	above 6%	10.3%	8%
	FY3/2011	FY3/2014	FY3/2014 Target
Consolidated net income RORA	0.8%	1.4%	0.8%
Consolidated overhead ratio	52.5%	53.0%	50%-55%
SMBC non-consolidated overhead ratio	45.6%	47.9%	45%-50%
Overseas banking profit ratio*3	23.3%	33.0%	30%

*1 SMFG consolidated

*2 Based on the definition as of Mar. 31, 2019

*3 Based on the medium-term management plan assumed exchange rate of 1USD = JPY85 for FY3/2012 to FY3/2014

Management Policies Going Forward -Overview of the Medium-term Management Plan-

We have launched a new medium-term management plan for the three years from fiscal 2014 to 2016. The new medium-term management plan was developed as the first step toward realizing our vision for the next decade: the growth of the SMFG group amid the dynamically changing economic, financial and regulatory environment. In the next three years, we will further evolve our client-centric business models, revise our portfolio structure, and enhance our client base with speed in order to achieve the sustainable growth of our top-line profit and further increase our enterprise value.

© Vision for the next decade

In view of the changing business environment, including the growth of Asia's emerging countries, the aging and shrinking Japanese population, and the global financial regulatory reform, we have set our vision for the next decade as follows.

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



Takeshi Kunibe

President and CEO

Sumitomo Mitsui Banking Corporation

Specifically, we aim to achieve the following three points.

- We will become a truly Asia-centric institution.
- We will develop the best-in-class earnings base in Japan.
- We will realize true globalization and continue to evolve our business model.

◎ Three-year management goals

We have also set the following four management goals of the three-year medium-term management plan as the first step toward realizing our vision for the next decade.

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

The initiatives we will implement are as follows.

○ Develop and evolve client-centric business models for main domestic and international businesses

We will develop new client-centric business models and implement strategies with speed in order to create a stronger franchise both domestically and internationally and enhance our capability to address the needs of our clients, which are becoming more diverse and sophisticated.

For our large corporate clients, whose activities are becoming more global and cross-border, we are creating a unique business model to meet their needs, thereby enhancing our business base. Specifically, we are strengthening the collaboration between SMBC and SMBC Nikko Securities and accelerating the integration of the business activities of domestic and international offices for a more seamless operation. Further, we will offer higher quality services to a wider range of clients by leveraging our extensive knowledge of domestic and overseas industries.

For medium and small-sized corporate clients, we will meet the financial needs of each individual company while comprehensively addressing the needs of business owners, both as corporate managers and as individuals,

under the newly launched marketing structure for one-stop services. At the same time, we seek to proactively contribute to the revitalization of the Japanese economy by nurturing and supporting growth industries and companies.

For individual clients, whose needs are changing due to the accelerated shift from savings to investment and changing lifestyles, we will meet their needs through a group-wide effort. Specifically, we will expand the bank-securities integration model between SMBC and SMBC Nikko Securities, leveraging their respective strengths of a broad client base and a high advisory capability. Further, we will strengthen our unique private banking business model combining the capabilities of our group companies. In the consumer finance and credit card businesses, we aim to win the top share in the domestic markets and manage the businesses on a group basis. Specifically, SMBC, SMBC Consumer Finance and Mobit will leverage their strengths as major players in the consumer finance business and promote their own brand strategies. In the credit card business, Sumitomo Mitsui Card and Cedyna will harness their respective strengths as bank-based and retailer-based credit card companies.

For globally operating non-Japanese corporate clients, we will enhance our capability to address their needs by expanding our global network, while enhancing our product line-up and promoting cross-selling. Further, we will establish a group-wide framework, centered on SMBC and SMBC Nikko Securities, to enhance our ability to originate and distribute financial products to our institutional investors.

We will utilize information and communication technology (ICT) and build on our transaction banking business, both necessary underpinnings for creating new businesses, to meet the needs of our clients. We will offer new leading-edge services through various measures, including alliances with leading ICT players.

○ Build a platform for realizing Asia-centric operations and capture growth opportunities

The enhancement of our Asia business is the principal strategy for the whole group. To this end, we will steadily build a business platform in Asia by prioritize the

allocation of resources, including human resources and infrastructure, to the region. Specifically, we will increase our group's presence in Asia through the development and expansion of our existing businesses and the acceleration of our Multi-Franchise strategy.

○ **Realize sustainable growth of top-line profit while maintaining soundness and profitability**

Underpinned by the stable financial base built during the previous years, we will focus more on growth in the coming years. We will achieve the sustainable growth of our consolidated gross profit by developing our business models and allocating resources in growth fields.

○ **Upgrade corporate infrastructure to support next stage of growth**

We will strengthen our management platform to support the global growth of our business. Specifically, we believe the diversity of human resources is a source of competitiveness, and SMBC has established "Diversity and Inclusion Committee" and set a target for the percentage of women in managerial positions to be 20% by the end of fiscal 2020. We are also upgrading our risk management system and strengthening our compliance framework by streamlining the anti-money laundering system, among other measures.

◎ **Financial targets**

We have five financial targets as shown below.

We aim to realize the steady growth of our top-line profit, while focusing on profitability and efficiency as demonstrated by our newly established consolidated ROE target of around 10%.

**Financial targets for fiscal 2016
(SMFG consolidated basis)**

Growth	Growth rate of Consolidated gross profit	Around +15%*1
	Consolidated ROE	Around 10%
Profitability	Consolidated net income RORA	Around 1%
	Consolidated overhead ratio	In the mid 50%
Soundness	Common Equity Tier 1 Capital Ratio*2	Around 10%

*1 Fiscal 2016 targeted consolidated gross profit in comparison with fiscal 2013 figure.

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

◎ **Capital and shareholder return policies**

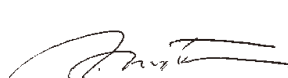
Hitherto, the policy of SMFG was to steadily increase returns to shareholders through the sustainable growth of our enterprise value, while enhancing our capital to maintain financial soundness in light of the public nature of our business as a bank holding company, and to realize a payout ratio of over 20% on a consolidated net income basis. In line with this policy, we decided to pay an ordinary dividend per share on common stock of ¥120 for fiscal 2013, a year-on-year increase of ¥10.

Going forward, we aim to achieve a sustainable increase in shareholder value by realizing higher profitability and growth through investments for the future. We also intend to enhance shareholder return by implementing measures such as raising dividend per share in a stable manner.

For fiscal 2014, we forecast consolidated ordinary profit of ¥1,110 billion and net income of ¥680 billion, and an annual dividend per share of ¥120, the same as in fiscal 2013 and the half of which, ¥60, will be paid as an interim dividend.

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

August 2014



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President and CEO
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