Sumitomo Mitsui Banking Corporation

(incorporated under the laws of Japan with limited liability)

U.S.$50,000,000,000 Global Medium Term Notes Program

SUMITOMO MITSUI BANKING CORPORATION, NEW YORK BRANCH

(Guarantor of the 3(a)(2) notes)

Under this U.S.$50,000,000,000 Global Medium Term Notes Program, or the Program, we may issue from time to time notes in one or more series with terms and conditions described in this base offering circular, including any applicable supplement thereto. The specific terms of each series of notes will be set forth in a pricing term sheet. The maximum aggregate principal amount of all notes from time to time outstanding under the Program will not exceed U.S.$50,000,000,000.

The notes may be offered pursuant to the exemption from registration provided by Section 3(a)(2) of the U.S. Securities Act of 1933, as amended, or the Securities Act, or in reliance on the exemption from registration provided by Rule 144A under the Securities Act, or Rule 144A, only to qualified institutional buyers, or QIBs, within the meaning of Rule 144A. In addition, the notes may be offered outside the United States to non-U.S. persons (as such term is defined in Rule 904 under the Securities Act, each a non-U.S. person) pursuant to Regulation S under the Securities Act, or Regulation S. Notes offered pursuant to Section 3(a)(2) of the Securities Act are referred to as 3(a)(2) notes, notes offered pursuant to Rule 144A are referred to as Rule 144A notes, and notes offered pursuant to Regulation S are referred to as Regulation S notes. You should read this base offering circular, including any applicable supplement thereto and any applicable pricing term sheet, carefully before you invest in any notes offered under the Program.

The notes of each series will be our direct, unconditional, unsecured and unsubordinated obligations and will at all times rank *pari passu* among themselves and with all our other unsecured obligations, other than our subordinated obligations (except for statutorily preferred obligations). The 3(a)(2) notes will be entitled to the benefit of unconditional and irrevocable senior guarantees of the due payment thereof by our New York branch. We refer in this document to our New York branch, acting in such capacity, as the guarantor. The Rule 144A notes and the Regulation S notes will not benefit from any guarantee.

We may, at our option, redeem any or all series of the notes in whole, but not in part, upon the occurrence of certain changes in Japanese tax law. Except as described in the immediately preceding sentence or in an applicable supplement or pricing term sheet, the notes will not be redeemable prior to maturity or be subject to any sinking fund. Unless otherwise stated in an applicable supplement or pricing term sheet, the notes will be denominated in U.S. dollars and will be issued in fully registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, or, in the case of 3(a)(2) notes, denominations of U.S.$250,000 and integral multiples of U.S.$1,000 in excess thereof.

Investing in the notes involves certain risks. See "Risk Factors" beginning on page 9 of this base offering circular and any risk factors that may be described in an applicable supplement or in any documents incorporated by reference herein or therein at a future date.

The notes and the guarantees have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction. The 3(a)(2) notes (including the guarantees) are being offered and sold in reliance upon an exemption from registration under the Securities Act provided under Section 3(a)(2) of the Securities Act. The Rule 144A notes and the Regulations S notes may not be offered or sold or otherwise transferred within the United States, except as described in this base offering circular or an applicable supplement.

None of the notes or the guarantees is insured by the Federal Deposit Insurance Corporation, or the FDIC, or any other governmental or deposit insurance agency.

Application will be made to the Singapore Exchange Securities Trading Limited, or the SGX-ST, for permission to list a particular series of notes on the SGX-ST issued pursuant to the Program and agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle received for the listing of such notes on the SGX-ST is not to be taken as an indication of our merits or the merits of the Program or any notes issued under the Program. Unlisted notes may be issued under the Program. The relevant supplement or pricing term sheet in respect of any series of notes will specify whether or not such notes will be listed and, if so, on which exchange(s) the notes are to be listed. There is no assurance that an application to the SGX-ST for the listing of the notes of any series will be approved.

The notes will be offered under the Program through one or more of the dealers named in this base offering circular or through any other dealers named in an applicable supplement or pricing term sheet, each, a dealer and collectively, the dealers. One or more dealers may purchase notes from us for resale to investors and other purchasers at a fixed offering price set forth in the relevant supplement or at varying prices reflecting prevailing market conditions. In addition, if agreed to by us and a dealer, such dealer may utilize reasonable efforts to place the notes with investors on an agency basis.

Unless otherwise specified in an applicable supplement or pricing term sheet, each series of notes will be represented by one or more global certificates deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, or DTC. Beneficial interests in these global certificates will be shown on, and transfers thereof will be effected through, records maintained by DTC and its direct and indirect participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, S.A., Luxembourg, or Clearstream. Except as described in this base offering circular, including an applicable supplement or in an applicable pricing term sheet, notes in definitive certificated form will not be issued in exchange for global certificates.

Arranger

SMBC Nikko

Dealers

Barclays	**BofA Merrill Lynch**
Citigroup	**Deutsche Bank Securities**
Goldman, Sachs & Co.	**J.P. Morgan**
Nomura	**SMBC Nikko**

Base Offering Circular dated October 11, 2016

This document is confidential and is being furnished by us in connection with an offering exempt from registration under the Securities Act solely for you to consider the purchase of the notes described in this document. The information contained in this document has been provided by us and from other sources identified in this document. No representation or warranty, expressed or implied, is made by the dealers, the trustee or any paying agent, calculation agent, transfer agent or registrar as to the accuracy or completeness of the information in this document. Nothing contained in this document is, or shall be relied upon as, a promise or representation by the dealers, the trustee or any paying agent, calculation agent, transfer agent or registrar. This document does not contain all of the information that would be included in a prospectus if the offering of the notes were registered under the Securities Act. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information in this document for any purpose other than considering an investment in the notes, is prohibited. By accepting delivery of this document, you agree to these conditions.

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the notes to which it relates or an offer to sell or the solicitation of an offer to buy any securities by any person in any circumstances in which the offer or solicitation is unlawful. Delivery of, or any sale based on, this document does not in any way imply that since the date of this document our affairs, or the affairs of our subsidiaries or our affiliates, are unchanged. Delivery of, or any sale based on, this document does not in any way imply that the information in this document is still correct at any time after the date of this document.

No action has been or will be taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. This document may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in that jurisdiction. This document does not constitute an offer of, or an invitation to purchase, any of the notes in any jurisdiction in which the offer or invitation would be unlawful. Persons into whose possession this document comes must inform themselves about and observe any applicable legal requirements.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES (INCLUDING THE GUARANTEES) OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY U.S. FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT REVIEWED THIS DOCUMENT OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

This document is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the notes. Distribution of this document to any person other than the offeree and any persons retained to advise the offeree with respect thereto is unauthorized, and any disclosure of its contents, without our prior written consent, is prohibited.

By receiving this document you acknowledge that:

- you have not relied on any dealer or any of their affiliates in connection with your investigation of the accuracy of the information in this document or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes offered hereby other than as contained in this document, and if given or made, that other information or representation should not be relied upon as having been authorized by us, any dealer or any of their affiliates.

The notes (including the guarantees) have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States.

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan, or the FIEA, and are subject to the Act on Special Measures Concerning Taxation of Japan, or the Special Taxation Measures Act. The notes may not be offered or sold in Japan, to any person resident in Japan, or to others for reoffering or resale directly or indirectly in Japan or to a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the notes are not, as part of the distribution by the dealers under the applicable subscription agreement at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, or a specially-related person of the issuer or (ii) a Japanese financial institution, designated in Article 6, Paragraph (9) of the Special Taxation Measures Act. By subscribing for the notes, an investor will be deemed to have represented that it qualifies as (i) or (ii) above.

Interest payments on the notes will be subject to Japanese withholding tax unless it is established that the notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, (ii) a Japanese financial institution designated in Article 6, Paragraph (9) of the Special Taxation Measures Act or (iii) a Japanese public corporation, financial institution or financial instruments business operator described in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation (except as described in the preceding paragraph), or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer will be subject to deduction in respect of Japanese income tax at a rate of 15.315% of the amount of such interest.

Notice Concerning the European Economic Area

This document has been prepared on the basis that all offers of notes under the Prospectus Directive (2003/71/EC, and the amendments thereto, including Directive 2010/73/EU), or the Prospectus Directive, will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area, or the EEA, from the requirement to produce a prospectus for offers of notes. Accordingly, any person making or intending to make any offer within the EEA of notes which are the subject of the placement contemplated in this document should only do so in circumstances that do not require the publication by us or any of the dealers of a prospectus pursuant to Article 3 of the Prospectus Directive. Neither we nor the dealers have authorized nor do we authorize the making of any offer of notes through any financial intermediary, other than offers made by the dealers which constitute the final placement of notes contemplated in this document.

Notice to Canadian Residents

The notes may be offered or sold in any province of Canada or to or for the benefit of a resident thereof but only pursuant to an exemption from the requirement to file a prospectus in the province in which such offer or sale is made, and only by an underwriter duly registered under the applicable securities laws of that province or by an underwriter that is relying in that province on the "international dealer" exemption provided by section 8.18 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103). Furthermore, the notes may only be offered or sold to or for the benefit of a resident of a province in Canada provided that such resident is both an "accredited investor" as defined in National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) and a "permitted client" as defined in NI 31-103. Prospective Canadian investors should read the section entitled "Selling Restrictions—Canada" in this document for additional information.

Notice Concerning the United Kingdom

There are restrictions on the offer and sale of the notes in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000, or the FSMA, with respect to anything done by any person in relation to the notes in, from or otherwise involving, the United Kingdom must be complied with. See "Plan of Distribution."

This document is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005, as amended, or Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (e) "high net worth companies, unincorporated associations, etc." of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all of these persons together being referred to as "relevant persons" for purposes of this Notice Concerning the United Kingdom). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Each dealer has represented and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to us or the guarantor; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Notice to Investors in Switzerland

The notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issue prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Swiss Exchange Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the notes or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Investors in Hong Kong

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in this document being a "prospectus" within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Investors in Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

PRICE STABILIZATION

In connection with the offering, the Stabilization Manager named in the pricing term sheet, and/or any person acting on behalf thereof, may purchase and sell the notes in the open market and engage in other transactions, subject to applicable laws and regulations. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilization Manager and/or any person acting on behalf thereof of a greater principal amount of the notes than they are required to purchase from us in the offering. Stabilizing transactions consist of bids or purchases by the Stabilization Manager and/or any person acting on behalf thereof for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. These transactions may also include stabilizing transactions by the Stabilization Manager and/or any person acting on behalf thereof for the accounts of the dealers.

In addition, the Stabilization Manager and/or any person acting on behalf thereof may impose a penalty bid. A penalty bid is an arrangement that permits the Stabilization Manager and/or any person acting on behalf thereof to reclaim a selling concession from a syndicate member in connection with the offering when the notes originally sold by the syndicate member are purchased in syndicate covering transactions. These activities may stabilize, maintain or otherwise affect the market prices of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

FORWARD-LOOKING STATEMENTS

This document contains in a number of places forward-looking statements regarding our intent, belief or current expectations of our management with respect to the future results of our operations and financial condition and the SMBC Group, including without limitation future loan loss provisions and financial support to borrowers. In many cases but not all, the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "probability," "project," "risk," "seek," "should," "target," "will" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Forward-looking statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described here as anticipated, believed, estimated, expected or intended.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors, and the differences may be material. Potential risks and uncertainties include, without limitation, the following:

- deterioration of Japanese and global economic conditions and financial markets;
- constraints on our operations due to capital adequacy requirements;
- declines in the value of our securities portfolio;

- changes in the level or volatility of market rates or prices;
- incurrence of significant credit-related costs;
- a significant downgrade of our credit ratings;
- 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;
- the recoverability of deferred tax assets;
- litigation and regulatory proceedings;
- insufficient liquidity;
- problems of other financial institutions; and
- adverse regulatory developments or changes in government policies.

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 disclaim any obligation to update or to announce publicly any revision to any of the forward-looking statements contained in this document to reflect any actual events or developments. The information contained in this document, including without limitation the information under "Risk Factors," identifies important factors in addition to those referred to above that could cause differences between our expectations of future performance and actual results.

ENFORCEMENT OF CIVIL LIABILITIES

We are a joint stock company with limited liability (*kabushiki kaisha*) incorporated under the laws of Japan. Most or all of our directors, executive officers and corporate auditors are non-residents of the United States and all or a substantial portion of our assets and the assets of these non-resident persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon us or such non-resident persons, or to enforce against any of us judgments obtained in U.S. courts predicated upon the civil liability provisions of the U.S. federal or state securities laws. We have been advised by Nagashima Ohno & Tsunematsu, our Japanese counsel, that there is doubt as to the enforceability in Japan, in original actions or in actions brought before Japanese courts for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the U.S. federal or state securities laws.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this document, where information is presented in millions of yen or thousands or millions of dollars, amounts of less than one thousand or one million, as the case may be, have been truncated. Where information is presented in billions or trillions of yen or billions of dollars, amounts of less than one billion or one trillion, as the case may be, have been rounded, except for information of SMBC Nikko Securities Inc., or SMBC Nikko Securities, the amounts of which have been truncated. Accordingly, the total of each column of figures may not be equal to the total of the individual items. All percentages have been rounded to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be, except for capital ratios, which have been truncated.

Unless otherwise specified or required by the context: references to "days" are to calendar days; references to "years" are to calendar years and to "fiscal years" are to our fiscal years ending on March 31; references to "$," "dollars" and "U.S. dollars" are to United States dollars; references to "yen" and "¥" are to Japanese yen; references to "euros" and "€" are to the currency of those member states of the European Union which are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union; and references to "pounds" and "£" are to British pounds sterling. Unless otherwise specified, when converting currencies into yen we use our median exchange rates for buying and selling spot dollars, or other currencies, by telegraphic transfer against yen as determined at the end of the relevant fiscal period. We are a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc., or SMFG, and references to the "SMFG Group" include us and are to SMFG and its subsidiaries and affiliates taken as a whole. References to the issuer are to us, and references to the "SMBC Group" are to us and our subsidiaries and affiliates taken as a whole. References to "non-consolidated" information are to the financial information solely of SMBC, and our subsidiaries are not consolidated and accounted for at historical cost. References to the "NY branch" and the "guarantor" are to Sumitomo Mitsui Banking Corporation, New York Branch.

In this document all of our financial information is presented on a consolidated basis, unless we state otherwise.

Our financial statements are prepared in accordance with generally accepted accounting principles in Japan, or Japanese GAAP, which differs in certain respects from generally accepted accounting principles in the United States, or U.S. GAAP, and in other countries and from International Financial Reporting Standards, or IFRS. You should consult your own professional advisers for an understanding of the differences between Japanese GAAP and U.S. GAAP, IFRS and the generally accepted accounting principles of other jurisdictions and how those differences might affect the financial information contained in this document. In connection with its listing on the New York Stock Exchange, SMFG publishes annual and semi-annual consolidated financial statements in accordance with IFRS. We currently do not expect to publish financial statements in accordance with IFRS.

Our consolidated financial statements as of and for the years ended March 31, 2014, 2015 and 2016 contained elsewhere in this document have been directly translated from the consolidated financial statements contained in our annual securities report filed under the FIEA, except that they include non-consolidated financial statements and convenience translation that were not included in the consolidated financial statements contained in our annual securities report filed under the FIEA. We are presenting our consolidated financial statements contained herein in this manner in order to provide prospective investors outside of Japan with our financial information in the same format as that presented to investors in Japan.

In accordance with the provision set forth in Paragraph 39 of the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013) and other relevant provisions, we have changed the presentation of certain account items from the fiscal year ended March 31, 2016. "Income before income taxes and minority interests," "Income before minority interests," "Minority interests in net income," "Minority interests" and "Net income" have been changed to "Income before income taxes," "Profit," "Profit attributable to non-controlling interests," "Non-controlling interests" and "Profit attributable to owners of parent," respectively. Accordingly, changes in such account items have been made in the financial information for prior periods set forth in this base offering circular.

In this base offering circular, including any applicable supplement hereto, unless the context indicates otherwise:

- "coverage ratio" is the ratio of our collateral, guarantees and specific and general reserves to total non-performing loans, including acceptances and guarantees, suspense payments and other credit-type assets, or NPLs, all on a non-consolidated basis;
- "interest spread" is the difference between the rate of the interest earned on average interest-earning assets and the rate of interest paid on average interest-bearing liabilities;
- "loan losses" includes losses derived not only from loans but also from other claims to borrowers, including commitments to extend credit, guarantees and standby letters of credit;
- "loan-to-deposit interest spread" is the difference between the rate of the interest earned on average domestic loans and bills discounted and the rate of interest we pay on average domestic deposits and does not reflect rates on overseas assets and liabilities;
- "loan-to-deposit ratio" is the ratio of loans and bills discounted to the sum of deposits (excluding negotiable certificates of deposit) and negotiable certificates of deposit;
- "net interest margin" means interest income as a percentage of average total interest-earning assets (including loans and bills discounted, securities, deposits with other banks, call loans, bills bought, trading account securities and other interest-earning assets) minus interest expenses as a percentage of average total interest-bearing liabilities (including deposits, negotiable certificates of deposit, call money, bills sold, bonds, borrowed money and other interest-bearing liabilities);

- "non-performing loan ratio," or NPL ratio, equals the aggregate amount of outstanding loans and credit-type assets classified as NPLs under the Act on Emergency Measures for the Revitalization of the Financial Functions of Japan, or the Financial Reconstruction Act, divided by the aggregate amount of all loans and credit-type assets subject to disclosure under the Financial Reconstruction Act, each on a non-consolidated basis;

- "overhead ratio" means the ratio of our expenses divided by gross banking profit; and

- "trading assets and liabilities" are securities, derivatives and other capital market instruments held for short periods in anticipation of capital gains.

DOCUMENTS INCORPORATED BY REFERENCE

We may incorporate by reference in this base offering circular or in an applicable supplement hereto certain information that we make publicly available, which means that we have disclosed important information to potential investors by referring them to those documents. Any information incorporated by reference will be an important part of this base offering circular.

This base offering circular (including any applicable supplement hereto) should be read and construed in conjunction with any documents incorporated herein by reference. The documents incorporated herein by reference are comprised of documents that are published by us and are specifically designated in this base offering circular or an applicable supplement or pricing term sheet to be incorporated by reference.

Any statement made herein or in any document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this base offering circular to the extent that a statement contained in any document subsequently incorporated by reference herein modifies or supersedes such statement. Any statement that is modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this base offering circular.

Any documents incorporated by reference will be available on our, SMFG's or any other website at the URL to be provided in the applicable supplement hereto. Unless otherwise explicitly incorporated by reference into this base offering circular as described above, the information contained on our or SMFG's website shall not be deemed incorporated by reference herein.

SUMMARY

The following summary does not purport to be complete and is qualified by the remainder of this base offering circular and, in relation to the terms and conditions of any particular series of notes, an applicable supplement or pricing term sheet. Except as provided in "Description of the Notes and Guarantees", any of the following including, without limitation, the kinds of notes that may be issued hereunder, may be varied or supplemented as agreed among us, the relevant dealers and the trustee (as defined herein). Words and expressions defined in "Description of the Notes and Guarantees" shall have the same meanings in this summary.

Our Company

We are a joint stock company incorporated with limited liability under the laws of Japan. We are one of the world's largest commercial banks with ¥180 trillion in consolidated total assets as of March 31, 2016. We are one of the three largest banking groups in Japan, with an established presence across all of the consumer and corporate banking sectors. Our parent SMFG had consolidated total assets of ¥187 trillion as of March 31, 2016. SMFG's other subsidiaries include SMBC Trust Bank Ltd., or SMBC Trust Bank, in the commercial banking business, Sumitomo Mitsui Finance and Leasing Company, Limited, or SMFL, in the leasing business, SMBC Nikko Securities and SMBC Friend Securities Co., Limited, or SMBC Friend Securities, in the securities business, and Sumitomo Mitsui Card Company, Limited, or Sumitomo Mitsui Card, Cedyna Financial Corporation, or Cedyna, and SMBC Consumer Finance Co., Ltd., or SMBC Consumer Finance, in the consumer finance business.

We provide an extensive range of corporate and consumer banking services in Japan and wholesale banking services overseas. In Japan, we have solid franchises in both corporate and consumer banking. We have long-standing and close business relationships with many companies listed on the First Section of the Tokyo Stock Exchange and long historical relationships with Sumitomo Group and Mitsui Group companies. We had approximately 27 million consumer banking customer deposit accounts and approximately 89,000 corporate borrower customers on a non-consolidated basis as of March 31, 2016. Our strong, well-established relationships with our customers have helped us to build a significant commercial banking base that has the highest domestic loan-to-deposit interest spread and the lowest overhead ratio among Japan's three largest banking groups. Specifically, for the fiscal year ended March 31, 2016, our non-consolidated domestic loan-to-deposit interest spread was 1.21% and our overhead ratio (defined as aggregated non-consolidated expenses divided by non-consolidated gross banking profit) was 52.5%. We recorded net income of ¥609 billion on a non-consolidated basis in the fiscal year ended March 31, 2016.

Our domestic loan portfolio is well diversified among small-sized companies, mid-sized companies, large corporations and individuals, and we are increasing our geographic diversity by investing in our overseas operations. We have maintained a sound loan portfolio, managed interest rate fluctuation risks and maintained stability of funding through our large domestic deposit base, as demonstrated by our NPL ratio of 0.78%, our average yen-bond duration of 2.8 years, and our loan-to-deposit ratio of 61.2%, all on a non-consolidated basis as of March 31, 2016. We are also expanding and diversifying our non-yen funding in order to develop our international business. We have been managing our regulatory capital ratios by focusing on controlling our risk-weighted assets while increasing profitability. SMFG estimates that its Common Equity Tier 1 risk-weighted capital ratio was 11.9% as of March 31, 2016, based on the definition as of March 31, 2019, or a fully-loaded basis.

We plan to continue promoting our business collaborations with other SMFG Group and SMBC Group companies and affiliates, including SMBC Trust Bank, SMFL, SMBC Nikko Securities and The Japan Research Institute, Limited in the corporate solutions business and SMBC Trust Bank, SMBC Nikko Securities, SMBC Friend Securities, Sumitomo Mitsui Card, Cedyna and SMBC Consumer Finance in providing financial consulting services to individuals.

Strategy

In May 2014, we and our parent SMFG announced our vision for the next decade and new management goals for the three-year medium-term management plan through March 2017.

Our Vision for the Next Decade

In light of the changing business environment, including the growth of Asia's emerging countries, the aging and shrinking Japanese population and global financial regulatory reform, our vision for the next decade is to become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region. Specifically, we aim to achieve the following three points.

We aim to become a truly Asia-centric institution. Strengthening our business in Asia is the key strategy for realizing our vision in light of the high medium- to long-term growth potential of Asia's emerging countries. We intend to proactively invest our resources in the region in order to become a leading financial group in Asia.

We aim to develop the best-in-class earnings base in Japan. Japan is a mature market but there are growth opportunities within certain market segments and we aim to proactively contribute to the revitalization of the Japanese economy by investing our resources in such growth areas and taking appropriate risks. At the same time, we intend to capture a high market share and build a solid earnings base by implementing specific strategies to enhance our capability to meet our clients' needs.

We aim to realize true globalization and continue to evolve our business model. We intend to expand our global franchise and implement measures to realize the true globalization of our corporate infrastructure that supports our growth. At the same time, we intend to continue to evolve our business model by anticipating changes in our business environment, both domestic and international.

Our Medium-term Management Plan and its Goals

In the three years ending March 2017, we aim to further evolve our client-centric business models, revise our portfolio structure, and enhance our client base in order to achieve the sustainable growth of our top-line profit and further increase our enterprise value. We also set the following four goals for our three-year medium-term management plan as the first step toward realizing our vision:

Develop and evolve client-centric business models for our main domestic and international businesses. The needs of our clients are becoming more diverse and sophisticated, and we are implementing a number of initiatives to meet their needs. We have revised our client segmentation and are implementing strategies and evolving business models accordingly, and allocating resources from the perspective of group optimization.

- *Large corporate business strategy.* The activities of our large corporate clients are becoming more global, and accordingly, their financial needs are becoming bigger and more complex. We are creating a unique business model, the Global-Corporate and Investment Banking (G-CIB) model, to meet their needs, thereby enhancing our client base and top-line profit.

- *Middle market and small and medium-sized enterprise business strategy.* In the middle and small and medium-sized enterprise markets, where we have a number of strengths, we have revised the client segmentation and grouped clients based on attributes in order to fully meet their financial needs. Further, under the newly launched Area system, we aim to address the needs of business owners both as corporate managers and as individuals, through comprehensive one-stop services.

- *Consumer banking business strategy.* The financial needs of individuals are changing due to the accelerated shift from savings to investments, the arrival of the great era of inheritance, and changing lifestyles. We intend to meet their needs by implementing strategies based on a new client segmentation on an SMFG Group-wide basis and achieve the top business base in Japan.

- *Consumer finance and credit card business strategy.* In the consumer finance business, SMFG aims to expand its client base and achieve a significant share in the domestic market through the integrated operation of our planning and promotion functions and those of SMBC Consumer Finance. In the credit card business, SMFG intends to reinforce its top-line profit by leveraging the strengths of Sumitomo Mitsui Card and Cedyna as bank-based and retail-based credit card companies, respectively. At the same time, SMFG intends to pursue cost synergies by managing its credit card business on a Group-wide basis through measures such as integrating the management platforms of the SMFG Group's credit card companies.

- *International business strategy.* In our international business, we intend to shift our business model in order to achieve sustainable growth by improving the efficiency of assets while depending less on lending volume. At the same time, we intend to enhance our global franchise. Specifically, we aim to strengthen multi-faceted transactions with globally operating non-Japanese corporate clients. To this end, we are enhancing our product line up and promoting cross-selling by strengthening the transaction banking business, and revising our client coverage to a more global-based framework. Further, we aim to create a highly profitable asset portfolio by diversifying and flexibly rebalancing our portfolio.

- *Institutional investor business strategy.* We intend to create a new business model to meet the needs of institutional investors by establishing an SMFG Group-wide framework, centered on us and SMBC Nikko Securities, in order to enhance our ability to provide products to institutional investors and strengthen our capability to source, underwrite and distribute deals domestically and internationally.

- *IT and transaction banking business strategy.* Information and communication technology, or ICT, and the transaction banking business are necessary underpinnings for creating new businesses, and we intend to offer new leading-edge services through various measures, including alliances with leading players in ICT.

Build a platform for realizing Asia-centric operations and capture growth opportunities. We aim to become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region. This is our vision for the next decade and, to this end, we aim to steadily create a business platform in Asia, with the enhancement of our Asia business as the principal strategy for the SMFG Group, and prioritize the allocation of resources, including human resources and infrastructure, to Asia.

Realize sustainable growth of top-line profit while maintaining soundness and profitability. Leveraging the stable financial base built during the previous years, we developed our new medium-term management plan with the intent to focusing more on growth. We intend to achieve sustainable growth of our top-line profit by developing and evolving our business models and allocating resources to growth fields while continuing to focus on maintaining soundness and profitability.

Upgrade corporate infrastructure to support our next stage of growth. Our business is expanding globally and on a group-wide basis, and we intend to strengthen our management platform to support our business growth. Specifically, we intend to globalize our organization and human resources and intensify group management. To this end, we recently established our Global Human Resources Department. We also established our Diversity and Inclusion Committee to promote diversity as we believe diversity is a source of competitiveness. We are also upgrading our risk management system.

Our basic policies for the fiscal year ending March 31, 2017, the final year of the three-year medium-term management plan, are as follows: "focus on bottom-line profit by strengthening efforts to improve profitability and efficiency, while maximizing efforts to realize the key initiatives set in the medium-term management plan and grow our top line profit" and "run a strict risk-sensitive operation given the current uncertain business environment, while pursuing new business opportunities by responding to changes in a proactive and innovative manner."

Company Information

Our registered head office is located at 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan. The main telephone number is +81-3-3282-1111, and the corporate website is http://www.smbc.co.jp. Information appearing on our website is not incorporated by reference into this document.

NY Branch Information

We operate the NY branch pursuant to a license of the New York State Superintendent of Financial Services, or the Superintendent. The NY branch is examined by the New York State Department of Financial Services and the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. The NY branch was established in 1952 in the Borough of Manhattan, New York City, and our banking business through the NY branch concentrates primarily on wholesale commercial banking transactions and servicing the needs of our customers in the United States. The NY branch is located at 277 Park Avenue, New York, New York, 10172, United States of America.

Summary of the Program

The following summarizes the terms of the notes we may issue from time to time under the Program. The terms contained in the first section below are applicable to all series of notes that may be issued under the Program. Terms specific to the Rule 144A notes and Regulation S notes and the 3(a)(2) notes are indicated in the second and third sections below, respectively. The terms applicable to a particular series of notes issued under the Program may differ from those described in the following summary, as specified in an applicable supplement or pricing term sheet. The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this base offering circular and, in relation to the terms and conditions of any particular series of notes, an applicable supplement or pricing term sheet. For a further description of the terms and conditions of the notes, see "Description of the Notes and Guarantees."

I. General Terms Applicable to All Notes Issued under the Program

Issuer	Sumitomo Mitsui Banking Corporation
Description	Global Medium Term Notes Program
Arranger	SMBC Nikko Capital Markets Limited
Dealers	Barclays Bank PLC, Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch International, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Nomura Securities International, Inc., SMBC Nikko Capital Markets Limited and SMBC Nikko Securities America, Inc. The Issuer may from time to time terminate the appointment of any dealer under the Program or appoint additional dealers either in respect of one or more series of notes or in respect of the Program.
Program Size	Up to U.S.$50,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of notes outstanding at any one time.
Ranking	The notes will be our direct, unconditional, unsubordinated and unsecured obligations and will at all times rank *pari passu* among themselves and with all our other unsecured obligations other than our subordinated obligations (except for statutorily preferred obligations).
Maturities	Between seven days and 30 years.
Offering Price	The notes may be issued at par or at a discount from, or premium over, par and either on a fully paid or partly paid basis. The notes may be offered by dealers at a fixed price or at a price that varies depending on market conditions.
Listing and Trading	The SGX-ST or as otherwise specified in the applicable supplement or pricing term sheet. As specified in the applicable supplement or pricing term sheet, a series of notes may be unlisted. Application will be made to the SGX-ST for permission to list a particular series of notes on the SGX-ST issued pursuant to the Program and agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The relevant supplement or pricing term sheet in respect of any series of notes will specify whether or not such notes will be listed and, if so, on which exchange(s) the notes are to be listed. A separate application may be made to the SGX-ST for permission to list such

	notes on the SGX-ST. If approval in-principle is received from the SGX-ST in relation to the notes of any series to be listed on the SGX-ST, such notes will be traded on the SGX-ST in a minimum board lot size of at least U.S.$200,000 (or as otherwise specified in an applicable supplement or pricing term sheet) following listing, for so long as such notes are listed on the SGX-ST and the rules of the SGX-ST so require.
Fixed Rate Notes	Interest on fixed rate notes of any series will accrue at the rate per annum specified in the applicable supplement or pricing term sheet from the issue date specified in the applicable supplement or pricing term sheet. We will pay interest on fixed rate notes of any series semiannually in arrears on the interest payment dates specified in the applicable supplement or pricing term sheet (each a fixed rate interest payment date) beginning on the first such date after the issue date to the persons in whose names fixed rate notes are registered as of the close of business on the fifteenth day before the due date for payment (whether or not a business day). Interest on fixed rate notes will be paid to but excluding the relevant interest payment date. We will compute interest on fixed rate notes on the basis of a 360-day year consisting of twelve 30-day months.
Floating Rate Notes	Interest on floating rate notes of any series will accrue at a floating rate per annum, reset quarterly, equal to the three-month U.S. dollar London Interbank Offered Rate, or LIBOR, plus the spread specified in the applicable supplement or pricing term sheet, from the issue date specified in the applicable supplement or pricing term sheet. We will pay interest on the floating rate notes of any series quarterly in arrears on the interest payment dates specified in the applicable supplement or pricing term sheet (each a floating rate interest payment date and subject to adjustments to make such date a business day) beginning on the first such date after the issue date to the persons in whose names floating rate notes are registered as of the close of business on the fifteenth day before the due date for payment on floating rate notes (whether or not a business day). We will compute interest on floating rate notes on the basis of the actual number of days in an interest period and a 360-day year.
Currencies	The notes will be denominated in, and payments in respect of an issue of notes will be made in, U.S. dollars.
Form of Notes	The notes will be issued in fully registered form, represented by one or more global certificates deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in these global certificates will be shown on, and transfers thereof will be effected through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except as described in this base offering circular or in an applicable supplement or pricing term sheet, notes in definitive certificated form will not be issued in exchange for global certificates.
Rating	As of the date of this base offering circular, the Program was rated A1 (in respect of notes with original maturities of more than one year) and P-1 (in respect of notes with original maturities of one year or less) by Moody's Japan K.K. and A (in respect of notes with original maturities of more than one year) and A-1 (in respect of notes with original maturities of one year or less) by Standard & Poor's Ratings Japan K.K. A series of notes issued under the Program may be rated or unrated. If a series of notes is rated, such rating may not necessarily be the same as the rating of the Program. The rating, if

	any, of certain series of notes to be issued under the Program may be specified in an applicable supplement or pricing term sheet. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Neither the rating agency nor we are obligated to provide you with any notice of suspension, change or withdrawal of any rating.
Redemption	Each series of notes will only be redeemable at our option upon the occurrence of certain changes in tax law, as described further in "Description of the Notes and Guarantees—Redemption for Taxation Reasons."
Method of Distribution	We may sell the notes (i) to dealers, whether affiliated or unaffiliated, (ii) directly to one or more purchasers, (iii) through the dealers, or (iv) through a combination of any of these methods of sale. Each pricing term sheet will explain the manner in which we intend to sell a specific issue of notes, including the names of any underwriters, agents or dealers and details of the pricing of the issue of notes, whether they will be offered pursuant to Section 3(a)(2) of the Securities Act or in reliance on Rule 144A and, if in reliance on Rule 144A, whether they will also be offered pursuant to Regulation S. A pricing term sheet may also describe any commissions, concessions or discounts we are granting the underwriters, agents or dealers.
Trustee	Citicorp International Limited will act as the trustee for each series of the notes issued under the Program unless otherwise specified in an applicable supplement or pricing term sheet.
Paying Agent, Calculation Agent, Transfer Agent and Registrar	Citibank, N.A., London, or as otherwise specified in an applicable supplement or pricing term sheet.
Governing Law	The indentures are, and the notes will be, governed by, and construed in accordance with, the laws of the State of New York.
Use of Proceeds	Unless otherwise indicated in an applicable supplement or pricing term sheet, we will use the net proceeds we receive from any offering of the notes for general corporate purposes.
Program Documents	The indentures (as defined herein) and the program agreement.

II. Terms Applicable to the Rule 144A Notes and Regulation S Notes

Governing Indenture	The indenture dated as of July 22, 2010 between us and Citicorp International Limited as trustee, as supplemented by the first supplemental indenture dated as of December 27, 2013, the second supplemental indenture dated as of July 4, 2014 and the third supplemental indenture dated as of July 6, 2015.
Denominations	The Rule 144A notes and the Regulation S notes will be issued in fully registered form, without coupons, in denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof.

No Registration	The Rule 144A notes and the Regulation S notes have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States.
Transfer Restrictions	The Rule 144A notes and the Regulation S notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The dealers or their U.S. broker-dealer affiliates are offering the notes in the United States to QIBs as defined in Rule 144A under the Securities Act. In addition, the dealers are offering the Regulation S notes in offshore transactions to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. See "Transfer Restrictions Applicable to Rule 144A Notes and Regulation S Notes."

III. Terms Applicable to the 3(a)(2) Notes

Guarantor of the 3(a)(2) Notes	Our New York branch
Guarantees	The 3(a)(2) notes will be unconditionally and irrevocably guaranteed by the NY branch. The guarantees will constitute direct, unconditional, irrevocable, unsecured and unsubordinated obligations and will rank *pari passu* in right of payment with all other unsecured, unsubordinated obligations of the NY branch (except for statutorily preferred obligations). The guarantees will terminate upon discharge of the 3(a)(2) notes. The guarantees will be governed by, and construed in accordance with, the laws of the State of New York.
Governing Indenture	The indenture dated as of July 18, 2012 among us, the guarantor and Citicorp International Limited as trustee, as supplemented by the first supplemental indenture dated as of December 27, 2013 and the second supplemental indenture dated as of July 4, 2014.
Denomination	The 3(a)(2) notes will be issued in fully registered form, without coupons, in denominations of $250,000 in principal amount and integral multiples of $1,000 in excess thereof.
No Registration	The 3(a)(2) notes (including the guarantees) will be offered and sold in reliance upon an exemption from registration with the U.S. Securities and Exchange Commission, or the SEC, provided in Section 3(a)(2) of the Securities Act. The 3(a)(2) notes (including the guarantees) have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction.
Conflict of Interest	Our affiliate SMBC Nikko Securities America, Inc. is a member of the Financial Industry Regulatory Authority and a dealer under the Program. Accordingly, an offering of notes will be made in compliance with the requirements of the Financial Industry Regulatory Authority Rule 5121. See "Plan of Distribution—Conflict of Interest."

RISK FACTORS

Prior to making an investment decision, you should carefully consider, along with other matters set forth in this document, the following risk factors. These risk factors are not necessarily of equal importance, likelihood of occurrence or duration. Additionally, some risk factors may be related to others, and the occurrence of events described in one risk factor could increase the likelihood of occurrence of events described in others. We and our business, financial condition and results of operations could be materially and adversely affected by the risks described below, and you could lose all or a portion of your investment. Terms used but not defined in this or prior sections have the meanings given to them in the other sections of this base offering circular.

Risks Related to the Current Financial Environment

We may be adversely affected if Japanese and global economic conditions and financial markets deteriorate.

Our financial condition and results of operations are materially affected by general economic conditions and financial markets in Japan and foreign countries, which would be influenced by the changes of various factors. These include fiscal and monetary policies, and laws, regulations and policies on financial markets. Those factors include, for example, the Japanese consumption tax rate. The Japanese consumption tax rate increased from 5% to 8% in April 2014 and was scheduled to further increase to 10% in April 2017. However, Japan's Prime Minister announced in June 2016 that the increase in the consumption tax rate to 10% would be postponed until October 2019. In order to proceed with the postponement, the Consumption Tax Act and related laws must be amended. Furthermore, geopolitical instability in various parts of the world, including North Africa, the Middle East, Asia and Eastern Europe and material changes in regional economic or political unions or associations between countries, including, for example, the United Kingdom's potential exit from the European Union as a result of the referendum held on June 23, 2016, could also contribute to economic instability in those and other regions, which could adversely affect Japanese and global economic conditions.

The deterioration of Japanese and global economic conditions, or financial market turmoil, could result in a worsening of our liquidity and capital conditions, an increase in our credit costs, and an increase in impairment of our investment securities and, as a result, adversely affect our business, financial condition and results of operations.

Risks Related to Our Business

Failure to satisfy capital adequacy requirements could constrain our operations.

We are subject to capital adequacy requirements established by the Financial Services Agency of Japan, or the FSA. The current requirements reflect the principal risk-weighted capital measures of the Basel III rules text published by the Basel Committee on Banking Supervision, or the BCBS, in December 2010 and are being phased in from March 2013 to March 2019. Compared to the previous requirements, the current requirements increase both the quality and quantity of the risk-weighted capital base.

With respect to the quality of the capital base, certain capital instruments, including existing preferred securities and subordinated debt, are eligible for inclusion as Tier 1 capital or Tier 2 capital only for the phase-out period. Preferred stocks convertible into common stocks no longer qualify as Common Equity Tier 1 capital but would qualify as Additional Tier 1 capital if they satisfy certain requirements including the requirement of loss absorbency at the point of non-viability under the Basel III rules. In addition, securities with step-up clauses will no longer qualify as Additional Tier 1 capital, and if the relevant security is classified as a liability for accounting purposes, it must satisfy the requirement of loss absorbency at a pre-specified trigger point, which must be 5.125% or more of Common Equity Tier 1 risk-weighted capital ratio as well as the aforementioned requirement of loss absorbency at the point of non-viability to qualify as Additional Tier 1 capital. With respect to Tier 2 capital, under the Basel III rules, the relevant security must satisfy the requirement of loss absorbency at the point of non-viability to qualify as Tier 2 capital, and subordinated debt securities callable at the initiative of the issuer within five years or with step-up clauses can no longer qualify as Tier 2 capital.

With respect to the quantity of the capital base, the minimum Common Equity Tier 1 risk-weighted capital ratio applicable to us has been 4.5% since March 2015. Moreover, SMFG is required to hold a capital conservation buffer to withstand future periods of stress and a countercyclical buffer as additional capital to reduce the buildup of systemic risk in periods and locations of excessive credit growth. The capital conservation buffer is being phased in from March 2016, with the current ratio of 0.625% reaching 2.5% by March 2019. As a result, the total minimum Common Equity Tier 1 risk-weighted capital ratio will be increased to 7%, and the total minimum risk-weighted capital ratio will be increased to 10.5% in March 2019. The countercyclical buffer, which is being phased in from March 2016, is calculated as the weighted average of the buffers in effect in the jurisdictions to which we have credit exposure, with a maximum of 2.5% when fully implemented in March 2019.

In addition, in November 2014 and 2015, our parent SMFG and other organizations were identified by the Financial Stability Board, or the FSB, as globally systematically important financial institutions, or G-SIFIs. The list of G-SIFIs is updated each year in November, and the requirements for additional capital, in the form of a capital surcharge above the Basel III minimum requirement have been applied from 2016, initially to those financial institutions identified in November 2014 as G-SIFIs. This requirement is commonly referred to as the G-SIFI capital surcharge. Based on the list, SMFG will be required to maintain an additional 1% of Common Equity Tier 1 capital as a percentage of risk-weighted assets when the requirement is fully applied from 2019. Under the phase-in requirements, SMFG is currently required to maintain 0.25% of Common Equity Tier 1 capital as a percentage of risk-weighted assets. G-SIFIs will also be subject to a global standard for Total Loss-Absorbing Capacity, or TLAC, which defines certain minimum requirements for total loss-absorbing capacity so that if G-SIFIs fail, they will have sufficient loss absorbing and recapitalization capacity available in resolution. In November 2015, the FSB published the final TLAC standard. As a G-SIFI, SMFG will be subject to the final TLAC standard, as implemented in Japan.

For further information on our and SMFG's total risk-weighted capital ratio, Tier 1 risk-weighted capital ratio and Common Equity Tier 1 risk-weighted capital ratio, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy."

Our capital ratios could decline as a result of decreases in Tier 1 and Tier 2 capital or increases in risk-weighted assets. The following circumstances, among others, could reduce our risk-weighted capital ratio:

- declines in the value of securities;

- inability to refinance subordinated debt obligations or preferred securities with those qualified as regulatory capital under the new capital adequacy requirements which phased in from March 2013; and

- increases in risk-weighted assets resulting from business growth, strategic investments, borrower downgrades or changes in parameters such as probability of default, or PD.

We have adopted the advanced internal rating-based, or IRB, approach for measuring exposure to credit risk and the advanced measurement approach, or the AMA, to measure exposure to operational risk. If the FSA revokes its approval of such implementation or otherwise changes its approach to measure capital adequacy ratios, our ability to maintain capital at the required levels may be adversely affected.

If our capital ratios fall below required levels, the FSA may require us to take a variety of corrective actions, including withdrawal from all international operations or suspension of all or part of our operations, which may indirectly affect our ability to fulfill our contractual obligations or may result in restrictions on our businesses. Failure to maintain capital levels under the capital buffer requirements under Basel III and the requirement for the G-SIFI capital surcharge will result in restrictions on capital distributions, such as dividends, share buybacks, discretionary payments on other Tier 1 capital instruments and bonuses. In addition, some of our domestic and overseas subsidiaries are also subject to local capital ratio requirements. Failure of those subsidiaries to meet local requirements may result in administrative actions or sanctions imposed by local regulatory authorities.

