

# Wholesale Business Unit

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Head of Wholesale Business Unit



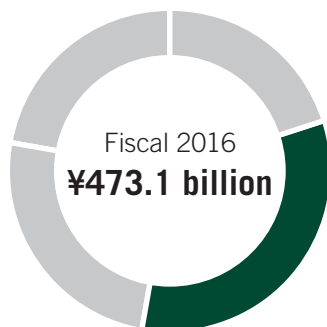
## Overview of Business Unit

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

### Strengths

- Speed in identifying and understanding customer needs, and providing financial solutions in respond to these needs
- The spirit of positive challenge inspiring employees to exercise creativity in developing new services and products to grow together with customers
- On-site capabilities born out of the organic union of frontline organizations with high sales proficiency and corporate organizations specializing in various areas

### Breakdown of Consolidated Net Business Profit



**Wholesale  
Business Unit  
33%**

### Major Operating Companies

Operating Companies	Business Characteristics
SMBC	Banking transactions for Japanese companies located in Japan and East Asia
SMBC Trust Bank	Intermediation, asset management, consulting, and other real estate-related services
Sumitomo Mitsui Finance and Leasing	Leasing transactions for domestic companies
SMBC Nikko Securities	Securities transactions for large domestic companies and financial institutions

# Medium-Term Management Plan

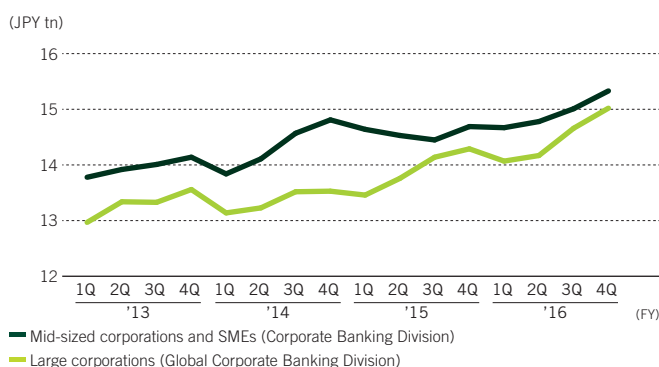
## Business Environment and Challenges

Characterized by the sluggish economic growth rates seen around the world as well as the continuation of monetary easing measures in Japan, the current business environment for the Wholesale Business Unit is difficult to navigate in.

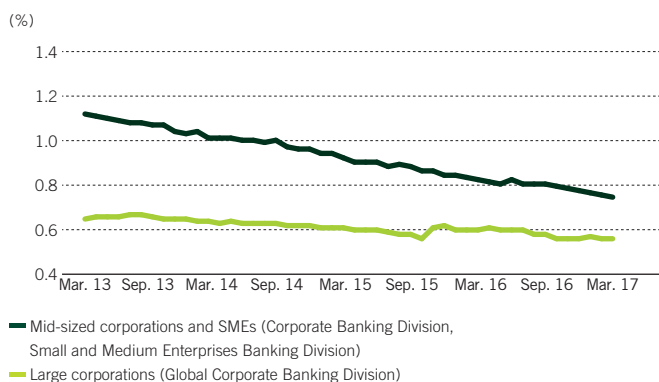
In this environment, we managed to sustain an upward trend in loan balance during the period of the previous medium-term management plan. This was because we were able to respond to the cross-border and other acquisition financing needs of large-scale corporations as well as the business succession needs through our “one-to-one” approach.

However, loan spreads continue to decline due to the persistence of Japan’s negative interest rate policy and intensified competition with other banks.

Loan Balance (SMBC)<sup>\*1, 2</sup>



Loan Spreads (SMBC)<sup>\*1, 5</sup>



\*1 Managerial accounting basis. Excludes loans to the Japanese government, etc. We revised managerial accounting rules since Apr. 2014. Figures for fiscal 2013 were recalculated based on the new rules  
 \*2 Quarterly average  
 \*3 Total of profit from the Wholesale Business Unit and companies under Unit control and cooperative revenue  
 \*4 Asset-related earnings: Interest income related to loans and deposits  
 Flow earnings: Non-interest income including fees

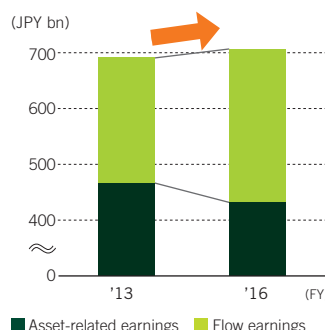
## Basic Policies and Directives

As its basic policy for the period of the new medium-term management plan, the Wholesale Business Unit has put forth “grow with our corporate clients, and contribute to the development of the Japanese economy.” Based on this policy, we will respond to customers’ diversifying business strategies and management issues by providing solutions custom-tailored to their business characteristics and growth stage.