Future declines of securities prices on Japanese stock markets or other global markets could cause us to experience impairment losses and unrealized losses on our equity securities portfolio, which could negatively affect our financial condition, operating results and regulatory capital position.

The reported value of our available-for-sale equity instruments accounted for approximately 2.5% of our total assets as of March 31, 2016, approximately 91.1% of which were Japanese equity securities. This value depends mainly on prices of the instruments in the stock market.

A listed equity security is impaired primarily based on its market price. If we conclude that a particular security is impaired, we calculate the impairment loss based on the market price of that security at the end of the relevant period. Declines in the Japanese stock markets or other global markets could result in further losses from impairment of the securities in our equity securities portfolio or sales of these securities, adversely affecting our results of operations and financial condition.

Our regulatory capital position depends in part on the fair value of our equity securities portfolio. Substantial declines in the Japanese stock markets or other global markets would negatively affect our capital position.

We will further reduce our holdings of equity securities in order to reduce financial risks. Any disposal by us of equity holdings of our customers' shares could adversely affect our relationships with those customers.

Changes in the levels or volatility of market rates or prices could adversely affect our financial condition and results of operations.

We engage in trading and investing activities dealing with various kinds of financial instruments such as bonds, equities, currencies, derivatives and funds. For example, we have substantial investments in debt securities. As of March 31, 2016, we had ¥8,105 billion of Japanese government bonds, or JGBs, classified as available-for-sale financial assets, which accounted for approximately 4.5% of our total assets.

Our financial condition and results of operations could be adversely affected by actual changes or volatility in interest rates, foreign exchange rates and market prices of other investment securities. Increases in interest rates could substantially decrease the value of our fixed income portfolio, and any unexpected changes in yield curves could adversely affect the value of our bond and interest rate derivative positions, resulting in lower-than-expected revenues from trading and investment activities. Market volatility may also result in significant unrealized losses or impairment losses on such instruments. Furthermore, the downgrading of investment securities by credit rating agencies may also cause declines in the value of our securities portfolio.

Adverse economic conditions and deterioration of the financial conditions of our customers could increase our credit costs.

Our NPLs and credit costs for corporate and individual customers may increase significantly if:

- domestic or global economic conditions worsen or do not improve;
- our customers do not repay their loans, due to reasons including deterioration of their financial conditions; or
- the value of collateral declines.

We have substantial exposure to corporate customers in the following sectors: real estate and goods rental and leasing, manufacturing, wholesale and retail, transportation, communications and public enterprises, and services, including electric utilities, and to individual customers mainly through housing loans. The financial conditions of those customers may be subject to changes in industry-specific economic conditions, including, for example, fluctuations in oil and gas and other natural resource prices, as well as general economic conditions. In addition, adverse region-specific economic conditions could worsen our customers' financial conditions or could decrease the value of collateral provided to us in such regions. As a result, we may be required to record increases in our allowance for loan losses.

Moreover, for certain borrowers, we may choose to engage in debt-for-equity swaps, or provide partial debt write-offs, additional financing or other forms of assistance as an alternative to exercising our full legal rights as a creditor if we believe that doing so may increase our ultimate recoverable amount of the loan. We may be required to, or choose to, provide new or additional financing to customers who may incur unexpected liabilities, have difficulty in the future in continuing operations, encounter difficulties or need to devote significant resources to repair their infrastructures, as a result of natural disasters or other calamities.

In addition, changes in laws or government policies may have an adverse impact on the rights of creditors. For example, the Government of Japan has provided or may provide in the future government guarantees and other government support measures in response to the financial crisis or other unexpected incidents, such as the Great East Japan Earthquake of March 2011 and collateral events. Even if our current or future loans to borrowers have received or will receive any government support measures, it is unclear to what extent those loans will benefit, directly or indirectly, from the current or any future government guarantees or support measures.

In addition, our NPLs may increase and there may be additional credit costs if we fail to accurately estimate the incurred losses in our loan portfolio. These estimates require difficult, subjective and complex judgments such as credit evaluation of our borrowers, valuation of collateral and forecasts of economic conditions.

On a non-consolidated basis, our NPL ratios were 0.78%, 0.97% and 1.21% as of March 31, 2016, 2015 and 2014, respectively.

A significant downgrade of our credit ratings could have a negative effect on us.

We obtain credit ratings from the major credit ratings agencies, including ratings of the Program, but there can be no assurance that these ratings will be maintained.

Ratings may be lowered, suspended or withdrawn by the ratings agencies, if, in each rating agency's judgment, circumstances so warrant.

A material downgrade of our credit ratings may have various effects including, but not limited to, the following:

- we may have to accept less favorable terms in our transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions;
- foreign regulatory bodies may impose restrictions on our overseas operations;
- existing agreements or transactions may be cancelled; and
- we may be required to provide additional collateral in connection with derivatives transactions.

Any of these or other effects of a downgrade of our credit ratings could have a negative impact on the profitability of our treasury and other operations, and could adversely affect our regulatory capital position, liquidity position, financial condition and results of operations.

We face significant challenges in achieving the goals of our business strategy, and our business may not be successful.

In May 2014, we and our parent SMFG announced a new medium-term management plan through March 2017. We believe that we have targeted appropriate business areas. However, our initiatives to offer new products and services and to increase sales of our existing products and services may not succeed, if market conditions do not stabilize, market opportunities develop more slowly than expected, our initiatives have less potential than we envisioned originally or the profitability of these products and services is undermined by competitive pressures. Consequently, we may be unable to achieve or maintain profitability in our targeted business areas.

In order to implement our business strategy successfully, we need to hire and train qualified personnel continuously and in a proactive manner, as well as to attract and retain employees with professional experience and specialized product knowledge. However, we face competition from other commercial banks, investment banks, consumer finance companies and other financial services providers in hiring highly competent employees. There can be no assurance that we will succeed in attracting, integrating and retaining appropriately qualified personnel.

We are exposed to new risks as we expand our businesses, the range of our products and services and geographic scope of our businesses overseas.

As part of our business strategies we have expanded and may continue to expand our businesses or our range of products and services beyond our core business, commercial banking. This could expose us to new risks, such as adverse regulatory changes, more competition or deterioration in the operating environments that affect those businesses, products and services. Some of those risks could be types with which we have no or only limited experience. As a result, our risk management systems may prove to be insufficient and may not be effective in all cases or to the degree required.

In accordance with our strategy to further increase our presence in the international financial markets, we may continue to expand the scale of our overseas businesses, especially in emerging economies, notably Asian countries and regions. The expansion of our overseas businesses may further increase our exposure to risks of adverse developments in foreign economies and markets, including interest rate and foreign exchange rate risk, regulatory risk and political risk. Our overseas expansion also exposes us to the compliance risks and the credit and market risks specific to the countries and regions in which we operate, including the risk of deteriorating conditions in the credit profile of overseas borrowers.

Failure of our business strategies through our subsidiaries, affiliates and other business alliance partners could negatively affect our financial condition and operating results, including impairment losses on goodwill or investments.

Aligned with our business strategies, we have made and may undertake acquisition of a subsidiary, investments in affiliates and other business alliance partners, and reorganization within our Group. It is uncertain whether we will receive the expected benefits from those business strategies, due to any adverse regulatory changes, worsening of economic conditions, increased competition or other factors that may negatively affect the related business activities. Furthermore, unanticipated costs and liabilities may be incurred in connection with those business strategies, including liabilities from the claims related to the businesses prior to our business alliances, and cost from actions by regulatory authorities.

When we acquire a subsidiary, we may recognize goodwill and intangible assets. Impairment losses on goodwill or intangible assets in connection with acquisitions must be recognized when the recoverable amount of goodwill or intangible assets of the business is lower than the carrying amount at the time of impairment testing, which is performed annually or whenever there is an indication that the goodwill or intangible assets may be impaired.

We account for some of our investments in affiliates under the equity method. Therefore, net losses incurred by equity method investees may cause us to record our share of the net losses. Furthermore, we may lose the capital which we have invested in business alliances or may incur impairment losses on securities acquired in such alliances. We may also be required under contractual or other arrangements to provide financial support, including credit support and equity investments, to business alliance partners in the future. Additionally, we may also incur credit costs from our credit exposure to such partners.

Inability to generate sufficient future taxable profits or adverse changes to tax laws, regulatory requirements or accounting standards could have a negative impact on the recoverability of certain deferred tax assets.

We recognize deferred tax assets relating to tax losses carried forward and deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the tax losses carried forward and the temporary differences can be utilized. The deferred tax assets are quantified on the basis of currently enacted tax rates and accounting standards and are subject to change as a result of future changes to tax laws or the rules for computing taxable profits and allowable losses. Failure to generate sufficient future taxable profits or changes in tax laws or accounting standards may reduce our estimated recoverable amount of net deferred tax assets. Such a reduction could have an adverse effect on our financial condition and results of operations.

Declines in returns on our plan assets or revised actuarial assumptions for retirement benefits may adversely affect our financial condition and results of operations.

We and some of our subsidiaries have various defined benefit plans. We have experienced in the past, and may experience in the future, declines in returns on plan assets and changes in the discount rates and other actuarial assumptions. If returns on plan assets decrease, or if we revise the discount rates and other assumptions, the deficit of the impacted defined benefit plan may increase and adversely affect our financial condition and results of operations. Because more than half of our plan assets are composed of equity instruments, the plan assets are greatly affected by volatility in the prices of equity securities. Substantial declines in the prices for publicly traded Japanese stocks would negatively affect our plan assets.

Our business relies on our information technology systems, and their failure could harm our relationships with customers or adversely affect our provision of services to customers.

In all aspects of our business, we use information technology systems to deliver services to and execute transactions on behalf of our customers as well as for back-office operations. We therefore depend on the capacity and reliability of the electronic and information technology systems supporting our operations. We may encounter service disruptions in the future, owing to failures of these information technology systems. Our information technology systems are subject to damage or incapacitation as a result of quality problems, human errors, natural disasters, power losses, sabotage, computer viruses, acts of terrorism, cyber attacks and similar events. While we have taken steps to protect information technology systems from those risks, including by establishing data recovery capability and functionality, these measures may not be sufficient. In addition, we may not be prepared to address all contingencies that could arise in the event of a major disruption of services. The failure to address such contingencies could harm our relationships with customers or adversely affect our provision of services to customers.

We handle personal information obtained from our individual and corporate customers in relation to our banking, securities, consumer lending, credit card and other businesses. The systems we have implemented to protect the confidentiality of personal information, including those designed to meet the strict requirements of the Act on the Protection of Personal Information of Japan, may not be effective in preventing disclosure of personal information by unauthorized access from a third party. Leakage of personal information could expose us to demands for compensation or lawsuits for ensuing economic losses or emotional distress, administrative actions or sanctions, additional expenses associated with making necessary changes to our systems and reputational harm. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management policies and procedures may not adequately address unidentified or unanticipated risks.

We are exposed to a variety of operational, legal and regulatory risks throughout our organization. Management of these risks requires, among other things, policies and procedures to properly record and verify large numbers of transactions and events. However, these policies and procedures may not be fully effective or sufficient. We have devoted significant resources to strengthening our risk management policies and procedures and expect to continue doing so in the future. Nevertheless, particularly in light of the continuing evolution of our operations and expansion into new areas, our policies and procedures designed to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risks are based upon our use of observed historical market behavior and thus may not accurately predict future risks. Violations of laws including the Japanese antitrust and fair trade laws by us may result in administrative sanctions. Furthermore, investigations, administrative actions or litigation could commence in relation to violations, which may involve costs and may result in deterioration of our reputation.

Fraud, misconduct or other unlawful behavior by directors, officers and employees or third parties could subject us to losses and regulatory sanctions.

We are exposed to potential losses resulting from fraud, misconduct and other unlawful behavior by directors, officers and employees. Directors, officers and employees may bind us to transactions that exceed authorized limits or present unacceptable risks, hide from us and from our customers unauthorized activities, improperly use confidential information or otherwise abuse customer confidences. Third parties may engage in fraudulent activities, including fraudulent use of bank accounts or the use of false identities to open accounts for money laundering, tax evasion or other illegal purposes. Third parties could also use stolen or forged ATM cards, engage in credit card fraud or transfer funds illegally through online banking fraud, and we may be required to indemnify victims of such fraud for related losses. In the broad range of businesses in which we engage, fraud, misconduct and other unlawful behavior are difficult to prevent or detect. In addition, with or without actual fraud, misconduct and other unlawful behavior by directors, officers and employees, investigations, administrative actions or litigation could commence in relation to them. Furthermore, we may not be able to recover the losses caused by these activities, including possible deterioration of our reputation.

Transactions involving Iran and other countries designated by the U.S. Department of State as state sponsors of terrorism or targets that are subject to other U.S. economic sanctions may lead some potential customers and investors to avoid doing business with us or investing in our securities or may limit our business operations.

U.S. law generally prohibits or substantially restricts U.S. persons from doing business with countries designated by the U.S. Department of State as state sponsors of terrorism, or Designated Countries, which currently are Iran, Sudan and Syria. Under U.S. law, there are similar prohibitions or restrictions on dealings with countries, a region and persons that are the subject of other U.S. economic sanctions administered by the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, or other agencies (collectively with the Designated Countries, the Restricted Targets).

Our parent SMFG maintains an SMFG Group-wide policy designed to ensure compliance with applicable U.S. laws and regulations. This policy, which covers us and our banking subsidiaries that provide financial services globally, prohibits the new extension of credit to Iranian entities. Our non-U.S. offices engage in transactions relating to the Restricted Targets on a limited basis and in compliance with applicable laws and regulations. These activities include remittance of Japanese yen with respect to our customers' export or import transactions, maintenance of correspondent banking accounts with Iranian banks, including the Central Bank of Iran, and the payment of fees in Japanese yen to certain Iranian banks in connection with performance bonds issued in the past by us through these Iranian banks related to our customers' projects in Iran. The performance bonds expired and have not been renewed, but we continue to be obligated to pay certain fees to the Iranian banks. In addition, we maintain a representative office in Iran that mainly performs an information-collecting function.

We do not believe that our operations relating to the Restricted Targets materially affect our business, financial condition or results of operations. A limited number of our potential violations of U.S. economic sanctions were identified and voluntarily disclosed to OFAC. These transactions resulted from inadvertent operational errors or the lack of familiarity of some of our personnel with the requirements of the relevant regulations in the past, or from the inherent limitation on information about underlying transactions that can be obtained in the course of normal banking operations. Since the discovery of these potential violations we have further strengthened our Group-wide OFAC compliance program in an effort to prevent the recurrence of such potential violations. We settled some of the voluntarily disclosed potential violations with OFAC while others remain unsettled. However, in light of the inadvertent nature of such potential violations and the degree to which our strengthened OFAC compliance program aims to mitigate the risk of potential violations, we do not believe that our settlement with OFAC, or any possible penalties that OFAC may impose with respect to the other potential violations that remain unsettled, will have a material impact on our reputation, financial condition or results of operations, or on the prices of our securities.

We are aware of initiatives by U.S. states and U.S. institutional investors, such as pension funds, to adopt laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities engaged in certain business with Iran and other Designated Countries. It is possible that such laws and initiatives may result in our inability to enter into transactions with those entities that are subject to such prohibitions or to retain or acquire such entities as customers or investors in our securities.

In recent years, the U.S. government implemented a number of sanctions targeting non-U.S. persons for activities undertaken outside the United States, or secondary sanctions, that involve specific sanctions targets or certain activities including, among other things, certain transactions related to Iran's energy, petrochemical, shipping or shipbuilding sectors. Pursuant to the July 14, 2015 Joint Comprehensive Plan of Action, or JCPOA, agreed to by the five permanent members of the United Nations Security Council plus Germany, or the P5+1, and Iran, with the European Union, on January 16, 2016, or Implementation Day, the United States lifted U.S. nuclear-related secondary sanctions targeting Iran. Even after Implementation Day, certain secondary sanctions remain in effect, including those targeting significant transactions involving Iranian or Iran-related Specially Designated Nationals and Blocked Persons, or SDNs. In accordance with applicable laws and regulations, we intend to provide certain services, including settlement services in connection with customers' trade transactions between Japan and Iran, to the extent that such activities are not targeted by remaining secondary sanctions. For more details, see "Supervision and Regulation—Regulations in the United States—Laws Prohibiting Money Laundering and Terrorist Financing."

In addition, the U.S. government has enacted a series of Ukraine-related sanctions, including those under the Ukraine-Related Sanctions Regulations, the Ukraine Freedom Support Act of 2014 and "sectoral" sanctions on the financial, energy and defense sectors of the Russian economy.

The laws, regulations and sanctions referenced above or similar legislative or regulatory developments may further limit our business operations. If we were determined to have engaged in activities targeted by certain U.S. statutes, Executive Orders or regulations, we could lose our ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other potential sanctions. In addition, depending on sociopolitical developments, even though we take measures designed to ensure compliance with applicable laws and regulations, our reputation may suffer due to our association with the Restricted Targets. The above circumstances could have a significant adverse effect on our business or the prices of our securities.

Our business could be adversely affected by litigation and regulatory proceedings globally.

We conduct business in many locations in and outside of Japan. We face the risk of litigation and regulatory proceedings in connection with our operations. For example, if we engage in activities targeted by certain U.S. sanctions, this could result in the imposition of monetary penalties or other restrictions by the U.S. government against us. Lawsuits and regulatory actions may result in penalties or settlements of very large indeterminate amounts or limit our operations, and costs to defend either could be substantial. Moreover, we and one of our subsidiaries contribute to financial benchmarks such as the Tokyo Interbank Offered Rate, or TIBOR, and LIBOR for certain specific currencies. These benchmarks are widely referenced in jurisdictions in which we operate and do not operate. We face or may face some investigations, litigation and regulatory proceedings, and an adverse regulatory decision, judgment or ruling, including in jurisdictions we do not operate in, could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Industry

Our liquidity could be adversely affected by actual or perceived weaknesses in our businesses and by factors we cannot control, such as a general decline in the level of business activity in the financial services sector.

We need liquidity to maintain our lending activities, meet deposit withdrawals, pay our operating expenses and pay interest on and principal of debt and dividends on capital stock. Adverse market and economic conditions in the domestic and global economies may limit or adversely affect our access to liquidity required to operate our business. If our counterparties or the markets are reluctant to finance our operations due to factors including actual or perceived weaknesses in our businesses as a result of large losses, changes in our credit ratings, or a general decline in the level of business activity in the financial services sector, we may be unable to meet our payment obligations when they become due or only be able to meet them with funding obtained on unfavorable terms. Circumstances unrelated to our businesses and outside of our control, such as, but not limited to, adverse economic conditions, disruptions in the financial markets or negative developments concerning other financial institutions perceived to be comparable to us, may also limit or adversely affect our ability to replace maturing liabilities in a timely manner. Without sufficient liquidity, we will be forced to curtail our operations, which could adversely affect our business, results of operations and financial condition.

We may incur losses as a result of financial difficulties of counterparties and other financial institutions.

We regularly execute transactions with counterparties in the financial services industry. Many of these transactions expose us to credit risk in the event of deterioration of creditworthiness of a counterparty or client. With respect to secured transactions, our credit risk may be exacerbated when the collateral cannot be foreclosed on or is liquidated at prices not sufficient to recover the full amount of the loan or other exposures due to us. Losses from our investments in and loans to other financial institutions could materially and adversely affect our business, financial condition and results of operations. We may also be requested to participate in providing assistance to distressed financial institutions that are not our subsidiaries. In addition, if the funds collected by the Deposit Insurance Corporation of Japan, or the DIC, are insufficient to insure the deposits of failed Japanese banks, the insurance premiums that we pay to the DIC will likely be increased, which could adversely affect our business and results of operations.

Adverse regulatory developments or changes in government policies could have a negative impact on our results of operations.

Our businesses are subject to extensive regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan and the other jurisdictions in which we operate. Those changes and their effects on us are unpredictable and beyond our control.

Changes in the regulatory environment may adversely affect our financial condition and results of operations. In particular, the financial crisis has led to calls for significant financial reform measures, and various governments are at different stages of enacting legislation that will affect financial institutions.

In response to the financial and economic turmoil, regulatory authorities have been reviewing and revising capital adequacy guidelines, particularly in relation to quality of capital and accounting standards; such revisions could adversely affect our capital ratios. In December 2010, the BCBS published the Basel III rules text, setting out certain changes to capital requirements which include raising the quality of banks' capital bases, enhancing risk coverage, inhibiting leverage, reducing pro-cyclicality and introducing liquidity regulation, many of which have been fully applied or phased-in in Japan based on the Basel III implementation schedule.

The FSA's Financial Inspection Manual for financial institutions and related guidelines are revised or amended from time to time. Our implementation of any such changes could result in an increase in our administrative expenses, which could have an adverse effect on our results of operations and financial condition.

The FSA and regulatory authorities in the United States and other jurisdictions, along with the United Nations, have in recent years made the prevention of money laundering and terrorism financing a focus of governmental policy relating to financial institutions. Any regulatory action or change in regulatory focus, whether as a result of inspections or regulatory developments, may negatively affect our banking operations and may require expensive remediation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which was enacted in July 2010, provides a broad framework for significant regulatory changes across most areas of U.S. financial regulations. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically significant financial institutions, over-the-counter, or OTC, derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity funds, consumer and investor protection, and securitization. Implementation of the Dodd-Frank Act is taking place through detailed rulemaking over multiple years by various regulators.

These and similar, or any other kind of, significant regulatory developments could adversely affect our capital ratios and results of operations. See "Supervision and Regulation—Regulations in Japan," "Supervision and Regulation—Regulations in the United States," and "Supervision and Regulation—Regulations in Other Jurisdictions." Since those changes in regulation or fiscal or other policies and their effects are unpredictable and beyond our control, we may not be able to comply with those changes at all times, despite our efforts. Any such failures could result in administrative or judicial proceedings against us, including suspension of our business and financial penalties, which could materially adversely affect our business, reputation, results of operations and financial condition.

Changes in the competitive and financial environment and financial systems could have a negative effect on the financial services industry and us.

Deregulation of the financial system, consolidation among financial institutions, diversification within the financial services industry, and the expanded presence of foreign financial institutions and investors have made the Japanese financial services market highly competitive. Moreover, competition in overseas markets has intensified due to global consolidation, convergence and alliances among financial institutions. We compete with various types of financial services companies, including:

- banking groups, including Japan's other major banking groups;
- government-controlled and government-affiliated entities;
- regional banking institutions;
- major investment banks; and
- non-bank financial institutions.

Government measures implemented to stabilize the market and changes in the regulatory framework as well as other government actions may affect our competitive position. The Japan Post Bank Co., Ltd., or Japan Post

Bank, is a government-controlled entity due to its status as a subsidiary of Japan Post Holdings Co., Ltd., or Japan Post Holdings, and one of the world's largest deposit-taking financial institutions. Under the Postal Privatization Act, Japan Post Bank is required to receive prior approval of the Government of Japan to expand its business until Japan Post Holdings disposes of at least half of the shares of Japan Post Bank. Japan Post Holdings disposed approximately 11% of its shares of Japan Post Bank and Japan Post Bank was listed on the Tokyo Stock Exchange in November 2015, as the first phase of the plan for Japan Post Holdings to gradually dispose of its shares of Japan Post Bank down to around 50% ownership.

Increased competition in Japan may put downward pressure on prices for our financial services, cause us to lose market share or require us to incur additional expenses in order to remain competitive. Internationally, various forms of financial support provided by foreign governments to foreign banks and other financial institutions may reduce the cost of capital to those institutions and otherwise give them competitive advantages. There can be no assurance that we will be able to respond effectively to current or future competition.

The changes in the financial environment in Japan may also have a negative effect on the Japanese financial services industry. For example, changes in the monetary policy measures of the Bank of Japan, or the BOJ, including the expansion of the negative interest rate policy, may result in a further decrease in interest rates in Japan. This may lower the domestic interest spreads and significantly affect the businesses of commercial banks in Japan, including us, and have other unforeseen side effects on the functioning of and competition within Japan's financial markets. For further information on the BOJ's monetary policy measures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Operating Environment" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations."

Damage to our reputation may have an adverse effect on our business and results of operations.

Maintaining our reputation is vital to our ability to attract and maintain customers, investors and employees. Our reputation could be damaged through a variety of circumstances, including, among others, fraud or other misconduct or unlawful behavior by directors, officers or employees, systems failures, compliance failures, investigations, adverse litigation judgments or regulatory decisions, or unfavorable outcomes of governmental inspections. Negative media coverage of Japan's financial services industry or us, even if inaccurate or not applicable to us, may have a materially adverse effect on our brand image and may undermine depositor confidence, thereby affecting our businesses and results of operations. For example, actual or rumored investigations of us or our directors, officers or employees, or actual or rumored litigation or regulatory proceedings, or media coverage of the same, may have a material adverse effect on our reputation and could negatively affect the prices of our securities. Actions by the financial services industry generally or by certain members in the industry can also adversely affect customers' confidence on the financial services industry. Such reputational harm could also lead to a decreased customer base, reduced revenues and higher operating costs.

Other Risks

Our failure to establish, maintain and apply adequate internal controls over financial reporting could negatively impact investor confidence in the reliability of our financial statements.

In order to operate as a global financial institution, it is essential for us to have effective internal controls, corporate compliance functions, and accounting systems to manage our assets and operations.

Under section 404 of the U.S. Sarbanes-Oxley Act of 2002, which applies to us by reason of our parent SMFG's status as an SEC reporting company, our management is required to assess the effectiveness of our internal control over financial reporting and disclose whether such internal controls are effective. The FIEA also requires companies listed on a Japanese stock exchange, such as our parent SMFG, to file, together with their annual securities reports required by the FIEA, audited internal control reports assessing the effectiveness of their internal controls over financial reporting.

We have established internal controls over financial reporting, as well as rules for evaluating those controls, in order to provide reasonable assurance of the reliability of our financial reporting and the preparation of financial statements. However, these controls may not prevent or detect errors. Any evaluation of effectiveness to future periods is subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. To the extent any issues are identified through the foregoing processes, there can be no assurance that we will be able to resolve them in a timely manner or at all. If this occurs, our reputation may be damaged, which could lead to a decline in investor confidence in us.

Our business operations are exposed to risks of natural disasters, terrorism, pandemics and other calamities.

Our business operations are subject to the risks of natural disasters, terrorism, pandemics, blackouts, geopolitical incidents and other calamities, any of which could impair our business operations. Despite our preparation of operation manuals and other backup measures and procedures, such calamities could cause us to suspend operations and could adversely affect our businesses, financial condition and results of operations. Massive natural disasters such as the Great East Japan Earthquake and any subsequent collateral events, may adversely affect economic conditions in general, the financial conditions of our corporate and individual customers and stock market prices, or cause other negative effects, any or all of which could materially and adversely affect our financial condition and results of operations owing to, for example, an associated increase in the amount of credit-related costs or an increase in losses related to our holdings of securities.

Risks Related to the Notes

The following does not describe all the risks of an investment in the notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in a particular series of notes and the suitability of investing in the notes in light of their particular circumstances. Additional risk factors relating to a particular type or series of notes may appear in an applicable supplement.

There is no prior market for the notes and, if a market develops, it may not be liquid.

Whether or not a series of notes will be approved for listing on the SGX-ST or any other securities exchange, there can be no assurance that any liquid market for the notes will ever develop or be maintained. The dealers have advised us that they currently intend to make a market in the notes that they distribute. However, the dealers have no obligation to make a market in the notes and they may stop at any time. Furthermore, there can be no assurance as to the liquidity of any market that may develop for the notes or the prices at which you will be able to sell your notes, if at all. Future trading prices of the notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the notes;
- the market for similar securities; and
- general economic conditions.

Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including the time remaining to the maturity of the notes; the outstanding amount of the notes; and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining any listing of one or more series of notes on the SGX-ST or another securities exchange become unduly burdensome, we may be entitled to, and may decide to, delist such notes from such exchange and, if required by the terms thereof, seek an alternate listing for such notes on another securities exchange.

The notes are unsecured obligations.

The notes are unsecured obligations and repayment of the notes may be compromised if:

- we enter into bankruptcy, liquidation, civil rehabilitation or other winding-up proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs then our assets may be insufficient to pay amounts due on the notes.

Neither the notes nor the guarantees are insured by the FDIC.

Neither the notes nor the guarantees are deposit liabilities of us or the NY branch, respectively, and neither the notes nor the guarantees or your investment in the notes are insured by the FDIC, the Bank Insurance Fund or any U.S. or Japanese governmental or deposit insurance agency.

If the NY branch is closed and we do not arrange for an appropriate substitute guarantor, holders of the 3(a)(2) notes may be adversely affected.

If the NY branch is closed, either voluntarily by us or involuntarily, we are under no obligation to arrange for a substitute guarantor of the 3(a)(2) notes. In addition, in such circumstances, holders of the 3(a)(2) notes may find that the market for such notes is less liquid than previously was the case and/or that the market price of such notes is adversely affected either as a result thereof or because such notes no longer benefit from the guarantee.

The indentures and the notes do not contain any restrictions on our ability to pledge, dispose or securitize our assets, pay dividends, incur indebtedness or issue or repurchase securities, and provide holders with limited protection in the event of a change in control.

The indentures and the notes do not contain any financial covenants or restrictions on our ability to pledge assets to secure other indebtedness, to securitize our loan assets, to pay dividends on our shares of common stock, to incur unsecured indebtedness or to issue new securities or repurchase our outstanding securities. These or other actions by us could adversely affect our ability to pay amounts due on the notes. In addition, the indentures and the notes do not contain any covenants or other provisions that afford more than limited protection to holders of the notes in the event of a change in control.

The ratings of the Program or a particular series of notes issued under the Program may change, and those changes may have an adverse effect on the market prices and liquidity of notes issued under the Program.

The Program and notes issued under the Program may be rated by one or more rating agencies, as indicated in an applicable supplement or pricing term sheet. Any ratings will be limited in scope, and will not address all material risks relating to the Program or an investment in the notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that any such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors in the notes and adversely affect the prices and liquidity of the notes. A security rating is not a recommendation to buy, sell or hold the notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Payments on the notes may be subject to FATCA withholding after December 31, 2018.

Provisions of U.S. tax law commonly referred to as the Foreign Account Tax Compliance Act, or FATCA, impose a 30% withholding tax on certain U.S. source payments made to a foreign financial institution (such as ourselves, certain of our subsidiaries or a financial intermediary through which an investor may hold notes), unless the financial institution is a "participating foreign financial institution," or a PFFI, or otherwise exempt from FATCA. A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury Department, or a PFFI agreement, pursuant to which it agrees to perform specified due diligence, reporting and withholding functions. Specifically, under its PFFI agreement, a PFFI is required to obtain and report to the U.S. Internal Revenue Service, or the IRS, certain information with respect to financial accounts held by U.S. persons or U.S.-owned foreign entities and may be required to withhold 30% from "foreign passthru payments" (which term is not yet defined) that it makes to foreign financial institutions that are not PFFIs or otherwise exempt from FATCA and certain other persons who fail to provide requested information, if such payments are made on or after the later of January 1, 2019 and the date of publication of final Treasury regulations defining the term "foreign passthru payments." Generally, no such withholding would apply to any payments made on non-U.S. debt obligations that are issued before (and not materially modified after) the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published. On June 11, 2013, the United States and Japan entered into an intergovernmental agreement to facilitate the implementation of FATCA pursuant to which Japanese financial institutions (such as ourselves and certain of our subsidiaries) are directed by the Japanese authorities to register with the IRS and fulfill obligations consistent with those required under a PFFI agreement. We have registered with the IRS to become a PFFI. The United States has also entered into intergovernmental agreements with many other jurisdictions. These intergovernmental agreements (including the intergovernmental agreement with Japan) do not address how the United States and the relevant jurisdictions (including Japan) will address "foreign passthru payments" or whether withholding on such payments will be required by financial institutions that are subject to an intergovernmental agreement.

In the event that any amount of withholding is required from a payment on a note under FATCA or any intergovernmental agreement entered into with respect thereto, or any law, regulation or guidance implementing FATCA or such intergovernmental agreement, no additional amounts will be payable by us and withheld amounts will be treated as paid for all purposes under the notes.

USE OF PROCEEDS

Unless otherwise indicated in an applicable supplement or pricing term sheet, we will use the net proceeds we receive from any offering of the notes for general corporate purposes.

EXCHANGE RATES

The following table sets forth, for each period indicated, the noon buying rate in New York City for cable transfers in yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in yen per $1.00.

	High	Low	Average(1)	Period end
		(Yen per dollar)		
Fiscal year ended March 31,				
2012	¥ 85.26	¥ 75.72	¥ 78.86	¥ 82.41
2013	96.16	77.41	83.26	94.16
2014	105.25	92.96	100.46	102.98
2015	121.50	101.26	110.78	119.96
2016	125.58	111.30	120.12	112.42
Most recent six months:				
April	¥112.06	¥106.90	—	—
May	110.75	106.34	—	—
June	109.55	101.66	—	—
July	106.65	100.65	—	—
August	103.38	100.07	—	—
September	104.18	100.34	—	—

(1) Average of the exchange rates on the last business day of each month during the respective periods.

The noon buying rate for yen as of September 30, 2016, the latest practicable date for which exchange rate information was available, was ¥101.21 = $1.00.

These exchange rates are reference rates and are neither necessarily the rates used to calculate ratios nor the rates used to convert U.S. dollars to yen in the financial statements contained in this base offering circular.

CONSOLIDATED CAPITALIZATION AND INDEBTEDNESS

The following table should be read in conjunction with our consolidated financial statements. The table sets forth our consolidated capitalization and indebtedness as of March 31, 2016. The table has not been adjusted to give effect to any issuance of any notes.

	As of March 31, 2016
	(Millions of yen)
Indebtedness:(1)	
Senior borrowings	¥ 6,857,584
Senior short-term bonds	367,000
Senior bonds	4,212,387
Subordinated borrowings	1,201,264
Subordinated bonds	1,237,757
Total indebtedness	13,875,993
Net assets:	
Capital stock	1,770,996
Preferred stock:	
Authorized—634,001 shares, and issued—70,001 fully paid shares	
Common stock:	
Authorized—240,000,000 shares, and issued and outstanding—106,248,400 fully paid shares	
Capital surplus	2,702,093
Retained earnings	2,909,898
Treasury stock	(210,003)
Net unrealized gains (losses) on other securities	1,255,877
Net deferred gains (losses) on hedges	61,781
Land revaluation excess	39,348
Foreign currency translation adjustments	58,693
Accumulated remeasurements of defined benefit plans	(65,290)
Stock acquisition rights	249
Non-controlling interests(2)	922,549
Total net assets	9,446,193
Total capitalization and indebtedness(3)	¥23,322,187

(1) Figures for indebtedness do not include contingent liabilities or guarantees.

(2) We have changed the presentation of certain account items from the fiscal year ended March 31, 2016. "Minority interests" has been changed to "Non-controlling interests."

(3) Except as disclosed in this document, there has been no material change in our consolidated capitalization and indebtedness since March 31, 2016.

SELECTED FINANCIAL AND OTHER INFORMATION

The table below sets forth our selected consolidated financial data as of and for each of the five fiscal years ended March 31, 2016, derived from our audited consolidated financial statements. The consolidated financial statements and their notes for the fiscal years ended March 31, 2014, 2015 and 2016 are contained elsewhere in this document.

	Fiscal year ended and as of March 31,				
	2012	2013	2014	2015	2016[(1)]
	(Billions of yen)				
Selected consolidated income analysis information:					
Net business profit	¥ 2,181	¥ 2,186	¥ 2,266	¥ 2,328	¥ 2,214
Net interest income	1,239	1,207	1,309	1,325	1,226
Trust fees	2	2	2	3	4
Net fees and commissions	551	574	634	637	629
Net trading income	179	136	189	177	210
Net other operating income	210	268	131	185	146
General and administrative expenses	(1,142)	(1,133)	(1,195)	(1,262)	(1,315)
Equity in gains (losses) on equity method affiliates	(38)	(1)	8	(11)	(37)
Total credit cost	(92)	(71)	113	65	(14)
Net gains (losses) on stocks	(26)	(22)	108	63	68
Others	(26)	(30)	(1)	15	14
Ordinary profit	858	929	1,299	1,199	930
Net extraordinary gains (losses)	19	(7)	(7)	(11)	(4)
Income before income taxes	877	922	1,292	1,188	926
Income taxes	(254)	(106)	(422)	(382)	(180)
Profit	624	815	870	806	746
Profit attributable to non-controlling interests	(90)	(81)	(84)	(69)	(66)
Profit attributable to owners of parent	¥ 534	¥ 735	¥ 786	¥ 737	¥ 680
Selected consolidated balance sheet information:					
Total assets	¥138,252	¥143,203	¥155,824	¥177,559	¥180,409
Loans and bills discounted	63,585	66,666	69,754	75,120	77,331
Reserve for possible loan losses[(2)]	(868)	(807)	(624)	(540)	(496)
Securities	42,379	41,294	27,092	29,559	25,154
Deposits (including negotiable certificates of deposit)	93,113	101,316	108,516	115,537	125,979
Net assets	7,277	8,257	8,641	10,036	9,446

(1) We have changed the presentation of certain account items from the fiscal year ended March 31, 2016. “Income before income taxes and minority interests,” “Income before minority interests,” “Minority interests in net income” and “Net income” have been changed to “Income before income taxes,” “Profit,” “Profit attributable to non-controlling interests” and “Profit attributable to owners of parent,” respectively.

(2) Reserve for possible loan losses includes a general reserve, a specific reserve and a reserve for specific overseas countries.

SUPPLEMENTAL NON-CONSOLIDATED INFORMATION

The tables below set forth certain of our supplemental non-consolidated financial information as of and for each of the five fiscal years ended March 31, 2016.

	Fiscal year ended March 31,				
	2012	2013	2014	2015	2016
	(Billions of yen, except percentages)				
Selected income analysis information:					
Gross banking profit[(1)]	¥1,533	¥1,540	¥1,558	¥1,634	¥1,534
Net interest income	957	971	1,065	1,121	1,024
Trust fees	2	2	2	2	3
Net fees and commissions	319	344	357	350	359
Net trading income (losses)	84	(4)	37	13	67
Net other operating income (expenses)	171	227	97	148	83
Net gains (losses) on bonds	153	114	1	48	54
Expenses[(2)]	(719)	(728)	(746)	(791)	(805)
Personnel expenses	(260)	(270)	(283)	(313)	(323)
Non-personnel expenses	(423)	(419)	(425)	(436)	(436)
Taxes	(37)	(38)	(37)	(43)	(47)
Banking profit (before provision for general reserve for possible loan losses)[(3)]	813	812	812	843	729
Total credit cost[(4)]	(59)	(20)	124	80	3
Net gains (losses) on stocks	(15)	(36)	106	53	35
Other non-recurring gains (losses)	(44)	(86)	(90)	(20)	(19)
Ordinary profit	695	671	953	956	748
Net income	478	618	605	643	609
Selected other financial information:					
Interest rate earned on domestic loans and bills discounted	1.58%	1.54%	1.41%	1.32%	1.24%
Interest rate paid on domestic deposits, etc.	0.06%	0.05%	0.04%	0.03%	0.03%
Interest spread	1.52%	1.49%	1.37%	1.29%	1.21%
Overhead ratio[(5)]	46.9%	47.3%	47.9%	48.4%	52.5%

(1) Gross banking profit (*gyoumu ararieki*) is the sum of net interest income, trust fees, net fees and commissions, net trading income (losses) and net other operating income (expenses). The Banking Act of Japan, or the Banking Act, requires Japanese banks to disclose gross banking profit on a non-consolidated basis.

(2) Expenses do not include non-recurring losses (credit costs and losses on stocks, etc.).

(3) Banking profit (before provision for general reserve for possible loan losses) (*gyoumu jun-eki*), a commonly used indicator of the profitability of banking operations among Japanese banks, is calculated as follows: net interest income + trust fees + net fees and commissions + net trading income (losses) + net other operating income (expenses) – general and administrative expenses on a non-consolidated basis.

(4) Total credit cost = Provision for reserve for possible loan losses + Write-off of loans + Losses on sales of delinquent loans – Gains on reversal of reserve for possible loan losses – Recoveries of written-off claims.

(5) Overhead ratio is our expenses divided by gross banking profit.

	Fiscal year ended and as of March 31,				
	2012	2013	2014	2015	2016
	(Billions of yen, except percentages)				
Selected balance sheet information:					
Loans and bills discounted	¥56,411	¥59,771	¥63,371	¥ 68,274	¥ 69,277
Loans to individuals, and small-and medium-sized enterprises, etc.[(1)]	33,231	33,092	33,091	33,499	33,861
Consumer loans	15,206	14,956	14,722	14,347	14,148
Housing loans	14,337	14,086	13,841	13,438	13,207
Deposits (including negotiable certificates of deposit)	84,393	91,928	98,158	105,360	113,268
Selected credit quality information:					
NPLs[(2)]	1,183	1,093	881	769	623
NPL ratio[(3)]	1.86%	1.60%	1.21%	0.97%	0.78%
Reserve ratio to unsecured assets[(4)]	73.79%	80.23%	67.83%	67.10%	68.6%

(1) Loans to small and medium-sized enterprises, or SMEs, etc., represent a portion of all loans and bills discounted and include some consumer loans. Housing loans are a subset of consumer loans.

(2) NPLs include loans, acceptances and guarantees, suspense payments and other credit-type assets based on the Financial Reconstruction Act.

(3) NPL ratio equals the aggregate amount of outstanding loans and credit-type assets classified as NPLs under the Financial Reconstruction Act divided by the aggregate amount of all loans and credit-type assets, subject to disclosure under the Financial Reconstruction Act. For additional information, see "Business—Loan Losses, Total Credit Cost and NPLs—Accounting Principles and Self-Assessment Categories Relating to Reserve for Possible Loan Losses."

(4) Reserve ratio to unsecured assets equals the sum of the specific reserve and the general reserve for substandard loans divided by the aggregate amount of unsecured loans classified as NPLs under the Financial Reconstruction Act. For additional information, see "Business—Loan Losses, Total Credit Cost and NPLs—Accounting Principles and Self-Assessment Categories Relating to Reserve for Possible Loan Losses."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion below should be read together with "Selected Financial and Other Information" and the consolidated financial statements and notes included elsewhere in this document. Our financial statements are prepared in accordance with Japanese GAAP, which differs in significant respects from U.S. GAAP and IFRS. Unless otherwise indicated, we present our information on a consolidated basis. Some financial and statistical information, including information about NPLs classifications, is reported in accordance with the Banking Act and other relevant laws and regulations.

Overview

The discussion and analysis in this section largely reflect our financial condition and results of operations on a consolidated basis. However, some information is presented on a non-consolidated basis. Our non-consolidated assets of ¥153,641 billion were 85.2% of our ¥180,409 billion of consolidated assets as of March 31, 2016. Our non-consolidated ordinary profit of ¥748 billion was 80.4% of our ¥930 billion of consolidated ordinary profit for the fiscal year ended March 31, 2016.

Operating Environment

For the fiscal year ended March 31, 2016, Japanese gross domestic product, or GDP, increased by 0.8%, compared with a decrease of 0.9% in the previous fiscal year, based on data published in June 2016 by the Cabinet Office of the Government of Japan.

For the period from April to June 2015, the quarter-on-quarter growth rate of Japanese GDP was minus 0.4%, primarily due to a decline in exports of goods and services affected by the slowdown of emerging economies. However, Japanese GDP increased by 0.4% on a quarter-on-quarter basis for the period from July to September 2015, reflecting improvements in private consumption, private investment and exports of goods and services. For the period from October to December 2015, Japanese GDP decreased by 0.4% on a quarter-on-quarter basis with private consumption decreasing. Thereafter, for the period from January to March 2016, Japanese GDP increased by 0.5% on a quarter-on-quarter basis.

Private consumption, which accounts for about 58% of Japanese GDP, decreased by 0.2% for the fiscal year ended March 31, 2016. It decreased by 0.8% on a quarter-on-quarter basis for the period from April to June 2015. However, it then showed some resilience, reflecting the gradual improvement in the employment and income situation. For the period from July to September 2015, private consumption increased by 0.5% on a quarter-on-quarter basis. For the period from October to December 2015, it decreased by 0.8% on a quarter-on-quarter basis. Thereafter, for the period from January to March 2016, it increased by 0.6% on a quarter-on-quarter basis.

Private investment, which accounts for about 16% of Japanese GDP, consists of capital investments by business and private residential investments. Capital investments by business increased by 2.0% for the fiscal year ended March 31, 2016. For the period from April to June 2015, they decreased by 1.2% on a quarter-on-quarter basis. Thereafter, they increased, on a quarter-on-quarter basis, by 0.8% for the period from July to September 2015 and by 1.3% for the period from October to December 2015, reflecting the improvement in corporate earnings. Then, for the period from January to March 2016, they decreased by 0.7% on a quarter-on-quarter basis. Private residential investments increased by 2.4% for the fiscal year ended March 31, 2016. For the periods from April to June 2015 and July to September 2015, they increased, on a quarter-on-quarter basis, by 2.2% and 1.7% respectively, reflecting the steady improvement in the employment and income situation. However, for the period from October to December 2015, private residential investments decreased by 1.0% on a quarter-on-quarter basis. Then, for the period from January to March 2016, they decreased by 0.7% on a quarter-on-quarter basis.

Changes in private inventories contributed 0.3 percentage points to Japanese GDP growth for the fiscal year ended March 31, 2016. For the period from April to June 2015, they contributed 0.3 percentage points to Japanese GDP growth on a quarter-on-quarter basis, but negatively impacted Japanese GDP growth by 0.1 percentage points on a quarter-on-quarter basis for the period from July to September 2015. Thereafter, changes in private inventories pulled down Japanese GDP growth, on a quarter-on-quarter basis, by 0.2 percentage points for the period from October to December 2015 and by 0.1 percentage points for the period from January to March 2016, respectively.

The ratio of exports of goods and services to Japanese GDP was about 17%, and exports of goods and services increased by 0.4% for the fiscal year ended March 31, 2016. For the period from April to June 2015, exports of goods and services decreased by 4.8% on a quarter-on-quarter basis, due to the slowdown of emerging economies, notably China. Although exports of goods and services increased by 2.6% on a quarter-on-quarter basis for the period from July to September 2015, they decreased by 0.8% on a quarter-on-quarter basis for the period from October to December 2015. Thereafter, for the period from January to March 2016, they increased by 0.6% on a quarter-on-quarter basis.

The ratio of imports of goods and services to Japanese GDP was about 15%, and imports of goods and services decreased by 0.1% for the fiscal year ended March 31, 2016. For the period from April to June 2015, imports of goods and services decreased by 2.5% on a quarter-on-quarter basis. Thereafter, they increased by 1.7% on a quarter-on-quarter basis for the period from July to September 2015, reflecting the robust domestic demand, although they decreased by 1.1% on a quarter-on-quarter basis for the period from October to December 2015. Thereafter, for the period from January to March 2016, they decreased by 0.4% on a quarter-on-quarter basis.

Industrial production, as a whole, was flat throughout the fiscal year ended March 31, 2016.

The employment situation improved during the fiscal year ended March 31, 2016. The active job openings-to-applicants ratio continued to improve as a whole. In addition, the unemployment rate remained relatively low, and it was 3.2% in March 2016, a decrease of 0.2% from the same month of the previous year, based on the Labor Force Survey by the Statistics Bureau in the Ministry of Internal Affairs and Communications. For the periods from April to June 2015 and July to September 2015, compensation of employees increased, on a quarter-on-quarter basis, by 0.1% and 0.8%, respectively. Thereafter, for the periods from October to December 2015 and January to March 2016, it increased, on a quarter-on-quarter basis, by 0.5% and 1.3%, respectively.

Further, according to Teikoku Databank, a research institution in Japan, there were approximately 8,400 corporate bankruptcies in Japan during the fiscal year ended March 31, 2016, a decrease of 7.0% from the previous fiscal year, involving approximately ¥1.9 trillion in total liabilities, an increase of 1.0% from the previous fiscal year.

In Japanese financial and capital markets, the uncollateralized overnight call rate, which is the benchmark short-term interest rate, remained at relatively low levels during the fiscal year ended March 31, 2016, due to the ongoing provision of ample funds by the BOJ. In particular, following the introduction of a negative interest rate policy by the BOJ in February 2016 as part of the BOJ's quantitative and qualitative monetary easing, it further declined. The yield on newly issued JGBs with a maturity of 10 years, which is the benchmark long-term interest rate, remained at relatively low levels, declining to minus 0.029% at March 31, 2016, due to the introduction of the negative interest rate policy mentioned above.

The Nikkei Stock Average, which is a price-weighted average of 225 stocks listed on the Tokyo Stock Exchange First Section, rose from 19,206.99 at March 31, 2015 to 20,868.03 at June 24, 2015, its highest closing level since December 1996, reflecting the improvement in corporate earnings. However, it then dropped to 16,758.67 at March 31, 2016, reflecting the sudden fall in the Chinese stock market and other factors.

The yen appreciated against the U.S. dollar from ¥120.21 at March 31, 2015 to ¥112.43 at March 31, 2016, according to the statistical data published by the BOJ.

As for the global economy for the fiscal year ended March 31, 2016, economies of developed countries such as the U.S. and certain European countries continued to recover gradually, despite a slowdown in the pace of growth of emerging economies.

The U.S. economy continued to recover for the fiscal year ended March 31, 2016, supported by robust household spending, although the corporate sector was relatively weak. The European economy continued to steadily recover for the fiscal year ended March 31, 2016. On the other hand, the growth momentum in China and other Asian economies continued to be slow for the fiscal year ended March 31, 2016.

In addition to economic factors and conditions, we expect that our results of operations and financial condition will be significantly affected by regulatory trends.

To address perceived weaknesses in financial regulation revealed by the global financial crisis, regulatory authorities in Japan and foreign countries have been and may continue taking significant steps to enhance regulation of the financial sector. The BCBS and other international bodies are leading efforts to formulate enhanced regulations, including in the areas of capital adequacy and liquidity. The BCBS published the Basel III rules text in December 2010, reflecting agreement on global regulatory standards on capital adequacy and liquidity of internationally active banks. The new rules started to be phased in on January 1, 2013 and will be fully applied from January 2019. To reflect the principal risk-weighted capital measures of the Basel III rules text, the FSA has promulgated new capital adequacy requirements which started to be phased in on March 31, 2013 and will be fully applied from March 31, 2019. For a more detailed description of the capital adequacy rules based on Basel III, see "Supervision and Regulation—Regulations in Japan."

In the United States, the Dodd-Frank Act which was enacted in July 2010, provides a broad framework for significant regulatory changes across most areas of U.S. financial regulation. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically significant U.S. financial institutions, OTC derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity funds, consumer and investor protection, hedge fund registration, and securitization. For a more detailed description of the Dodd-Frank Act, see "Supervision and Regulation—Regulations in the United States."

For a more detailed description of regulations to which we are subject, risks associated with regulatory development and our management policy under this environment, see "Risk Factors—Risks Related to Our Business, and Risks Related to Our Industry," "Supervision and Regulation—Regulations in Japan," "Supervision and Regulation—Regulations in the United States" and "Supervision and Regulation—Regulations in Other Jurisdictions."

Strengthening of Equity Capital

In response to the imposition of more stringent regulatory capital requirements, SMFG has been taking a proactive approach to managing risk-weighted capital ratio by focusing on increasing qualifying capital, including by building up retained earnings, identifying risks, and controlling risk-weighted assets.

SMFG estimates that its Common Equity Tier 1 risk-weighted capital ratio based on the definition as of March 31, 2019, or a fully-loaded basis, was 11.9% as of March 31, 2016.

Interest Rate Changes

We undertake significant trading and investment activities involving a variety of financial instruments, including derivatives. Our income from these activities is subject to volatility caused by, among other things, changes in interest rates. We have substantial investments in debt securities. In particular, JGBs represent a significant part of our fixed-income portfolio. We also own a substantial amount of debt securities denominated in foreign currencies, principally the U.S. dollar and the euro. Increases in interest rates could substantially decrease the value of our fixed-income portfolio, and any unexpected change in yield curves could adversely affect the value of our fixed-income portfolio and interest rate derivative positions, resulting in lower-than-expected revenues from trading and investment activities.

Expansion of Financial Products, Services Offerings and Global Operations

We have gradually expanded our product and service offerings, in conjunction with deregulation in the Japanese banking industry. For example, we have added:

- securities intermediary services to both individual and corporate customers;
- pension-type insurance;
- testamentary trust products; and
- level-premium insurance.

We are exposed to new and increasingly complex risks as we expand our distribution channels and the range of our products and services beyond our traditional banking business to other financial services and as financial products and management systems continue to become more sophisticated. Furthermore, we will need to develop, invest in and implement systems to manage new products and services and distribution channels. We may incur expenses needed to address regulatory developments that enhance consumer protections, including for improvements to information technology systems and employee training.

In our overseas business, we aim to further pursue organic growth opportunities, mainly through allocating more assets, expanding branches and offices and channels centered on Asia, and enhancing products and services where we believe we have a competitive advantage. We also aim to pursue inorganic growth opportunities overseas in order to enhance our enterprise value and reinforce our commercial banking-related businesses. This expansion has increased our exposure to adverse developments in foreign economies and markets, including regulatory and political risk, interest rate and foreign exchange rate risk and the specific credit and market risks inherent to the countries and regions in which we operate.

Factors Affecting Results of Operations

Income (Loss)

We have three principal sources of operating income: net interest income, net fees and commissions and net trading income. Our operating income includes net other operating income and other income.

Net Interest Income. Net interest income, or the difference between interest income and interest expenses, is determined by:

- the amount of interest-earning assets and interest-bearing liabilities;
- the interest spread;
- the general level of interest rates; and
- the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity.

Our principal interest-earning assets consist of loans and advances, investment securities and deposits with banks. Our principal interest-bearing liabilities consist of deposits, borrowings and debt securities in issue. We control our exposure to interest rate fluctuations through asset liability management, or ALM, operations.

Like other banks in Japan, we make most domestic loans based on a short-term interest rate, TIBOR, or a short-term prime rate, which are generally intended to reflect the cost of short-term yen funding. Our short-term prime rate is affected mainly by changes in the policy interest rates set by the BOJ, which is an uncollateralized overnight call rate.

Prime rates in Japan have been relatively stable since 2000. This is mainly because short-term interest rates, for example, three-month TIBOR, have declined to nearly zero, and prime rates, which are adjusted according to changes in short-term interest rates, had little room for further decline. The BOJ lowered its target for the uncollateralized overnight call rate, which is its policy interest rate, from 0.5% to 0.3% in October 2008 and by an additional 20 basis points to 0.1% in December 2008 in order to address market conditions. The BOJ similarly reduced the basic loan rate from 0.75% to 0.5% in October 2008 and then to 0.3% in December 2008. Following these policy interest rate changes, we lowered our short-term prime rate by 0.4% from 1.875% to 1.475% and our ordinary deposit rate by 0.16% from 0.2% to 0.04%. In September 2010, we further lowered our ordinary deposit rate to 0.02%. In October 2010, the BOJ lowered its target for the uncollateralized overnight call rate to a range of 0% to 0.1% in order to enhance monetary easing, making clear that it is pursuing a virtual zero interest rate policy. Moreover, on January 22, 2013, the BOJ decided to set the price stability target at 2% in terms of the year-on-year rate of increase in the CPI and pursue aggressive monetary easing. In order to achieve the price stability target at the earliest possible time, the BOJ announced in April 2013 the introduction of "quantitative and qualitative monetary easing" including doubling the monetary base and the amounts outstanding of JGBs as well as exchange-traded funds in two years. In addition, the BOJ announced on October 31, 2014 the expansion of its "quantitative and qualitative monetary easing" and on December 18, 2015 the introduction of "supplementary measures for quantitative and qualitative monetary easing." On January 29, 2016, the BOJ announced the introduction of "quantitative and qualitative monetary easing with a negative interest rate", or the negative interest rate policy, and began to implement the negative interest rate policy on February 16, 2016. Under the negative interest rate policy, the BOJ has adopted a multi-tier system where the outstanding balance of each financial institution's current account at the BOJ is divided into three tiers, to each of which a positive interest rate, a zero interest rate and a negative interest rate of minus 0.1 percent are applied, respectively. After these policy interest rate changes, we lowered our ordinary deposit rate by 0.019 percentage points from 0.02% to 0.001% in February 2016.

The following table sets forth our short-term prime rate, three-month TIBOR, ordinary deposit rate, long-term prime rate and ten-year swap rate, as of the dates indicated:

	As of March 31,		
	2014	**2015**	**2016**
Short-term prime rate	1.475%	1.475%	1.475%
Three-month TIBOR	0.212	0.172	0.099
Ordinary deposit rate	0.020	0.020	0.001
Long-term prime rate	1.200	1.150	0.950
Ten-year swap rate	0.825	0.576	0.149

It is difficult to earn a wide interest spread when interest rates are at a low level, as they currently are in Japan. When interest rates rise from extremely low levels, interest spreads at commercial banks generally increase. However, interest spreads may temporarily decrease immediately after an increase in interest rates because it may take time for banks to increase lending rates correspondingly, in contrast to their funding rates. After an adjustment period, lending rates generally also increase and banks are able to secure a wider interest spread than in a low interest rate environment. Conversely, interest spreads may temporarily increase immediately after a decrease in interest rates because it may take time for banks to decrease lending rates correspondingly, in contrast to their funding rates. After an adjustment period, lending rates generally also decrease and banks generally are not able to maintain a wide interest spread. While various factors may affect the level of net interest income, generally the loan-to-deposit interest spread increases when short-term interest rates rise, particularly in the current low interest-rate environment.

Net Fees and Commissions. We earn fees and commissions from a variety of services. The principal components of our fees and commissions, particularly in recent periods, arise from:

- money remittance and transfers arising from electronic, telephone and internet banking and other operations;
- guarantees and acceptances;
- loans related to the investment-banking business, such as loan syndication and project finance;
- securities-related businesses; and
- sales of investment trusts and pension-type insurance, level-premium insurance and similar products.

The principal factors affecting fees and commissions are the demand for the services provided, the fees charged for those services and fees charged by competitors for similar services. The volume of services provided also affects profitability, as internet banking and other fee businesses have significant economies of scale. In order to diversify sources of revenue and enhance return on assets, we are expanding our fees and commissions businesses, including sales of investment trusts and pension-type insurance, and investment banking businesses.

The primary component of our net fees and commissions income is fees from money remittance and transfers. In recent periods, this income has principally reflected the development and increased customer use of electronic, telephone and internet banking and other alternative banking service delivery channels. Fees and commissions income also includes fees and commissions related to investment trusts, insurance products, deposits and loans (loan commitment fees, loan arrangement fees, etc.), securities transactions (for example, brokerage commissions, underwriting commissions, bond trustee fees and bond recording agency fees) and guarantees and acceptances. Other fees and commissions consist primarily of fees from pension-type insurance, investment banking and electronic banking.

Net Trading Income. We record gains or losses on the fair value of our trading assets and liabilities. The principal factors affecting net trading income are fluctuations in the value of the Japanese yen against foreign currencies, principally the U.S. dollar, the general level of interest rates and the level of sales of financial products, particularly, in recent periods, derivatives.

We do not view net trading income as indicative of the operating performance of a discrete business line. We report our trading assets and liabilities at fair value. A substantial portion of net trading income reflects the results of trading positions established for purposes of hedging interest rate, currency, credit and other exposures, but which do not qualify for hedge accounting. As a consequence, a substantial portion of the gains and losses reflected in this account are offset by losses and gains in other accounts, mainly those on foreign exchange transactions included in net other operating income.

Net Other Operating Income. Our net other operating income includes income from our bond-related operations and gains on foreign exchange operations and other operations. Income from bond-related operations consists of gains on sales and redemptions of bonds, including JGBs, net of losses on the sale, redemption and devaluation of bonds. Our results from bond-related operations fluctuate depending on a number of factors, including fluctuations in market prices of bonds and related products, the status of our open and hedged positions and the cost of managing any market exposures. Gains on foreign exchange operations include net gains from foreign currency transactions, gains on revaluation of foreign currency positions at each fiscal period end, margins earned on trades for customers and gains on hedged positions in foreign-denominated transactions. Gains on foreign exchange operations fluctuate depending upon a number of factors including the volume of, and margin earned in respect of, transactions initiated by customers, the status of our open and hedged positions in the market and the costs of managing any market exposures. Other components of net other operating income include fees earned on securities lending, gains on securitization of housing loans, and gains and losses on sales of performing loans.

Gains on Reversal of Reserve for Possible Loan Losses. Gains on reversal of reserve for possible loan losses is recognized when the amount of provision for the reserve for possible loan losses recorded in the prior year exceeds the amount estimated in the current year.

Other Income. Other income consists primarily of gains on sales of stocks and other securities, equity in earnings of affiliates and non-recurring items.

Expenses

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and related expenses, depreciation and amortization expenses, rent and lease expenses, taxes other than income taxes and welfare expenses.

Other Expenses. We also record other expenses. Other expenses consists primarily of losses on sale of delinquent loans, write-offs of loans, losses on devaluation of stocks, losses on sales of stocks and other securities, losses on impairment of fixed assets and losses on disposal of fixed assets.

Provision for Reserve for Possible Loan Losses. Provision for reserve for possible loan losses includes provisions for both general and specific reserves.

Critical Accounting Policies

We make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent liabilities. Actual results may differ from our estimates. We have identified the following accounting policies as critical to an understanding of our businesses, since the application of these policies requires significant management assumptions and estimates that could result in the reporting of materially different amounts if our assumptions and estimates prove to be incorrect.

Reserve for Possible Loan Losses

We maintain a reserve for possible loan losses for exposures in our portfolio that represent the estimate of probable losses in the loan portfolio. Determining the reserve for possible loan losses requires significant management judgment and the use of estimates, including the ongoing risk assessment of customers' ability to pay and the fair value of underlying collateral.

Our reserve for possible loan losses is comprised of three parts: a general reserve, a specific reserve and a reserve for specific overseas countries. We use a quarterly self-assessment process to analyze the quality of loans and thereby calculate our reserve.

Our general reserve is calculated based on historical credit loss ratios, except for a loan loss reserve for substandard loans made to borrowers with large exposures, which is calculated by discounting the projected cash flows from those loans to present value. The specific reserve is calculated based on our estimate of the probability of loan losses on the whole amount of each loan to bankrupt, effectively bankrupt and potentially bankrupt borrowers under our self-assessment classifications. The reserve for possible losses on specific overseas countries is calculated based on the amount of expected losses due to political and economic circumstances in the relevant countries.

A reserve for possible loan losses of other consolidated subsidiaries for general claims is provided by aggregating an amount deemed necessary by the management of the subsidiaries based on historical loan-loss ratios, and, for doubtful claims, aggregating an amount deemed uncollectible based on an assessment of each claim. For collateralized or guaranteed claims on bankrupt 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.

If actual events prove the estimates and assumptions used in determining the reserve for possible loan losses incorrect, we may need to make additional provisions for loan losses.

Impairment of Investments

We recognize an impairment loss on other securities that have a readily ascertainable market value if the fair value of the securities suffers a decline that is not considered temporary. In the case of equity securities that have a readily ascertainable market value, we determine whether our holdings of a particular security are impaired based on the one-month average market price of that security during the last month of each quarter. If we conclude that a particular security is impaired, we calculate impairment loss based on the market price of that security as of the end of the fiscal period. Management judgment is required in determining whether factors indicate that an impairment loss has occurred as of the balance sheet date. We conduct quarterly reviews to identify and evaluate other securities that have indications of possible impairment. Even where we recognize an impairment loss for a quarter as a result of declines in market values, we may not recognize an impairment loss for the fiscal year if market values recover at the end of the fiscal year. In determining whether a decline in fair value is temporary for a particular security, if the security is classified as other securities and has a readily ascertainable market value, we consider the extent of the decline in fair value below cost. Other securities with market value are considered impaired if the fair value decreases materially below the acquisition cost and the decline is not considered 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. The determination of whether a material decline has occurred is made as follows based on the classification of the issuer:

- for 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) and potentially bankrupt issuers (issuers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy), when fair value is lower than acquisition cost;

- for issuers requiring caution (issuers that are identified for close monitoring), when fair value is 30% or more lower than acquisition cost; and

- for normal issuers (issuers that do not fall under the aforementioned categories), when fair value is 50% or more lower than acquisition cost.

We also recognize impairments quarterly in accordance with internal rules for the self-assessment of assets on debt securities classified as held-to-maturity, on other securities that do not have a readily ascertainable market value and on investments in subsidiaries and affiliates. Our internal rules for the self-assessment of assets require consideration of factors including the credit standing of issuers and the extent of decline in net assets of issuers. When a determination is made that the decline is not temporary, the securities are written down to our share of the amount of the issuer's net assets, which we believe generally approximates fair value. Future impairment charges may be required if triggering events occur. Triggering events are those suggesting deterioration in an investment's future economic benefit. Examples of triggering events include worsening market conditions, downgrades in credit ratings or breach of covenants in the case of debt securities. The amount of these impairments may involve significant judgment.

Deferred Tax Assets

We recognize deferred tax assets and liabilities for the estimated future tax effects of temporary differences, net operating loss carryforwards and tax credits. Deferred tax assets are recognized based on the tax planning strategy authorized by management. In the process of determining the amount of deferred tax assets to be recognized on the balance sheet, management makes estimates and assumptions based on the Practical Guidelines published by the Japanese Institute of Certified Public Accountants, or the JICPA. Forecasted results of operations, the basis of our estimation of future taxable income, have a significant effect on the amount of the valuation allowance.

However, actual results may be adversely affected by unexpected or sudden changes in the economy or other factors to the extent that the impact exceeds our original forecast. Depending on the nature of the change, we may adjust our forecast of taxable income. A valuation allowance for deferred tax assets is provided with respect to deferred tax assets we estimate to be unrecoverable based on such estimation. If we later reduce our estimation of projected taxable income, then valuation allowance is further increased and a corresponding amount of our income tax expense is recognized in the period.

The establishment of the valuation allowance is an inherently uncertain process involving estimates, and the currently established valuation allowance may not be sufficient. Moreover, if we are unable to realize all or part of our deferred tax assets in the future, an adjustment to the valuation allowance would be charged in the period that determination is made, and this could materially and adversely affect our financial condition and results of operations.

Fair Value Estimates

When available, quoted market prices in active markets are generally the most reliable measure of fair value. However, quoted market prices are usually not available for certain instruments, investments and activities, including non-exchange traded contracts and equity investments in non-public securities. In these cases, the determination of fair values requires us to make estimates based on certain assumptions. We estimate fair values by relying on the discounted cash flow method and other methods, as well as pricing models and advice from investment banks. However, these methods require the use of estimates and assumptions which may differ from actual results.

In October 2008, the Accounting Standard Board of Japan, or the ASBJ, released "Practical Solution on Measurement of Fair Value for Financial Assets," based on similar proposed amendments to IFRS. The release permits a company's management to use its own rational estimate of the fair value of certain financial assets in circumstances where the financial asset is considered to have no market price or if the market price cannot be recognized as a fair value for the financial asset. The release states this can occur in situations where there are only an extremely small number of transactions for the financial assets if they are traded on exchanges or in OTC transactions, or where there is a significantly large spread between the bid and asked prices.

Hedge Accounting

We follow guidelines issued by the JICPA regarding the application of hedge accounting to derivative financial instruments. Derivative financial instruments are classified and accounted for as follows:

- except as discussed below, all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in our consolidated statements of income;

- for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, certain domestic consolidated subsidiaries use deferred hedge accounting or fair value hedge accounting; and

- interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

Over the entire life of an effective hedging instrument, changes in the fair value or cash flows of the hedged item can be expected to be almost fully offset by changes in the fair value or cash flows of the hedging instrument, so the net impact on profit over time is relatively small. However, if the hedged item is one that would normally not be recorded at fair value (for instance, if it is held at cost less impairment), but the hedging instrument would normally be accounted for at fair value, there could be substantial differences in the profit-and-loss effect for the two items during specific accounting periods, although over the whole life of the instrument these differences would be expected to balance out. Applying hedge accounting means that changes in the fair values of designated hedging instruments affect reported net profit in a period only to the extent that each hedge is ineffective. If we did not apply hedge accounting, the entire change in fair value of the designated hedging instrument in each individual reporting period would be reported in net income for that period regardless of the economic effectiveness of the hedge. We believe that not applying hedge accounting could lead to misinterpretations of our results of operations and financial position, since hedging transactions could have a material impact on reported net profit in a particular period, although over the total life of a hedge the net effect of the two treatments is identical.

Liability for Employee Retirement Benefits

We have significant employee retirement and severance benefit obligations, the reported amounts of which are determined based on actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets. Management must evaluate current market conditions, including the interest rate environment, in selecting these assumptions. Other assumptions include the assumed rate of increase in compensation levels, the mortality rate and the withdrawal rate.

Changes in these assumptions inherent in the valuation are reasonably likely to occur from period to period. These changes in assumptions may lead to changes in related employee retirement and severance benefit costs or credits in the future.

In preparing our financial statements for the fiscal year ended March 31, 2016, we used and continue to use a discount rate of (0.1)% to 0.8% and 3.3% to 12.8% for domestic and overseas subsidiaries, respectively, and a long-term rate of return on plan assets of 0% to 4.0% and 3.5% to 12.8% for domestic and overseas subsidiaries, respectively. In establishing the discount rate, we determine which JGBs have a maturity period comparable to the remaining service period and match this period with the remaining life expectancy of our participants. We establish the expected long-term rate of return on plan assets based on management's expectations of the long-term return of the various plan asset categories in which we invest. Management develops expectations with respect to each plan asset category based on actual historical returns and its current expectations for future returns.

Impairment of Fixed Assets

The Business Accounting Council issued "Accounting Standards for Impairment of Fixed Assets" (Opinion Concerning Establishment of Accounting Standard for Impairment on Fixed Assets) in 2002 and the ASBJ issued "Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets" (Guidelines on Implementation of Business Accounting Standard No. 6) in 2003. These accounting standards require a company to review its fixed assets for impairment if there are indications that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the undiscounted future cash flows resulting from the continued use and eventual disposal of the asset or asset group.

Recent Accounting Pronouncements

See "Changes in Presentation" in our consolidated financial statements as of and for the years ended March 31, 2015 and 2016 included elsewhere in this document.

Recent Financial Highlights

We have not published consolidated financial information for the three months ended June 30, 2016. The discussion and analysis in this section reflect our results of operations and financial condition on a non-consolidated basis, unless otherwise indicated.

Results of Operations for the Three Months Ended June 30, 2016

The table below sets forth selected unaudited, non-consolidated financial data for the three months ended June 30, 2015 and 2016, derived from our unaudited non-consolidated financial statements. Our results of operations for the three months ended June 30, 2016 are not necessarily indicative of our operating results for the fiscal year ending March 31, 2017 or for any other period.

	Three months ended June 30,	
	2015	2016
	(Billions of yen, except percentages)	
Gross banking profit	¥ 440	¥ 369
Net interest income	324	217
Trust fees	0	0
Net fees and commissions	74	68
Net trading income (losses)	4	25
Net other operating income (expenses)	38	59
Net gains (losses) on bonds	20	45
Expenses (excluding non-recurring losses)	(201)	(205)
Banking profit (before provision for general reserve for possible loan losses)	239	165
Total credit cost	20	18
Net gains (losses) on stocks	28	0
Ordinary profit	262	149
Net income	185	107
Overhead ratio	45.6%	55.4%
Interest rate earned on domestic loans and bills discounted	1.24%	1.13%
Interest rate paid on domestic deposits, etc.	0.03%	0.01%
Interest spread	1.21%	1.12%

In the three months ended June 30, 2016, gross banking profit was ¥369 billion, as compared to ¥440 billion for the same period in the previous fiscal year, due primarily to a decrease in profits from equity index-linked investment trusts included in net interest income. Expenses (excluding non-recurring losses) were ¥205 billion, as compared to ¥201 billion for the same period in the previous fiscal year, primarily due to expenditures in order to implement measures to enhance top-line growth. As a result, banking profit (before provision for general reserve for possible loan losses) was ¥165 billion, as compared to ¥239 billion for the same period in the previous fiscal year.

Total credit cost was a net reversal of ¥18 billion in the three months ended June 30, 2016, as compared to a net reversal of ¥20 billion for the same period in the previous fiscal year. This was due primarily to a decrease in gains on reversal of reserve for possible loan losses. Net gains on stocks were ¥0 billion in the three months ended June 30, 2016, as compared to ¥28 billion for the same period in the previous fiscal year.

Ordinary profit was ¥149 billion in the three months ended June 30, 2016, as compared to ¥262 billion for the same period in the previous fiscal year. Net income was ¥107 billion in the three months ended June 30, 2016, as compared to ¥185 billion for the same period in the previous fiscal year.

Financial Condition as of June 30, 2016

Our total loans and bills discounted were ¥69,840 billion as of June 30, 2016 compared to ¥69,277 billion as of March 31, 2016. NPLs were ¥586 billion as of June 30, 2016 compared to ¥623 billion as of March 31, 2016 and ¥739 billion as of June 30, 2015. Our NPL ratio was 0.73% as of June 30, 2016 compared to 0.78% as of March 31, 2016 and 0.93% as of June 30, 2015. Total net unrealized gains or losses on securities were ¥1,411 billion of net gains as of June 30, 2016 compared to ¥1,648 billion of net gains as of March 31, 2016 and ¥2,419 billion of net gains as of June 30, 2015.

Our overseas offices and offshore banking accounts loan balance was ¥18,177 billion as of June 30, 2016 compared to ¥19,581 billion as of June 30, 2015. Our domestic loan balance was ¥51,663 billion as of June 30, 2016 compared to ¥48,687 billion as of June 30, 2015. As of June 30, 2016, the total balance of our bonds classified as "other securities" and held-to-maturity securities were ¥17,946 billion and ¥1,681 billion, respectively. Unrealized gains on our bonds classified as "other securities" were ¥122 billion as of June 30, 2016. The approximate average duration of our yen-denominated bond portfolio, including JGBs but excluding private placement bonds, bonds held-to-maturity and bonds for which fair value hedge accounting is applied, was 2.8 years as of June 30, 2016.

Capital Ratios as of March 31, 2016 and June 30, 2016

The tables below presents our total risk-weighted capital ratio, total capital, and risk-weighted assets as of March 31, 2016 and June 30, 2016 on consolidated and non-consolidated basis, based on the Basel III rules.

	As of March 31, 2016	As of June 30, 2016
	(Billions of yen, except percentages)	
Consolidated		
Total risk-weighted capital ratio	18.19%	18.57%
Tier 1 risk-weighted capital ratio	14.58%	14.76%
Common Equity Tier 1 risk-weighted capital ratio	13.04%	13.30%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥10,475.6	¥10,483.3
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	8,396.6	8,332.3
Common Equity Tier 1 capital	7,507.2	7,509.9
Risk-weighted assets	57,558.1	56,441.7
The amount of minimum capital requirements	4,604.6	4,515.3

	As of March 31, 2016	As of June 30, 2016
	(Billions of yen, except percentages)	
Non-consolidated		
Total risk-weighted capital ratio	19.47%	19.88%
Tier 1 risk-weighted capital ratio	15.29%	15.46%
Common Equity Tier 1 risk-weighted capital ratio	13.44%	13.65%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥ 9,706.7	¥ 9,767.1
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	7,619.5	7,595.4
Common Equity Tier 1 capital	6,701.7	6,708.1
Risk-weighted assets	49,829.2	49,126.1
The amount of minimum capital requirements	3,986.3	3,930.1

Set forth below is a table of risk-weighted capital ratios, capital, and risk-weighted assets of SMFG as of March 31, 2016 and June 30, 2016 on a consolidated basis, based on the Basel III rules.

	As of March 31, 2016	As of June 30, 2016
	(Billions of yen, except percentages)	
Consolidated		
Total risk-weighted capital ratio	17.02%	17.12%
Tier 1 risk-weighted capital ratio	13.68%	13.63%
Common Equity Tier 1 risk-weighted capital ratio	11.81%	11.88%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥11,235.9	¥11,219.4
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	9,031.7	8,934.3
Common Equity Tier 1 capital	7,796.5	7,783.3
Risk-weighted assets	66,011.6	65,502.0
The amount of minimum capital requirements	5,280.9	5,240.2

SMFG estimates that its Common Equity Tier 1 risk-weighted capital ratio was 11.9% and 11.8% as of March 31, 2016 and June 30, 2016, respectively, based on the definition as of March 31, 2019, or a fully-loaded basis.

Recent Developments

Monetary Policy Developments

In September 2016, the BOJ announced a new policy framework of quantitative and qualitative monetary easing with yield curve control, which included the introduction of an interest-rate target for 10-year Japanese government bonds. The new policy framework consists of two major components: yield curve control for short-term and long-term interest rates and a commitment by the BOJ to expand the monetary base until the year-on-year rate of increase in the consumer price index exceeds 2% percent and stays above it in a stable manner. The BOJ indicated it would purchase Japanese government bonds so that the yield of the 10-year Japanese government bonds will be close to the current levels of around 0% as a measure to control long-term interest rates, while keeping short-term interest rates down by maintaining its policy of applying a negative interest rate of minus 0.1% to certain excess reserves of financial institutions held at the BOJ. The BOJ indicated that it may cut interest rates further if judged necessary. The BOJ also decided to introduce two new methods of controlling the yield curve for interest rates: outright purchases of Japanese government bonds with yields designated by the BOJ (rather than through competitive auctions) and operations to supply fixed-rate funds for periods of up to 10 years (which were previously limited to one year).

Results of Operations

The following table presents information as to our income, expenses and profit attributable to owners of parent for the fiscal years ended March 31, 2014, 2015 and 2016:

	Fiscal year ended March 31,		
	2014	**2015**	**2016[1]**
		(Millions of yen)	
Ordinary income	¥ 3,105,992	¥ 3,199,409	¥ 3,059,022
Interest income	1,606,106	1,690,086	1,652,508
Trust fees	2,393	2,795	3,587
Fees and commissions	778,343	782,349	779,388
Trading income	189,085	235,239	209,722
Other operating income	225,360	279,857	232,513
Other income	304,702	209,080	181,301
Gains on reversal of reserve for possible loan losses	136,457	73,566	—
Ordinary expenses	(1,807,254)	(2,000,453)	(2,128,690)
Interest expenses	(296,861)	(365,074)	(426,091)
Fees and commissions payments	(144,131)	(145,171)	(150,788)
Trading losses	—	(57,856)	—
Other operating expenses	(93,907)	(94,424)	(86,746)
General and administrative expenses	(1,195,499)	(1,261,746)	(1,314,581)
Other expenses	(76,853)	(76,179)	(150,482)
Provision for reserve for possible loan losses	—	—	(5,632)
Ordinary profit	1,298,738	1,198,955	930,332
Extraordinary gains	2,626	452	3,777
Extraordinary losses	(9,427)	(11,326)	(8,136)
Income before income taxes	1,291,937	1,188,081	925,972
Income taxes	(422,408)	(382,490)	(180,183)
Profit	869,529	805,591	745,788
Profit attributable to non-controlling interests	(83,841)	(68,686)	(65,626)
Profit attributable to owners of parent	¥ 785,687	¥ 736,904	¥ 680,162

(1) We have changed the presentation of certain account items from the fiscal year ended March 31, 2016. "Income before income taxes and minority interests," "Income before minority interests," "Minority interests in net income" and "Net income" have been changed to "Income before income taxes," "Profit," "Profit attributable to non-controlling interests" and "Profit attributable to owners of parent," respectively.

Net Interest Income

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015

Interest Income

Our total interest income decreased by ¥37,578 million, or 2.2%, from ¥1,690,086 million in the fiscal year ended March 31, 2015 to ¥1,652,508 million in the fiscal year ended March 31, 2016. This decrease principally reflected a decrease in interest on loans and bills discounted, due to shrinking domestic loan spreads.

Interest Expenses

Our total interest expenses increased by ¥61,017 million, or 16.7%, from ¥365,074 million in the fiscal year ended March 31, 2015 to ¥426,091 million in the fiscal year ended March 31, 2016, due primarily to an increase in interest expenses on deposits. Interest expenses on deposits (excluding negotiable certificates of deposit) increased by ¥14,119 million, or 11.1%, to ¥141,085 million in the fiscal year ended March 31, 2016, due primarily to an increase in the balance of deposits.

Net Interest Income

Our net interest income decreased by ¥98,595 million, or 7.4%, from ¥1,325,011 million in the fiscal year ended March 31, 2015 to ¥1,226,416 million in the fiscal year ended March 31, 2016. Our net interest margin was 1.05% for the fiscal year ended March 31, 2016, a decrease from 1.15% for the fiscal year ended March 31, 2015.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

Interest Income

Our total interest income increased by ¥83,980 million, or 5.2%, from ¥1,606,106 million in the fiscal year ended March 31, 2014 to ¥1,690,086 million in the fiscal year ended March 31, 2015. This increase principally reflected an increase in interest on loans and bills discounted. Our interest on loans and bills discounted increased by ¥62,971 million, or 5.7%, to ¥1,170,833 million in the fiscal year ended March 31, 2015, primarily reflecting our allocation of assets primarily to Asia and the United States.

Interest Expenses

Our total interest expenses increased by ¥68,213 million, or 23.0%, from ¥296,861 million in the fiscal year ended March 31, 2014 to ¥365,074 million in the fiscal year ended March 31, 2015, due primarily to an increase in interest expenses on deposits. Interest expenses on deposits (excluding negotiable certificates of deposit) increased by ¥21,405 million, or 20.3%, to ¥126,966 million in the fiscal year ended March 31, 2015, due primarily to an increase in domestic interest rates.

Net Interest Income

Our net interest income increased by ¥15,767 million, or 1.2%, from ¥1,309,244 million in the fiscal year ended March 31, 2014 to ¥1,325,011 million in the fiscal year ended March 31, 2015. Our net interest margin was 1.15% for the fiscal year ended March 31, 2015, a decrease from 1.16% for the fiscal year ended March 31, 2014.

Interest Income and Average Interest-earning Assets

The following table shows our average asset balances and related interest and average interest rates for the fiscal years ended March 31, 2014, 2015 and 2016.

	Fiscal year ended March 31,								
	2014			2015			2016		
	Average balance[1]	Interest	Average rate	Average balance[1]	Interest	Average rate	Average balance[1]	Interest	Average rate
	(Millions of yen, except percentages)								
Interest-earning assets:									
Loans and bills discounted:									
Domestic	¥ 51,910,367	¥ 759,725	1.46%	¥ 52,422,192	¥ 711,603	1.36%	¥ 53,632,502	¥ 683,057	1.27%
Overseas	17,300,619	413,735	2.39	21,538,900	512,068	2.38	22,900,739	534,084	2.33
Elimination	(1,168,569)	(65,598)	—	(909,705)	(52,838)	—	(906,561)	(49,960)	—
Total	68,042,417	1,107,862	1.63	73,051,387	1,170,833	1.60	75,626,679	1,167,181	1.54
Securities:									
Domestic	25,569,649	317,429	1.24	22,967,038	297,093	1.29	22,503,531	267,401	1.19
Overseas	2,138,265	27,889	1.30	2,957,732	39,150	1.32	2,886,777	38,103	1.32
Elimination	—	(466)	—	—	(548)	—	—	(2,683)	—
Total	27,707,915	344,851	1.24	25,924,771	335,694	1.29	25,390,309	302,821	1.19
Call loans and bills bought:									
Domestic	273,799	1,582	0.58	226,408	1,177	0.52	147,527	861	0.58
Overseas	1,195,387	16,769	1.40	1,046,258	18,423	1.76	918,358	19,596	2.13
Elimination	—	—	—	—	—	—	—	—	—
Total	1,469,187	18,351	1.25	1,272,667	19,600	1.54	1,065,886	20,457	1.92
Receivables under resale agreements:									
Domestic	34,087	45	0.13	22,061	48	0.22	32,450	15	0.05
Overseas	491,481	7,772	1.58	921,297	9,888	1.07	1,521,170	11,934	0.78
Elimination	(68,662)	(67)	—	(166,677)	(296)	—	(826,151)	(1,849)	—
Total	456,907	7,749	1.70	776,681	9,640	1.24	727,468	10,100	1.39
Receivables under securities borrowing transactions:									
Domestic	3,623,081	7,266	0.20	4,712,301	7,813	0.17	6,694,461	10,740	0.16
Overseas	—	—	—	—	—	—	—	—	—
Elimination	—	—	—	—	—	—	—	—	—
Total	3,623,081	7,266	0.20	4,712,301	7,813	0.17	6,694,461	10,740	0.16
Deposits with banks:									
Domestic	625,160	3,068	0.49	761,822	4,818	0.63	763,613	5,001	0.65
Overseas	6,051,947	35,174	0.58	5,874,640	38,325	0.65	5,645,875	32,480	0.58
Elimination	(116,711)	(444)	—	(79,614)	(494)	—	(74,182)	(384)	—
Total	6,560,395	37,798	0.58	6,556,848	42,649	0.65	6,335,306	37,097	0.59
Total interest-earning assets[2]:									
Domestic	85,178,209	1,154,829	1.36	84,231,395	1,098,229	1.30	87,277,238	1,035,709	1.19
Overseas	30,258,278	539,437	1.78	35,770,885	667,869	1.87	37,624,624	678,627	1.80
Elimination	(1,367,665)	(88,160)	—	(1,163,123)	(76,011)	—	(1,823,864)	(61,828)	—
Total	¥114,068,822	¥1,606,106	1.41%	¥118,839,156	¥1,690,086	1.42%	¥123,077,998	¥1,652,508	1.34%

(1) Average balances are based on a combination of daily averages on a non-consolidated basis and weekly, monthly or quarterly averages (for some consolidated subsidiaries).

(2) Interest-earning assets are shown after deduction of the average balance of non-interest-earning deposits, which were ¥12,492,218 million in the fiscal year ended March 31, 2014, ¥23,464,258 million in the fiscal year ended March 31, 2015 and ¥30,015,849 million in the fiscal year ended March 31, 2016.

Interest Expenses and Average Interest-bearing Liabilities

The following table illustrates the composition of our funding (interest-bearing liabilities) by average balances and related interest and average interest rates for the fiscal years ended March 31, 2014, 2015 and 2016.