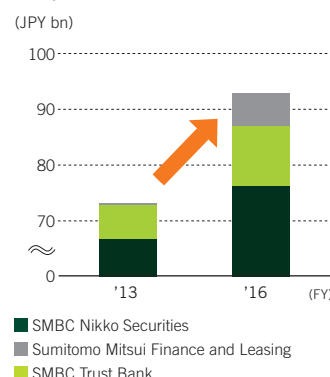
By providing customers with solutions they deem to have high value and that address their diverse needs, we aim to grow together with our customers.

Through the newly introduced group-wide business units, the Wholesale Business Unit will leverage SMFG-based collaboration to approach customers from various angles and provide services through integrated group-wide operation.

Gross Profit (SMBC)<sup>\*3, 4</sup>



Cooperative Revenue (SMBC)



League Tables (April 2016–March 2017)<sup>\*6</sup>

	Rank	Mkt Share
Global equity & equity-related (book runner, underwriting amount) <sup>*7, 8</sup>	No. 2	19.0%
JPY denominated bonds (lead manager, underwriting amount) <sup>*7, 9</sup>	No. 3	17.2%
Financial advisor (M&A, No. of deals) <sup>*7, 10</sup>	No. 2	4.5%
IPO (lead manager, No. of deals) <sup>*11</sup>	No. 4	16.5%

\*5 Monthly average loan spread of existing loans  
 \*6 SMBC Nikko Securities for Global equity & equity-related, JPY denominated bonds and IPO. SMFG for Financial advisor  
 \*7 Source: SMBC Nikko Securities, based on data from Thomson Reuters  
 \*8 Japanese corporate related only. Includes overseas offices  
 \*9 Consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds  
 \*10 Japanese corporate related only. Group basis  
 \*11 Excludes REIT IPO. Source: Thomson Reuters

# Wholesale Business Unit

## Priority Strategies

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

We are witnessing global and dynamic business activities among large corporate clients. The Wholesale Business Unit will cater to such corporations by leveraging the collective strength of SMFG Group companies to reinforce its systems for collaboration. As a united “Team SMFG,” we will provide customers with corporate value-improving solutions with the aim of improving customer satisfaction along with SMFG’s market share.

We will also build upon our G-CIB\* model in Japan and overseas to deploy an approach that links banking and securities initiatives and domestic and overseas initiatives and thereby maximizing earnings as a united “Team SMFG.”

\* G-CIB: Global-Corporate and Investment Banking

### Build on Our Lead Position in the Japanese Medium-Sized Enterprise Market

In the mid-sized enterprise market, an area of our strength, the Wholesale Business Unit will further hone its competitive edge by creating a virtuous cycle through the provision of various solutions matched to customer growth stages.

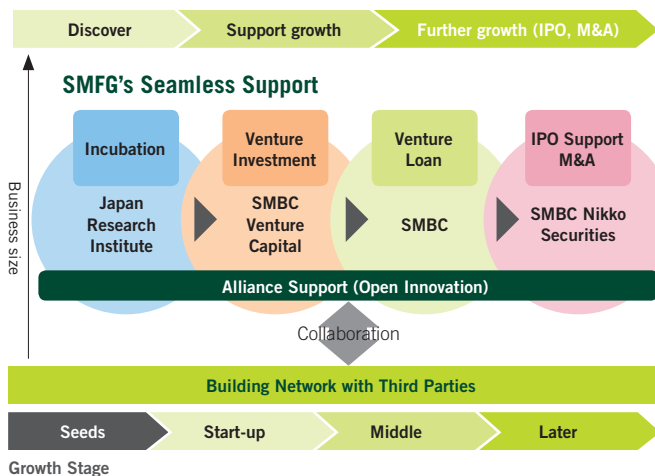
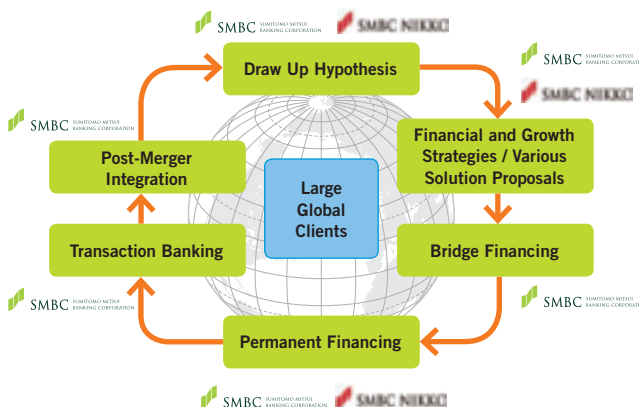
Key fields include support for start-up companies and growing industries, a private banking (PB) approach, and enhance corporate value (collaborating with PE fund). In these areas, the united “Team SMFG” will supply multifaceted solutions to contribute to the creation of stable earnings while enhancing competitiveness with regard to productivity and efficiency.