	Fiscal year ended March 31,								
	2014			2015			2016		
	Average balance[(1)]	Interest	Average rate	Average balance[(1)]	Interest	Average rate	Average balance[(1)]	Interest	Average rate
	(Millions of yen, except percentages)								
Interest-bearing liabilities:									
Deposits:									
Domestic	¥ 79,237,323	¥ 45,019	0.06%	¥ 80,981,456	¥ 43,657	0.05%	¥ 84,841,300	¥ 40,376	0.05%
Overseas	10,494,439	61,036	0.58	13,447,542	83,859	0.62	15,875,574	101,157	0.64
Elimination	(119,155)	(495)	—	(37,325)	(550)	—	(84,456)	(448)	—
Total	89,612,608	105,561	0.12	94,391,674	126,966	0.13	100,632,418	141,085	0.14
Negotiable certificates of deposit:									
Domestic	5,554,290	5,864	0.11	6,207,049	5,536	0.09	7,422,076	5,708	0.08
Overseas	7,223,402	33,278	0.46	8,945,965	38,528	0.43	6,502,114	43,853	0.67
Elimination	—	—	—	—	—	—	—	—	—
Total	12,777,692	39,142	0.31	15,153,014	44,065	0.29	13,924,191	49,561	0.36
Call money and bills sold:									
Domestic	1,497,107	1,221	0.08	2,040,532	1,503	0.07	2,295,143	1,523	0.07
Overseas	665,985	2,283	0.34	925,341	2,697	0.29	525,808	3,836	0.73
Elimination	—	—	—	—	—	—	—	—	—
Total	2,163,092	3,505	0.16	2,965,873	4,200	0.14	2,820,952	5,360	0.19
Payables under repurchase agreements:									
Domestic	1,114,596	1,125	0.10	782,372	1,314	0.17	1,281,197	3,714	0.29
Overseas	981,930	3,047	0.31	1,165,238	3,902	0.33	1,934,523	6,212	0.32
Elimination	(68,662)	(67)	—	(166,677)	(296)	—	(826,151)	(1,849)	—
Total	2,027,865	4,105	0.20	1,780,933	4,921	0.28	2,389,569	8,077	0.34
Payables under securities lending transactions:									
Domestic	3,122,796	3,486	0.11	5,267,621	5,029	0.10	6,791,583	6,724	0.10
Overseas	—	—	—	—	—	—	—	—	—
Elimination	—	—	—	—	—	—	—	—	—
Total	3,122,796	3,486	0.11	5,267,621	5,029	0.10	6,791,583	6,724	0.10
Commercial paper:									
Domestic	196,192	329	0.17	192,088	282	0.15	145,053	203	0.14
Overseas	2,192,106	6,276	0.29	2,744,976	7,764	0.28	2,807,578	10,211	0.36
Elimination	—	—	—	—	—	—	—	—	—
Total	2,388,298	6,606	0.28	2,937,065	8,047	0.27	2,952,632	10,415	0.35
Borrowed money:									
Domestic	4,194,658	78,827	1.88	7,529,796	77,864	1.03	9,157,549	88,978	0.97
Overseas	229,501	3,381	1.47	263,837	4,284	1.62	310,574	5,495	1.77
Elimination	(1,168,657)	(65,586)	—	(869,434)	(52,836)	—	(906,542)	(49,959)	—
Total	3,255,502	16,622	0.51	6,924,199	29,312	0.42	8,561,582	44,514	0.52
Short-term bonds:									
Domestic	215,910	231	0.11	430,533	433	0.10	598,174	573	0.10
Overseas	—	—	—	—	—	—	—	—	—
Elimination	—	—	—	—	—	—	—	—	—
Total	215,910	231	0.11	430,533	433	0.10	598,174	573	0.10
Bonds:									
Domestic	4,699,431	87,518	1.86	5,064,906	96,844	1.91	5,700,673	106,825	1.87
Overseas	40,094	1,672	4.17	57,527	2,736	4.76	67,592	3,664	5.42
Elimination	—	—	—	—	—	—	—	—	—
Total	4,739,525	89,190	1.88	5,122,433	99,581	1.94	5,768,265	110,489	1.92
Total interest-bearing liabilities:									
Domestic	100,137,796	227,173	0.23	109,010,312	238,131	0.22	119,039,647	263,226	0.22
Overseas	21,898,497	157,418	0.72	27,687,592	202,461	0.73	28,578,720	222,074	0.78
Elimination	(1,365,099)	(87,732)	—	(1,125,704)	(75,518)	—	(1,828,160)	(59,208)	—
Total	¥120,671,195	¥296,859	0.25%	¥135,572,201	¥365,074	0.27%	¥145,790,207	¥426,091	0.29%

(1) Average balances are based on a combination of daily averages on a non-consolidated basis and weekly, monthly or quarterly averages (for some consolidated subsidiaries)

Changes in Interest Income by Changes in Volume and Rate (Non-consolidated Basis)

The following table shows changes in interest income on a non-consolidated basis allocated between changes in volume and changes in rate for the periods shown. Volume/rate variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "Net change." Volume/rate variance is prorated according to changes in volume and rate.

	Fiscal year ended March 31, 2015 versus fiscal year ended March 31, 2014 increase (decrease) due to changes in			Fiscal year ended March 31, 2016 versus fiscal year ended March 31, 2015 increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(Millions of yen)					
Non-consolidated interest income:(1)						
Loans and bills discounted:(2)						
Domestic	¥ (1,022)	¥(43,057)	¥ (44,080)	¥ 1,566	¥(38,610)	¥(37,043)
International	80,210	8,900	89,111	35,201	(8,039)	27,162
Total			45,031			(9,881)
Securities:(3)						
Domestic	(28,810)	50,454	21,643	(9,712)	(34,301)	(44,014)
International	6,641	(6,285)	356	2,075	11,262	13,337
Total			21,999			(30,676)
Call loans:(4)						
Domestic	77	(34)	43	(103)	(47)	(151)
International	(254)	850	596	1,642	(2,857)	(1,214)
Total			639			(1,366)
Receivables under resale agreements:						
Domestic	—	—	—	0	0	0
International	924	(810)	114	940	(159)	780
Total			114			780
Receivables under securities borrowing transactions:						
Domestic	76	(142)	(66)	1,496	(463)	1,032
International	462	50	512	(50)	(161)	(212)
Total			446			820
Bills bought:(4)						
Domestic	(358)	(15)	(374)	(195)	(195)	(390)
International	—	—	—	—	—	—
Total			(374)			(390)
Deposits with banks:(4)						
Domestic	0	0	0	1	4	5
International	3,615	(161)	3,454	43	3,569	3,613
Total			3,454			3,618
Total interest income:						
Domestic	(23,587)	950	(22,636)	12,550	(84,642)	(72,092)
International	92,859	7,653	100,512	34,617	4,446	39,063
Total			¥ 88,390			¥(33,624)

(1) The breakdown between domestic and international information does not exclude inter-area transfers.

(2) Loans and bills discounted relates to "Interest on loans and discounts" in the statements of income.

(3) Securities relates to "Interest and dividends on securities" in the statements of income.

(4) Call loans, bills bought and deposits with banks are included in "Interest Income" in the statements of income.

Changes in Interest Expenses by Changes in Volume and Rate (Non-consolidated Basis)

The following table shows changes in our interest expenses on a non-consolidated basis allocated between changes in volume and changes in rate for the periods shown. Volume/rate variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "Net change." Volume/rate variance is prorated according to changes in volume and rate.

	Fiscal year ended March 31, 2015 versus fiscal year ended March 31, 2014 increase (decrease) due to changes in			Fiscal year ended March 31, 2016 versus fiscal year ended March 31, 2015 increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(Millions of yen)					
Non-consolidated interest expenses:[1]						
Deposits:						
Domestic	¥ 538	¥ (3,078)	¥ (2,540)	¥ 866	¥ (3,001)	¥ (2,134)
International	8,026	3,318	11,344	10,103	13,702	23,805
Total			8,803			21,670
Negotiable certificates of deposit:						
Domestic	570	(1,016)	(445)	931	(812)	118
International	7,272	(2,223)	5,049	(5,510)	10,502	4,991
Total			4,603			5,110
Call money:						
Domestic	207	(15)	192	131	49	181
International	44	23	67	1,018	1,119	2,137
Total			260			2,318
Payables under repurchase agreements:						
Domestic	14	(2)	11	(12)	(6)	(18)
International	(142)	309	166	(340)	1,179	838
Total			178			820
Payables under securities lending transactions:						
Domestic	651	(46)	605	544	6	550
International	219	171	391	249	1,147	1,396
Total			996			1,947
Commercial Paper:						
Domestic	—	—	—	—	—	—
International	1,082	97	1,179	(98)	1,537	1,438
Total			1,179			1,438
Borrowed money:						
Domestic	7,187	(3,740)	3,447	3,558	4,739	8,297
International	573	(5,561)	(4,987)	4,927	(1,811)	3,116
Total			(1,540)			11,414
Short-term bonds:						
Domestic	0	(0)	0	(4)	(0)	(5)
International	—	—	—	—	—	—
Total			0			(5)
Bonds:						
Domestic	(4,958)	(1,778)	(6,736)	(3,990)	783	(3,206)
International	18,452	(2,277)	16,175	20,741	(7,206)	13,535
Total			9,438			10,329
Total interest expenses:						
Domestic	4,910	(10,437)	(5,527)	4,524	(691)	3,833
International	46,828	(19,946)	26,881	25,278	35,710	60,988
Total			¥31,869			¥64,227

(1) The breakdown between domestic and international information does not exclude inter-area transfers.

Interest Spread

Interest spread on domestic loans and bills discounted has been regarded as one traditional measure of Japanese banks' profitability. Our interest spread, calculated on a non-consolidated basis, was 1.37% for the fiscal year ended March 31, 2014, 1.29% for the fiscal year ended March 31, 2015 and 1.21% for the fiscal year ended March 31, 2016. However, the significance of the interest spread as calculated above is mitigated by various factors, including that:

- the interest spread is calculated on a non-consolidated basis;
- the amount of total domestic loans and bills discounted and the amount of total domestic deposits, which historically were approximately similar, have substantially diverged in recent years;
- we hold a significant amount of assets other than domestic loans and bills discounted and have a significant amount of liabilities other than domestic deposits that are not reflected in the calculation of interest spread; and
- there can be no assurance that we fund our domestic loans and bills discounted with domestic deposits.

Net Fees and Commissions

The following table sets forth our fees and commissions income and payments for the periods shown:

	Fiscal year ended March 31,		
	2014	2015	2016
	(Millions of yen)		
Fees and commissions:			
Deposits and loans	¥ 116,931	¥ 126,751	¥ 126,435
Remittances and transfers	132,795	131,965	134,291
Securities-related business	129,944	131,952	132,098
Agency	16,596	15,605	15,146
Safe deposits	5,833	5,749	5,512
Guarantees	49,839	51,438	48,068
Credit card business	6,745	6,536	3,834
Investment trusts	145,607	130,837	104,339
Other	174,048	181,513	209,660
Total	778,343	782,349	779,388
Fees and commissions payments:			
Remittances and transfers	(36,698)	(37,318)	(37,789)
Other	(107,433)	(107,853)	(112,999)
Total	(144,131)	(145,171)	(150,788)
Net fees and commissions	¥ 634,211	¥ 637,178	¥ 628,599

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Net fees and commissions decreased by ¥8,579 million, or 1.3%, from ¥637,178 million in the fiscal year ended March 31, 2015 to ¥628,599 million in the fiscal year ended March 31, 2016. The decrease in income from fees and commissions was due primarily to a decrease in fees on investment trusts at SMBC Nikko Securities.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Net fees and commissions increased by ¥2,967 million, or 0.5%, from ¥634,211 million in the fiscal year ended March 31, 2014 to ¥637,178 million in the fiscal year ended March 31, 2015. This was due primarily to an increase in loan related fees as a result of an increase in lending in Asia and the United States, despite a decrease in fees on investment trusts at SMBC Nikko Securities.

Net Trading Income (Losses) / Net Other Operating Income (Expenses)

The following table sets forth our net trading income (losses) and net other operating income (expenses) for the periods shown:

	Fiscal year ended March 31,		
	2014	2015	2016
	(Millions of yen)		
Trading income:			
Gains on trading securities	¥139,105	¥232,141	¥ 56,366
Gains on securities related to trading transactions	20,277	2,944	65
Gains on trading-related financial derivatives	29,491	—	153,180
Others	210	153	110
Total	189,085	235,239	209,722
Trading losses:			
Losses on trading-related financial derivatives	—	(57,856)	—
Total	—	(57,856)	—
Net trading income	¥189,085	¥177,382	¥209,722
Other operating income (expenses):			
Gains on sales of bonds	¥ 41,594	¥ 69,664	¥ 89,206
Gains on redemption of bonds	121	98	10
Losses on sales of bonds	(25,734)	(20,318)	(10,890)
Losses on redemption of bonds	(13,427)	(339)	(22,263)
Losses on devaluation of bonds	(162)	—	(444)
Net gains on bond-related operations	2,392	49,104	55,617
Bond issuance costs	(3,530)	(3,638)	(2,911)
Gains (losses) on foreign exchange transactions (net)	103,263	116,656	49,443
Gains (losses) on financial derivatives (net)	2,419	(20,004)	1,414
Lease-related income (net)	7,386	19,354	22,064
Other (net)	19,522	23,960	20,139
Net other operating income	¥131,453	¥185,433	¥145,767

Gains and losses on foreign exchange trading engaged in for the purpose of foreign currency-denominated transactions (currency swaps, etc.) and hedging the risk of such transactions are determined, for financial accounting purposes, by dividing gains on foreign exchange transactions between the net trading balance and the net other operating balance and must be viewed on a basis that aggregates the net trading balance and the net other operating balance, taking into consideration commercial conditions based of the effects of the hedges.

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Net trading income increased by ¥32,340 million, or 18.2%, from ¥177,382 million in the fiscal year ended March 31, 2015 to ¥209,722 million in the fiscal year ended March 31, 2016. Net other operating income was ¥145,767 million in the fiscal year ended March 31, 2016 as compared to net other operating income of ¥185,433 million in the fiscal year ended March 31, 2015. This decrease was due primarily to a decrease in gains on foreign exchange transactions.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Net trading income decreased by ¥11,703 million, or 6.2%, from ¥189,085 million in the fiscal year ended March 31, 2014 to ¥177,382 million in the fiscal year ended March 31, 2015. Net other operating income was ¥185,433 million in the fiscal year ended March 31, 2015 as compared to net other operating income of ¥131,453 million in the fiscal year ended March 31, 2014. This was due primarily to an increase in gains on sales of bonds.

General and Administrative Expenses

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Our general and administrative expenses on a consolidated basis increased 4.2% from ¥1,261,746 million in the fiscal year ended March 31, 2015 to ¥1,314,581 million in the fiscal year ended March 31, 2016. Our non-consolidated general and administrative expenses increased 2.7% from ¥820,216 million in the fiscal year ended March 31, 2015 to ¥842,710 million in the fiscal year ended March 31, 2016. This increase was primarily due to an increase in expenditures aimed at enhancing top-line growth.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Our general and administrative expenses on a consolidated basis increased 5.5% from ¥1,195,499 million in the fiscal year ended March 31, 2014 to ¥1,261,746 million in the fiscal year ended March 31, 2015. Our non-consolidated general and administrative expenses increased 5.1% from ¥780,534 million in the fiscal year ended March 31, 2014 to ¥820,216 million in the fiscal year ended March 31, 2015. This increase was primarily due to an increase in salaries and related expenses.

Supplementary Information

The following table sets forth a breakdown of our general and administrative expenses on a non-consolidated basis for the periods shown:

	Fiscal year ended March 31,		
	2014	2015	2016
	(Millions of yen)		
Non-consolidated			
Salaries and related expenses	¥242,799	¥271,444	¥284,470
Retirement benefit cost	42,612	32,346	36,073
Welfare expenses	37,597	42,902	44,487
Depreciation	81,666	82,976	92,376
Rent and lease expenses	64,188	64,934	63,026
Building and maintenance expenses	4,179	5,405	8,484
Supplies expenses	5,275	5,202	5,920
Water, lighting and heating expenses	5,524	5,757	5,601
Traveling expenses	4,968	6,005	6,053
Communication expenses	7,248	7,117	7,106
Publicity and advertising expenses	7,171	12,522	16,553
Taxes, other than income taxes	37,368	42,859	46,629
Others	239,932	240,741	225,924
Total	¥780,534	¥820,216	¥842,710

Other Income and Expenses

The following table sets forth our other income and expenses for the periods shown:

	Fiscal year ended March 31,		
	2014	2015	2016
	(Millions of yen)		
Other income:			
Gains on reversal of reserve for possible loan losses	¥136,457	¥ 73,566	¥ —
Recoveries of written-off claims	475	6,619	10,324
Gains on sales of stocks	125,338	79,168	99,048
Equity in gains of affiliates	7,527	—	—
Others	34,903	49,726	71,928
Total	304,702	209,080	181,301
Other expenses:			
Provision for reserve for possible loan losses	—	—	(5,632)
Write-off of loans	(11,754)	(6,903)	(5,158)
Losses on sales of stocks	(8,199)	(3,144)	(20,766)
Losses on devaluation of stocks	(9,329)	(12,740)	(10,382)
Losses on sales of delinquent loans	(9,124)	(5,947)	(11,323)
Equity in losses of affiliates	—	(10,765)	(37,001)
Others	(38,445)	(36,678)	(60,217)
Total	(76,853)	(76,179)	(150,482)
Net other income (expenses)	¥227,849	¥132,900	¥ 30,818

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Net other income was ¥30,818 million in the fiscal year ended March 31, 2016, as compared to net other income of ¥132,900 million in the fiscal year ended March 31, 2015. This was due primarily to a decrease in gains on reversal of reserve for possible loan losses and an impairment loss on goodwill resulting from a decline in the share price of PT Bank Tabungun Pensiunan Nasional Tbk.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Net other income was ¥132,900 million in the fiscal year ended March 31, 2015, as compared to net other income of ¥227,849 million in the fiscal year ended March 31, 2014. This was due primarily to decreases in gains on reversal of reserve for possible loan losses and gains on sales of stocks.

Gains on Reversal of Reserve for Possible Loan Losses/Provision for Reserve for Possible Loan Losses

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. ¥5,632 million of provision for reserve for possible loan losses was recognized in the fiscal year ended March 31, 2016, while ¥73,566 million of gains on reversal of reserve for possible loan losses was recognized in the fiscal year ended March 31, 2015.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. ¥73,566 million of gains on reversal of reserve for possible loan losses was recognized in the fiscal year ended March 31, 2015, while ¥136,457 million of gains on reversal of reserve for possible loan losses was recognized in the fiscal year ended March 31, 2014. This was due primarily to a decrease in gains on reversal of reserve for possible loan losses.

Ordinary Profit

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Ordinary profit decreased by ¥268,623 million, or 22.4%, from ¥1,198,955 million in the fiscal year ended March 31, 2015 to ¥930,332 million in the fiscal year ended March 31, 2016.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Ordinary profit decreased by ¥99,783 million, or 7.7%, from ¥1,298,738 million in the fiscal year ended March 31, 2014 to ¥1,198,955 million in the fiscal year ended March 31, 2015.

Net Extraordinary Gains (Losses)

	Fiscal year ended March 31,		
	2014	2015	2016
	(Millions of yen)		
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 2,626	¥ 452	¥ 3,709
Gains on negative goodwill	—	—	20
Other	—	—	46
Total	2,626	452	3,777
Extraordinary losses:			
Losses on disposal of fixed assets	(6,544)	(5,893)	(3,400)
Losses on impairment of fixed assets	(2,640)	(5,080)	(4,361)
Provision for reserve for eventual future operating losses from financial instruments transactions	(243)	(353)	(374)
Total	(9,427)	(11,326)	(8,136)
Net extraordinary gains (losses)	¥(6,800)	¥(10,873)	¥(4,359)

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Net extraordinary losses decreased by ¥6,514 million, from ¥10,873 million in the fiscal year ended March 31, 2015 to ¥4,539 million in the fiscal year ended March 31, 2016.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Net extraordinary losses increased by ¥4,073 million, from ¥6,800 million in the fiscal year ended March 31, 2014 to ¥10,873 million in the fiscal year ended March 31, 2015.

Income before Income Taxes; Income Taxes

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Income before income taxes decreased by ¥262,109 million, from ¥1,188,081 million in the fiscal year ended March 31, 2015 to ¥925,972 million in the fiscal year ended March 31, 2016. Income tax decreased by ¥202,307 million, from ¥382,490 million in the fiscal year ended March 31, 2015 to ¥180,183 million in the fiscal year ended March 31, 2016.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Income before income taxes decreased by ¥103,856 million, from ¥1,291,937 million in the fiscal year ended March 31, 2014 to ¥1,188,081 million in the fiscal year ended March 31, 2015. Income tax decreased by ¥39,918 million, from ¥422,408 million in the fiscal year ended March 31, 2014 to ¥382,490 million in the fiscal year ended March 31, 2015.

Profit Attributable to Non-controlling Interests

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Profit attributable to non-controlling interests in the fiscal year ended March 31, 2016 was ¥65,626 million, as compared to ¥68,686 million in the fiscal year ended March 31, 2015.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Profit attributable to non-controlling interests in the fiscal year ended March 31, 2015 was ¥68,686 million, as compared to ¥83,841 million in the fiscal year ended March 31, 2014.

Profit Attributable to Owners of Parent

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015. Profit attributable to owners of parent decreased by ¥56,742 million, or 7.7%, from ¥736,904 million in the fiscal year ended March 31, 2015 to ¥680,162 million in the fiscal year ended March 31, 2016.

Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014. Profit attributable to owners of parent decreased by ¥48,783 million, or 6.2%, from ¥785,687 million in the fiscal year ended March 31, 2014 to ¥736,904 million in the fiscal year ended March 31, 2015.

Financial Condition

Total Assets

As of March 31, 2016, we had total assets of ¥180,408,672 million, an increase of ¥2,849,475 million, or 1.6%, as compared to total assets of ¥177,559,197 million as of March 31, 2015. The increase was due primarily to increases in cash and due from banks and loans and bills discounted.

As of March 31, 2015, we had total assets of ¥177,559,197 million, an increase of ¥21,735,056 million, or 13.9%, as compared to total assets of ¥155,824,141 million as of March 31, 2014. The increase was due primarily to increases in cash and due from banks and loans and bills discounted.

Cash and Due from Banks and Interbank Deposits

Our cash and due from banks and deposits in other banks as of March 31, 2016 was ¥42,594,225 million, an increase of ¥3,024,949 million from March 31, 2015.

Our cash and due from banks and deposits in other banks as of March 31, 2015 was ¥39,569,276 million, an increase of ¥6,742,532 million from March 31, 2014.

Loans

General

The following table sets forth loan and bills discounted information as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		(Millions of yen)	
Consolidated			
Loans and bills discounted	¥69,754,391	¥75,119,565	¥77,331,124
Non-consolidated			
Loans and bills discounted	¥63,370,678	¥68,274,308	¥69,276,735
Domestic (excluding offshore banking accounts)	48,191,322	49,346,549	50,072,362
Overseas (including offshore banking accounts)	15,179,355	18,927,759	19,204,373

Reserve for Possible Loan Losses

The following table sets forth our non-consolidated reserve for possible loan losses information as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		(Millions of yen)	
Non-consolidated			
Reserve for possible loan losses	¥472,548	¥394,140	¥357,186
General reserve	312,775	231,030	221,297
Specific reserve	159,025	162,390	134,708
Loan loss reserve for specific overseas countries	747	719	1,179

Non-performing Loans

Our NPLs decreased to ¥622,617 million as of March 31, 2016 on a non-consolidated basis. Our NPL ratios were 1.21%, 0.97% and 0.78% as of March 31, 2014, 2015 and 2016, respectively. See "Business—Loan Losses, Total Credit Cost and NPLs—Disclosure of NPLs Under the Financial Reconstruction Act."

Securities Portfolio

The following table sets forth our securities portfolio as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		(Billions of yen)	
Securities	¥27,092.4	¥29,559.3	¥25,153.8
Japanese government bonds	14,242.4	14,290.0	10,346.6
Japanese local government bonds	227.1	120.0	52.1
Japanese corporate bonds	2,939.7	2,687.4	2,761.5
Japanese stocks	3,434.2	4,337.1	3,748.6
Stocks with market value	3,036.5	3,936.9	3,432.2
Other[(1)]	6,249.0	8,124.8	8,244.9

(1) "Other" includes foreign stocks and foreign bonds.

The following table sets forth our unrealized gains (losses) on securities on a non-consolidated basis as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		(Billions of yen)	
Bonds classified as held-to-maturity	¥ 33.1	¥ 20.5	¥ 13.8
Subsidiaries and affiliates	(72.4)	(58.5)	(34.9)
Other securities	1,284.8	2,392.8	1,668.7
Stocks	1,109.1	1,989.7	1,487.5
Bonds	60.0	45.9	103.8
Other money held in trust	—	—	—
Total	¥1,245.5	¥2,354.7	¥1,647.6

We hold various kinds of securities in our securities portfolio besides trading assets. These securities are accounted for either under the cost method or the mark-to-market method. Our securities totaled ¥25,153,750 million as of March 31, 2016, a decrease of ¥4,405,584 million, or 14.9%, from ¥29,559,334 million as of March 31, 2015. JGBs generally compose the majority of our securities portfolio. As of March 31, 2016, our holdings of JGBs totaled ¥10,346,596 million, a decrease of ¥3,943,434 million, or 27.6%, from ¥14,290,030 million as of March 31, 2015.

The reported value of our other securities, including our holdings of Japanese equities, depends on the fair values of the securities. In the case of equity securities that have a readily ascertainable market value, we determine whether our holdings of a particular security are impaired based on the one-month average market price of that security during the last month of a fiscal period. We calculate impairment loss on our holdings of a particular security based on the market price of that security as of the end of the fiscal period. For the fiscal year ended March 31, 2016, we recorded impairment losses on securities of ¥4,834 million.

Funding

As of March 31, 2016, our total liabilities were ¥170,962,478 million, an increase of ¥3,439,285 million from March 31, 2015.

As of March 31, 2015, our total liabilities were ¥167,523,193 million, an increase of ¥20,339,815 million from March 31, 2014.

The following table sets forth our non-consolidated funding information:

	As of March 31,		
	2014	2015	2016
	(Millions of yen, except percentages)		
Non-consolidated			
Deposits (excluding negotiable certificates of deposit)	¥84,137,339	¥91,337,714	¥98,839,722
Negotiable certificates of deposit	14,020,505	14,022,064	14,428,338
Call money	3,265,929	4,579,940	1,107,825
Borrowed money	5,091,006	8,096,070	7,868,311
Short-term bonds	25,000	25,000	—
Bonds	4,501,843	5,095,577	4,775,072
Loan-to-deposit ratio	64.6%	64.8%	61.2%

We issue a variety of fixed and floating, dated and undated, subordinated bonds and borrow on a subordinated basis. As of March 31, 2016, we had ¥1,156,474 million of subordinated bonds and ¥1,922,535 million of subordinated loans outstanding on a non-consolidated basis.

The following table sets forth information regarding our non-consolidated domestic deposits as of the dates shown:

	As of March 31,		
	2014	2015	2016
	(Millions of yen)		
Non-consolidated			
Domestic deposits:(1)(2)			
Individual	¥40,159,579	¥41,768,103	¥42,312,525
Corporate	34,493,475	36,020,995	39,822,162
Total	¥74,653,054	¥77,789,098	¥82,134,687

(1) Figures are after adjustment on interoffice accounts in transit.

(2) Excludes "negotiable certificates of deposit" and Japan offshore bank accounts.

The following table sets forth information regarding our domestic and overseas deposits as of the dates shown:

	As of March 31,		
	2014	2015	2016
	(Billions of yen)		
Consolidated			
Deposits (excluding negotiable certificates of deposit)	¥94,543.1	¥101,503.9	¥111,238.7
Domestic	82,971.2	86,174.1	93,108.7
Overseas	11,571.9	15,329.8	18,130.0
Negotiable certificates of deposit	13,973.3	14,032.8	14,740.4

Net assets

The table below presents information relating to our net assets as of the dates shown:

	As of March 31,		
	2014	2015	2016
	(Millions of yen)		
Net assets	¥8,640,763	¥10,036,003	¥9,446,193
Total stockholders' equity	6,746,818	7,029,494	7,172,985
Total accumulated other comprehensive income	846,308	1,927,419	1,350,409

Capital Adequacy

With regard to capital management, we strictly abide by the capital adequacy guidelines set by the FSA. Japan's capital adequacy guidelines are based on the Basel Capital Accord, which was proposed by the BCBS for uniform application to all banks which have international operations in industrialized countries. Japan's capital adequacy guidelines may be different from those of central banks or supervisory bodies of other countries because they have been designed by the FSA to suit the Japanese banking environment. Our banking subsidiaries outside of Japan are also subject to the local capital ratio requirements.

Each figure for the FSA capital adequacy guidelines is calculated based on our financial statements prepared under Japanese GAAP.

The FSA capital adequacy guidelines permit Japanese banks to choose from the standardized approach, or SA, the foundation IRB approach and the advanced IRB approach for credit risk, and the basic indicator approach, the standardized approach, or TSA, and the AMA for operational risk. To be eligible to adopt the foundation IRB approach or the advanced IRB approach for credit risk, and the TSA or the AMA for operational risk, a Japanese bank must establish advanced risk management systems and receive prior approval from the FSA.

We have adopted the advanced IRB approach since March 31, 2009 and the AMA since March 31, 2008.

In December 2010, the BCBS published the new Basel III rules text to implement the Basel III framework, which sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. The main measures of the minimum capital requirements in the Basel III framework began on January 1, 2013 and will be fully applied from January 1, 2019.

These capital reforms increase the minimum common equity requirement from 2% to 4.5% and require banks to hold a capital conservation buffer, which is being phased in from January 2016 with the initial ratio of 0.625% reaching 2.5% by January 2019, to withstand future periods of stress, bringing the total common equity requirement to 7%. The Tier 1 capital requirement will also be increased from 4% to 6%, resulting in a total requirement of 8.5% when combined with the above-mentioned conservation buffer. The total capital requirement remains at the existing level of 8% but will increase to 10.5% by January 2019 due to the capital conservation buffer. Furthermore, a countercyclical buffer within a range of 0% to 2.5% of common equity or other fully loss-absorbing capital has been implemented according to national circumstances. The Group of Central Bank Governors and Heads of Supervision, or GHOS, also agreed on transitional arrangements for implementing the new requirements.

In addition to the above-mentioned minimum capital requirements and capital buffer requirements under Basel III, organizations identified by the FSB as G-SIFIs, which as of November 2014 and 2015 included SMFG, are required to maintain an additional 1% to 2.5% of Common Equity Tier 1 capital as a percentage of risk-weighted assets based on the organization's size, interconnectedness, substitutability, complexity and cross-jurisdictional activity as determined by the FSB. The amount of G-SIFI capital surcharge that applies to SMFG based on the FSB's determination as of November 2014 and 2015 will be 1% of risk-weighted assets when the requirements are fully applied from 2019. Under the phase-in arrangement of the G-SIFI capital surcharge requirement, SMFG is currently required to maintain 0.25% of Common Equity Tier 1 capital as a percentage of risk-weighted assets.

To reflect the Basel III framework, the FSA changed its capital adequacy guidelines. Under the FSA capital adequacy guidelines, the new capital requirements are being phased in from March 31, 2013 through March 31, 2019. The minimum Common Equity Tier 1 capital requirement and Tier 1 capital requirement has been 4.5% and 6%, respectively since March 2015. The capital conservation buffer, countercyclical buffer and the G-SIFI capital surcharge are being phased in from March 31, 2016 under the FSA capital adequacy guidelines.

In March 2015, the FSA published its leverage ratio guidelines which have been applied from March 31, 2015 to help ensure broad and adequate capture of both on- and off-balance sheet sources of leverage for internationally active banks. The FSA's leverage ratio guidelines are based on the text of the leverage ratio framework and disclosure requirements issued by the BCBS in January 2014. Under the text of the leverage ratio framework, the BCBS indicated the minimum leverage ratio as 3% and have continued monitoring banks' leverage ratio data in order to assess whether the design and calibration of a minimum leverage ratio of 3% is appropriate from January 1, 2013 to January 1, 2017. Any final adjustments to the definition and calibration of the leverage ratio were scheduled to be made by the BCBS by 2017, with a view to migrate to a Pillar 1 (minimum capital requirement) treatment on January 1, 2018, based on appropriate review and calibration.

The tables below presents our total risk-weighted capital ratio, total capital, and risk-weighted assets as of March 31, 2015 and 2016 on consolidated and non-consolidated basis, based on the Basel III rules.

	As of March 31,	
	2015	2016
	(Billions of yen, except percentages)	
Consolidated		
Total risk-weighted capital ratio	17.93%	18.19%
Tier 1 risk-weighted capital ratio	13.91%	14.58%
Common Equity Tier 1 risk-weighted capital ratio	12.61%	13.04%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥10,449.2	¥10,475.6
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	8,111.7	8,396.6
Common Equity Tier 1 capital	7,352.0	7,507.2
Risk-weighted assets	58,277.1	57,558.1
The amount of minimum capital requirements	4,662.2	4,604.6

	As of March 31,	
	2015	2016
	(Billions of yen, except percentages)	
Non-consolidated		
Total risk-weighted capital ratio	18.89%	19.47%
Tier 1 risk-weighted capital ratio	14.26%	15.29%
Common Equity Tier 1 risk-weighted capital ratio	12.80%	13.44%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥ 9,682.5	¥ 9,706.7
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	7,309.1	7,619.5
Common Equity Tier 1 capital	6,559.2	6,701.7
Risk-weighted assets	51,232.8	49,829.2
The amount of minimum capital requirements	4,098.6	3,986.3

Common Equity Tier 1 capital consists primarily of capital stock, capital surplus and retained earnings relating to common shares, and non-controlling interests that meet the criteria set forth in the FSA capital adequacy guidelines for inclusion in Common Equity Tier 1 capital.

Non-controlling interests arising from the issue of common shares by a fully consolidated subsidiary of a bank may receive recognition in Common Equity Tier 1 capital only if: (1) the instrument giving rise to the non-controlling interest would, if issued by the bank, meet all of the criteria set forth in the FSA capital adequacy guidelines for classification as common shares for regulatory capital purposes; and (2) the subsidiary that issued the instrument is itself a bank or other financial institution subject to similar capital adequacy guidelines.

Non-controlling interests that will no longer qualify as Common Equity Tier 1 capital, additional Tier 1 capital, or Tier 2 capital under Basel III are being phased out, beginning March 31, 2014 by increments of 20%, and will be fully phased out by March 31, 2018.

Regulatory adjustments such as goodwill and other intangibles, deferred tax assets, investment in the common equity capital of banking, financial and insurance entities and defined benefit pension fund assets and liabilities are to be applied mainly to the calculation of Common Equity Tier 1 capital in the form of a deduction. Such regulatory adjustments are being phased in from March 31, 2014 through March 31, 2018.

Additional Tier 1 capital consists primarily of preferred securities and perpetual subordinated bonds.

Tier 2 capital consists primarily of subordinated debt securities.

Capital instruments such as preferred securities and subordinated debt issued on or after March 31, 2013 must meet the new requirements to be included in regulatory capital. Capital instruments issued prior to March 31, 2013 that do not meet the requirements set forth in the FSA capital adequacy guidelines no longer qualify as additional Tier 1 or Tier 2 capital. However, if those capital instruments meet the requirements for transitional arrangements set forth in such guidelines, they can qualify as additional Tier 1 or Tier 2 capital during the phase-out period beginning March 31, 2013. The remaining balance of those non-qualifying capital instruments recognized as additional Tier 1 or Tier 2 capital will be reduced in annual 10% increments and be fully phased out by March 31, 2022.

As of March 31, 2016, our consolidated total capital was ¥10,475.6 billion, Tier 1 capital was ¥8,396.6 billion, and Common Equity Tier 1 capital was ¥7,507.2 billion. Our total risk-weighted assets as of March 31, 2016 were ¥57,558.1 billion.

Our consolidated total risk-weighted capital ratio was 18.19%, Tier 1 risk-weighted capital ratio was 14.58% and Common Equity Tier 1 risk-weighted capital ratio was 13.04% as of March 31, 2016.

Our capital position depends in part on the fair market value of our investment securities portfolio, since unrealized gains and losses are included in the amount of regulatory capital. As of March 31, 2013, unrealized gains and losses were counted as Tier 2 capital and Additional Tier 1 capital, respectively, but started to be counted as Common Equity Tier 1 capital from March 31, 2014 by increments of 20% and will be fully counted as Common Equity Tier 1 capital from March 31, 2018. Since our other securities (including money held in trust) with a readily ascertainable market value included unrealized gains and losses, substantial fluctuations in the Japanese stock markets may affect our capital position.

In addition, our capital position would be negatively affected if deferred tax assets cannot be recognized. Under Japanese GAAP, a company will lose its ability to recognize deferred tax assets if, in principle, it has substantial amounts of negative annual taxable income for each of past three consecutive years and current fiscal year, and is expected to have significant negative taxable income in the following fiscal year.

Set forth below is a table of risk-weighted capital ratios of SMFG as of March 31, 2015 and 2016 on a consolidated basis.

	As of March 31,	
	2015	2016
	(Billions of yen, except percentages)	
Consolidated		
Total risk-weighted capital ratio	16.58%	17.02%
Tier 1 risk-weighted capital ratio	12.89%	13.68%
Common Equity Tier 1 risk-weighted capital ratio	11.30%	11.81%
Total capital (Common Equity Tier 1 capital + Additional Tier 1 capital + Tier 2 capital)	¥10,965.9	¥11,235.9
Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)	8,528.6	9,031.7
Common Equity Tier 1 capital	7,476.5	7,796.5
Risk-weighted assets	66,136.8	66,011.6
The amount of minimum capital requirements	5,290.9	5,280.9

See “Supervision and Regulation—Regulations in Japan—Regulations Regarding Capital Adequacy and Liquidity.”

Performance Measures

The following table sets forth the return on our equity and other performance measures for the periods indicated.

	Fiscal year ended March 31,		
	2014	2015	2016
	(Millions of yen, except percentages and per share data)		
Profit attributable to owners of parent	¥ 785,687	¥ 736,904	¥ 680,162
Return on equity(1)	8.88%	8.51%	7.73%
Earnings per share—basic	¥7,394.82	¥6,935.67	¥6,401.63
Earnings per share—diluted	7,394.81	6,935.67	6,401.62
Cash dividends on common stock	459,524	496,286	408,312
Cash dividends per share on common stock	4,325	4,671	3,843

(1) Return on equity is on a non-consolidated basis.

BUSINESS

We are a joint stock company incorporated with limited liability under the laws of Japan. We are one of the world's largest commercial banks with ¥180 trillion in consolidated total assets as of March 31, 2016. We are one of the three largest banking groups in Japan, with an established presence across all of the consumer and corporate banking sectors. SMFG's other subsidiaries include SMBC Trust Bank in the commercial banking business, SMFL in the leasing business, SMBC Nikko Securities and SMBC Friend Securities in the securities business, and Sumitomo Mitsui Card, Cedyna and SMBC Consumer Finance in the consumer finance business. SMBC Nikko Securities is our wholly owned subsidiary and we collaborate with other SMFG Group companies. Our parent SMFG had consolidated total assets of ¥187 trillion as of March 31, 2016. SMFG had consolidated ordinary profit and profit attributable to owners of parent of ¥985 billion and ¥647 billion in the fiscal year ended March 31, 2016.

We provide an extensive range of corporate and consumer banking services in Japan and wholesale banking services overseas. In Japan, we have solid franchises in both corporate and consumer banking. We have long-standing and close business relationships with many companies listed on the First Section of the Tokyo Stock Exchange and long historical relationships with Sumitomo Group and Mitsui Group companies. We had approximately 27 million consumer banking customer deposit accounts and approximately 89,000 corporate borrower customers on a non-consolidated basis as of March 31, 2016. Our strong, well-established relationships with our customers have helped us to build a significant commercial banking base that has the highest domestic loan-to-deposit interest spread and the lowest overhead ratio among Japan's three largest banking groups. Specifically, for the fiscal year ended March 31, 2016, our non-consolidated domestic loan-to-deposit interest spread was 1.21% and our overhead ratio (defined as aggregated non-consolidated expenses divided by non-consolidated gross banking profit) was 52.5%. We recorded net income of ¥609 billion on a non-consolidated basis in the fiscal year ended March 31, 2016 and ¥643 billion on a non-consolidated basis in the fiscal year ended March 31, 2015.

Our domestic loan portfolio is well diversified among small-sized companies, mid-sized companies, large corporations and individuals, and we are increasing our geographic diversity by investing in our overseas operations. We have maintained a sound loan portfolio, managed interest rate fluctuation risks and maintained stability of funding through our large domestic deposit base, as demonstrated by our NPL ratio of 0.78%, our average yen-bond duration of 2.8 years, and our loan-to-deposit ratio of 61.2%, all on a non-consolidated basis as of March 31, 2016. We are also expanding and diversifying our non-yen funding in order to develop our international business. We have been managing our regulatory capital ratios by focusing on controlling our risk-weighted assets while increasing profitability. SMFG estimates that its Common Equity Tier 1 risk-weighted capital ratio was 11.9% as of March 31, 2016, based on the definition as of March 31, 2019, or a fully-loaded basis.

We plan to continue promoting our business collaborations with other SMFG Group and SMBC Group companies and affiliates, including SMBC Trust Bank, SMFL, SMBC Nikko Securities and The Japan Research Institute in the corporate solutions business and SMBC Trust Bank, SMBC Nikko Securities, SMBC Friend Securities, Sumitomo Mitsui Card, Cedyna and SMBC Consumer Finance in providing financial consulting services to individuals.

The NY Branch

The NY branch was established in 1952 in the Borough of Manhattan, New York City. Its office is at 277 Park Avenue, New York, New York 10172, United States of America. We conduct an extensive banking business through the NY branch, concentrating primarily on wholesale commercial banking transactions and servicing the needs of our customers in the United States. As of March 31, 2016, the NY branch had total assets of $111.5 billion and 1,087 full-time equivalent employees.

The NY branch is licensed by the Superintendent to conduct a commercial banking business. The NY branch is examined by the New York State Department of Financial Services and the Federal Reserve Board and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. These laws and regulations are substantially equivalent to those applicable to a bank chartered under the laws of the State of New York.

Under the New York Banking Law, or the NYBL, and currently applicable regulations, the NY branch must maintain with banks in the State of New York eligible assets (which consist of specified types of governmental obligations, U.S. dollar deposits, investment-grade commercial paper, obligations of certain international financial institutions and other specified obligations) in an amount equal to the greater of (1) 1% of the average total liabilities for the previous month of the branch, including liabilities of an international banking facility maintained by such branch, but excluding amounts due and other liabilities to our other offices, agencies, branches and affiliates, and (2) $2,000,000, as security for the protection of depositors and certain other creditors of the NY branch. The NYBL also empowers the Superintendent to impose an additional asset maintenance requirement for any branch of a foreign bank to maintain in the State of New York specified assets equal to such percentage of the branch's liabilities as the Superintendent may designate. At present, the Superintendent has set this percentage at 0%, although specific asset maintenance requirements may be imposed upon individual branches on a case-by-case basis. The Superintendent has not prescribed such a requirement for the NY branch.

The NYBL authorizes the Superintendent to take possession of the business and property of a New York branch of a foreign bank under circumstances similar to those which would permit the Superintendent to take possession of the business and property of a State-chartered bank. These circumstances include the violation of any law, the conduct of business in an unsafe manner, impairment of capital, suspension of payment of obligations and the initiation of liquidation proceedings against the foreign bank at its domicile or elsewhere. Pursuant to the NYBL, when the Superintendent takes possession of a New York branch of a foreign bank, it succeeds to the branch's assets and the assets of the foreign bank located in the State of New York. In liquidating or dealing with a branch's business after taking possession of the branch, the Superintendent is required to accept for payment out of these assets only the claims of creditors (unaffiliated with the foreign bank) that arose out of transactions with the branch. After such claims are paid, the Superintendent would turn over the remaining assets, if any, to other offices of the foreign bank that are being liquidated in the United States, upon the request of the liquidators of those offices, and then to the foreign bank or to its duly appointed liquidator or receiver.

The NY branch is generally subject under the NYBL to the same lending limits as a ratio of capital as apply to a New York State-chartered bank, except that for the NY branch such limits are based on our capital.

In addition to being subject to various state laws and regulations, the NY branch is subject to federal regulation, primarily under the U.S. International Banking Act of 1978, as amended, or the International Banking Act. Under the International Banking Act, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies, and most U.S. branches and agencies of foreign banks, including the NY branch, are subject to reserve requirements on deposits pursuant to regulations of the Federal Reserve Board.

The International Banking Act authorizes the Federal Reserve Board to order a foreign bank that operates a state branch to terminate the activities of such branch if the Federal Reserve Board finds that (1) the foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country and the home country supervisor is not making demonstrable progress in establishing arrangements for the consolidated supervision of the foreign bank, (2) there is reasonable cause to believe that such foreign bank, or any affiliate of such foreign bank, has violated the law or engaged in an unsafe or unsound banking practice in the United States and, as a result of such violation or practice, the continued operation of the branch would not be consistent with the public interest or with the International Banking Act, the U.S. Bank Holding Company Act of 1956, as amended, or the Bank Holding Company Act, or the Federal Deposit Insurance Act, or (3) for a foreign bank that presents a risk to the stability of the United States financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk. A foreign bank so required to terminate activities conducted at a branch in the United States must comply with the requirements of applicable federal and state law with respect to procedures for the closure or dissolution thereof.

The International Banking Act also provides that a state branch of a foreign bank, such as the NY branch, may not engage in any type of activity that is not permissible for a federal branch of a foreign bank unless the Federal Reserve Board has determined that such activity is consistent with sound banking practice.

The NY branch does not engage in "retail" deposit taking, and its deposits are not insured by, or eligible for insurance by, the FDIC. In general, under the International Banking Act, the NY branch is not permitted to accept or maintain domestic retail deposits having an initial balance of less than $250,000.

History

We were formed in March 2003 through the merger of the former Sumitomo Mitsui Banking Corporation with Wakashio Bank. The former Sumitomo Mitsui Banking Corporation was formed in April 2001 through the merger of Sakura Bank, whose origins can be traced back to 1683, and Sumitomo Bank, established in 1895. Wakashio Bank was established in 1996 as a subsidiary of Sakura Bank.

Strategy

In May 2014, we and our parent SMFG announced our vision for the next decade and new management goals for the three-year medium-term management plan through March 2017.

Our Vision for the Next Decade

In light of the changing business environment, including the growth of Asia's emerging countries, the aging and shrinking Japanese population and global financial regulatory reform, our vision for the next decade is to become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region. Specifically, we aim to achieve the following three points.

We aim to become a truly Asia-centric institution. Strengthening our business in Asia is the key strategy for realizing our vision in light of the high medium- to long-term growth potential of Asia's emerging countries. We intend to proactively invest our resources in the region in order to become a leading financial group in Asia.

We aim to develop the best-in-class earnings base in Japan. Japan is a mature market but there are growth opportunities within certain market segments and we aim to proactively contribute to the revitalization of the Japanese economy by investing our resources in such growth areas and taking appropriate risks. At the same time, we intend to capture a high market share and build a solid earnings base by implementing specific strategies to enhance our capability to meet our clients' needs.

We aim to realize true globalization and continue to evolve our business model. We intend to expand our global franchise and implement measures to realize the true globalization of our corporate infrastructure that supports our growth. At the same time, we intend to continue to evolve our business model by anticipating changes in our business environment, both domestic and international.

Our Medium-term Management Plan and its Goals

In the three years ending March 2017, we aim to further evolve our client-centric business models, revise our portfolio structure, and enhance our client base in order to achieve the sustainable growth of our top-line profit and further increase our enterprise value. We also set the following four goals for our three-year medium-term management plan as the first step toward realizing our vision:

Develop and evolve client-centric business models for our main domestic and international businesses. The needs of our clients are becoming more diverse and sophisticated, and we are implementing a number of initiatives to meet their needs. We have revised our client segmentation and are implementing strategies and evolving business models accordingly, and allocating resources from the perspective of group optimization.

- *Large corporate business strategy.* The activities of our large corporate clients are becoming more global, and accordingly, their financial needs are becoming bigger and more complex. We are creating a unique business model, the Global-Corporate and Investment Banking (G-CIB) model, to meet their needs, thereby enhancing our client base and top-line profit.

- *Middle market and small and medium-sized enterprise business strategy.* In the middle and small and medium-sized enterprise markets, where we have a number of strengths, we have revised the client segmentation and grouped clients based on attributes in order to fully meet their financial needs. Further, under the newly launched Area system, we aim to address the needs of business owners both as corporate managers and as individuals, through comprehensive one-stop services.

- *Consumer banking business strategy.* The financial needs of individuals are changing due to the accelerated shift from savings to investments, the arrival of the great era of inheritance, and changing lifestyles. We intend to meet their needs by implementing strategies based on a new client segmentation on an SMFG Group-wide basis and achieve the top business base in Japan.

- *Consumer finance and credit card business strategy*. In the consumer finance business, SMFG aims to expand its client base and achieve a significant share in the domestic market through the integrated operation of our planning and promotion functions and those of SMBC Consumer Finance. In the credit card business, SMFG intends to reinforce its top-line profit by leveraging the strengths of Sumitomo Mitsui Card and Cedyna as bank-based and retail-based credit card companies, respectively. At the same time, SMFG intends to pursue cost synergies by managing its credit card business on a Group-wide basis through measures such as integrating the management platforms of the SMFG Group's credit card companies.

- *International business strategy*. In our international business, we intend to shift our business model in order to achieve sustainable growth by improving the efficiency of assets while depending less on lending volume. At the same time, we intend to enhance our global franchise. Specifically, we aim to strengthen multi-faceted transactions with globally operating non-Japanese corporate clients. To this end, we are enhancing our product line up and promoting cross-selling by strengthening the transaction banking business, and revising our client coverage to a more global-based framework. Further, we aim to create a highly profitable asset portfolio by diversifying and flexibly rebalancing our portfolio.

- *Institutional investor business strategy*. We intend to create a new business model to meet the needs of institutional investors by establishing an SMFG Group-wide framework, centered on us and SMBC Nikko Securities, in order to enhance our ability to provide products to institutional investors and strengthen our capability to source, underwrite and distribute deals domestically and internationally.

- *IT and transaction banking business strategy*. Information and communication technology, or ICT, and the transaction banking business are necessary underpinnings for creating new businesses, and we intend to offer new leading-edge services through various measures, including alliances with leading players in ICT.

Build a platform for realizing Asia-centric operations and capture growth opportunities. We aim to become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region. This is our vision for the next decade and, to this end, we aim to steadily create a business platform in Asia, with the enhancement of our Asia business as the principal strategy for the SMFG Group, and prioritize the allocation of resources, including human resources and infrastructure, to Asia.

Realize sustainable growth of top-line profit while maintaining soundness and profitability. Leveraging the stable financial base built during the previous years, we developed our new medium-term management plan with the intent to focusing more on growth. We intend to achieve sustainable growth of our top-line profit by developing and evolving our business models and allocating resources to growth fields while continuing to focus on maintaining soundness and profitability.

Upgrade corporate infrastructure to support our next stage of growth. Our business is expanding globally and on a group-wide basis, and we intend to strengthen our management platform to support our business growth. Specifically, we intend to globalize our organization and human resources and intensify group management. To this end, we established our Global Human Resources Department. We also recently established our Diversity and Inclusion Committee to promote diversity as we believe diversity is a source of competitiveness. We are also upgrading our risk management system.

Our basic policies for the fiscal year ending March 31, 2017, the final year of the three-year medium-term management plan, are as follows: "focus on bottom-line profit by strengthening efforts to improve profitability and efficiency, while maximizing efforts to realize the key initiatives set in the medium-term management plan and grow our top line profit" and "run a strict risk-sensitive operation given the current uncertain business environment, while pursuing new business opportunities by responding to changes in a proactive and innovative manner."

Bank Operations

We provide an extensive range of corporate and consumer banking services in Japan and wholesale banking services overseas. In Japan, we accept deposits from, make loans to, extend guarantees to and provide other products and services to corporations, individuals, governments and governmental entities. We offer financing solutions through loan syndication, structured finance and project finance to large corporate customers in the domestic and overseas markets, as well as a variety of financing options to domestic mid-sized companies, small-sized companies and individuals. We also underwrite and deal in bonds issued by or guaranteed by the Government of Japan and local government authorities, and act in various administrative and advisory capacities for select types of corporate and government bonds. Internationally, we operate through a network of branches, representative offices, subsidiaries and affiliates to provide loan syndication, project finance and cash management services and participate in international securities markets.

We conduct our primary banking business through four business units: the Wholesale Banking Unit, the Retail Banking Unit, the International Banking Unit and the Treasury Unit. In addition to the four business units, our Investment Banking Unit, Corporate Advisory Division, Private Advisory Division and Transaction Business Division provide a broad range of financial products, services and solutions to address sophisticated and diverse issues and needs of our customers. The Corporate Advisory Division operates within the Wholesale Banking Unit, and the Private Advisory Division operates within the Wholesale Banking Unit and the Retail Banking Unit, while the Transaction Business Division operates within the Wholesale Banking Unit, the Retail Banking Unit and the International Banking Unit. Further, we have the Corporate Staff Unit, the Corporate Services Unit, the Compliance Unit, the Risk Management Unit and the Internal Audit Unit.

Wholesale Banking Unit

The Wholesale Banking Unit aims to offer business solutions for the increasingly complex and diverse management issues that are faced by large Japanese corporations, including listed companies and mid-sized companies, and, together with certain of our Group companies provides a wide range of financial products and services targeting those corporations and companies through our 178 sales channels at March 31, 2016. The financial products and services that this business unit provides include deposits, loans including syndicated loans, commitment lines, structured finance and nonrecourse loans, settlement services, cash management, leasing, factoring, management information systems consulting, collection and investment banking services.

This business unit also provides the following products and services to mid-sized companies:

- *Services for Globalizing Corporations.* In light of the recent overseas expansion trend among mid-sized companies, we focus on offering products and services whereby we assist those customers entering new markets, especially in China and other Asian countries, and accommodate an increase in their international trade operations.

- *Loan Products and Services to Promote Socially Responsible Activities.* We provide a variety of loan products and services designed for corporate clients engaging in socially responsible activities. These activities include environmentally friendly activities, improvement of eating habits, development of agricultural and fishery industries, and development of risk management systems for emergency situations. We evaluate their socially responsible activities and offer loans with certain conditions incorporating the results of such evaluation. Furthermore, in connection with these loans, we provide advice in relation to the client's socially responsible initiatives.

- *Services to Promote B-to-B Transactions.* We, with our subsidiaries and affiliates, provide various internet settlement services to meet our customers' needs. We have promoted these services to stimulate greater demand for our solutions business for mid-sized companies. Using these services, corporate customers are able to transfer money more easily and effectively, and also utilize foreign exchange services to transfer funds to and from their overseas counterparts in foreign currencies.

Retail Banking Unit

The Retail Banking Unit provides financial services to both consumers residing in Japan and domestic small-sized companies.

For consumers, this business unit offers a wide range of financial services, including personal bank accounts, deposit products, such as ordinary deposits, time deposits and foreign currency deposits, and the following products and services through various channels:

- *Housing Loans.* Housing loans, which are principally secured by collateral or supported by guarantees, are one of the primary products offered by this business unit. We provide housing loans with a variety of terms and interest rates, including 2- to 35-year term, fixed-rate loans, to meet diversified customer needs. For instance, we offer a housing loan combined with an insurance policy that covers the repayment of the outstanding loan balance in the event the borrower is diagnosed with certain diseases.

- *Investment Trust.* We, as a broker, provide a variety of investment trust products with varying risk-return profiles that are developed and managed by experienced asset management companies within Japan and overseas. We also, together with SMBC Nikko Securities, offer discretionary investment management services.

- *Insurance Products.* We, as an agent, offer pension-type insurance, whereby customers who make all premium payments are able to receive annuity payments when they reach a certain age. We, as an agent, also sell a wide range of insurance products, including medical insurance, juvenile insurance, home fire insurance, single-premium whole life insurance and level-premium life insurance.

- *Consumer Finance Services.* We offer a variety of consumer loan products such as unsecured card loan products to our individual customers.

In addition, we are promoting collaboration with SMBC Nikko Securities to meet customers' diverse needs for asset management by leveraging our respective strengths of a broad client base and a high advisory capability.

The operations are mainly conducted through a large and well developed branch network. We had a domestic network consisting of 440 branch offices at March 31, 2016, most of which were located in the Tokyo and Osaka regions. Some branches provide financial consulting services for asset management and housing loans during extended hours, including weekday evenings, weekends and national holidays, for the convenience of individual customers.

We also operate an extensive network of ATMs in Japan. At March 31, 2016, we offered our customers access to 53,284 ATMs, some of which are our ATMs and the majority of which are ATMs made available through arrangements with other ATM providers such as convenience store chains.

This business unit also offers internet banking services for consumers. At March 31, 2016, our internet banking services had approximately 14 million registered users. The users are able to transfer funds, perform balance inquiries, make time deposits and foreign currency deposits, and buy and sell investment trusts over the internet, as well as over the mobile phone or the traditional telephone.

For small-sized companies, this business unit provides a wide array of financial products and services to comprehensively address in the same place business owners' needs as both corporate managers and individuals such as business and asset succession.

We also offer wealth management services to our customers in collaboration with SMBC Trust Bank, SMBC Nikko Securities and Barclays. For further information on the alliance with Barclays, see "—Other Major SMFG Group Companies and Alliances—Alliance with Barclays."

International Banking Unit

The International Banking Unit mainly supports companies, financial institutions, sovereign/quasi-sovereign entities outside Japan and multinational companies operating in Japan. This business unit provides a variety of tailored products and services to meet customer and market requirements, including loans, deposits, clearing services, trade finance, project finance, loan syndication and global cash management services.

As of March 31, 2016, our international network consisted of 17 branches, 17 sub-branches and 5 representative offices and we seek to meet customers' needs globally, together with the network of our foreign banking subsidiaries such as Sumitomo Mitsui Banking Corporation Europe Limited, or SMBC Europe, with 7 offices and Sumitomo Mitsui Banking Corporation (China) Limited, or SMBC (China), with 15 offices, and foreign banking associates including PT Bank Tabungan Pensiunan Nasional Tbk, The Bank of East Asia, Limited, ACLEDA Bank Plc. and Vietnam Export Import Commercial Joint Stock Bank.

Based on our strategy of expanding our businesses globally, we have been promoting strategic alliances to enhance products and services with leading financial institutions such as Barclays, Kookmin Bank and Kotak

Mahindra Bank Limited. Additionally, in order to further expand our business in the United States, we and our parent SMFG obtained financial holding company status under the Bank Holding Company Act on May 7, 2013, which allows the expansion of the scope of services we provide in the United States, including underwriting and trading of securities and providing other investment banking services.

Treasury Unit

The Treasury Unit operates in the domestic and international money, foreign exchange, securities and derivatives markets to serve customer needs and our own asset and liability management requirements.

To further expand our customer base, this business unit also seeks to provide specialized solutions and enhance customer service capabilities in market transactions through the following activities:

- providing a variety of products from traditional money and foreign exchange transactions to derivative transactions; and

- developing channels such as an internet banking site providing foreign exchange transactions to satisfy a variety of requirements and orders from customers.

Other Business Activities

We also engage in the following business activities through our business units:

- *Payment Services.* We handle money remittances for municipalities, public and private corporations and individuals in Japan and overseas. Domestic remittance services are significant in Japan, where checks are rarely used and money remittance is a major means of payment. We also handle the collection for our customers of promissory notes, bills of exchange and checks.

- *Foreign Exchange.* We engage in a variety of foreign exchange transactions for our clients and our own account, including foreign currency exchange, overseas transfers and trade finance for export and import activities.

The following unit and divisions provide a broad range of financial products, services and solutions to address sophisticated and diverse issues and needs of our customers.

- *Investment Banking Unit.* The Investment Banking Unit provides a broad range of sophisticated financial products and services, as follows:

  - *Customized Financial Services and Financing Solutions.* We provide a wide range of innovative financial services and financing solutions to our corporate clients, including loan syndication, structured finance, project finance, acquisition financing such as LBO and MBO financing, non-recourse real estate finance, securitization, derivatives and M&A advisory.

  - *Securities Intermediary Services for Corporate Clients.* We provide corporate clients with securities intermediary services, and offer structured bonds, subordinated bonds and other products to corporate clients in cooperation with SMBC Nikko Securities.

  - *Corporate Bond Trust Services.* We serve as a trustee or co-trustee of corporate mortgage bonds. We also serve as a commissioned company for bondholders and as a fiscal and paying agent for unsecured bonds that are issued and publicly offered by domestic and foreign customers. In this role, we also advise issuers about market conditions and provide administrative services on behalf of issuers.

  - *Other Trust Services.* We offer other trust services to customers, including monetary claims trusts for asset securitizations and trusts for structured finance.

  - *Principal Investments.* We, directly or through private equity funds, invest in corporate customers seeking to restructure or reorganize themselves or expand their businesses.

- *Solutions Related to Growing Industrial Sectors.* We provide a wide range of solutions to corporate customers addressing businesses related to growing industrial sectors, such as environmental, infrastructure, water, new energy, agriculture, health care and robot industries.

- *Corporate Advisory Division.* The Corporate Advisory Division complements our service lineup for both listed and non-listed companies, providing financial solutions for the increasingly sophisticated and diverse management issues faced by corporate clients. This division provides a centralized information platform that maintains our accumulated information and knowledge concerning a wide range of industries. Leveraging this centralized information platform, this division provides our customers with proposals for strategic initiatives to help enhance their corporate value. This division establishes a separate team for each project and works in cooperation with our other departments and SMFG Group companies, including SMFL and SMBC Nikko Securities. This division aims to offer comprehensive solutions for M&A, strategic investment, business alliances and other management issues.

- *Private Advisory Division.* The Private Advisory Division addresses areas where the needs of individuals and corporate clients overlap, including private banking, corporate employees business, business succession and asset succession consulting for business owners and high-net-worth individuals.

- *Transaction Business Division.* The Transaction Business Division complements our transaction and financing services, including cash management, settlement, foreign exchange and supply chain finance for our corporate clients. This division aims to offer a variety of products and services to capture customers' cash flows and business flows.

Our domestic banking subsidiaries include SMBC Trust Bank, Kansai Urban Banking Corporation, or Kansai Urban, and THE MINATO BANK, LTD., or The Minato Bank. SMBC Trust Bank, which became our wholly owned subsidiary in October 2013, offers extensive trust services tailored to the needs of customers, such as wealth management solutions. On November 1, 2015, SMBC Trust Bank acquired the retail banking business of Citibank Japan Ltd., a wholly owned subsidiary of Citigroup Inc., or Citigroup. Through this acquisition, SMBC Trust Bank is expanding its business model to offer additional products and services to its customers, including foreign currency investment products and global services. Kansai Urban and The Minato Bank are regional financial institutions based in Kansai area and provide commercial banking services to corporations and individuals.

Our domestic banking affiliates include The Japan Net Bank, Limited, or The Japan Net Bank, which, as an internet bank, provides internet-based services such as deposits, loans and investment products. The Japan Net Bank, which had been our subsidiary, became our equity method affiliate in April 2014 due to a decrease in our proportion of voting rights.

Our foreign banking subsidiaries include SMBC Europe, SMBC (China), Manufacturers Bank, Sumitomo Mitsui Banking Corporation of Canada, Banco Sumitomo Mitsui Brasileiro S.A., JSC Sumitomo Mitsui Rus Bank, PT Bank Sumitomo Mitsui Indonesia and Sumitomo Mitsui Banking Corporation Malaysia Berhad.

Our foreign banking associates include PT Bank Tabungan Pensiunan Nasional Tbk, The Bank of East Asia Limited, one of the largest commercial banks in Hong Kong, which became our associate in March 2015, ACLEDA Bank Plc., the largest bank in Cambodia, which became our associate in September 2015, and Vietnam Export Import Commercial Joint Stock Bank.

Leasing

SMFL

SMFL, one of the major leasing companies in Japan, provides a variety of leasing services including equipment, operating, leveraged and aircraft operating leasing. The aircraft leasing business was integrated into SMBC Aviation Capital, a subsidiary of SMFL, in 2013. SMFG has a 60% equity interest in SMFL, while the remaining 40% is held by Sumitomo Corporation, a non-affiliate.

On April 1, 2016, SMFL acquired the General Electric Company, or GE, group's leasing business in Japan by acquiring a 100% equity interest in GE Japan GK, or GE Japan. The acquired leasing business is comprised mainly of equipment/asset leasing, small-ticket leasing and automotive leasing. Through this acquisition, SMFG aims to upgrade marketing strategies and sales capabilities by leveraging GE Japan's know-how developed under GE, and offer a wide range of financial solutions by enhancing the combined client base of SMFL and GE Japan. GE Japan is scheduled to be renamed SMFL Capital Company, Limited in September 2016.

Others

In addition to the above companies, our U.S. subsidiary SMBC Leasing and Finance, Inc. engages in the leasing business. Our affiliate Sumitomo Mitsui Auto Service Company, Limited engages in the auto leasing business.

Securities

SMBC Nikko Securities

As one of the major Japanese securities companies, SMBC Nikko Securities, a wholly owned subsidiary of SMFG, offers a wide range of financial products and investment consultation and administrative services to its individual and corporate customers in Japan. For individual customers, SMBC Nikko Securities provides consulting services to meet diversified asset management needs at 123 branches nationwide at March 31, 2016, and a widely used online trading tool. For corporate customers, it also offers trading capabilities and financial products, debt and equity underwriting and M&A advisory services, mainly in Japan.

In connection with SMFG's plan to strengthen its competitiveness as a diversified financial services group, SMBC Nikko Securities became a direct subsidiary of SMFG on October 1, 2016 and is scheduled to merge with SMBC Friend Securities in January 2018. For information about the planned merger of SMBC Nikko Securities and SMBC Friend Securities, see "—SMBC Friend Securities."

SMBC Nikko Securities, on a consolidated basis, recorded net operating revenue of ¥292.8 billion, ordinary income of ¥55.8 billion and profit attributable to owners of parent of ¥42.1 billion for the fiscal year ended March 31, 2016 and net operating revenue of ¥329.2 billion, ordinary profit of ¥96.2 billion and net income of ¥64.7 billion for the fiscal year ended March 31, 2015.

SMBC Nikko Securities, together with its overseas network, SMBC Nikko Securities (Hong Kong) Limited, SMBC Nikko Securities (Singapore) Pte. Ltd., SMBC Nikko Capital Markets Limited and SMBC Nikko Securities America, Inc., seeks to provide financial services such as brokerage services of Japanese stocks and M&A advisory services to clients on a global basis. To strengthen our cross-border M&A and other advisory services to Japanese companies, we, SMBC Nikko Securities and Moelis & Company, a global investment bank headquartered in New York, established a business alliance in March 2011. In February 2012, we invested approximately $93 million in Moelis & Company to enhance the existing business alliance.

SMBC Friend Securities

SMBC Friend Securities is a full-line securities company focusing on retail business. SMBC Friend Securities has a nationwide network that offers services tailored to the needs of its clients and offers online financial consulting services.

On May 12, 2016, SMFG announced its plan to merge SMBC Nikko Securities and SMBC Friend Securities in January 2018. SMFG expects the merger will strengthen its securities business by reinforcing consulting type sales, enhancing productivity through the optimization of sales personnel staffing, and achieving cost saving synergies resulting from the consolidation of overlapping management infrastructure.

Business Alliance with Citigroup

In May 2009, we entered into a strategic business alliance with Citigroup centering on a variety of collaborative activities between SMBC Nikko Securities and Citigroup. As part of this alliance, Citigroup provides us with access to its global corporate and investment banking networks, including sales and trading and M&A services. The long-standing relationship between Citigroup and the former Nikko Cordial Securities Inc. in the origination and distribution of financial products in Japan and globally is being upheld with SMBC Nikko Securities.

Consumer Finance

Sumitomo Mitsui Card

Sumitomo Mitsui Card is a leading company in Japan's credit card industry, having introduced the Visa brand into the Japanese market. Sumitomo Mitsui Card conducts a comprehensive credit card business with a strong brand, and offers a variety of settlement and finance services to meet diverse customer needs.

We, SMFG, Sumitomo Mitsui Card and NTT DoCoMo, Inc. formed a strategic business and capital alliance in credit payment service. SMFG has a 66% equity interest in Sumitomo Mitsui Card, while the remaining 34% is held by NTT DoCoMo. Pursuant to the alliance, Sumitomo Mitsui Card offers a credit payment service using NTT DoCoMo's mobile phones equipped with contactless IC chips.

In addition, Sumitomo Mitsui Card issues a variety of affiliated credit cards in cooperation with partners including, but not limited to, railway companies, airline companies, department stores and retailers to satisfy both these partners' and cardholders' needs. Sumitomo Mitsui Card also provides services for customers such as travelers and retailers both in Japan and China, in alliance from 2005, with China UnionPay Co., Ltd., a bankcard association in China.

Cedyna

Cedyna, a wholly owned subsidiary of SMFG, conducts credit card, installment (such as shopping credit and automobile loan) and solution (such as collection outsourcing and factoring) businesses.

In April 2014, Cedyna transferred its own collection outsourcing business to SMBC Finance Service Co., Ltd., its wholly owned subsidiary that provides collection outsourcing services and has strong customer base and internet settlement know-how, in order to strengthen its competitive edge by taking advantage of scale and promoting streamlining.

SMBC Consumer Finance

SMBC Consumer Finance, SMFG's wholly owned subsidiary, is a core entity in SMFG's consumer lending business. It provides consumer loans, together with its wholly owned subsidiary Mobit Co., LTD., that consist mainly of unsecured loans to individuals, and conducts other business, including its loan guarantee business. SMBC Consumer Finance guarantees certain consumer loans made by us.

Others

In addition to the above companies, our subsidiary Sakura Card Co., Ltd., which was merged into Cedyna on April 1, 2016, and our affiliate Pocket Card Co., Ltd. engage in the credit card business.

Other Major SMFG Group Companies and Alliances

The Japan Research Institute

The Japan Research Institute is a wholly owned subsidiary of SMFG that provides financial consultation services on management reform, IT, the planning and development of strategic information systems and outsourcing. It also conducts diverse activities including domestic and international economic research and analysis, policy recommendations and business incubation.

Alliance with Barclays

Barclays and we have allied to explore joint business development opportunities, and in April 2010, Barclays, we and SMBC Nikko Securities established a division in SMBC Nikko Securities to provide wealth management services to high-net-worth individuals in Japan. In May 2010, we entered into a business alliance agreement with Absa Bank Limited, a group company of Barclays, regarding collaboration on services to Japanese companies in South Africa and other African countries. We have intensified our management-level communications with Barclays regarding, for example, the effects of strengthened regulation of the global banking industry. We believe these initiatives will yield mutual benefits and will facilitate business expansion for us in targeted growth business areas, both foreign and domestic.

Credit Loss Protection Agreement with Goldman Sachs

To expand our overseas portfolio and revenue, we entered into agreements with Goldman Sachs in 2003 to provide credit protection to Goldman Sachs' extension of credit to their investment grade clients in exchange for receiving a proportion of the fees and interest income from the borrowers. In connection with the agreements, Goldman Sachs established certain wholly owned subsidiaries, or William Street Entities, that might make credit commitments and extensions. Goldman Sachs entered into credit loss protection arrangements with us in order to hedge in part the credit risk to its investment in the William Street Entities. Through our Cayman Islands branch we would issue letters of credit in exchange for fees equal to a portion of the fees and interest to be paid by the borrowers to the William Street Entities. The first letter of credit, or the FLC, was issued in 2003 in a maximum available amount of $1 billion, and is available over a 20-year period, subject to early termination or extension. Also, from time to time over a 20-year period, subject to early termination or extension and other conditions, upon the request of Goldman Sachs, we have issued letters of credit and may issue one or more additional letters of credit (each a second letter of credit, or SLC Series, exposing us to risk rated BBB/Baa2 or higher in an aggregate maximum available amount of $1.125 billion). Goldman Sachs may draw on the letters of credit in the event that Goldman Sachs realizes certain losses, or Specified Losses, with respect to loan commitments or loans extended thereunder that Goldman Sachs has entered into with specified borrowers approved by us and Goldman Sachs.

Under the FLC, Goldman Sachs is entitled to draw from time to time amounts equal to approximately 95% of Specified Losses, up to an aggregate stated amount of $1 billion. Under the SLC Series, Goldman Sachs is entitled, subject to certain conditions, to draw from time to time amounts equal to approximately 70% of Specified Losses above specified loss thresholds, up to an aggregate stated amount of $1.125 billion. Goldman Sachs has made a small number of drawdowns under the FLC in accordance with its terms.

In connection with these credit arrangements, we pay Goldman Sachs an administration fee based on the aggregate amount of commitments covered by the FLC.

The credit loss protection arrangements contain a number of provisions that give us some control over the determination of borrowers to which we have potential exposure under the FLC and any SLC Series:

- Goldman Sachs may make credit commitments covered by the arrangements only to borrowers we approve.

- Unless we and Goldman Sachs agree otherwise, the borrowers covered by the FLC and any SLC Series that are rated by both of the two major rating agencies must be rated investment grade by at least one, and borrowers that are rated only by one of the two major rating agencies must be rated investment grade by that rating agency. If neither of the two major rating agencies rates a borrower, then further credit to the borrower shall no longer be covered by the FLC or any SLC Series if we and Goldman Sachs determine the borrower's credit conditions are lower than investment grade.

- If the ratings of an approved borrower fall below investment grade in the judgment of both major rating agencies (or, if a borrower is rated investment grade by only one agency, and that agency downgrades the borrower below investment grade), further credit to that borrower will no longer be covered by these arrangements, unless we and Goldman Sachs otherwise agree.

- On the fifth, tenth and fifteenth anniversaries of the transaction, we have the right to cause Goldman Sachs to stop extending new credit to borrowers we deem to have become "unbankable." Unbankable borrowers are those who have investment grade ratings from the two major rating agencies but which we deem to be below BB- and below Ba3 based on our application of rating agency methodologies and criteria. If Goldman Sachs disagrees with us, the matter is to be referred to arbitration, and a suspension is effective unless and until an arbitrator rules in favor of Goldman Sachs.

Through a separate bankruptcy-remote Cayman Islands subsidiary, we have collateralized the obligations on the FLC and a portion of the SLC Series by buying $1.723 billion of Goldman Sachs demand notes and pledging those demand notes to Goldman Sachs. If Goldman Sachs activates an SLC Series that is not collateralized, we, through our Cayman Islands subsidiary, will be required to purchase and pledge additional Goldman Sachs demand notes with a principal amount equal to the stated amount of that SLC Series. Subject to certain conditions, we have the right to substitute as collateral high quality liquid securities for the Goldman Sachs demand notes.

These arrangements are designed to collateralize our obligations in the event our Cayman Island branch fails to perform on the FLC or any SLC Series, including as a result of our insolvency or the insolvency of the Cayman Island branch.

If Goldman Sachs' credit rating, as determined by either of the two major credit rating agencies, falls below investment grade, Goldman Sachs is obligated to provide us collateral to support its obligations under the Goldman Sachs demand notes. After an initial 15-year period under the letters of credit, we and Goldman Sachs will negotiate in good faith to extend the terms of the letter of credit arrangements for one additional five-year term. Before the expiration of the initial 20-year term, in certain circumstances, the letter of credit arrangements may be terminated by us or Goldman Sachs, in which event Goldman Sachs would be obligated to prepay any outstanding demand notes. In circumstances related primarily to our creditworthiness or a breach of our representations or covenants, Goldman Sachs may draw on the letters of credit for early termination amounts of up to the remaining undrawn or available amount on the letters of credit. In connection with draws on the letters of credit of early termination amounts, Goldman Sachs would have to prepay any outstanding demand notes. Goldman Sachs also would be obligated to pay us on the originally scheduled expiration date of the letter of credit arrangements an amount equal to the early termination amounts minus the Losses that would have been reimbursed under the letters of credit had they not terminated early.

Ordinary Income by Region

The following table sets forth the breakdown of our ordinary income for each indicated period in the indicated regions.

	Fiscal year ended March 31,		
	2014	2015	2016
	(Millions of yen)		
Region			
Japan	¥2,430,723	¥2,358,869	¥2,116,802
Foreign:			
Americas	244,332	314,485	383,485
Europe and Middle East	180,482	181,897	218,458
Asia and Oceania (excluding Japan)	250,453	344,156	340,275
Total	¥3,105,992	¥3,199,409	¥3,059,022

Funding

We derive funding for our operations from domestic and international sources. Our domestic funding is derived primarily from retail deposits placed by corporate and individual customers, but also from call money (interbank), bills sold (interbank promissory notes) and negotiable certificates of deposit we issue to domestic and international customers. Our principal international sources of funds are interbank deposits, funds raised in the international capital markets and loan financing. In addition, positive cash flows generated by our operations provide a steady source of funding. We closely monitor maturity gaps and foreign exchange exposure in order to manage our risk profile.

Deposits

We offer a complete range of standard banking accounts through our branches in Japan, including current deposits, ordinary deposits, savings deposits, deposits at notice, time deposits and negotiable certificates of deposit. Domestic deposits constitute the principal source of funding for our domestic operations. Our domestic deposits are principally from private individuals and corporations, with the balance coming from government bodies (including municipal authorities) and financial institutions.

Our overseas branches accept deposits mainly in U.S. dollars, but also in yen and other foreign currencies, and are active participants in the euro-currency market as well as the United States domestic money market. In addition, our New York, Singapore and Hong Kong branches and SMBC Europe regularly issue U.S. dollar certificates of deposit. SMBC Europe and our overseas branches also issue certificates of deposit denominated in U.S. dollars and other currencies.

The majority of domestic deposits with us are liquid deposits denominated in yen. These deposits pay interest at rates we establish based principally on prevailing market rates. Most overseas deposits with us are interbank deposits at notice, denominated in dollars or other foreign currencies. These deposits typically pay interest rates determined by reference to market rates of major money-center banks for deposits in London.

Breakdown of Domestic and Overseas Deposits

The following table shows the breakdown of our domestic and overseas deposits as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(Millions of yen)		
Domestic deposits			
Liquid deposits	¥ 53,827,765	¥ 56,265,737	¥ 62,952,848
Time deposits	24,133,089	24,177,202	22,909,471
Other deposits	5,010,342	5,731,119	7,246,396
Subtotal	82,971,197	86,174,059	93,108,716
Negotiable certificates of deposit	5,718,522	5,912,761	6,941,869
Total domestic deposits	88,689,719	92,086,821	100,050,586
Overseas deposits			
Liquid deposits	8,274,686	10,296,949	11,796,260
Time deposits	3,211,221	4,916,051	6,228,385
Other deposits	85,958	116,829	105,310
Subtotal	11,571,866	15,329,830	18,129,956
Negotiable certificates of deposit	8,254,817	8,120,036	7,798,564
Total overseas deposits	19,826,684	23,449,866	25,928,521
Total deposits	¥108,516,404	¥115,536,687	¥125,979,107

As of March 31, 2016, our total domestic deposits of ¥100,051 billion were one of the largest among Japanese city banks. Overseas deposits amounted to ¥25,929 billion, representing 20.6% of total deposits.

Breakdown of Time Deposits, Classified by Maturity

The following table sets forth on a non-consolidated basis the composition of our time deposits by type and maturity as of March 31, 2016:

	As of March 31, 2016						
	Less than three months	Three months to less than six months	Six months to less than one year	One year to less than two years	Two years to less than three years	Three years and over	Total
	(Millions of yen)						
Non-consolidated							
Domestic fixed rate time deposits	¥ 6,254,255	¥3,558,214	¥5,056,580	¥1,630,848	¥1,045,544	¥ 571,234	¥18,116,678
Domestic floating rate time deposits	54,567	35,037	58,896	31,282	23,075	780,099	982,959
Total international time deposits	3,746,162	571,891	317,600	122,137	117,696	208,283	5,083,772
Total time deposits(1)	¥10,054,986	¥4,165,144	¥5,433,077	¥1,784,267	¥1,186,316	¥1,559,617	¥24,183,409

(1) For purposes of this table, time deposits outstanding do not include installment time deposits, which have no stated maturity.

Euro and Global Medium Term Note Programs

We have a Euro Medium Term Note Program, or EMTN Program, that permits us and certain SMFG Group companies to issue senior and subordinated notes and a Global Medium Term Notes Program, or GMTN

Program, that permits us to issue senior notes. As of March 31, 2016, ¥790 billion of notes were outstanding under the EMTN Program, of which ¥758 billion were senior notes, ¥2 billion were dated subordinated notes and ¥30 billion were perpetual subordinated notes. In addition, as of March 31, 2016, $14.25 billion of senior notes were outstanding under the GMTN Program.

Other Sources of Funding

From time to time we raise capital through the issuance of common and preferred stock and hybrid equity securities. Additional sources of funding include call loans and other interbank funding arrangements (other than interbank deposits), repurchase agreements using JGBs, both senior and subordinated loans, bonds and other instruments from institutional investors on a worldwide basis and other sources.

We also have access to funding through loans by the BOJ. Borrowings from the BOJ require us to pledge collateral consisting of JGBs and other qualifying collateral.

Loans

Our principal investing activity is our lending business. We make loans and extend other types of credit principally to corporate and individual customers in Japan and to corporate and sovereign customers abroad.

Domestic Lending

Our domestic lending business on a non-consolidated basis consists principally of small loans to individuals and SMEs, which are defined as companies with stated capital of ¥300 million or less, or with fewer than 300 employees, subject to exceptions applicable to specific industries. We also have substantial lending relationships with larger businesses, including many of the leading companies of Japan.

We are expanding our lending to individuals in Japan while simultaneously attempting to manage our risk-return profile. Almost all of our loans to individuals are to individuals in Japan. We make both secured and unsecured loans to individuals. Secured loans to individuals are primarily made in the form of housing loans generated through our branch network. Unsecured loans to individuals are primarily made through our branch network and channels provided by the SMFG Group.

Loans to small-sized companies are generated mainly through the Retail Banking Unit. Loans to large corporations and mid-sized companies are generated mainly by the Wholesale Banking Unit. In the Wholesale Banking Unit, individual account managers work with our corporate customers.

Loans originated by corporate business offices can be approved by the general managers of our Corporate Banking Department up to a limit which varies depending upon the amount and duration of the loan, the type and amount of collateral and other factors. Loans above this limit require approval from our head offices either in Tokyo or Osaka, and the head office approval entails review by two departments. Industry analysts in the Corporate Research Department review the market position and the industry characteristics of corporate customers and evaluate (among other things) the strength of management, assets, financial performance, prospects and risks. In addition, we use a sophisticated tool, the Obligor Grading Model, to evaluate credit applications. Credit analysts within the Credit Department evaluate specific extensions of credit, analyzing, among other things, the adequacy of collateral or other credit support, use of proceeds, leverage, and interest and cash flow coverage. Larger loans require the approval of one or more directors. We also have a Credit Review Department to oversee the credit risk-management system.

The majority of our domestic loans are secured by collateral or supported by guarantees. Most domestic secured loans are loans to businesses secured by first liens on real estate collateral or housing loans to individuals guaranteed by SMBC Guarantee Co., Ltd. These guarantees are secured by first liens on apartments or houses. Real estate collateral is generally valued based on asset values rather than cash flow. Generally, real estate collateral is evaluated by an appraisal firm affiliate. Most of the appraisals are performed by licensed appraisers.

Overseas Lending

We originate corporate, sovereign and quasi-sovereign loans through overseas branches and representative offices. Most of these loans are unsecured and are denominated in currencies other than Japanese yen. While most of our international loans are to foreign credits, a significant portion of our international loans are to overseas branches, subsidiaries and affiliates of Japanese corporations, and many of these loans are guaranteed or otherwise supported by the Japanese parent corporations.

Loans originated by an overseas branch can be approved by the general manager up to a limit which varies depending upon the amount and duration of the loan, the type of collateral and other factors. Loans above this limit require approval from regional headquarters or our head office in Tokyo. The role of the Corporate Research Department is credit grading, and the role of the international credit department is credit supervision. Larger international loans require the approval of one or more directors.

Our overseas business has been principally focused on lending to large, highly rated corporations, as well as to sovereign and quasi-sovereign credits. Our overseas lending had previously been increasing, while being conservatively managed after Lehman Brothers' bankruptcy and global economic conditions became uncertain.

Because most of our overseas loans are general purpose credits to highly rated corporate, sovereign and quasi-sovereign credits, most of them are not secured by collateral. However, we make substantial secured loans overseas, including for project finance, equipment financing and margin lending for securities and commodities. Our overseas loans are generally extended at floating rates based on LIBOR. Spreads on these loans are negotiated with customers and reflect competition with other domestic and international banks, as well as alternative funding sources available to customers.

Balance of Loans and Bills Discounted, Classified by Maturity

The following table sets forth the composition of our loans and bills discounted by type of interest rate charged and maturity (on a non-consolidated basis) as of the date indicated:

	Maturity as of March 31, 2016						
	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	Over seven years	Unspecified term	Total
	(Millions of yen)						
Non-consolidated							
Fixed interest rate	¥ /[1]	¥ 2,295,305	¥ 2,327,457	¥ 941,041	¥ 1,151,919	¥ —	¥ /[1]
Floating interest rate	/[1]	9,138,844	9,540,806	4,392,917	18,903,945	10,006,090	/[1]
Total	¥10,578,408	¥11,434,150	¥11,868,263	¥5,333,958	¥20,055,864	¥10,006,090	¥69,276,735

(1) Loans with a maturity of one year or less are not classified by floating or fixed interest rates.

We are subject to lending limits under the Banking Act. See "Supervision and Regulation—Regulations in Japan—Regulations for Stabilizing the Financial System—Single Customer Credit Limit."

Balance of Loan Portfolio, Classified by Industry

The following table shows the outstanding loans (including bills discounted) of our domestic and overseas operations, classified by industry, before deducting the reserve for possible loan losses, as of the dates indicated:

	As of March 31,					
	2014		2015		2016	
	(Millions of yen, except percentages)					
Domestic operations:[1]						
Manufacturing	¥ 5,934,989	11.34%	¥ 5,968,319	11.18%	¥ 6,365,352	11.60%
Agriculture, forestry, fisheries and mining	161,015	0.31	134,045	0.25	125,724	0.23
Construction	894,811	1.71	913,596	1.71	918,357	1.67
Transportation, communications and public enterprises	4,573,834	8.74	4,588,546	8.59	4,619,874	8.42
Wholesale and retail	4,267,679	8.15	4,423,655	8.29	4,388,586	8.00
Finance and insurance	5,018,049	9.58	5,387,024	10.09	5,456,967	9.94
Real estate and goods rental and leasing	7,440,672	14.21	7,770,408	14.55	8,401,005	15.31
Services	4,251,649	8.12	4,214,981	7.90	4,601,322	8.39
Municipalities	1,169,119	2.23	1,243,108	2.33	1,265,341	2.31
Others	18,643,774	35.61	18,742,690	35.11	18,730,598	34.13
Subtotal	52,355,596	100.00	53,386,375	100.00	54,873,131	100.00
Overseas operations:[2]						
Public sector	78,915	0.45	71,691	0.33	173,548	0.77
Financial institutions	1,092,827	6.28	1,354,146	6.23	1,351,816	6.02
Commerce and industry	14,202,756	81.63	17,805,942	81.93	18,336,688	81.65
Others	2,024,296	11.64	2,501,409	11.51	2,595,939	11.56
Subtotal	17,398,795	100.00%	21,733,190	100.00%	22,457,993	100.00%
Total	¥69,754,391	/	¥75,119,565	/	¥77,331,124	/

(1) The above figures exclude Japan offshore accounts for international finance transactions. Classification of loans by industry is based on the "Japan Standard Industrial Classification" defined by the Ministry of Internal Affairs and Communications.

(2) The above figures include Japan offshore accounts for international finance transactions.

Balance of Loan Portfolio, Classified by Type of Borrower

The following table shows the breakdown of our domestic loan portfolio by type of borrower (on a non-consolidated basis) as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(Billions of yen)		
Non-consolidated			
Individuals	¥14,681.2	¥14,338.3	¥14,179.1
SMEs	18,409.4	19,160.2	19,681.6
Large corporations[1]	15,100.7	15,848.0	16,211.7
Total	¥48,191.3	¥49,346.5	¥50,072.4

(1) Includes medium-sized enterprises with a capital stock of more than ¥300 million or with more than 300 employees.