### Major Key Performance Indicators and Maintenance of High Efficiency

SMFG has defined its market share in Japanese corporate bonds, the number of IPO lead arranger deals, and other key performance indicators to guide it in advancing its two priority strategies of “increase market share in Corporate & Investment Banking in key global markets” and “build on our lead position in the Japanese medium-sized enterprise market.” With these guidelines in place, the companies comprising the Wholesale Business Unit will coordinate even more closely with other companies in order to enhance the Unit’s business through integrated operation.

In addition, profitability will be improved by practicing sound risk taking and credit cost control while maintaining the high levels of efficiency that constitute a strength of the Wholesale Business Unit.

### Cross-Border M&A Projects



KPI	Fiscal 2019 plan	Fiscal 2016 comparison
Market share in Japanese corporate bonds (lead arranger)	20.0%	+2.6%
Number of IPO lead arranger deals	No. 1	No. 4 → No. 1
Number of M&A advisory deals	No. 1	No. 2 → No. 1

Maintenance of High Efficiency	Fiscal 2019 plan	Fiscal 2016 comparison
Gross profit*	JPY 795 bn	+ JPY 27 bn
Net business profit*	JPY 480 bn	+ JPY 15 bn
ROE	10%	→

\* Fiscal 2016 comparisons are after adjustments for interest rate and exchange rate impacts

## Review of Fiscal 2016

Fiscal 2016 represented a turning point as it was the third year of the domestic operational reform that was commenced in fiscal 2014 as well as the final year of the previous medium-term management plan. The Wholesale Banking Unit was united in its efforts during this important year. Looking back at fiscal 2016, we faced a highly opaque business environment created by the slow growth rates around the business world and ongoing monetary easing in Japan,

and asset-related earnings decreased in the midst of the fierce competition that arose from this environment. However, we were able to expand fee-based businesses through coordination between SMBC and SMBC Nikko Securities, which was a factor behind the Wholesale Business Unit achieving consolidated gross profit of ¥775.6 billion and consolidated net business profit of ¥473.1 billion.\*

\* Fiscal 2016 numbers shown in the new group-wide business units basis

### Topics

#### Support for Overseas Business Development

SMBC uses seminars and other channels to provide clients with information about global economic trends, the foreign exchange market, and investment conditions in specific countries. Clients considering business overseas are encouraged to come to us at an early stage so that we can provide tailored information on local laws and regulations and on Japanese companies already present in the country. For clients who already have business overseas, our Japan and overseas business units collaborate to provide high-quality solutions in such areas as business expansion and reorganization. We also provide wide-ranging advice on foreign trade and conduct seminars on practical aspects to support clients in foreign exchange transactions.



Seminar on foreign exchange market outlook and current global economic conditions



Seminar on economic and trade policies of Trump administration in the United States

#### Support for New Ventures, New Business Development, and Growth Companies

We offer support in accordance with clients' stage of growth; SMBC Venture Capital provides venture investment, SMBC provides financing, and SMBC Nikko Securities provides support for public share offerings. Taking account of the growing need for



Mirai Open Innovation Meetup



Mirai 2017

alliances between venture businesses and large corporates, we host events such as the “Mirai Open Innovation Meetup” and the “Mirai 2017,” an accelerator program arranged by the cross-industry consortium III (Triple I). At the same time, we aim to assist in the cultivation of a “venture creation ecosystem” in Japan by promoting ties with leading venture capital providers, universities, and research institutes.

#### Collaboration between SMBC and SMBC Nikko Securities

To provide swift, one-stop service for responding to the wide-ranging financial needs of corporate clients, SMBC and SMBC Nikko Securities have established bank-securities dual-role departments in certain corporate banking departments. In fiscal 2016, Tokyo Corporate Banking Department VIII and Tokyo Corporate Banking Department XI of SMBC and Corporate Clients IX and Corporate Clients X of SMBC Nikko Securities, newly become dual-role departments, in addition to the existing dual-role departments, Tokyo Corporate Banking Department IX of SMBC and Corporate Clients VIII of SMBC Nikko Securities. In bank-securities dual-role operations, collaboration between SMBC and SMBC Nikko Securities will be deepened under a rigorous legal compliance structure to provide the most ideal financial services in response to corporate clients' diverse needs.