Balance of Loan Portfolio, Classified by Major Domicile of Borrower

The following table shows our loans outstanding, on a non-consolidated basis, classified by major domicile of the borrower as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		(Millions of yen)	
Non-consolidated			
Asia:			
Indonesia	¥ 210,737	¥ 358,497	¥ 289,437
Thailand	608,844	783,660	676,912
Korea	330,704	376,111	274,034
Hong Kong	1,288,744	1,634,584	1,491,427
China	336,987	406,672	272,880
Taiwan	/(1)	291,156	245,718
Singapore	963,883	1,162,156	1,139,127
India	456,913	472,669	465,989
Other Asia	705,529	550,659	548,291
Asia total	4,902,341	6,036,164	5,403,815
Oceania:			
Australia	1,016,226	1,275,642	1,531,264
Other Oceania	112,749	115,259	141,739
Oceania total	1,128,975	1,390,901	1,673,003
North America:			
United States	/(2)	4,385,020	4,954,824
Other North America	/(2)	1,269,287	1,302,587
North America total	4,429,994	5,654,307	6,257,411
Central and South America:			
Brazil	171,512	266,560	280,206
Panama	580,172	593,197	528,952
Other Central and South America	534,344	703,211	820,425
Central and South America total	1,286,028	1,562,968	1,629,583
Western Europe:			
United Kingdom	/(2)	825,287	1,169,548
Ireland	/(2)	557,450	586,194
Netherlands	/(2)	432,576	508,119
Other Western Europe	/(2)	1,213,267	1,039,825
Western Europe total	2,523,355	3,028,580	3,303,686
Eastern Europe:			
Russia	563,834	524,285	395,995
Other Eastern Europe	71,089	46,342	62,870
Eastern Europe total	634,923	570,627	458,865
Others	821,461	1,010,726	1,250,585
Total	¥15,727,077	¥19,254,273	¥19,976,948

(1) The figure for "Taiwan" as of March 31, 2014 was included in "Other Asia."

(2) The figures for "North America" and "Western Europe" as of March 31, 2014 were not classified by countries.

Loan Losses, Total Credit Cost and NPLs

General

We experienced substantial loan losses in past periods. Our financial results reflect actual loan losses as well as a provision of allowance for loan losses.

We review loans in the following ways:

- First, we conduct quarterly self-assessments to calculate appropriate write-offs and provisions by classifying borrowers according to their financial soundness.

- Second, we categorize the NPLs pursuant to, and provide disclosure under, the Financial Reconstruction Act.

- Third, we calculate and disclose the value of risk-monitored loans based on the Banking Act (which excludes non-loan assets, for example, securities lending, import and export, accrued interest, suspense payments and customers' liabilities for acceptances and guarantees). We also disclose loans to specific overseas countries.

In accordance with our self-assessment policy, the reserve for possible loan losses reflects an estimate of the amount of losses that we may incur in connection with our loan portfolio. Due to future changes in circumstances, the loss actually realized may differ from amounts currently carried as a reserve for possible losses. We seek, through the restructuring of loans or collection efforts, to maximize the return on NPLs. The credit departments in each banking unit and the Credit & Investment Planning Department are dedicated to managing NPLs and maximizing the level of recoveries on loans that have been written off. These returns have frequently been limited by economic and legal impediments to restructuring and collection, including the prevalence of second and third mortgages on real estate over which we hold first liens (which can delay the disposal of collateral and decrease the recoverable amount).

Policies with Respect to Troubled Customers

In the past, we have provided direct and indirect support to troubled customers for a variety of reasons. For example, we have provided support to customers where operating profitability or asset values indicate the likelihood of a successful restructuring. In addition, like other banks in Japan, we have provided support in the past to troubled customers under circumstances and based upon considerations that may differ in kind or degree from those relevant in other regions, including the United States and Europe. These include political and regulatory influences, relationships with members of the Sumitomo Group and the Mitsui Group, the lead bank system and perceived responsibility for obligations of affiliated and associated companies. While the importance of some of these considerations has been declining, these considerations nevertheless have significantly affected our actions on a number of occasions. In some cases, we have been induced by these considerations to extend credit or forgive indebtedness under circumstances where short-term economic considerations would have suggested other action.

Like other Japanese banks, we have in the past provided financial support to affiliated or associated companies. Third parties dealing with affiliated or associated companies frequently have an expectation, which may be implicitly or explicitly ratified by us, that we will provide financial assistance in the event that affiliated or associated companies experience financial difficulties. Assistance to affiliated companies could consist of debt forgiveness, increased lending by us to facilitate the repayment of other indebtedness, or equity investment.

We have provided financial assistance to financially distressed companies in the form of debt forgiveness, debt-for-equity swaps and the acquisition of new shares. We have made a strategic decision to extend financial support to distressed customers only in situations in which we expect a positive return from providing support. However, we may face difficulties in implementing this strategy, and there are no guarantees that our decision to provide financial support will not be influenced by the factors mentioned above.

Total Credit Cost

Our total credit cost was ¥13.9 billion for the fiscal year ended March 31, 2016, compared to a net reversal of ¥65.4 billion for the fiscal year ended March 31, 2015.

The following table shows an analysis of our total credit cost for each of the periods indicated:

	Fiscal Year Ended March 31,		
	2014	2015	2016
	(Billions of yen)		
Credit costs	¥(23.6)	¥(14.8)	¥(24.2)
Write-off of loans	(11.8)	(6.9)	(5.2)
Provision for reserve for possible loan losses	—	—	(5.6)
Other	(11.9)	(7.9)	(13.4)
Gains on reversal of reserve for possible loan losses	136.5	73.6	—
Recoveries of written-off claims	0.5	6.6	10.3
Total credit cost	¥113.3	¥ 65.4	¥(13.9)

Note: Figures in parentheses indicate costs.

Write-offs and provisions are based on a self-assessment conducted in compliance with the Financial Inspection Manual prepared by the FSA and the Practical Guidelines published by the JICPA. Credit costs are subject to various factors, including changes in the category of borrowers under self-assessment and changes in the reserve ratio for each category.

Our total credit cost on a consolidated basis include total credit cost of our banking subsidiaries, The Minato Bank, for which total credit cost was ¥4,105 million for the fiscal year ended March 31, 2016, compared to ¥3,581 million for the fiscal year ended March 31, 2015 and Kansai Urban, for which net reversal was ¥216 million for the fiscal year ended March 31, 2016, compared to total credit cost of ¥459 million for the fiscal year ended March 31, 2015, each on a non-consolidated basis.

Accounting Principles and Self-Assessment Categories Relating to Reserve for Possible Loan Losses

The following table provides an overview of the different methods of loan and asset categorization, as well as applicable amounts and percentages, on a non-consolidated basis as of March 31, 2016:

As of March 31, 2016 **(Billions of yen, except percentages)**

Category of borrowers under self-assessment	Non-performing loans based on the Financial Reconstruction Act	Classification under self-assessment: Classification I	Classification II	Classification III	Classification IV	Reserve for possible loan losses	Reserve ratio
Bankrupt borrowers Effectively bankrupt borrowers	Bankrupt and quasi-bankrupt assets 135.6 (i) (Change from Mar. 31, 2015: 42.6)	Portion of claims secured by collateral or guarantees, etc. 101.1 (a)		Fully reserved 34.5	Direct write-offs (*1)	Specific reserve 37.3 (*2)	100% (*3)
Potentially bankrupt borrowers	Doubtful assets 376.4 (ii) (Change from Mar. 31, 2015: (178.8))	Portion of claims secured by collateral or guarantees, etc. 240.6 (b)		Necessary amount reserved 135.8		Specific reserve 97.1 (*2)	71.48% (*3)
Borrowers requiring caution	Substandard loans 110.6 (iii) (Change from Mar. 31, 2015: (10.2)) (Claims to Substandard borrowers)	Portion of Substandard loans secured by collateral or guarantees, etc. 49.3 (c)				General reserve for Substandard loans 24.6	40.73% (*3) 12.48% (*3)
Borrowers requiring caution	Normal assets 79,046.1	Claims to Borrowers requiring caution, excluding claims to Substandard borrowers				General reserve 221.7 (*5)	4.83% [9.70%] (*4)
Normal borrowers		Claims to Normal borrowers					0.13% (*4)

Loan loss reserve for specific overseas countries	1.2

Non-performing loan ratio **0.78%** ((v)/(iv)) (Change from Mar. 31, 2015: (0.19) %)	Total 79,668.7 (iv)	Total reserve for possible loan losses: 357.2 D: Specific reserve + General reserve for Substandard loans: 159.0	Reserve ratio (*6) (D/C) 68.62%
	A=(i)+(ii)+(iii) **622.6(v)** (Change from Mar. 31, 2015: (146.4))	B: Portion secured by collateral or guarantees, etc. (a)+(b)+(c) 391.0 C: Unsecured portion (A - B) 231.7	Coverage ratio ((B+D)/A) 88.32%

(*1) Includes amount of direct reduction totaling ¥129.8 billion.

(*2) Includes reserve for assets that are not subject to disclosure based on the Financial Reconstruction Act standards. (Bankrupt/Effectively bankrupt borrowers: ¥2.7 billion, Potentially bankrupt borrowers: ¥4.8 billion)

(*3) Reserve ratios for claims on Bankrupt borrowers, Effectively bankrupt borrowers, Potentially bankrupt borrowers, Substandard borrowers and Borrowers requiring caution including Substandard borrowers are the proportion of reserve for the possible loan losses to each category's total claims, excluding the portion secured by collateral or guarantees, etc.

(*4) Reserve ratios for claims on Normal borrowers and Borrowers requiring caution (excluding claims to Substandard borrowers) are the proportion of the reserve for possible loan losses to the respective claims of each category. The reserve ratio for unsecured claims on Borrowers requiring caution (excluding claims to Substandard Borrowers) is shown in angle brackets.

(*5) Includes specific reserve for Borrowers requiring caution totaling ¥0.4 billion.

(*6) The proportion of the reserve to the claims, excluding the portion secured by collateral or guarantees, etc.

We account for NPLs, reserves and loan losses in accordance with the following policies and regulations.

Borrower Categorization

Under the self-assessment process, we classify customers into five categories by using criteria based on the Financial Inspection Manual of the FSA and the Practical Guidelines published by the JICPA. The five categories of customers are:

- "*Normal borrowers*." This category consists of borrowers in satisfactory financial condition who meet their payment obligations, and includes all borrowers not classified as "borrowers requiring caution," "potentially bankrupt borrowers," "effectively bankrupt borrowers" or "bankrupt borrowers."

- "*Borrowers requiring caution*." This category consists of borrowers (1) with "restructured" loans (see "—Loan Losses, Total Credit Cost and NPLs"); (2) that are past due on principal or interest payments for three months or more; (3) whose business or financial condition is deteriorating or becoming unstable; or (4) that are otherwise experiencing financial difficulties. Items listed under (1) and (2) combined constitute "substandard loans" as defined under the Financial Reconstruction Act.

- "*Potentially bankrupt borrowers*." This category consists of currently solvent borrowers that we deem to have a high probability of becoming insolvent because of continuing, serious financial difficulties or because of a lack of expected progress in implementing restructuring plans. These borrowers have low prospects of future profitability because, among other reasons, they are nearly insolvent, their business and financial condition has significantly deteriorated or some or all of their loans are past due.

- "*Effectively bankrupt borrowers*." Even though not legally or formally insolvent, borrowers can be classified as effectively bankrupt if, among other reasons, they face extreme financial difficulties of a larger magnitude than customers classified as potentially bankrupt and there are no prospects for successful restructuring. A borrower that continues to operate its business may be classified as effectively bankrupt if there are no prospects for future profitability due to it having a large amount of NPLs or it having effectively been in insolvency for an extended period of time due to excessive debt compared to its ability to repay. A borrower may also be classified as effectively bankrupt if there are no prospects for successful restructuring because of substantial losses due to calamities, accidents, a sudden change in the economic conditions or other similar events. In addition, the borrower is effectively bankrupt if it is practically insolvent as evidenced by its loans being past due for six months or longer.

- "*Bankrupt borrowers*." This category consists of borrowers that have entered into bankruptcy (*hasan*), civil rehabilitation proceedings (*minji saisei*), corporate reorganization proceedings (*kaisha kosei*), special liquidation proceedings (*tokubetsu seisan*) or similar proceedings, or whose discounted bills are subject to trading suspension at the bill clearinghouse.

Loan Classification

After categorizing the borrower to which a loan was extended, we categorize each claim to the borrower by evaluating any collateral and guarantees associated with the claim. Collateral and guarantees are classified into two broad categories: (1) "superior" (e.g., cash deposits and high-quality securities) and (2) "ordinary" (e.g., real estate). Sub-categories of superior and ordinary collateral are specified, and each sub-category is assigned a specific percentage ranging from 50% to 100% for the purpose of determining the portion of the value of collateral that will be considered "qualified" collateral. We then classify claims as follows:

"Classification I (Unclassified) assets" include (1) all claims to "normal" borrowers and (2) the qualified portion of superior collateral and guarantees for loans to all other borrowers.

"Classification II assets" represent assets perceived to have an above-average risk of uncollectibility, namely, (1) all claims (other than Classification I assets) to borrowers requiring caution and (2) the qualified portion of ordinary collateral and guarantees for loans to potentially bankrupt borrowers, effectively bankrupt borrowers and bankrupt borrowers.

"Classification III assets" represent assets for which final collection or asset value is very doubtful and which pose a high risk of incurring a loss, namely, (1) all claims (other than Classification I assets and

Classification II assets) to potentially bankrupt borrowers, (2) the "non-qualified" portion of collateral and guarantees for claims to effectively bankrupt borrowers and bankrupt borrowers and (3) any additional amount we expect to receive in bankruptcy proceedings on claims to effectively bankrupt borrowers and bankrupt borrowers.

"Classification IV assets" represent assets assessed as uncollectible or worthless, namely, all claims (other than Classification I assets, II assets and III assets) to effectively bankrupt borrowers and bankrupt borrowers.

Direct Write-offs

We directly write off (and do not charge off against our reserve) the portion of claims classified as Classification IV assets, to the extent the portion has not been previously specifically reserved. We write off the portions of claims to bankrupt borrowers and the portions of claims to effectively bankrupt borrowers (to the extent not previously specifically reserved). We then determine the appropriate amount of reserve to be established for claims in the remaining three categories according to the reserve policies described below.

Reserves

The reserve for possible loan losses represents the allowance for estimated future credit losses. Credit losses arise primarily from the loan portfolio, but may also be derived from other claims to borrowers, including commitments to extend credit, guarantees and standby letters of credit. Actual loan losses, net of recoveries, are generally deducted from the reserve for possible loan losses. However, under our self-assessment process, losses on a loan are shown as direct write-offs (and not charged off against the reserve) when the loan or a portion thereof is or becomes unsecured, and the customer is classified as bankrupt or effectively bankrupt, to the extent that a specific reserve was not provided for the loan.

The reserve for possible loan losses is comprised of three parts: a general reserve, a specific reserve and a reserve for specific overseas countries. Accounting principles relating to these are discussed below. We use a self-assessment process to analyze the quality of its loans and thereby calculate our reserve.

General reserve. A general reserve is provided for claims to normal borrowers and borrowers requiring caution. Claims to borrowers requiring caution are comprised of two parts: claims to substandard borrowers and claims to other borrowers requiring caution. The reserve ratios for those three categories are based on the historical credit loss ratios for each group. We calculate the loan loss reserve mainly for substandard loans made to borrowers with large exposure by analyzing the projected cash flows discounted to present value.

Specific reserve. A specific reserve is provided based on our estimate of the probability of loan losses on the whole amount of each claim classified as Classification III assets. This probability is estimated on the basis of historical credit loss ratios. Additions to the specific reserve are generally not fully deductible for Japanese tax purposes. For a number of years we have made provisions for the specific reserve in amounts that have substantially exceeded the corresponding amounts deductible for Japanese tax purposes; this difference accounts for a portion of the deferred tax assets reflected in our financial statements. Furthermore, we provide for a higher specific reserve with respect to certain claims.

Reserve for specific overseas countries. We maintain a reserve for losses on specific overseas loans originated in countries considered to be more risky. The amount of the reserve is based on the amount of expected losses owing to the political and economic situation of these countries.

The following table shows the changes in our reserve for possible loan losses (on a non-consolidated basis) as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(Millions of yen)		
Non-consolidated			
Reserve for possible loan losses at beginning of period	¥621,560	¥482,729	¥388,243
Foreign currency translation adjustment	(4,966)	(10,180)	5,896
Reserve for possible loan losses at end of period	472,548	394,140	357,186
General reserve	312,775	231,030	221,297
Specific reserves	159,025	162,390	134,708
Reserve for specific overseas countries	747	719	1,179

Disclosure of NPLs under the Financial Reconstruction Act

Under the Financial Reconstruction Act, assets are defined as loans, securities lending, import and export, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees. They are assessed and classified into four categories: (1) bankrupt and quasi-bankrupt assets, (2) doubtful assets, (3) substandard loans and (4) normal assets. We are required to categorize our assets according to the Financial Reconstruction Act. We are required to disclose this information semiannually, but voluntarily disclose its quarterly. The categories are:

- *Bankrupt and quasi-bankrupt assets.* This category is defined as the sum of claims on bankrupt borrowers and effectively bankrupt borrowers under self-assessment, excluding Classification IV assets, which are fully written off. Classification III assets are fully covered by reserves, and Classification I assets and II assets, the collectible portion, are secured by collateral, guarantees or other means.

- *Doubtful assets.* This category is defined as claims on potentially bankrupt borrowers under self-assessment. Specific reserves are set aside for Classification III assets, and Classification I assets and II assets, the collectible portion, are secured by collateral, guarantees or other means.

- *Substandard loans.* This category is defined as claims on borrowers requiring caution under self-assessment that are past due loans (three months or more) or restructured loans.

- *Normal assets.* This category is defined as claims that are not included in the other three categories.

The following table sets forth our disclosure on a non-consolidated basis as to the quality of our loan portfolio and other extensions of credit, in the disclosure categories required under the Financial Reconstruction Act, as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(Millions of yen, except percentages)		
Non-consolidated			
Bankrupt and quasi-bankrupt assets (*hasan kousei saiken oyobi korerani junzuru saiken*)	¥ 114,268	¥ 92,996	¥ 135,604
Doubtful assets (*kiken saiken*)	574,429	555,150	376,366
Substandard loans (*youkanri saiken*)	192,715	120,851	110,646
Total NPLs	881,413	768,998	622,617
Normal assets (*seijou saiken*)	71,907,016	78,132,366	79,046,057
Total	¥72,788,430	¥78,901,365	¥79,668,674
NPL ratio	1.21%	0.97%	0.78%
Coverage ratio	88.54%	87.67%	88.32%
Reserve ratio to unsecured assets	67.83%	67.10%	68.62%

As of March 31, 2016, our banking subsidiaries, The Minato Bank and Kansai Urban, recorded NPLs of ¥56,218 million and ¥67,077 million, respectively, each on a non-consolidated basis. The amounts as of March 31, 2015 were ¥62,184 million and ¥73,322 million, respectively. These are not included in our non-consolidated figures in the table above.

The following table sets forth our reserve and write-offs based on self-assessment classifications for each category of NPLs on a non-consolidated basis as of the dates indicated:

	As of March 31,		
	2014	2015	2016
	(Billions of yen, except percentages)		
Non-consolidated			
Bankrupt and quasi-bankrupt assets:			
Secured by collateral or guarantees	¥ 104.9	¥ 87.7	¥ 101.1
Fully reserved	9.4	5.3	34.5
Reserve for possible loan losses	11.8	7.5	37.3
Reserve ratio	100.00%	100.00%	100.00%
Doubtful assets:			
Secured by collateral or guarantees	¥ 364.3	¥ 348.3	¥ 240.6
Fully reserved	210.1	206.8	135.8
Reserve for possible loan losses	146.6	154.1	97.1
Reserve ratio	69.77%	74.48%	71.48%

We have adopted reserve policies for loan loss write-offs and reserves in accordance with our self-assessment of asset quality, using criteria based on the Financial Inspection Manual prepared by the FSA and the Practical Guidelines published by the JICPA.

Securities-Related Activities

Securities Portfolio

Our bond portfolio is principally held for ALM purposes, with a small number of securities being held for inventory purposes for sales to customers. Most of our bond portfolio is comprised of fixed-rate Japanese and local government bonds and high quality corporate bonds denominated in yen. On a non-consolidated basis, the approximate average duration of our yen-denominated bond portfolio, including JGBs but excluding private placement bonds, bonds held-to-maturity and bonds for which fair value hedge accounting is applied, as of March 31, 2016 was 2.8 years, compared to 1.8 years as of March 31, 2015. Bonds are also held to enhance liquidity, and, when needed, they can be used as collateral for call money or other money market funding or short-term borrowing from the BOJ. Sales of bonds are made from time to time in order to recognize discretionary gains. Our Treasury Department actively monitors the interest rate and maturity profile of its bond portfolio as part of our overall risk management.

Our equity portfolio consists principally of publicly traded Japanese equities. Our equity portfolio, like that of other Japanese financial institutions, has historically included shares of some of our customers. We previously reduced our equity holdings to comply with the FSA requirement that the aggregate fair value, excluding any unrealized gains, of the consolidated equity portfolio of a bank shall be no more than that bank's consolidated Tier 1 capital. As of March 31, 2016, the aggregate fair value, excluding unrealized gains, of our consolidated equity portfolio classified as other securities with fair value continued to be well below our consolidated Tier 1 capital. As of March 31, 2016, the book value of SMFG's domestic listed stocks divided by its Common Equity Tier 1 capital (Basel III fully-loaded basis, excluding net unrealized gains on other securities) was 27% on a consolidated basis.

We recognize the risks associated with our equity portfolio, owing to its volatility as well as its relatively poor dividend yields. Accordingly, we have been actively looking to minimize the negative effect of holding a large equity portfolio through hedging and derivative transactions, even as we maintain existing client relationships. While the portfolio is under review, we continue to look at equity investments with potential for meaningful returns.

The following table sets forth the closing values of the Nikkei 225 Index and the TOPIX as of March 31, 2014, 2015 and 2016:

	As of March 31,		
	2014	2015	2016
Nikkei 225 Index	14,827.83	19,206.99	16,758.67
TOPIX	1,202.89	1,543.11	1,347.20

Balance of Securities Held, Classified by Maturity

The following table shows the total composition and maturity of our investment securities portfolio (on a non-consolidated basis) as of the date indicated:

	As of March 31, 2016							
	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	More than seven years to ten years	Over ten years	Unspecified term	Total
	(Millions of yen)							
Non-consolidated								
Japanese government bonds	¥2,522,716	¥2,376,765	¥4,644,981	¥ —	¥ —	¥ 252,896	¥ —	¥ 9,797,359
Japanese local government bonds	—	89	4,491	—	3,114	39	—	7,734
Japanese corporate bonds(1)(2)	255,302	764,905	716,150	306,821	281,105	141,675	—	2,465,960
Japanese corporate stocks	—	—	—	—	—	—	4,642,919	4,642,919
Others(3)	1,424,612	1,011,379	408,506	393,875	902,795	1,384,013	3,163,000	8,688,182
Foreign bonds	1,422,111	942,788	366,158	381,139	782,801	1,258,768	—	5,153,769
Foreign stocks	—	593	5,587	—	7,305	91,292	2,616,534	2,721,313
Total	¥4,202,630	¥4,153,141	¥5,774,128	¥700,696	¥1,187,015	¥1,778,624	¥7,805,920	¥25,602,156

(1) Many of the Japanese corporate bonds we hold are not listed on an established market and are, therefore, recorded at cost.

(2) In addition to corporate bonds, includes bonds guaranteed by the Government of Japan and bank debentures.

(3) Includes non-yen-denominated securities, yen-denominated securities issued outside Japan, yen-denominated securities of non-Japanese issuers issued in Japan and other foreign securities.

Unrealized Gains (Losses) on Securities

The following tables show the book value and fair value of, and the unrealized gain or loss on, our investment securities portfolio as of the dates indicated. Unlisted securities without market values are not reflected in these tables.

(1) Securities classified as for trading purposes:

	As of March 31,		
	2014	2015	2016
	(Millions of yen)		
Balance sheet amount	¥3,353,603	¥3,117,124	¥3,551,698
Valuation gains (losses) included in the earnings for the fiscal year	(15,176)	71,730	(32,720)

(2) Bonds classified as held-to-maturity with fair value:

	As of March 31,		
	2014	2015	2016
	(Millions of yen)		
Balance sheet amount	¥4,536,849	¥3,397,151	¥2,267,598
Fair value	4,570,647	3,417,732	2,284,166
Net unrealized gains (losses)	33,797	20,580	16,568

(3) Other securities with fair value:

	As of March 31, 2014			As of March 31, 2015		
	Balance sheet amount	Acquisition cost	Net unrealized gains (losses)	Balance sheet amount	Acquisition cost	Net unrealized gains (losses)
	(Millions of yen)					
Stocks	¥ 3,016,494	¥ 1,878,816	¥1,137,678	¥ 3,916,426	¥ 1,868,063	¥2,048,362
Bonds	12,881,182	12,816,734	64,447	13,700,240	13,650,208	50,031
Japanese government bonds	9,911,202	9,888,747	22,454	11,006,985	10,994,015	12,969
Japanese local government bonds	124,547	123,861	686	52,150	51,881	268
Japanese corporate bonds	2,845,432	2,804,125	41,306	2,641,104	2,604,311	36,793
Other	6,320,365	6,207,334	113,030	7,950,879	7,584,958	365,920
Total	¥22,218,042	¥20,902,885	¥1,315,157	¥25,567,546	¥23,103,231	¥2,464,314

	As of March 31, 2016		
	Balance sheet amount	Acquisition cost	Net unrealized gains (losses)
		(Millions of yen)	
Stocks	¥ 3,411,374	¥ 1,883,805	¥1,527,569
Bonds	10,892,591	10,783,401	109,189
Japanese government bonds	8,105,050	8,042,610	62,439
Japanese local government bonds	31,220	31,080	140
Japanese corporate bonds	2,756,319	2,709,709	46,610
Other	8,315,102	8,228,909	86,192
Total	¥22,619,068	¥20,896,116	¥1,722,951

Trading Portfolio

We use mark-to-market accounting for our trading portfolio, pursuant to the Banking Act. Our trading portfolio includes securities, derivatives and other trading assets and liabilities. Net trading income for the fiscal years ended March 31, 2014, 2015 and 2016 were ¥189,085 million, ¥177,382 million and ¥209,722 million, respectively. The gains or losses on trading-related financial derivatives arise from the origination of currency-related derivative products for customers and are largely offset by corresponding gains.

Property

We own or lease the land and buildings in which we conduct our business. Most of the property that we operate in Japan is owned by us to be used by our branches. In contrast, our international operations are conducted out of leased premises.

The following table shows the breakdown of our tangible fixed assets as of the dates indicated:

	As of March 31,		
	2014	2015	2016
		(Millions of yen)	
Land(1)	¥444,100	¥ 468,728	¥ 488,708
Buildings	277,481	287,583	357,116
Others	255,321	316,894	321,802
Total	¥976,903	¥1,073,206	¥1,167,627

(1) Includes land revaluation excess.

Risk Management

Identifying, measuring and controlling risks have never been more important in the management of financial institutions. SMFG has established basic principles in risk management in a manual entitled "Regulations on Risk Management." In this manual, SMFG set the following basic rules for risk management, which apply to us as a member of the SMFG Group:

- determine our Group-wide basic policies for risk management after specifying the categories of risk to which these policies apply;
- provide necessary guidance to our Group companies to enable them to follow the basic risk management policies set forth by us and to set up their own appropriate risk-management systems; and
- monitor the implementation of risk management by all our Group companies to ensure that their practices meet the relevant standards.

We classify risks into the following categories:

- credit risk;
- market risk;

- liquidity risk; and
- operational risk, which includes processing risk, settlement risk and system risk.

In addition, we provide individually tailored guidance to help our Group companies identify categories of risk that need to be addressed. Risk categories are regularly reviewed and new categories may be added in response to changes in the operating environment. Our Corporate Risk Management Department works with the Corporate Planning Department to comprehensively and systematically manage categories of risk across the entire Group.

Top management plays an active role in determining our Group-wide basic policies for risk management. The basic policies for risk management are determined by the Management Committee before being authorized by the Board. The Management Committee, the designated Board members, and the relevant risk management departments conduct risk management according to the basic policies.

Risk-management systems are in place at our individual Group companies, in accordance with our Group-wide basic policies for risk management. Risk categories are managed taking into account their particular characteristics. Our Corporate Risk Management Department—independent of the operating units—comprehensively and systematically manages categories of risk in cooperation with the Corporate Planning Department. Top management plays an active role in the drafting of basic policies of risk management. On April 1, 2009, we created a new Risk Management Unit in order to consolidate and enhance its risk-monitoring ability. The Risk Management Unit is overseen by one of our directors.

Under our Group-wide basic policies for risk management, all our Group companies periodically review the appropriateness of the basic management policies for risk categories, or when we deem necessary, our management regularly monitors the conduct of risk management at our Group companies, providing guidance as necessary.

Furthermore, in order to maintain a balance between risk and return and to foster the overall soundness of our Group, we use the risk capital-based management method, which allocates capital effectively to each department according to its role in business strategies so as to limit total exposure to credit, market and operational risks.

Credit Risk

Credit risk is the risk of incurring losses from decline or loss of the value of an asset (including off-balance sheet items) that is caused by a credit event including but not limited to the deterioration of financial condition of a borrower. Overseas credits transactions also entail country risk, which is closely related to credit risk. Country risk is the risk of incurring losses caused by changes in political or economic conditions. Credit exposures arise primarily from lending activities such as loans and advances, acquiring investment securities, derivative transactions, and off-balance sheet transactions such as unused portion of loan commitments.

We follow SMFG's basic policy to assess and manage credit risk and increase the accuracy and comprehensiveness of SMFG Group-wide credit risk management. We comprehensively manage credit risk according to the nature of our business, and assess and manage credit risk of individual loans and credit portfolios quantitatively, using consistent standards. We believe credit risk is the most significant risk to which we are exposed.

The purpose of credit risk management is to limit credit risk exposure to an acceptable level relative to capital, to maintain the soundness of assets and to ensure returns are commensurate with risk.

Our credit policy comprises objective and basic operating concepts, policies and standards for credit operations, in accordance with the business mission and rules of conduct. We promote the understanding of and strict adherence to our credit policy among managers and employees. By conducting risk-sensitive credit management in accordance with Basel II guideline revisions and other capital adequacy regulations, we aim to enhance shareholder value and provide high value-added financial services.

To effectively manage the risk involved in individual loans as well as our credit portfolio as a whole, we assess the credit risk of individual borrowers, as well as individual claims, by using an internal rating system and quantifying the amount of risks for control purposes.

Internal rating systems describe grades for corporate and sovereign loans in each asset category according to portfolio characteristics. 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 borrower is domiciled overseas, internal ratings for credit are made after taking into consideration country risk, 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. Self-assessment is the obligor grading process for assigning lower grades, and 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—for example, 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.

Credit risk quantification refers to estimating the degree of credit risk of a portfolio or individual loan, taking into account not just the obligor's probability of default but also the concentration of risk in a specific customer or industry and the loss impact of fluctuations in the value of real estate, securities or other collateral.

Risk quantification is also conducted to determine the portfolio's risk concentration, or to simulate economic movements through "stress tests." The results of risk quantification 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.

Credit assessment of corporate loans involves a variety of financial analyses, including cash flow, to predict an enterprise's loan repayment capability and its growth prospects. These quantitative measures, when combined with qualitative analyses of industrial trends, the enterprise's research and development, capabilities, the competitiveness of its products or services, and its management, result in a comprehensive credit assessment. The loan application is analyzed in terms of the intended use of the funds and the repayment schedule. Thus, we believe we are able to arrive at an accurate and fair credit decision based on an objective examination of all relevant factors.

We have also been making steady progress in rationalizing our credit assessment process to address changes in the business environment and credit event trends.

In the field of housing loans for individuals, we employ a credit assessment model based on credit data we have amassed and analyzed over many years. This model enables loan officers to efficiently make rational decisions on housing loan applications, and to act promptly on customer applications.

In addition to analyzing loans at the application stage, the Credit Monitoring System is used 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.

We apply the following basic policies to the management of our entire credit portfolio to maintain and improve soundness and profitability over the medium-to-long term:

- *Risk-Taking within the Scope of Capital.* To keep credit risk exposure to a permissible level relative to capital, we set credit risk capital limits for internal control purposes. Under these limits, separate guidelines are issued for each business unit and marketing unit. We also issue specialized guidelines for each business unit and business type. We regularly monitor compliance with these guidelines, thus ensuring appropriate overall management of credit risk.

- *Controlling Concentration Risk.* Because concentration of credit risk in an industry or corporate group has the potential to impair a bank's capital significantly, we implement measures to prevent excessive concentration of loans in a single industry and to control large exposure to individual companies or corporate groups by setting guidelines for maximum loan amounts. To manage country risk, we also have credit limit guidelines based on each country's creditworthiness.

- *Unsecured Loans to SMEs and Balancing Risk and Returns.* Increasingly sophisticated methods of managing credit risk are helping us extend unsecured loans to SMEs. We strive to run credit operations on the basic principle of earning returns that are commensurate with the credit risk involved and by reducing capital and credit costs as well as general and administrative expenses.

- *Reduction and Prevention of NPLs.* We regularly review NPLs and potential NPLs to assess collectability and formulate action plans, enabling us to swiftly implement measures seeking to prevent credit deterioration, support business recoveries, collect on loans and enhance loan security.

- *Toward Active Portfolio Management.* We make active use of credit derivatives, loan securitization and other instruments to proactively and flexibly manage our portfolio to stabilize credit risk.

Our Credit & Investment Planning Department is responsible for the comprehensive management of credit risk. This department also manages NPLs and other aspects of our credit portfolio.

Our Corporate Research Department within the Corporate Services Unit performs research on industries and investigates borrower business conditions to detect early signs of problems. The Credit Administration Department is responsible for handling NPLs of borrowers classified as potentially bankrupt or lower, formulates plans for workouts and corporate rehabilitation and makes write-off determinations.

Credit departments within each business unit conduct credit risk management for loans handled by their units and manage their units' portfolios. The credit limits they use are based on the baseline amounts established for each grading category, with particular attention paid to evaluating and managing customers or loans perceived to have particularly high credit risk.

We have established the Credit Risk Committee as a consultative body to round out our oversight system for undertaking flexible and efficient control of credit risk and ensuring the overall soundness of our loan operations.

Market Risk and Liquidity 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. The purpose of market risk management is to keep market risk exposure to an acceptable level relative to capital.

Liquidity risk is defined as the uncertainty around our ability to meet our debt obligations without incurring unacceptably large losses. An example of such risk is the possible inability to meet our current and future cash flow/collateral needs, both expected and unexpected. In such cases, we may be required to raise funds at less than favorable rates or be unable to raise sufficient funds for settlement. The purpose of liquidity risk management is to ensure that we are in a position to address our liquidity obligations through monitoring the liquidity gap between assets and liabilities, and maintaining highly liquid supplementary funding resources.

On the basis of Group-wide basic policies for risk management, we have a quantitative management process to control market and liquidity risks on a Group-wide basis by setting allowable risk limits by company. We at least annually review and identify which companies primarily carry the market and liquidity risks within the Group.

We set permissible levels and upper limits of risk for each identified company in consideration of those companies' business plans. We ensure that each identified company establishes a risk management system that is appropriate to the risks it faces, and has built-in transparent risk management processes, clearly separating front office, middle office and back office operations, and establishing a control system of mutual checks and balances.

Framework for Market and Liquidity Risk Management

SMFG is working to further enhance the effectiveness of its quantitative management of market and liquidity risks across the entire SMFG Group by:

- setting allowable risk limits;

- ensuring the transparency of the risk management process;

- separating front-office, middle-office and back-office operations; and

- establishing a highly efficient system of mutual checks and balances.

Additionally, the Corporate Risk Management Department manages market and liquidity risks in an integrated manner. The Corporate Risk Management Department is the planning department of the Risk Management Unit, which is independent of the business units that directly handle market transactions, and not only monitors the current risk situations but also reports regularly to the Management Committee and the board of directors. Furthermore, our ALM Committee meets on a monthly basis to examine reports on the state of observance of our limits on market and liquidity risks and to review and discuss our ALM operations.

To control unforeseen processing errors as well as fraudulent transactions, SMFG believes it is important to establish a system of checks on the business units (front office). Both our processing departments (back office) and administrative departments (middle office) conduct checks. In addition, our independent Internal Audit Unit periodically performs comprehensive internal audits to confirm whether the risk-management system is functioning properly.

Market Risk

We manage market risk by setting maximum limits for value-at-risk, or VaR, and maximum loss. This is done using the VaR method, in which the maximum potential loss on market transactions for a given probability is calculated. These limits are themselves set within the "market risk capital limit," which is determined by taking into account our shareholders' equity and other principal indicators of our financial position and management resources.

The following table sets forth our market risk exposure for trading accounts and banking accounts for the fiscal year ended March 31, 2016 based on the VaR method for a one-day holding period with a one-sided confidence interval of 99% on a preliminary basis.

	Trading Accounts	Banking Accounts
	(In billions)	
Maximum	¥21.4	¥48.0
Minimum	8.6	23.1
Daily average	13.3	37.8
As of March 31, 2016	10.4	33.6

The greater portion of the exposure arises from assets in the banking account intended for long-term holding. The exposure related to short-term trading account holdings is relatively small compared to the total. Moreover, the primary component of the exposure is interest rate risk arising from fluctuations in market rates, rather than "non-linear" risk arising from derivative products.

Our internal VaR model has been periodically evaluated by an independent auditing firm and is authorized by the FSA. This is the basis upon which we consider our internal model appropriate. In addition, the relationship between the VaR calculated with the model and the actual profit and loss data is back-tested daily.

The market occasionally undergoes extreme fluctuations that exceed projections. To manage this type of market risk, we run simulations of situations that may occur only once in many years, called stress tests. Monthly stress tests using scenarios of past market fluctuations, those not related to past market fluctuations and specific factor-driven market fluctuations are conducted to prepare for unforeseeable swings.

As part of the capital adequacy requirements, we calculate and compare with the total capital the losses arising from a banking book in hypothetical interest rate shock scenarios under stress conditions. If the interest rate risk of the banking book leads to an economic value decline of more than 20% of the total capital, we will be deemed an "outlier" and may be required to reduce the banking book risk or adopt other responses. We measure losses arising from the banking book each month as a part of our stress tests. As of March 31, 2016, the decline in the economic value was 2.1% of our consolidated total capital.

We aim to keep the stock price fluctuation risk associated with our strategic equity investments at a level appropriate to our financial strength. To achieve this, we have been reducing the balance of our stock holdings. As of March 31, 2016, the book value of SMFG's domestic listed stocks divided by its Common Equity Tier 1 capital (Basel III fully-loaded basis, excluding net unrealized gains on other securities) was 27% on a consolidated basis.

Furthermore, the BCBS has decided to introduce new trading book rules which set a multiplier of three for both the current and stressed VaR measures, as well as a three-month floor on the liquidity horizon used in incremental and comprehensive risk capital requirements. According to the BCBS' trading book quantitative impact study, excluding the so-called correlation trading portfolio, changes to the market risk framework would increase average trading book capital requirements by two to three times their current levels, although the BCBS noted significant dispersion around this average. The European Union in 2011 completed implementation of the new trading book rules and in the United States parallel runs are ongoing, according to progress reports by the BCBS. In addition to these trading book and securitization rules, the BCBS has introduced proposals to enhance the capital requirements with respect to counterparty credit risk exposure related to derivatives and securities financing, including strengthening the standards for management of collateral, raising the weight of risks on exposures to financial institutions and imposing a capital charge for credit valuation adjustments related to the deterioration of the credit of a counterparty.

Liquidity Risk

We regard liquidity risk as a major risk and SMFG identifies Group companies which have significant liquidity risk. Each identified Group company, including us, establishes a fundamental risk management framework. For example, we manage liquidity risk based on a framework consisting of setting upper limits for "funding gaps," maintaining highly liquid supplementary funding sources and establishing contingency plans.

A funding gap is defined as a maturity mismatch between a source of funds and the use of funds. We actively manage funding gaps by setting limits on the size of gaps over a given time horizon and limiting reliance on short-term funding. These limits are established on both a bank-wide basis and individual branch basis, taking into account cash management planning, systemic factors and funding status, among other factors. Additionally, funding gap limits are set for individual currencies if necessary. We actively monitor funding gaps on a daily basis. Further, stress tests are regularly carried out by simulating the impact triggered, for example, by the outflow of deposits or having difficulties in funding from money markets, in order to thoroughly comprehend the amount required to fund when the liquidity risk is realized. Additionally, funding liquidity is maintained by holding assets, such as U.S. government bonds, which can be immediately converted to cash, or establishing borrowing facilities to be used as supplementary funding sources in an emergency, in order to smoothly raise the required funds even during market disruption.

Furthermore, contingency plans are developed to respond to the liquidity risk when being realized, by creating detailed action plans such as lowering the upper limit for the funding gap, depending on the existing situation (i.e., normal, concerned, or critical) and the respective circumstances.

Operational Risk, Processing Risk and System Risk

Operational risk is the possibility of losses arising from inadequate or failed internal processes, people and systems or from external events. SMFG has prepared operational risk management regulations to define the basic rules to be observed across the SMFG Group. Under these regulations, we are working to raise the level of sophistication of our management of operational risk across our Group by providing an effective framework for the identification, assessment, control and monitoring of significant risk factors and by establishing a system for executing contingency and business continuity plans.

Processing risk is the possibility of losses arising from negligent processing by employees, accidents or unauthorized activities. We recognize that all operations entail processing risk. We are therefore working to raise the level of sophistication of our management of processing risk across the whole Group by ensuring that each branch conducts its own regular investigations of processing risk; minimizing losses in the event of processing errors or negligence by drafting exhaustive contingency plans; and carrying out thorough quantification of the risk under management.

System risk is the possibility of a loss arising from the failure, malfunction or unauthorized use of computer systems. We recognize that reliable computer systems are essential for the effective implementation of management strategy. We strive to minimize system risk by adopting and implementing risk management regulations and specific management standards, including a security policy. We also have contingency plans with the goal of minimizing losses in the event of a system failure. To prevent computer system breakdowns, we have also implemented numerous measures, including the duplication of various systems and infrastructures, maintaining our computer system to facilitate steady, uninterrupted operation and establishing a disaster-prevention system consisting of computer centers in eastern and western Japan.

Other Risk

Settlement risk is the possibility of a loss arising from a transaction that cannot be settled as planned. As this risk crosses over numerous categories of risk, including credit, liquidity, processing and system risks, it requires appropriate management according to characteristics of such risks.

Derivatives

The main risks associated with derivative transactions are market risk (change in market prices), credit risk (non-fulfillment of obligations) and liquidity risk (a risk that transaction orders cannot be executed due to lack of depth of a market). We use VaR to manage our exposure to a variety of market risks, for example, interest rate risk and foreign exchange risk, and periodically mark-to-market our exposure to credit risk. To mitigate liquidity risk, we establish "dealing" restrictions on amount, currency, instrument and term and set limits on outstanding futures transactions contracts. The Treasury Unit, which conducts derivative transactions, is divided into the front office and the middle/back office (administration) to strictly control the entering into and execution of transactions, exposure and profitability.

Information on Derivative Transactions to Which Mark-to-Market Accounting Is Applied

Mark-to-market accounting is applied mainly to trading transactions using derivatives to obtain gains from short-term changes in interest rates, foreign exchange rates and other factors. Departments in Tokyo, New York, London, Singapore and other markets proactively deal in derivatives within prescribed limits. For more detailed information about values of interest rate derivatives, currency derivatives, equity derivatives and credit derivatives, see "1. Derivative transactions to which the hedge accounting method is not applied" under "Notes to derivative transactions" to our consolidated financial statements as of and for the years ended March 31, 2014 and 2015 and as of and for the years ended March 31, 2015 and 2016 contained elsewhere in this document.

Information on Derivative Transactions to Which Deferred Hedge Accounting Is Applied

We apply individual deferred hedge or fair value hedge accounting based on the Practical Guidelines for Accounting Standard for Financial Instruments as well as deferred hedge accounting for the banking industry based on the JICPA Industry Audit Committee Report No. 24 and No. 25. For more detailed information about values of interest rate derivatives, currency derivatives, equity derivatives and credit derivatives to which deferred hedge accounting is applied on a non-consolidated basis, see "2. Derivative transactions to which the hedge accounting method is applied" under "Notes to derivative transactions" to our consolidated financial statements as of and for the years ended March 31, 2014 and 2015 and as of and for the years ended March 31, 2015 and 2016 contained elsewhere in this document.

Legal Matters

We are party to routine litigation incidental to our business, none of which is currently expected to have a material adverse effect on our financial condition or results of operations.

MANAGEMENT AND EMPLOYEES

Our Management

As of June 29, 2016, the names and titles of our directors and corporate auditors are as follows:

Name	Title
Teisuke Kitayama	Chairman of the Board
Takeshi Kunibe(1)(2)(3)	President and CEO
Koichi Miyata(1)	Director
Shuichi Kageyama	Vice Chairman of the Board
Yujiro Ito(1)(2)(3)	Deputy President
Seiichiro Takahashi(2)(3)	Deputy President
Nobuaki Kurumatani(1)(2)(3)	Deputy President
Masaki Tachibana(2)(3)	Deputy President
Kozo Ogino(1)(3)	Senior Managing Director
Jun Ohta(1)(3)	Senior Managing Director
Yasuyuki Kawasaki(1)(3)	Senior Managing Director
Katsunori Tanizaki(1)(3)	Senior Managing Director
Yukihiko Onishi(1)(3)	Senior Managing Director
Koichi Noda(1)(3)	Senior Managing Director
Shigeru Iwamoto(4)	Director
Masayuki Matsumoto(4)	Director
Yuko Nakahira(4)	Director
Mitsuru Ono	Corporate Auditor
Yuichi Shimane	Corporate Auditor
Hiroshi Takahashi(5)	Corporate Auditor
Katsuyoshi Shinbo(5)	Corporate Auditor
Masaaki Oka(5)	Corporate Auditor
Toshiyuki Teramoto(1)	Corporate Auditor

(1) Holds positions both with us and SMFG.

(2) Representative Director.

(3) Also acting as an Executive Officer.

(4) Outside director as defined under the Companies Act of Japan, or the Companies Act.

(5) Outside corporate auditor as defined under the Companies Act.

We have elected one substitute corporate auditor, Daiken Tsunoda, as a substitute for any of the outside corporate auditors in case the number of corporate auditors falls short of the number required by applicable laws and regulations.

The business address of our directors is 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005.

Our board of directors has ultimate responsibility for the administration of our affairs and provides effective oversight of operations. In order to distinguish between operational management and oversight functions, we have a Management Committee that is the highest decision-making body responsible for operational matters and is under the direct supervision of the board of directors. The President chairs the Management Committee and appoints executive officers to it, and has the authority to make the final decision after considering the Management Committee's recommendations. The President designates members of the Management Committee to oversee the operations of certain head office departments and business units. The Chairman of the board of directors is prohibited from assuming direct responsibility for operational duties and his primary duty is to oversee and control the performance of operations.

In addition, we operate an internal audit unit that has responsibility for conducting internal audits on an objective basis in a process that is separate from the oversight provided by the board of directors. The Internal Audit Unit also acts independently from the business units.

The corporate auditors (who are not required to be and are not certified public accountants) have the statutory duty to examine the financial statements and business reports submitted by the board of directors to the shareholders. They also have the duty to supervise the administration by the directors of our affairs in accordance with the auditing policy and rules prescribed by resolutions of the board of corporate auditors. All directors and corporate auditors are elected by our shareholders at general shareholders' meetings. The normal term of office for directors is two years, and the normal term of office for corporate auditors is four years, but directors and corporate auditors may serve any number of consecutive terms.

We are required to appoint an independent registered public accounting firm, whose appointment is approved at a general meeting of shareholders. The independent registered public accounting firm has the statutory duty to examine the financial statements prepared in accordance with the Companies Act and approved by the board of directors, and report its opinion thereon to the designated corporate auditors and to the designated directors for notification to the shareholders. Examination by an independent registered public accounting firm of our financial statements is also required for the purpose of the securities report filed through the Kanto Local Finance Bureau to the Prime Minister for public inspection in accordance with the FIEA. Our independent registered public accounting firm for these purposes is KPMG AZSA LLC.

Employees

On a consolidated basis, including locally hired overseas staff but excluding contract employees and temporary staff, we had 54,192 employees as of March 31, 2016, and 50,249 employees as of March 31, 2015.

Most of our employees are members of the Sumitomo Mitsui Banking Corporation Workers' Union, with which we negotiate matters concerning remuneration and working conditions. The union is affiliated with the Federation of City Bank Workers' Unions. We consider our labor relations to be excellent.

We consider our level of remuneration, fringe benefits (including an employee share ownership program), working conditions and other allowances, which include lump-sum payments and annuities to employees upon retirement, to be generally competitive with those offered in Japan by other large enterprises.

Management of SMFG

We are a wholly owned subsidiary of SMFG. Under SMFG's corporate governance system, its board of directors is responsible for supervising the business operations of the SMFG Group as a whole, and it has established four board committees to enhance the effectiveness of governance by assisting in the exercise of its management responsibilities. Those committees are:

- the risk committee;
- the auditing committee;
- the compensation committee; and
- the nominating committee.

SMFG's board of directors is comprised of 14 directors, five of whom are outside directors as defined under the Companies Act, and its board of corporate auditors is comprised of six corporate auditors, three of whom are outside corporate auditors as defined under the Companies Act. SMFG also has executive officers, each of whom may be appointed and removed by resolution of the board of directors.

On May 12, 2016, SMFG announced it had started preparations to transform into a Company with Three Committees from the current Company with a Board of Corporate Auditors, each as defined under the Companies Act, in order to further enhance its corporate governance framework. The transition is subject to approval by its ordinary general meeting of shareholders scheduled in June 2017.

As of June 29, 2016, the following persons hold the indicated positions with SMFG:

Name	Title
Masayuki Oku	Chairman of the Board
Koichi Miyata(1)	President
Takeshi Kunibe	Director
Yujiro Ito(1)	Director
Kozo Ogino	Director
Jun Ohta	Director
Katsunori Tanizaki	Director
Koichi Noda	Director
Tetsuya Kubo	Director
Yoshinori Yokoyama(2)(3)	Director
Kuniaki Nomura(2)(3)	Director
Arthur M. Mitchell(2)(3)	Director
Masaharu Kohno(2)(3)	Director
Eriko Sakurai(2)(3)	Director
Nobuaki Kurumatani(4)	Deputy President
Yasuyuki Kawasaki(4)	Senior Managing Director
Yukihiko Onishi(4)	Senior Managing Director
Toshiyuki Teramoto	Corporate Auditor
Kazuhiko Nakao	Corporate Auditor
Toru Mikami	Corporate Auditor
Ikuo Uno(3)(5)	Corporate Auditor
Satoshi Itoh(3)(5)	Corporate Auditor
Rokuro Tsuruta(3)(5)	Corporate Auditor

(1) Representative Director.

(2) Outside director as defined under the Companies Act.

(3) An independent director/auditor (*dokuritsu yakuin*) designated pursuant to the rules of the relevant stock exchanges.

(4) Not a director as defined under the Companies Act.

(5) Outside corporate auditor as defined under the Companies Act.

SMFG has elected one substitute corporate auditor, Daiken Tsunoda, as a substitute for any of the outside corporate auditors in case the number of corporate auditors falls short of the number required by applicable laws and regulations.

The business address of SMFG's directors is 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005.

In June 2010, the retirement benefits program for our directors, corporate auditors and executive officers was abolished and replaced with a stock option plan. Under this plan, SMFG issued stock options to some of our directors (excluding outside directors), corporate auditors (excluding outside corporate auditors) and executive officers, representing the right to purchase an aggregate of 121,900 shares of SMFG common stock at an issue price of ¥3,661 per share in August 2014, 132,400 shares of SMFG common stock at an issue price of ¥4,904 per share in August 2015 and 201,200 shares of SMFG common stock at an issue price of ¥2,811 per share in August 2016.

SMFG's board of directors has ultimate responsibility for the administration of its affairs. The corporate auditors (who are not required to be and are not certified public accountants) have the statutory duty to examine the financial statements and business reports submitted by the board of directors to the shareholders. They also have the duty to supervise the administration by the directors of SMFG's affairs in accordance with the auditing policy and rules prescribed by resolutions of the board of corporate auditors. All directors and corporate auditors are elected by SMFG's shareholders at general shareholders' meetings. The normal term of office for directors is two years, and the normal term of office for corporate auditors is four years, but directors and corporate auditors may serve any number of consecutive terms.

SMFG's executive officers have executive responsibilities within assigned business areas. Under SMFG's internal rules, the normal term of office for an executive officer is two years.

The committees of SMFG's board of directors were created to enhance the ability of the board of directors to oversee its operations. The risk committee supervises and reports to the board of directors on Group-wide risk management and compliance issues. The auditing committee supervises and reports to the board of directors on Group-wide internal auditing issues. The compensation committee supervises and reports to the board of directors on the remuneration of the directors and executive officers of both us and SMFG, and on other issues related to remuneration, salaries and incentive plans. The nominating committee supervises and reports to the board of directors on the selection of directors of both us and SMFG, issues related to selection of candidates for board directorships, the appointment of managing directors and the appointment of representative directors and other director personnel issues.

At the operational level, SMFG has created a Management Committee to act as the top decision-making body with respect to business administration and management supervision of the entire SMFG Group. The committee, composed of directors designated by SMFG's president, considers important matters relating to the execution of business in accordance with the basic policies set by the board and based on discussions held by the committee members. SMFG's internal auditing committee is headed by a Management Committee member.

In addition, SMFG has also created a Group Strategy Committee to serve as a forum for the management staff of all SMFG Group companies to exchange opinions and information on their respective business plans.

SMFG is required to appoint an independent registered public accounting firm, whose appointment is approved at a general meeting of shareholders. The independent registered public accounting firm has the statutory duty to examine the financial statements prepared in accordance with the Companies Act and approved by the board of directors, and report its opinion thereon to the designated corporate auditors and to the designated directors for notification to the shareholders. Examination by an independent registered public accounting firm of SMFG's financial statements is also required for the purpose of the securities report filed through the Kanto Local Finance Bureau to the Prime Minister for public inspection in accordance with the FIEA. SMFG's independent registered public accounting firm for these purposes is KPMG AZSA LLC.

SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2016, we had 143 consolidated subsidiaries and 55 equity method affiliates. The following table sets forth information with respect to our principal subsidiaries and equity method affiliates as of March 31, 2016.

Company Name	Issued capital (Millions of yen if not indicated)	Percentage of voting rights[1]		Main business
SMBC Nikko Securities Inc.[2]	10,000	100.00%		Securities
SMBC Trust Bank Ltd.	27,550	100.00		Commercial banking
THE MINATO BANK, LTD.	27,484	46.43	(1.33)%	Commercial banking
Kansai Urban Banking Corporation	47,039	49.73	(0.35)	Commercial banking
Sumitomo Mitsui Banking Corporation Europe Limited	$ 3.2 billion	100.00		Commercial banking
Sumitomo Mitsui Banking Corporation (China) Limited	RMB 10.0 billion	100.00		Commercial banking
SMBC Guarantee Co., Ltd.	187,720	99.99	(99.99)	Credit guarantee
SMBC Capital Markets, Inc.	$100	100.00	(10.00)	Derivatives
PT Bank Tabungan Pensiunan Nasional Tbk	IDR 116.8 billion	40.45		Commercial banking

(1) Figures in parentheses indicate percentage of voting rights held indirectly in subsidiaries and affiliates.

(2) SMBC Nikko Securities became a direct subsidiary of SMFG on October 1, 2016.

THE JAPANESE BANKING SYSTEM

The Japanese banking system is broadly divided into three groups: a central bank, public financial institutions and private-sector banking institutions. The BOJ is the Japanese central bank and has responsibility for the regulation of currency, the control and facilitation of credit and finance and the maintenance and development of the credit system. There are a number of public financial institutions: for example, Development Bank of Japan Inc. and the Japan Finance Corporation, which have been organized in order to provide funding for specific matters and to supplement the activities of the private-sector banking institutions. Their funds are provided mainly from government sources.

According to FSA classifications, there are 195 private-sector banking institutions in Japan. These consist of 4 city banks, 16 trust banks and 15 other banks, including internet banks and specialty banks (as of August 27, 2015), 53 foreign banks (as of June 24, 2016), 64 regional banks that are members of the Regional Banks Association of Japan (as of October 1, 2015), 41 regional banks that are members of the Second Association of Regional Banks and one other regional bank (as of April 1, 2013).

In general, the operations of ordinary banks correspond to commercial banking operations in the United States or Europe. Their main sources of funds are deposits from the public. City banks and regional banks are distinguished by their head office location and the size and scope of their operations.

The city banks are generally considered to be the largest and most influential group of banks in Japan. These banks are based in either Tokyo or Osaka, and operate nationwide through networks of branch offices. City banks, unlike regional banks, have strong links with large corporate clients, including the major industrial companies in Japan. However, due to deregulation and other competitive factors, we and many other city banks have placed increasing emphasis on other markets, including SMEs, retail banking, international operations and, more recently, investment banking and related services. In recent years, almost all of the city banks have consolidated or merged with other city banks and, in some cases, with trust banks or long-term credit banks. Some of this bank integration was achieved through the use of bank holding companies.

The regional banks generally tend to be much smaller in terms of total assets than the city banks. Generally, each regional bank is based in one of the Japanese prefectures and may extend its operations into neighboring prefectures. Their clients are mostly regional enterprises and local public utilities, although the regional banks also lend to large corporations.

Foreign banks operating banking businesses in Japan are subject to a statutory framework similar to the Japanese domestic bank regulations. Their principal sources of funds come from their overseas head offices or other branches.

Japan’s trust banks have been engaged primarily in providing long-term loans to Japanese industry, principally with funds obtained from the issue of beneficiary certificates. Other banks also make long-term loans.

Some other private-sector financial institutions in Japan, including agricultural and marine cooperative financial institutions, credit associations and credit unions, are engaged mainly in making loans to small businesses and individuals.

Another distinctive element of the Japanese banking system is the role of the postal savings system, which Japan Post Bank took over from Japan Post. Postal savings deposits for Japan Post Bank are gathered through the network of post offices throughout Japan operated by Japan Post Co., Ltd. Japan Post Bank offers various types of deposits through these post offices. As of March 31, 2016, the balance of deposits held by Japan Post Bank was approximately ¥178 trillion.

In 2005, the Diet adopted legislation to privatize postal services, including postal savings. Japan Post was thus reorganized into a holding company, Japan Post Holdings Co., Ltd., or Japan Post Holdings, with four operating companies, including the Japan Post Bank, in 2007. In December 2014, Japan Post Holdings published a plan for the listing of Japan Post Holdings, Japan Post Bank and Japan Post Insurance Co., Ltd., or Japan Post Insurance, and the gradual disposition of its shares of Japan Post Bank and Japan Post Insurance down to approximately 50% ownership. In November 2015, as the first phase of the privatization, each of Japan Post Holdings, Japan Post Bank and Japan Post Insurance publicly offered approximately 11% of their outstanding shares, respectively, and they were listed on the Tokyo Stock Exchange. Under the Postal Privatization Act, if Japan Post Holdings has completed its disposal of at least half of the shares of Japan Post Bank, one of the world’s largest deposit-taking institutions, Japan Post Bank will be able to expand its business upon notification to and without prior approval of the Government of Japan.

The Government of Japan recently privatized or eliminated other government financial institutions. In 2007, the Government Housing Loan Corporation was abolished and the Japan Housing Finance Agency was incorporated. In addition, in 2008 the Japan Finance Corporation for the Municipal Enterprises, the Central Cooperative Bank for Commerce and Industry, Development Bank of Japan Inc., the National Life Finance Corp., the Japan Bank for International Cooperation, the Agriculture, Forestry and Fisheries Finance Corp., the Japan Finance Corporation for Small and Medium Enterprise and other government financial institutions were each reorganized into a stock corporation or an organization funded by local public organizations.

Competition in the Japanese banking system is expected to increase due to industry consolidation, possible privatization of government financial institutions, ongoing deregulation, the efforts to diversify sources of income by us and other Japanese financial institutions and the expanded presence of foreign institutions and investors.

Competition

Deregulation of banking activities in Japan, and more generally of the Japanese financial system, is altering two structural features of Japan's financial system: (1) the separation of banking and securities businesses and (2) distinctions among the permissible activities of Japan's two principal types of private banking institutions: ordinary banks (*futsu-ginko*; including both city banks, of which we are one, and regional banks) and trust banks. We also face competition from some government entities, including Japan Post Bank. The Government of Japan has begun to privatize or eliminate several government institutions, in connection with which Japan Post in 2007 became a joint stock company, holding shares of four operating companies. In December 2014, Japan Post Holdings published a plan for the listing of Japan Post Holdings, Japan Post Bank and Japan Post Insurance and the gradual disposition of its shares of Japan Post Bank and Japan Post Insurance down to approximately 50% ownership. In November 2015, as the first phase of the privatization, each of Japan Post Holdings, Japan Post Bank and Japan Post Insurance publicly offered approximately 11% of their outstanding shares, respectively, and they were listed on the Tokyo Stock Exchange. If Japan Post Holdings has completed its disposal of at least half of the shares of Japan Post Bank, Japan Post Bank will be able to expand its business upon notification to and without prior approval of the Government of Japan.

The former Securities and Exchange Act separated the commercial banking business from the securities business in Japan. However, the Act on Arrangement of Relevant Acts for the Financial System Reform and the subsequent amendment to the Banking Act now permit banks with FSA approval to establish or otherwise own domestic and overseas subsidiary securities companies to engage in securities businesses. Also, the amendment to the Securities and Exchange Act enacted in 2004 lifted the ban on banks engaging in securities intermediation. Due to the amendment made in 2004 and subsequent amendments, banks have been allowed to solicit customers for securities trades and act as intermediaries with respect to the resulting trades for securities companies.

Within the Japanese consumer banking sector, the deregulation of interest rates on yen deposits has enabled banks to offer customers an increasingly attractive and diversified range of new products. We face competition in this sector from the other city and regional banks as well as from Japan Post Bank, one of the world's largest deposit-taking financial institutions. Japanese banks have been competing with one another by developing innovative proprietary computer technologies that allow them to deliver basic banking services in a more efficient manner and to create sophisticated new products in response to customer demand. In connection with a significant restructuring of our domestic network, we are replacing many of our retail branch offices with specialized distribution facilities and incorporating advanced technologies to offer new services to our retail customers, for example telephone banking and internet banking.

In addition, the deregulation described above has made the Japanese banking industry highly competitive. For example, the deregulation of the separation of banking and securities businesses enabled the integration and restructuring of Japanese financial institutions that resulted in larger and more integrated financial institutions.

In international markets, we face competition from other commercial banks and similar financial institutions, particularly major international banks and the leading domestic banks in those financial markets in which we conduct business.

SUPERVISION AND REGULATION

Regulations in Japan

Our businesses are subject to extensive regulation, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Japan. On the other hand, deregulation of banking activities in Japan, and more generally of the Japanese financial system, has proceeded, which has made the Japanese banking industry highly competitive.

Supervisory and Regulatory Authorities

Pursuant to the Banking Act, the FSA has the authority in Japan to supervise banks, bank holding companies and banks' principal shareholders, meaning bank shareholders having 20% (or 15% in some cases) or more of the voting rights of a bank. The BOJ also has supervisory authority over banks in Japan based primarily on its contractual agreements and transactions with Japanese banks. Only companies licensed by the Prime Minister are defined as banks under the Banking Act, and licenses may be granted only to a *kabushiki* kaisha, a joint stock company, with paid-up capital of ¥2 billion or more.

The FSA

The Prime Minister has supervisory authority over banks in Japan, which is generally delegated to the FSA, except for matters prescribed by cabinet order. The Minister for Financial Services has the power to direct the FSA. Under the Banking Act, the FSA has supervisory control over banks, bank holding companies and banks' principal shareholders in Japan, except for matters to which the Prime Minister retains authority.

The FSA's authority includes granting and revoking of operating licenses, and approving business activities such as becoming a principal shareholder, establishment of subsidiaries or overseas offices, mergers, corporate splits or business transfers, and dissolutions or discontinuations of business by existing banks, etc.

The FSA may also instruct a Japanese bank to suspend its business or to remove directors if the bank violates laws, other regulations or their articles of incorporation or commits acts contrary to public policy. The FSA may also direct a Japanese bank in financial difficulty to take certain actions, such as holding certain property in Japan for the protection of depositors. Under the prompt corrective action, or PCA, system, the FSA may take corrective actions in the case of capital deterioration of financial institutions.

The Ministry of Finance and the FSA have introduced a number of regulatory measures into the banking sector in Japan to secure sound management of banks, as well as measures to increase the transparency of the regulatory process, such as bank holding company regulations, single customer credit limits, disclosure regulations, regulations regarding reserves for loan losses and inspections.

The Banking Act authorizes the FSA to inspect banks in Japan at any time and with any frequency. Such inspections are conducted by officials from the FSA's Inspection Department. The FSA monitors the financial soundness of banks and the status and performance of their control systems and reviews their compliance with laws and regulations. The FSA has issued guidelines on its inspection of financial institutions called the Financial Inspection Manual. The Financial Inspection Manual itself does not have the force of law, but the FSA's inspections of banks are based on the Financial Inspection Manual, which emphasizes the need for bank self-assessment rather than assessment based on the advice of the government authority and risk management by each bank instead of a mere assessment of its assets. Following an inspection, the FSA may exercise its authority over a bank under the Banking Act to suspend or terminate its banking business.

The Ministry of Finance

The Ministry of Finance conducts examinations of banks in relation to foreign exchange transactions under the Foreign Exchange and Foreign Trade Act.

The BOJ

The BOJ is the central bank of Japan and serves as the principal instrument for the execution of Japan's monetary policy. The BOJ implements monetary policy mainly by adjusting its basic loan rate, open market operations and imposing deposit reserve requirements. All banks in Japan maintain deposits with the BOJ and rely substantially upon obtaining borrowings from and rediscounting bills with the BOJ. Moreover, most banks in Japan maintain current accounts under agreements with the BOJ pursuant to which the BOJ can conclude a contract with us concerning on-site examinations. BOJ supervision is intended to support the effective execution of monetary policy, while FSA supervision aims to maintain the sound operations of banks in Japan and promote the security of depositors. Through its examinations, the BOJ seeks to identify problems at an early stage and give corrective guidance where necessary.

Regulations Regarding Capital Adequacy and Liquidity

Capital Adequacy Requirement

In 1988, the BCBS issued the Basel Capital Accord. The Basel Capital Accord sets minimum risk-weighted capital ratios for the purpose of maintaining sound management of banks which have international operations. The minimum risk-weighted capital ratio required was 8% on both a consolidated and non-consolidated basis. In 2004, the BCBS issued the amended Basel Capital Accord, or Basel II, which includes detailed measurement of credit risk, the addition of operational risk, a supervisory review process and market discipline through disclosure. These amendments did not change the minimum risk-weighted capital ratio of 8% applicable to banks with international operations (including us). These rules took effect in Japan in 2007, and since 2008, banks are able to apply the advanced IRB approach for credit risk and the AMA for operational risk.

In July 2009, the BCBS approved a final package of measures to enhance certain elements of the Basel II framework, which includes an increase of the risk weights of resecuritization instruments and revisions of certain trading book rules (referred to as "Basel 2.5"), and the FSA's capital adequacy guidelines which reflect such framework have been applied in Japan from December 2011.

In September 2009, the GHOS reached an agreement on several key measures to strengthen regulation of the banking sector, and in December 2009 the BCBS published a consultative document entitled "Strengthening the resilience of the banking sector" containing proposals on these measures centering on several core areas. The BCBS' proposals focused on raising the quality, consistency and transparency of the regulatory capital base through measures including a requirement that the predominant form of Tier 1 capital must be common shares and retained earnings; limitations on the use of hybrid instruments with an incentive to redeem; a requirement that regulatory adjustments, including deductions of the amount of net deferred tax assets which rely on the future profitability of a bank, be applied to common equity generally; and a requirement for additional disclosure regarding regulatory capital levels. The BCBS' proposals also cover the following key areas:

- strengthening the risk coverage of the capital framework;
- introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 (minimum capital requirement) treatment based on appropriate review and calibration (for further information, see "—Leverage Ratio" below);
- introducing measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress; and
- introducing minimum liquidity standards for internationally active banks that include a 30-day LCR requirement underpinned by a longer-term structural liquidity ratio (for further information, see "—Liquidity Requirement" below).

In July 2010, the GHOS reached a broad agreement on the overall design of the BCBS' capital and liquidity reform package. In addition, in August 2010, the BCBS issued for consultation a proposal to enhance the loss absorbency function of regulatory capital. In September 2010, the GHOS announced a substantial strengthening of existing capital requirements. The framework of the proposed reform was endorsed by the G-20 leaders at their Seoul summit in November 2010. These capital reforms increased the minimum common equity requirement from 2% to 4.5% and will require banks to hold a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity requirement to 7%. The Tier 1 capital requirement also increased from 4% to 6% (increasing to 8.5% when included together with the above capital conservation buffer). The total capital requirement remains at 8% but will increase to 10.5% with the capital conservation buffer by January 2019. In addition, a countercyclical buffer within a range of 0% to 2.5% of common equity or other fully loss-absorbing capital has been implemented according to national circumstances. The GHOS also agreed on transitional arrangements for implementing the new standards. Under the transitional arrangements, these new capital requirements are being phased in between January 1, 2013 and January 1, 2019. In December 2010, the BCBS published the new Basel III rules text. To reflect changes made by the BCBS, the FSA changed its capital adequacy guidelines. The FSA's changes have mostly been applied from March 31, 2013, which generally reflect the main measures of the minimum capital requirements of the BCBS that started to be phased in on January 1, 2013 and will be fully applied from March 2019. The FSA's changes which reflect capital buffer requirements under Basel III and the G-SIFI capital surcharge described below have been applied from March 31, 2016.

In September 2013, the BCBS and the International Organization of Securities Commissions, or IOSCO, released the final framework for margin requirements for non-centrally cleared derivatives, or 2013 framework. This framework will require high quality liquid assets to be posted as margin on non-centrally cleared derivative transactions, which could adversely affect our liquidity position. The requirements were originally planned to be phased in over a four-year period beginning in December 2015 with the largest, most active and most systemically important participants in the derivatives market, including us. In March 2015, the BCBS and IOSCO released revisions to the 2013 framework, which delay the beginning of the phase-in period for collecting and posting initial margin on non-centrally cleared trades from December 2015 to September 2016. The full phase-in schedule has been adjusted to reflect this nine-month delay. The revisions also institute a six-month phase-in period of the requirement to exchange variation margin, beginning in September 2016.

In addition to the above-mentioned minimum capital requirements and capital buffer requirements under Basel III, organizations identified by the FSB as G-SIFIs, which as of November 2014 and 2015 included us, are required to maintain an additional 1% to 2.5% of common equity as a percentage of risk-weighted assets based on the organization's size, interconnectedness, substitutability, complexity and cross-jurisdictional activity as determined by the FSB. This requirement is commonly referred to as the G-SIFI capital surcharge. The G-SIFI capital surcharge requirement is being phased in from January 2016 to January 2019. The amount of G-SIFI capital surcharge that applies to us based on the FSB's determination as of November 2014 and 2015 will be 1% of risk-weighted assets when the requirement is fully applied from 2019. The FSB updates its list of G-SIFIs on an annual basis.

G-SIFIs will also be subject to a global standard for TLAC, which establishes a minimum requirement for loss-absorbing and recapitalization capacity available in resolution at G-SIFIs, to ensure that they can be resolved in an orderly manner without putting public funds at risk. In November 2015, as part of its agenda to address risks arising from G-SIFIs, the FSB published the final TLAC standard. The final TLAC standard defines certain minimum requirements for instruments and liabilities so that if a G-SIFI fails, it will have sufficient loss-absorbing and recapitalization capacity available to ensure that it can be resolved in an orderly manner which minimizes potential impact on financial stability, maintains the continuity of critical functions and avoids exposing public funds to loss. In addition, in April 2016, the FSA published a paper entitled "The FSA's Approach to Introduce the TLAC Framework", or the FSA's Approach, which describes the FSA's approach for the introduction of TLAC requirements in Japan, although it remains subject to change based on future international discussions. According to the FSA's Approach, the preferred resolution strategy for G-SIFIs in Japan is Single Point of Entry resolution, in which resolution powers are applied to the top-level entity of a banking group by a single national resolution authority, although the actual measures to be taken will be determined on a case-by-case basis considering the actual condition of the relevant Japanese G-SIFI in crisis. To implement this Single Point of Entry resolution strategy effectively, the FSA plans to require bank holding companies of Japanese G-SIFIs, which will be the resolution entities, to (i) meet the minimum external TLAC requirements provided under the FSB's TLAC standard (being at least 16% of their risk-weighted assets starting from March 2019 and at least 18% of their risk-weighted assets starting from March 2022), and (ii) cause their material subsidiaries that are designated as systemically important by the FSA, including but not limited to certain material sub-groups as provided in the FSB's TLAC standard, to maintain a certain level of capital and debt recognized by the FSA as internal TLAC, in order that losses incurred at the material sub-group can be absorbed by the bank holding company through such internal TLAC with the involvement of the FSA. In addition, according to the FSA's Approach, Japanese G-SIFIs are expected to be allowed to count the Japan's deposit insurance fund reserves in an amount equivalent to 2.5% of their risk-weighted assets from March 2019 and 3.5% of their risk-weighted assets from March 2022 as external TLAC.

The final TLAC standard also prescribes a minimum TLAC requirement of at least 6% of the resolution group's Basel III leverage ratio denominator starting from March 2019, increasing to at least 6.75% starting from March 2022 and according to the FSA's Approach, the same external TLAC requirements on the leverage ratio basis are planned to be required for bank holding companies of Japanese G-SIFIs. The leverage ratio-based minimum TLAC requirement does not require application of any capital buffers. As a G-SIFI, we will be subject to the final TLAC standard, as implemented in Japan.

Furthermore, as a disincentive for G-SIFIs facing the maximum G-SIFI capital surcharge to "increase materially their global systemic importance in the future," an additional 1% capital surcharge could be applied. So long as SMFG is identified as a G-SIFI, SMFG is also subject to stronger supervisory mandates and higher supervisory expectations for risk management functions, data aggregation capabilities, risk governance and internal controls. The substance of this heightened supervision has not yet been fixed, but SMFG anticipates that at a minimum any rules will contain more stringent reporting requirements and impose common frameworks for data aggregation and internal risk management processes on G-SIFIs.

Because SMFG has been identified as a G-SIFI, SMFG is also subject to, among other things, resolution-related requirements described in the FSB's "Key Attributes of Effective Resolution Regimes for Financial Institutions." In particular, the FSB has required the initial group of G-SIFIs to have in place a recovery and resolution plan, including a group-level plan, containing various specified elements, to be subject to regular resolvability assessments. Under the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc., issued by the FSA, as part of crisis management, financial institutions identified as G-SIFIs must prepare and submit a recovery plan, which includes a description of events that would trigger implementation of the recovery plan and the analysis of the recovery options to the FSA, and the FSA must prepare the resolution plan for each G-SIFI.

In December 2014, the BCBS published a consultative document, for public comment, on the design of a capital floor framework which will replace the current transitional floor based on the Basel I standard with a capital floor based on the Basel II/III standard. The proposed framework will be based on the finalized version of the standardized approach, which is also being revised. The GHOS is planning to review the BCBS's proposals on the design and calibration of capital floors at or around the end of 2016.

In April 2016, the BCBS issued standards for interest rate risk in the banking book, or IRRBB, which adopts an enhanced Pillar 2 approach for IRRBB. The standards revise the BCBS's guidance set out in its 2004 Principles for the management and supervision of interest rate risk, which lays out the BCBS's expectations for banks' identification, measurement, monitoring and control of IRRBB as well as the banks' supervision, to reflect changes in market and supervisory practices since the principles were first published in 2004. The revised standards are expected to be implemented by 2018.

Our securities subsidiaries in Japan are also subject to capital adequacy requirements under the FIEA. Under the requirements, securities firms must maintain a minimum capital adequacy ratio of 120% on a non-consolidated basis and must file periodic reports with the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau, and also publicly disclose their capital adequacy ratio on a quarterly basis. Failure to meet the capital adequacy requirements will trigger mandatory regulatory action. For example, a securities firm with a capital adequacy ratio of greater than 120%, but less than 140% will be required to file daily reports with the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau. A securities firm with a capital adequacy ratio of less than 120% may be ordered to change its business conduct, place its property in trust or be subject to other supervisory orders, as the relevant authorities deem appropriate. A securities firm with a capital adequacy ratio of less than 100% may be subject to temporary suspension of all or part of its business operations or cancellation of its license to act as a securities broker and dealer.

The capital adequacy ratio for securities firms is defined as the ratio of adjusted capital to a quantified total of business risks, which include market risks, counterparty risks and operational risks (e.g., risks in carrying out daily business activities, such as administrative problems with securities transactions and clerical mistakes) quantified in the manner specified by a rule promulgated under the FIEA. Adjusted capital is defined as net worth less illiquid assets, as determined in accordance with Japanese GAAP. Net worth consists mainly of stated capital, additional paid-in capital, retained earnings, reserves for securities transactions, certain allowances for doubtful current accounts, net unrealized gains (losses) in the market value of investment securities, and subordinated debt. Illiquid assets generally include non-current market assets, certain deposits and advances, and prepaid expenses.

In May 2010, the FIEA was amended, introducing a minimum capital adequacy requirement on a consolidated basis applicable to securities firms whose total assets exceed ¥1,000 billion. This requirement on a consolidated basis is applied in addition to and in a manner similar to the requirements on a non-consolidated basis referred to above. These amendments became effective from April 2011.

Leverage Ratio

In March 2015, the FSA published its leverage ratio guidelines which have been applied from March 31, 2015 to help ensure broad and adequate capture of both on- and off-balance sheet sources of leverage for internationally active banks. The FSA's leverage ratio guidelines are based on the text of the leverage ratio framework and disclosure requirements issued by the BCBS in January 2014. Any final adjustments to the definition and calibration of the leverage ratio were scheduled to be made by the BCBS by 2017, with a view to migrate to a Pillar 1 treatment on January 1, 2018, based on appropriate review and calibration.

In January 2016, the GHOS agreed that the leverage ratio should be based on a Tier 1 definition of capital and should comprise a minimum level of 3%, and the GHOS discussed additional requirements for G-SIFIs. The GHOS is planning to finalize the calibration in 2016 to allow sufficient time for the leverage ratio to be implemented as a Pillar 1 measure by January 1, 2018.

Liquidity Requirement

In October 2014, the FSA published its guidelines for liquidity coverage ratio, or LCR, applicable to banks with international operations that have been applied from March 31, 2015. These guidelines are based on the full text of the LCR standard issued by the BCBS in January 2013. LCR is intended to promote resilience to potential liquidity disruptions over a thirty-day horizon and help ensure that global banks have sufficient, unencumbered, high-quality liquid assets to offset the net cash outflows they could encounter under an acute short-term stress scenario. Under the FSA's LCR guidelines, banks with international operations must maintain LCR of 100% on both a consolidated basis and a non-consolidated basis, while the minimum LCR requirements are being phased in between March 31, 2015 and March 31, 2019 with an increase of 10% in each year starting from 60%.

In October 2014, the BCBS issued the final standard for the net stable funding ratio, or NSFR, which requires a minimum amount of stable sources of funding at a bank relative to the liquidity profiles of the bank's assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments, over a one-year horizon. NSFR is scheduled to be introduced as a minimum standard by January 1, 2018.

Self-Assessment, Reserves and Related Disclosure

Financial institutions, including us, are required to establish self-assessment programs to, among other things, analyze their assets giving due consideration to accounting principles and other applicable rules and to classify their assets into categories taking into account the likelihood of repayment and the risk of impairment to the value of the assets. These classifications determine whether an addition to or reduction in reserves or write-offs is necessary.

Pursuant to JICPA guidelines, the outcome of each financial institution's self-assessment leads to substantially all of a bank's loans and other claims on customers being analyzed by classifying obligors into five categories: (1) normal borrowers; (2) borrowers requiring caution; (3) potentially bankrupt borrowers; (4) effectively bankrupt borrowers; and (5) bankrupt borrowers. The reserve for possible loan losses is then calculated based on the obligor categories.

FSA guidelines require banks to classify their assets not only by the five categories of obligor but also by four categories of quality. We have adopted our own internal guidelines for self-assessment which conform to guidelines currently in effect and comply with the PCA system requirements.

Based on the results of the self-assessment discussed above, we are required to establish a reserve for our loan portfolio in an amount we consider adequate at a balance sheet date. We established three categories of reserves for statutory purposes, along with the Accounting Standards for Banks issued by the Japanese Bankers Association, consisting of a general reserve, a specific reserve and a reserve for specific overseas loan losses.

Under the Banking Act, banks and bank holding companies must disclose their non- and under-performing loans (consolidated and non-consolidated) as risk-monitored loans. Risk-monitored loans are classified into four categories: (1) bankrupt loans, (2) non-accrual loans, (3) past due loans (three months or more) and

(4) restructured loans. Banks and bank holding companies are required to submit to the FSA annual reports on their business including the amount of risk-monitored loans. Banks and bank holding companies must disclose their financial statements on an annual basis. The financial statements consist of the balance sheet and income statement, and explanatory documents regarding business and asset conditions, each prepared under the Banking Act both on a non-consolidated and consolidated basis.

Independent of the Banking Act disclosure regulations, the Financial Reconstruction Act requires banks to disclose their loans and their other problem assets. Under this law, assets are classified into four categories: (1) bankrupt and quasi-bankrupt assets, (2) doubtful assets, (3) substandard assets and (4) normal assets. Generally, bankrupt and quasi-bankrupt assets correspond to the total of bankrupt loans and the lower tier of the non-accrual loans (the borrowers of which are effectively bankrupt) under the Banking Act disclosure. Doubtful assets generally correspond to the higher tier portion of the non-accrual loans (the borrowers of which are not, but have the potential to become, bankrupt). The substandard assets generally correspond to the total of the restructured loans and past due loans (three months or more). Bankrupt and quasi-bankrupt assets and doubtful assets also include non-loan assets, for example, securities lending, foreign exchange, accrued interest, advanced payments and customers' liabilities for acceptances and guarantees.

The PCA System

Under the PCA system, the FSA may take corrective actions depending upon the extent of capital deterioration of a financial institution. The FSA may require a bank to submit and implement a capital reform plan, if:

- the total risk-weighted capital ratio of a bank with international operations becomes less than 8% but not less than 4%;
- the Common Equity Tier 1 risk-weighted capital ratio becomes less than 4.5% but not less than 2.25%; or
- the Tier 1 risk-weighted capital ratio becomes less than 6% but not less than 3%.

The FSA may order a bank to (1) submit and implement a plan for improving its capital; (2) prohibit or restrict the payment of dividends to shareholders or bonuses to officers; (3) reduce assets or restrict any increase in assets; (4) prohibit or restrict the acceptance of deposits under terms less advantageous than ordinary terms; (5) reduce the business of some offices; (6) eliminate some offices other than the head office; (7) reduce or prevent the launching of nonbanking businesses; or (8) take certain other actions, if:

- the total risk-weighted capital ratio of a bank with international operations declines to less than 4% but not less than 2%;
- the Common Equity Tier 1 risk-weighted capital ratio becomes less than 2.25% but not less than 1.13%; or
- the Tier 1 risk-weighted capital ratio becomes less than 3% but not less than 1.5%.

The FSA may order a bank to conduct any one of the following: (1) a capital increase; (2) a substantial reduction in its business; (3) a merger; or (4) abolishment of its banking business, if:

- the total risk-weighted capital ratio of a bank with international operations declines to less than 2% but not less than 0%;
- the Common Equity Tier 1 risk-weighted capital ratio becomes less than 1.13% but not less than 0%; or
- the Tier 1 risk-weighted capital ratio becomes less than 1.5% but not less than 0%.

The FSA may order the bank to suspend all or part of its business, if the total risk-weighted capital ratio, the Common Equity Tier 1 risk-weighted capital ratio or Tier 1 risk-weighted capital ratio of a bank with international operations declines below 0%.

The FSA may take actions similar to the actions the FSA may take with respect to a bank, if:

- the total risk-weighted capital ratio of a bank holding company that holds a bank with international operations declines to levels below 8%;

- the Common Equity Tier 1 risk-weighted capital ratio declines to levels below 4.5%; or
- the Tier 1 risk-weighted capital ratio declines to levels below 6%.

Prompt Warning System

The prompt warning system currently in effect allows the FSA to take precautionary measures to maintain and promote the sound operation of financial institutions before those financial institutions become subject to the PCA system. These measures include requiring a financial institution to reform: (1) profitability, if deemed necessary to improve profitability based upon a fundamental profit index; (2) credit risk management, if deemed necessary to reform management of credit risk based upon the degree of large credit concentration and other circumstances; (3) stability, if deemed necessary to reform management of market and other risks based upon, in particular, the effect of securities price fluctuations; and (4) cash flow management, if deemed necessary to reform management of liquidity risks based upon deposit trends and level of reserve for liquidity.

Restrictions on Capital Distributions

Under the FSA's capital adequacy guidelines and related ordinances, if a bank fails to maintain capital levels under the capital buffer requirements in accordance with Basel III and the G-SIFI capital surcharge, the FSA may order a bank to submit and implement a reasonable capital distribution constraint plan to restore the capital levels. This plan shall include restrictions on capital distributions, such as dividends, share buybacks, discretionary payments on other Tier 1 capital instruments and bonuses, in such amount as determined depending on the degree of insufficiency of such requirements.

Regulations for Stabilizing the Financial System

Deposit Insurance System

The Deposit Insurance Act was enacted to protect depositors when deposit-taking institutions fail to meet their obligations. The Deposit Insurance Corporation of Japan, or DIC, implements the law and is supervised by the Prime Minister and the Minister of Finance. Subject to limited exceptions, the Prime Minister's authority is delegated to the FSA Commissioner.

From April 2011 to March 2014, the DIC received annual insurance premiums from member deposit-taking institutions, amounting to 0.107% of deposits that bear no interest, are redeemable upon demand and are used by depositors primarily for payment and settlement purposes, and 0.082% of other deposits. From April 2014, they amounted to 0.108% and 0.081%, respectively. For the fiscal years ended March 31, 2013 through 2015, a certain amount was reimbursed to the member institutions each fiscal year because there were no failures of insured deposit-taking institutions. From April 2015, annual insurance premiums amounted to 0.054% of deposits primarily for payment and settlement purposes and 0.041% of deposits for other deposits.

Premiums held by the DIC may be either deposited at deposit-taking institutions or used to purchase marketable securities. The insurance money may be paid out to depositors in case of a suspension of repayments of deposits, banking license revocation, dissolution or bankruptcy of a bank. Payouts are generally limited to a maximum of ¥10 million of principal amount together with any interest accrued with respect to each depositor. Only non-interest-bearing deposits that are redeemable upon demand and used by depositors primarily for payment and settlement functions are protected in full.

City banks (including us), regional banks (including member banks of the second association of regional banks), trust banks, credit associations, credit cooperatives, labor banks and Japan Post Bank participate in the deposit insurance system on a compulsory basis.

The Deposit Insurance Act also provides a permanent system for resolving failed deposit-taking institutions.

The basic method for resolving a failed deposit-taking institution under the Deposit Insurance Act is cessation of the business by paying insurance money to depositors up to the principal amount of ¥10 million plus accrued interest per depositor, or pay-off or transfer of the business to another deposit-taking institution, with financial assistance provided within the cost of pay-off. Under the Deposit Insurance Act, transfer of business is regarded as the primary method. In order to affect a prompt transfer of business, the following framework has been established:

- a Financial Reorganization Administrator is appointed by the FSA Commissioner and takes control of the management and assets of the failed deposit-taking institution. The administrator is expected to diligently search for a deposit-taking institution which will succeed to the business of the failed institution;

- if no successor deposit-taking institution can be immediately found, a "bridge bank" will be established by the DIC for the purpose of temporarily maintaining the operations of the failed deposit-taking institution, and the bridge bank will seek to transfer the failed deposit-taking institution's assets to another deposit-taking institution or dissolve the failed deposit-taking institution; and

- in order to facilitate or encourage a deposit-taking institution to succeed to a failed business, financial aid may be provided by the DIC to any successor deposit-taking institution to enhance its capital after succession or to indemnify it for losses incurred as a result of the succession.

Where it is anticipated that the failure of a deposit-taking institution may cause an extremely grave problem in maintaining the financial order in Japan or the region where the deposit-taking institution is operating, the following exceptional measures may be taken following deliberation by Japan's Financial Crisis Response Council:

- the DIC may subscribe for shares or other instruments issued by the relevant deposit-taking institution or the holding company thereof and require the institution to submit to the DIC a plan to reestablish sound management (Item 1 measures) (*dai ichigo sochi*);

- once the deposit-taking institution fails, financial aid exceeding the cost of pay-off may be available to the institution (Item 2 measures) (*dai nigo sochi*); and

- if the failed institution is a bank and the problem cannot be avoided by other measures, then the DIC may acquire all of the shares of the bank (Item 3 measures) (*dai sango sochi*).

In order to fund the above-mentioned activities, the DIC may borrow from financial institutions or issue bonds which may be guaranteed by the Government of Japan.

In addition, on June 12, 2013, a bill to amend the Deposit Insurance Act which includes establishment of a new orderly resolution regime of financial institutions was enacted and became effective on March 6, 2014. Financial institutions including banks, securities companies and insurance companies and their holding companies will be subject to the new resolution regime that includes, among others, the following features.

Under the new resolution regime, where the Prime Minister recognizes that the failure of a financial institution which falls into either of (a) or (b) below may cause significant disruption in the financial markets or other financial systems in Japan if measures described in (a) (specified Item 1 measures) (*tokutei dai ichigo sochi*) or measures described in (b) (specified Item 2 measures) (*tokutei dai nigo sochi*) are not taken, the Prime Minister may confirm that any of the following measures need to be applied to the financial institution following deliberation by Japan's Financial Crisis Response Council:

(a) if the financial institution is not a financial institution whose liabilities exceed its assets, which means it is unable to fully perform its obligations with its assets, the DIC shall supervise the operation of business and management and disposal of assets of that financial institution, and may provide it with loans or guarantees necessary to avoid the risk of significant disruption in the financial systems in Japan, or subscribe for shares or subordinated bonds of, or lend subordinated loans to, the financial institution, taking into consideration the financial condition of the financial institution;

(b) if the financial institution is a financial institution whose liabilities exceed or are likely to exceed its assets or which has suspended or is likely to suspend payment of its obligations, the DIC shall supervise the operation of business and management and disposal of assets of that financial institution and may provide financial aid necessary to assist a merger, business transfer, corporate split or other reorganization in respect to such failed financial institution; and

if a measure set out in (b) above is determined to be taken with respect to a financial institution, the Prime Minister may order that the financial institution's operations of business and management and disposal of assets be placed under the special control of the DIC. The business or liabilities of the financial institution subject to the special supervision by the DIC as set forth above may also be transferred to a "bridge bank" established by the DIC for the purpose of the temporary maintenance and continuation of operations of, or repayment of the liabilities of, such financial institution, and the bridge bank will seek to transfer the financial institution's business or liabilities to another financial institution or dissolve the financial institution. The financial aid provided by the DIC to assist a merger, business transfer, corporate split or other reorganization in respect to the financial institution set out in (b) above may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock or subordinated bonds, subordinated loan, or loss sharing.

The expenses for implementation of the measures for these crisis management operations will be borne by the financial industry; provided, however, the Government of Japan may provide subsidies to the DIC within the limit to be specified in the government budget in cases where it is likely to cause extremely serious hindrance to the maintenance of the credit system in Japan or significant turmoil in the financial market or other financial system of Japan if such expenses are to be borne only by the financial industry.

On March 6, 2014, the FSA made an announcement clarifying the requirement of loss absorbency at the point of non-viability for additional Tier 1 instruments and Tier 2 instruments under Basel III issued by banks and bank holding companies. According to the announcement, (i) additional Tier 1 instruments and Tier 2 instruments under Basel III issued by a bank must be written-down or converted into common shares when the Prime Minister of Japan confirms (*nintei*) that the above-described "Item 2 measures (*dai nigo sochi*)," "Item 3 measures (*dai sango sochi*)," or "specified Item 2 measures (*tokutei dai nigo sochi*)" need to be applied to the bank and (ii) additional Tier 1 instruments and Tier 2 instruments under Basel III issued by a bank holding company must be written-down or converted into common shares when the Prime Minister of Japan confirms (*nintei*) that the above-described "specified Item 2 measures (*tokutei dai nigo sochi*)" need to be applied to the bank holding company. The FSA also stated in the announcement that the trigger event for loss absorbency at the point of non-viability with respect to such instruments should be construed in accordance with the then effective financial crisis response framework for banks and bank holding companies that have failed or are likely to fail, since the purpose of such write-down or conversion required under Basel III is to ensure that all classes of these capital instruments fully absorb losses at the point of non-viability before taxpayers are exposed to loss.

Special Measures Act Concerning Facilitation of Reorganization by Financial Institutions, Etc.

Under the Special Measures Act Concerning Facilitation of Reorganization by Financial Institutions, Etc.: (1) for one year after the merger or transfer of the entire business of a deposit-taking institution, the maximum amount to be covered by the deposit insurance will be ¥10 million multiplied by the number of parties to the merger or business transfer; and (2) the procedures are simplified to a certain extent in connection with the transfer of an entire business or a merger with another deposit-taking institution by a deposit-taking institution that is made in accordance with a management base-strengthening plan that has been approved by the Government of Japan.

Single Customer Credit Limit

The Banking Act restricts the aggregate amount of credit and loans that may be extended to any single customer in order to avoid the excessive concentration of credit risks and promote the fair and extensive use of bank credit. To tighten the restrictions under Japanese law to meet international standards, the Banking Act and the related cabinet order were amended in June 2013 and October 2014, respectively and those amendments became effective in December 2014. As a result of the amendments, the credit limit of bank holding companies, banks or bank groups for any single customer, including certain of the customer's affiliates, was lowered from 40% to 25% of the total qualifying capital of the bank holding company, bank or bank group, with certain adjustments.

Restriction on Aggregate Shareholdings by a Bank

The Act Concerning Restriction on Shareholdings by Banks requires Japanese banks and their qualified subsidiaries to limit the aggregate market value (excluding unrealized gains, if any) of their equity securities holdings to an amount equal to 100% of their consolidated Tier 1 capital, with adjustments, in order to reduce exposure to stock price fluctuations. Treasury shares, shares issued by subsidiaries, shares not listed on any stock exchange or not registered with any OTC market, shares held as trust assets, and shares acquired through debt-for-equity swaps in restructuring transactions are excluded from this limitation. In order to facilitate the disposition of shares of listed stocks held by banks while preventing adverse effects caused by sales of large amounts of shares in a short period of time, share purchases by the Banks' Shareholdings Purchase Corporation of listed shares have been restarted from March 2009.

Shareholding Restrictions Applicable to a Bank

The provision of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade prohibits banks from holding more than 5% of the voting rights of non-financial companies in Japan. Also, the Banking Act generally prohibits a bank and its subsidiaries, on an aggregated basis, from holding more than 5% of the voting rights of certain types of companies which are not permitted to become subsidiaries of banks.

Examination and Reporting Applicable to Shareholders of a Bank

The FSA may request the submission of reports or other materials from a bank and/or its bank holding company, or inspect the bank and/or the bank holding company, if necessary, in order to secure the sound and appropriate operation of the business of a bank.

Under the Banking Act, a person who desires to hold 20% (in some exceptional cases, 15%) or more of the voting rights of a bank is required to obtain advance approval of the FSA Commissioner. In addition, the FSA may request the submission of reports or materials from, or may conduct an inspection of, any principal shareholder who holds 20% (in some exceptional cases, 15%) or more of the voting rights of a bank if the FSA deems the action necessary in order to secure the sound and appropriate operation of the business of the bank. Under limited circumstances, the FSA may order the principal shareholder to take such measures as the FSA deems necessary.

Furthermore, any person who becomes a holder of more than 5% of the voting rights of a bank holding company or a bank must report the ownership of the voting rights to the Director General of the relevant local finance bureau within five business days. This requirement is separate from the significant shareholdings report required under the FIEA. In addition, a similar report must be made in respect of any subsequent change of 1% or more in any previously reported holding or in respect of any change in material matters set out in reports previously filed, with some exceptions.

Regulations for Protection of Customers

Protection of Personal Information

The Act on the Protection of Personal Information and related rules, regulations and guidelines impose requirements on businesses that use databases containing personal information, including appropriate custody of personal information and restrictions on information sharing with third parties.

Act on Sales, Etc. of Financial Products

Due to deregulatory measures in the banking and other financial services industries, more financial products, including highly structured and other complicated products, may now be marketed to a broad base of customers. The Act on Sales, Etc. of Financial Products was enacted to better protect customers from incurring unexpected losses as a result of purchasing these financial products. Under this law, sellers of financial products have a duty to their potential customers to explain important matters (i.e., the nature and magnitude of risk involved) regarding the financial products that they sell. If a seller fails to comply with the duty, the loss in value of the purchased investment product due to the failure to explain is refutably presumed to be the amount of the customer's loss. An amendment to this law, together with other related laws including the FIEA, became effective in September 2007. The amended law enlarges the scope of the duty of financial services providers to inform customers of important matters related to the financial products that they offer.

Act Concerning Protection of Depositors and Relief for Victims of Certain Types of Fraud

The Act Concerning Protection of Depositors from Illegal Withdrawals Made by Forged or Stolen Cards requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using forged or stolen bank cards. The law also requires financial institutions to compensate depositors for any amount illegally withdrawn using forged or stolen bankcards, subject to certain conditions.

The Act Concerning Payment of Dividends for Relief of Damages from Funds in Account used in connection with Crimes requires that financial institutions take appropriate measures against various crimes including the closing of accounts used in connection with fraud and other crimes. The law also requires financial institutions to make, in accordance with specified procedures, payments from funds collected from the closed accounts to victims of certain crimes.

Act on Prevention of Transfer of Criminal Proceeds

Under the Act on Prevention of Transfer of Criminal Proceeds, which addresses money laundering and terrorism concerns, financial institutions and certain other entities, such as credit card companies, are required to perform customer identification, submit suspicious transaction reports and keep records of their transactions.

Other Regulations Related to Our Business

The FIEA

The FIEA regulates the securities industry and most aspects of securities transactions in Japan, including public offerings, private placements and secondary trading of securities, ongoing disclosure by securities issuers, tender offers for securities, organization and operation of securities exchanges and self-regulatory organizations and registration of securities companies. The Prime Minister has the authority to regulate the securities industry and securities companies, which authority is delegated to the FSA Commissioner under the FIEA. The Securities and Exchange Surveillance Commission, an external agency of the FSA, is independent from the Agency's other bureaus and is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder fair trading of securities, including inspection of securities companies as well as banks in connection with their securities business. Furthermore, the FSA Commissioner delegates certain authority to the Director General of the Local Finance Bureau to inspect local securities companies and their branches. A violation of applicable laws and regulations may result in various administrative sanctions, including revocation of registration or authorization, suspension of business or an order to discharge any Director or Executive Officer who has failed to comply with applicable laws and regulations. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of securities companies.

An amendment to the FIEA was promulgated in September 2012 in order to, among other things, facilitate the establishment of a "Comprehensive Exchange," in which securities, financial derivatives and commodity derivatives are traded comprehensively. It enables Financial Instruments Exchanges to trade commodity derivatives to enhance user convenience. The FSA conducts supervision of the "Comprehensive Exchange." The amendment with regard to the "Comprehensive Exchange" became effective on March 11, 2014.

Regulation of the Consumer Finance Business

In order to resolve the problems of heavily indebted borrowers and to effect proper regulation of the consumer finance business, in June 2010, maximum legal interest rates were reduced to levels prescribed by the Interest Rate Restriction Act, ranging from 15% to 20%, and gray zone interest, which is interest on loans in excess of rates prescribed by the Interest Rate Restriction Act up to the 29.2% maximum rate permitted under the Contributions Act, was abolished. Judicial decisions have strictly interpreted the conditions under which consumer finance companies may retain gray zone interest. As a result, claims for refunds of gray zone interest increased substantially. Amendments to the Money Lending Business Act provide an additional upper limit on aggregate borrowings by an individual from all moneylenders over which moneylenders may not extend further loans, as well as stricter regulation and supervision of moneylender activities.

Installment Sales Act

In order to ensure the fairness of transactions with respect to installment and other sales, prevent damage to consumers and manage credit card numbers, the Installment Sales Act imposes requirements on those who conduct installment sales businesses. In June 2008, revisions to the Installment Sales Act were enacted, most of which became effective in December 2009. The revisions impose more stringent and expanded requirements for credit card companies, including, among other things: (1) wider coverage of installment sales under the regulations; (2) measures to prevent inappropriate extensions of credit for certain credit transactions; (3) measures to prevent excessive lending for certain credit transactions that include requirements to investigate the payment ability of consumers by use of designated credit information organizations and prohibition of execution of credit agreements that exceed the payment ability of consumers; and (4) measures to protect certain information, such as credit numbers.

Base Erosion and Profit Shifting (BEPS)

In July 2013, the Organization for Economic Co-operation and Development, or the OECD, published the Action Plan on Base Erosion and Profit Shifting, or BEPS, in order to prevent exploiting of gaps and mismatches in tax rules and artificial shifting of profits to low or no-tax locations. In October 2015, the OECD published the final package of measures for a comprehensive, coherent and coordinated reform of the international tax rules for 15 key areas. These measures will apply once they are implemented either in domestic laws or in the network of bilateral tax treaties. Some of the deliverables published by the OECD have been partially reflected to Japanese tax regulations by the tax reform adopted in 2015 and 2016.

Deregulation

The developments toward deregulation of the financial system including those described below have made the Japanese banking industry highly competitive.

Deregulation of Bank Engagement in the Securities Business

The gradual relaxation of the restrictions under the Securities and Exchange Act allowed banks to engage in the following business lines, after taking appropriate registration measures with the FSA:

- underwriting and dealing in JGBs, Japanese municipal bonds, Japanese government guaranteed bonds, commercial paper and certain bonds issued by special purpose companies;

- selling beneficiary certificates of investment trusts and securities issued by an investment company; and

- dealing in listed or OTC securities or derivatives transactions as well as in the securities intermediary business.

In addition, amendments to the FIEA and the Banking Act relating to firewalls and conflicts of interest between banks, securities companies and insurance companies became effective on June 1, 2009. The amendment relating to firewalls abolished the ban on certain officers and employees from holding concurrent posts in banks, securities companies and insurance companies, and relaxed restrictions on the transfer of non-public customer information. On the other hand, the amendment relating to conflicts of interest requires those financial institutions, including banks, to implement proper information management procedures and to develop appropriate internal systems to prevent customer interests from being unfairly harmed through trading by the companies or by other companies within their group. For example, the companies may be required to create information barriers between departments and monitor how it executes transactions with customers.

Deregulation of Insurance Products

The gradual deregulation of the financial services industry permitted banks in Japan to offer an increased variety of insurance products, including pension-type insurance to the full range, as an agent.

Privatization of Japan Post Holdings' Subsidiaries

In December 2014, under the Postal Privatization Act, Japan Post Holdings, a joint stock company that holds shares of operating companies, published a plan for the listing of Japan Post Holdings, Japan Post Bank, one of the world's largest deposit-taking institutions, and Japan Post Insurance and the gradual disposition of its shares of Japan Post Bank and Japan Post Insurance down to approximately 50% ownership. In November 2015, each of Japan Post Holdings, Japan Post Bank and Japan Post Insurance publicly offered approximately 11% of their outstanding shares, respectively, and they were listed on the Tokyo Stock Exchange. Japan Post Bank is required to receive prior approval of the Government of Japan to expand its business until Japan Post Holdings disposes of at least half of the shares of Japan Post Bank.

Regulations in the United States

As a result of our operations in the United States, we are subject to extensive federal and state banking and securities supervision and regulation. We engage in U.S. banking activities directly through our branches in Los Angeles, San Francisco and New York and through our representative office in Houston. We also control a U.S. banking subsidiary, Manufacturers Bank, and a U.S. broker-dealer subsidiary, SMBC Nikko Securities America, Inc.

The NY branch is supervised by the Federal Reserve Bank of New York and the New York State Department of Financial Services, but its deposits are not insured (or eligible to be insured) by the FDIC. Our Los Angeles and San Francisco branches are supervised by the Federal Reserve Bank of San Francisco and the California Department of Business Oversight, but their deposits are not insured (or eligible to be insured) by the FDIC. Our representative office in Houston is subject to regulation and examination by the Texas Department of Banking and the Federal Reserve Bank of Dallas.

We are a qualifying foreign banking organization under the International Banking Act and as such are subject to regulation as a bank holding company under the Bank Holding Company Act. Additionally, we are a bank holding company, by virtue of our ownership of Manufacturers Bank. As a result, we and our U.S. operations are subject to regulation, supervision and examination by the Federal Reserve Board as SMFG's "umbrella supervisor."

Manufacturers Bank is a California state-chartered bank that is not a member of the Federal Reserve System. As a state non-member bank the deposits of which are insured by the FDIC, Manufacturers Bank is subject to regulation, supervision and examination by the FDIC and the California Department of Business Oversight.

In order to further expand our business in the U.S., we and our parent SMFG obtained financial holding company status under the Bank Holding Company Act on May 7, 2013, which authorizes the expansion of the scope of services we provide in the U.S., including the underwriting and trading of securities and other investment banking services.

Restrictions on Business Activities

As described below, federal and state banking laws and regulations restrict SMFG's and our ability to engage, directly or indirectly through subsidiaries, in certain activities in the United States.

We and SMFG are required to obtain the prior approval of the Federal Reserve Board before directly or indirectly acquiring the ownership or control of more than 5% of any class of voting shares of U.S. banks, certain other depository institutions, and bank or depository institution holding companies. Under the Bank Holding Company Act and the Federal Reserve Board regulations, we are required to serve as a source of financial strength to Manufacturers Bank. In addition, our U.S. banking operations (including Manufacturers Bank and our branches) are also restricted from engaging in certain "tying" arrangements involving products and services.

As financial holding companies, we, SMFG and the companies under our control are permitted to engage in a broader range of activities in the U.S. and abroad than permitted for bank holding companies and their subsidiaries. Unless otherwise limited by the Federal Reserve Board, financial holding companies generally can engage, directly or indirectly in the U.S. and abroad, in financial activities, either de novo or by acquisition, by providing after-the-fact notice to the Federal Reserve Board. These financial activities include underwriting and dealing in securities, insurance underwriting and brokerage and making investments in non-financial companies for a limited period of time, as long as the financial holding company does not directly or indirectly manage the non-financial companies' day-to-day activities, and the financial holding company's banking subsidiaries engage only in permitted cross-marketing with the non-financial companies. If we or SMFG cease to qualify as financial holding companies, we could be barred from new financial activities or acquisitions, and have to discontinue the broader range of activities permitted to financial holding companies.

Other Prudential Restrictions

Our U.S. branches and Manufacturers Bank are subject to requirements and restrictions under U.S. federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be made and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of Manufacturers Bank, and to a limited extent, our New York and California branches.

In addition, under U.S. federal banking laws, state-chartered banks (such as Manufacturers Bank) and state-licensed branches and agencies of foreign banks (such as the NY branch) may not, as a general matter, engage as a principal in any type of activity not permissible for their federally chartered or licensed counterparts, unless (i) in the case of state-chartered banks, the FDIC determines that the additional activity would pose no significant risk to the FDIC's Deposit Insurance Fund and is consistent with sound banking practices and (ii) in the case of state-licensed branches and agencies of foreign banks, the Federal Reserve Board determines that the additional activity is consistent with sound banking practices. The U.S. federal banking laws also subject state branches and agencies of foreign banks to the same single-borrower lending limits that apply to federal branches or agencies, which are substantially similar to the lending limits applicable to national banks. For our U.S. branches, these single-borrower lending limits are based on our worldwide capital.

Under the International Banking Act, the Federal Reserve Board may terminate the activities of any U.S. office of a foreign bank if it determines (i) that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country (unless the home country is making demonstrable progress toward establishing such supervision), (ii) that there is reasonable cause to believe that such foreign bank or its affiliate has violated the law or engaged in an unsafe or unsound banking practice in the United States and, as a result of such violation or practice, the continued operation of the U.S. office would be inconsistent with the public interest or with the purposes of federal banking laws, or (iii) for a foreign bank that presents a risk to the stability of the United States financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.

There are various qualitative and quantitative restrictions on the extent to which we and our subsidiaries can borrow or otherwise obtain credit from our U.S. bank subsidiary, Manufacturers Bank, or engage in certain other transactions involving that subsidiary. In general, these transactions must be on terms that would ordinarily be offered by Manufacturers Bank to unaffiliated entities, and credit transactions must be secured by designated amounts of specified collateral. In addition, certain transactions, such as certain purchases by Manufacturers Bank from us or our non-bank subsidiaries, are subject to volume limitations. Effective in July 2012, the Dodd-Frank Act (discussed below) subjects credit exposure arising from derivative transactions, securities borrowing and lending transactions, and repurchase/reverse repurchase agreements to these collateral and volume transactions limitations.

Regulatory Requirements Applicable to Financial Holding Companies

As financial holding companies, we and our parent SMFG are subject to additional regulatory requirements. For example, we, SMFG and Manufacturers Bank, which is our U.S. insured depository institution subsidiary, must be "well capitalized," meaning maintenance of a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10% under the revised capital standards of Basel III, which became effective on January 1, 2015 in the U.S. In addition, we, SMFG and Manufacturers Bank must be "well managed," including maintenance of examination ratings that are at least satisfactory. Further, we are also required to be well capitalized and well managed under our home country standards, which must be comparable to those required for a U.S. bank. Failure to comply with such requirements would require us and SMFG to prepare a remediation plan, and we would not be able to undertake new business activities or acquisitions based on our status as a financial holding company during any period of noncompliance without the prior approval of the Federal Reserve Board. Divestiture or termination of certain business activities in the U.S. may also be required as a consequence of failure to correct such conditions within 180 days.

Regulations for Stabilizing the Financial System

Dodd-Frank Act

The Dodd-Frank Act provides a broad framework for significant regulatory changes across most areas of U.S. financial regulation. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically significant financial institutions, OTC derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity funds, consumer and investor protection, hedge fund registration, and securitization.

Implementation of the Dodd-Frank Act is taking place through detailed rulemaking over multiple years by various regulators, including the Office of the Comptroller of the Currency, or the OCC, the Federal Reserve Board, the SEC, the FDIC, the Commodity Futures Trading Commission, or the CFTC, the Financial Stability Oversight Council and the Consumer Financial Protection Bureau.

In December 2013, the Federal Reserve Board, the SEC, the OCC, the FDIC, and the CFTC adopted final rules implementing what is known as the "Volcker Rule." The final rules require banking entities to conform to certain restrictions on proprietary trading activities, hedge fund and private equity fund activities and certain other enumerated investment restrictions, but contain a number of exclusions and exemptions that substantially limit their extraterritorial reach. Concurrently with the release of the final rules in December 2013, the Federal Reserve Board issued an order extending the conformance period until July 21, 2015. During the conformance period, banking entities must engage in good-faith efforts to conform their activities and investments to the requirements of the final rules by the conformance deadline. In December 2014, the Federal Reserve Board extended the conformance period to July 21, 2016 for certain investments in and relationships with hedge funds and private equity funds that were in place as of December 31, 2013. In July 2016, the Federal Reserve Board granted the final extension to this conformance period until July 21, 2017. Although complying with the final rules could result in additional costs, or restrict or otherwise affect the way we conduct our business, the impact remains uncertain.

The Dodd-Frank Act provides regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk and bank holding companies with assets of $50 billion or more. In imposing heightened prudential standards on non-U.S. financial institutions such as us and our parent SMFG, the Federal Reserve Board is directed to take into account the principle of national treatment and equality of competitive opportunity, and the extent to which the non-U.S. bank holding company is subject to comparable home country standards.

On February 18, 2014, the Federal Reserve Board adopted final rules that apply enhanced prudential standards to the U.S. operations of large non-U.S. banking organizations, including us. The final rules, effective July 1, 2016, require each of certain large non-U.S. banking organizations, such as us to:

- certify that it is subject to home country capital standards that are broadly consistent with the Basel capital framework, including Basel III;

- conduct home country capital stress tests that are comparable to U.S. standards;

- comply with a qualitative liquidity framework, including, among other things, a U.S. liquidity buffer requirement for its U.S. branches and agencies based on the results of internal liquidity stress testing; and

- establish a U.S. risk committee that understands the risk management policies and framework of its U.S. operations and has a general understanding of the risk management practices of the U.S. operations.

Under the final rules, non-U.S. banking organizations with combined U.S. assets (excluding assets held by its U.S. branches and agencies) of $50 billion or more, are required to establish a separately capitalized top-tier U.S. intermediate holding company. However, this requirement will not apply to us. Although proposed rules have been released, the final rules for single counterparty credit limits and for early remediation have yet to be promulgated.

Effective in July 2011, the Dodd-Frank Act removed a longstanding prohibition on the payment of interest on demand deposits by Manufacturers Bank and our three branches in the United States. In addition, the Dodd-Frank Act requires that the lending limits take into account credit exposure arising from derivative transactions and securities lending, securities borrowing, and repurchase agreements and reverse repurchase agreements with counterparties. In June 2013, the OCC adopted the final rules that implement these new lending limits, and compliance with these new lending limits is required for our New York, Los Angeles and San Francisco branches from October 1, 2013, in addition to existing state lending limits that apply to the branches. Additionally, as a California state-chartered bank, Manufacturers Bank is subject to state lending limits, which also apply to credit exposure arising from derivative transactions.

Furthermore, the Dodd-Frank Act provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, exchange trading and transaction reporting of certain OTC derivatives. In October 2012, the final joint rules of the CFTC and the SEC that further define "swap" and "security based swap" became effective. As a result, certain entities are required to register with the CFTC as "swap dealers" or "major swap participants" and our subsidiary, SMBC Capital Markets, Inc., became provisionally registered as a swap dealer on or around December 31, 2012. While some of the U.S. swaps requirements are already final and effective, others are subject to further rulemaking or deferred compliance dates. Mandatory clearing, trade execution and reporting requirements for swaps took effect in the first half of 2013.

Furthermore, the Dodd-Frank Act requires the SEC to establish rules requiring issuers with listed securities, which may include non-U.S. private issuers such as us, to establish a "clawback" policy to recoup previously awarded compensation in the event of an accounting restatement. The Dodd-Frank Act also grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers, and expands the extraterritorial jurisdiction of U.S. courts over actions brought by the SEC or the United States with respect to violations of the antifraud provisions in the Securities Act, the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Investment Advisers Act of 1940.

Laws Prohibiting Money Laundering and Terrorist Financing

The Bank Secrecy Act / USA PATRIOT Act of 2001

The Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, or the PATRIOT Act, contains measures to prevent and detect the financing of terrorism and international money laundering by imposing significant compliance and due diligence obligations, creating crimes, providing for penalties and expanding the extraterritorial jurisdiction of the United States. The Bank Secrecy Act, as amended, imposes anti-money laundering compliance obligations on U.S. financial institutions, including the U.S. offices of foreign banks. The passage of the PATRIOT Act and other events have resulted in heightened scrutiny of compliance with the Bank Secrecy Act and anti-money laundering rules by federal and state regulatory and law enforcement authorities. Certain provisions of the PATRIOT Act expired in June 2015 and were extended in part by the USA FREEDOM Act of 2015, enacted in June 2015.

U.S. Sanctions Targeting Iran-Related Activities

In July 2010, the U.S. government enacted legislation designed to restrict economic and financial transactions with Iran, i.e., the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, or CISADA, which, as amended, authorized the imposition of sanctions against non-U.S. financial institutions, such as us, if they are determined by the U.S. Secretary of the Treasury to have facilitated "significant transactions" or provided "significant financial services" for certain Iran-linked individuals or entities or the Islamic Revolutionary Guard Corps. Non-U.S. financial institutions that engage in sanctionable activity could lose their ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other possible sanctions.

In December 2011, the U.S. government adopted Section 1245 of the National Defense Authorization Act for Fiscal Year 2012, or the 2012 NDAA, which broadened the range of sanctionable transactions to include conducting or facilitating "significant financial transactions" with the Central Bank of Iran or other Iranian financial institutions designated for sanctions under the International Emergency Economic Powers Act in connection with Iran's weapons of mass destruction proliferation or support for international terrorism. Following Implementation Day, this sanction no longer applies to significant financial transactions with the Central Bank of Iran.

In addition, in July 2012, Executive Order 13622 was issued, which, as amended, authorized the U.S. Secretary of the Treasury, in consultation with the U.S. Secretary of State, to impose correspondent account sanctions on any foreign financial institution that knowingly conducted or facilitated a significant financial transaction with the National Iranian Oil Company or Naftiran Intertrade Company, or that knowingly conducted or facilitated a significant transaction for the purchase, acquisition, sale, transport or marketing of petroleum, petroleum products or petrochemical products from Iran, with certain exceptions. On Implementation Day, Executive Order 13622 was revoked by Executive Order 13716.

Further, in August 2012, the President signed the Iran Threat Reduction and Syria Human Rights Act of 2012 into law, which strengthened sanctions on Iran, especially those aimed at third-country nationals who engaged in certain business with Iran, and included measures relating to human rights abuses in Iran and Syria. It authorized the imposition of secondary sanctions penalties on non-U.S. persons found to have engaged in specified activities relating to Iran.

In addition, the Iran Freedom and Counter-Proliferation Act of 2012, or the IFCA, which is included in the U.S. National Defense Authorization Act for Fiscal Year 2013, imposed, among other things, new sanctions against the energy, shipping and shipbuilding sectors of Iran, as well as Iranian port operators, and the sale, supply or transfer to or from Iran of certain precious and other metals and materials. Executive Order 13645 targeted, among other things, the automotive sector of Iran and transactions in Iran's currency, the rial. The IFCA and Executive Order 13645 provided for the imposition of sanctions on persons, including foreign financial institutions, that knowingly engaged in activities related to the sectors and conduct targeted by the IFCA and Executive Order 13645, and activities that involved certain Iranian persons included on the Specially Designated Nationals and Blocked Persons List, or the SDN List, maintained by OFAC. On Implementation Day, Executive Order 13645 was revoked by Executive Order 13716. Also on Implementation Day, the United States waived the imposition of certain correspondent or payable-through account sanctions under the IFCA, and committed to refrain from imposing certain discretionary blocking sanctions under the IFCA. It continues to be sanctionable under the IFCA to knowingly conduct or facilitate significant financial transactions on behalf of any Iranian person on the SDN List.

The U.S. Secretary of State announced on March 20, 2012 that Japan was among a number of countries that had significantly reduced the volume of crude oil purchases from Iran, and that therefore the 2012 NDAA sanctions would not apply to Japanese financial institutions for a period of 180 days, which period could be renewed based on ongoing reductions in crude oil purchases from Iran, or the NDAA Exception. The NDAA Exception was renewed on September 14, 2012, March 13, 2013, and September 6, 2013. The NDAA Exception, which was subject to certain restrictions, also exempted Japanese financial institutions from sanctions under certain provisions of Executive Order 13622, the IFCA and Executive Order 13645.

On January 20, 2014, the U.S. government issued certain temporary sanctions waivers as part of the November 24, 2013 Joint Plan of Action, or the JPOA, among the P5 + 1 and Iran, or JPOA Waivers. While in effect, the JPOA Waivers superseded the NDAA Exception, which expired on March 5, 2014. The effective period of the JPOA Waivers, or JPOA Relief Period, was originally from January 20, 2014 through July 20, 2014, but was successively extended through July 13, 2015. Pursuant to the JPOA Waivers, the U.S. government agreed not to seek reductions in the volume of Iranian crude oil purchased by current authorized purchasers, including Japan, during the JPOA Relief Period. Additionally, pursuant to the JPOA Waivers, non-U.S. financial institutions, such as us, that engaged in certain transactions initiated and completed during the JPOA Relief Period relating to exports of Iranian petrochemical products, petroleum and petroleum products, Iran's automotive sector, Iran's trade in gold and precious metals, and the supply and installation of certain spare parts and services for civil aircraft in Iran would not be targeted for secondary sanctions under U.S. law. On July 14, 2015, the sanctions relief provided for in the JPOA was further extended.

As part of the JPOA, the P5 + 1 and Iran agreed on a process to authorize or facilitate the release in installments over the initial JPOA Relief Period (January 20, 2014 through July 20, 2014) of $4.2 billion of Iran's restricted funds held in banks outside Iran and outside the United States, contingent on Iran fulfilling its commitments under the JPOA. The United States Government worked with non-U.S. financial institutions to implement the release of such funds to Iran. As part of the extension of the JPOA Relief Period to November 24, 2014, the P5 + 1 agreed to allow Iran access to an additional $2.8 billion of its restricted assets in installments. According to the U.S. Treasury Department, the P5+1 fulfilled their commitments to facilitate the release of $4.2 billion during the initial JPOA Relief Period and to facilitate the release of a further $2.8 billion through November 24, 2014. Further, as part of a further extension of the JPOA Relief Period, the P5 + 1 agreed to facilitate the release in installments of an additional $4.9 billion of Iran's restricted funds during the period beginning on November 25, 2014, and ending on June 30, 2015. In addition, the JPOA, among other things, established a financial channel to facilitate humanitarian trade for Iran's domestic needs using Iranian oil revenues held abroad.

In April 2015, the parties to the JPOA reached an understanding on the framework for the JCPOA. In May 2015, President Obama signed into law the Iran Nuclear Agreement Review Act of 2015, which established a mechanism for Congressional review of any new agreement reached between the United States and Iran related to Iran's nuclear program.

On July 14, 2015, the P5 + 1 and Iran, with the European Union, agreed on the final text of the JCPOA. The JCPOA established a framework for providing Iran with phased sanctions relief upon verification that Iran had implemented key nuclear commitments. Under the JCPOA, U.S. sanctions relief is provided through the suspension and eventual termination of nuclear-related secondary sanctions, which began on Implementation Day, January 16, 2016, when the International Atomic Energy Agency verified that Iran had implemented key nuclear-related measures described in the JCPOA. As noted above, certain U.S. sanctions authorities targeting Iran and targeting certain Iran-related transactions and activities were revoked or waived on January 16, 2016.

Even after Implementation Day, certain secondary sanctions remain in effect, including those targeting significant transactions involving SDNs or the Islamic Revolutionary Guard Corps. Non-U.S. financial institutions that engage in transactions targeted by secondary sanctions could lose their ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, among other possible restrictive measures. It is the Bank's policy not to conduct activities targeted by remaining secondary sanctions.

Pursuant to the JCPOA, there also remains a possibility that, if Iran is found to be in non-compliance with its commitments under the JCPOA, sanctions that have been waived or lifted, including nuclear-related secondary sanctions, could be re-imposed.

Ukraine Freedom Support Act of 2014

In order to deter the Russian government from further destabilizing and invading Ukraine, the U.S. government enacted H.R. 5859, the Ukraine Freedom Support Act of 2014 (signed into law on December 18, 2014), or the Ukraine Freedom Support Act. Among other things, the Ukraine Freedom Support Act authorizes prohibitions or strict limitations on the opening or maintaining of correspondent or payable-through accounts in the United States by non-U.S. financial institutions determined by the U.S. government (i) to have knowingly engaged in on or after December 18, 2014 in significant transactions involving certain activities described in the Ukraine Freedom Support Act, including those involving individuals or entities on whom sanctions are imposed pursuant to the Ukraine Freedom Support Act for making a significant investment in a project for the extraction of deepwater, Arctic offshore or shale formation crude oil in Russia, or (ii) to have knowingly facilitated, on or after June 16, 2015, a significant financial transaction on behalf of any Russian individual or entity included on the SDN List pursuant to Ukraine-related sanction programs.

FATCA Compliance

As more fully described under "—Risks Related to the Notes—Payments on the notes may be subject to FATCA withholding after December 31, 2018," provisions of FATCA, which became effective on July 1, 2014, aim to prevent U.S. persons from hiding their financial assets or evading their U.S. federal income tax obligations by the use of offshore accounts. A foreign financial institution that has entered into a PFFI agreement with the IRS is required to perform specified due diligence, reporting and withholding functions. Specifically, under FATCA, a PFFI is required to ascertain the U.S. status of customers through specified due diligence and report certain information annually to the IRS. In cases where customers are not compliant with FATCA, PFFIs are obligated to carry out specified reporting and withholding procedures as prescribed. The consequences for foreign financial institutions that are not compliant with FATCA include being subjected to a 30% withholding tax on certain withholdable payments from U.S. sources and reporting to the IRS.

The United States has entered into intergovernmental agreements or reached agreements in substance with more than 100 countries in furtherance of the objectives of FATCA, which modify the operation of FATCA with respect to financial institutions located in those countries. On June 11, 2013 the United States and Japan entered into an intergovernmental agreement to facilitate the implementation of FATCA pursuant to which Japanese financial institutions (such as us and certain SMFG Group companies) are directed by the Japanese authorities to register with the IRS and fulfill obligations consistent with those required under a PFFI agreement. We have registered with the IRS to become a PFFI. We are committed to complying with FATCA as a PFFI and abiding by the terms of the PFFI agreement with the IRS within the jurisdictions in which we operate and in accordance with the time frame set out by the IRS. We intend to closely monitor FATCA developments and evolving industry practices to ensure continued compliance with FATCA moving forward.

Other Regulations in the United States

In the United States, our U.S.-registered broker-dealer subsidiary, SMBC Nikko Securities America, Inc. is regulated by the SEC. Broker-dealers are subject to regulations that cover all aspects of the securities business, including:

- sales methods;
- trade practices among broker-dealers;

- use and safekeeping of customers' funds and securities;
- capital structure;
- record-keeping;
- the financing of customers' purchases; and
- the conduct of directors, officers and employees.

In addition, SMBC Nikko Securities America, Inc. is a member of and regulated by the Financial Industry Regulatory Authority and is regulated by the individual state securities authorities in the states in which it operates. The U.S. government agencies and self-regulatory organizations, as well as state securities authorities in the United States having jurisdiction over our U.S. broker-dealer affiliates, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

Regulations in Other Jurisdictions

Elsewhere in the world, our operations are subject to regulation and control by local central banks and monetary authorities.

DESCRIPTION OF THE NOTES AND GUARANTEES

The general terms and conditions in this base offering circular will apply to each series of the Rule 144A notes, Regulation S notes and 3(a)(2) notes offered under the Global Medium Term Notes Program as described herein, unless otherwise specified in an applicable supplement or pricing term sheet. In the event (and to the extent) that the terms and conditions described in this base offering circular conflict with the terms and conditions described in an applicable supplement or pricing term sheet, the terms and conditions of the supplement or pricing term sheet shall control. The following is only a summary of certain provisions of the notes, the guarantee, and the indentures and is qualified in its entirety by reference to all the provisions of the notes, the guarantee, and the indentures. Capitalized terms used in this section and not otherwise defined herein have the meanings assigned to them in the indentures and the forms of the notes and the guarantee, copies of which will be available for inspection at the principal office of the trustee at 50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong. It is important for you to consider the information contained in this base offering circular and any applicable supplement and pricing term sheet in making your investment decision.

General

We may offer from time to time notes in one or more series with terms and conditions described in this base offering circular, including an applicable supplement hereto. The specific terms of each series of notes will be set forth in a pricing term sheet. The maximum aggregate principal amount of all notes from time to time outstanding under the Program will not exceed U.S.$50,000,000,000. We may increase the amount of the program limit in accordance with the terms of the program agreement.

We may offer notes in reliance on the exemption from registration provided by Rule 144A and sold only to QIBs within the meaning of Rule 144A or we may offer notes outside the United States to non-U.S. persons (as such term is defined in Rule 904 under the Securities Act, each a non-U.S. person) pursuant to Regulation S. In addition, we may offer notes pursuant to the exemption from registration provided by Section 3(a)(2) of the Securities Act. Notes offered pursuant to Rule 144A are referred to as Rule 144A notes, notes offered pursuant to Regulation S are referred to as Regulation S notes, and notes offered pursuant to Section 3(a)(2) of the Securities Act are referred to as 3(a)(2) notes. The Rule 144A notes, Regulation S notes and 3(a)(2) notes are referred to together as the notes.

The Rule 144A notes and the Regulation S notes will be issued pursuant to an indenture dated as of July 22, 2010, as amended by a First Supplemental Indenture dated as of December 27, 2013, a Second Supplemental Indenture dated as of July 4, 2014 and a Third Supplemental Indenture dated as of July 6, 2015, between us and Citicorp International Limited as trustee, and the 3(a)(2) notes will be issued pursuant to an indenture dated as of July 18, 2012 among us, the guarantor and Citicorp International Limited as trustee as amended by a First Supplemental Indenture dated as of December 27, 2013 and a Second Supplemental Indenture dated as of July 4, 2014. The indenture relating to the Rule 144A notes and the Regulation S notes, as supplemented, is referred to herein as the Rule 144A and Regulation S indenture, and the indenture relating to the 3(a)(2) notes is referred to herein as the 3(a)(2) indenture. Collectively, the Rule 144A and Regulation S indenture and the 3(a)(2) indenture are referred to as the indentures. The indentures are not required to be, and have not been, qualified under the Trust Indenture Act of 1939, as amended, or the Trust Indenture Act.

The notes will be issued in fully registered form, without coupons, in denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof, in the case of the Rule 144A notes and Regulation S notes, and in denominations of $250,000 in principal amount and integral multiples of $1,000 in excess thereof, in the case of the 3(a)(2) notes. As described in more detail below under "—Form, Book-entry and Transfer," the notes of each series will be issued in the form of one or more global certificates deposited with a custodian and registered in the name of DTC or its nominee but, in certain circumstances, may be represented by definitive notes in certificated form.

Ranking

The notes will constitute our direct, unconditional, unsecured and unsubordinated obligations and will at all times rank *pari passu* among themselves and with all our other unsecured obligations, other than our subordinated obligations (except for statutorily preferred obligations).

Guarantee

The 3(a)(2) notes will be entitled to the benefit of an unconditional guarantee of the due payment of principal, interest and other amounts due in respect of the 3(a)(2) notes, issued by our New York branch. We refer in this base offering circular to our New York branch, acting in such capacity, as the guarantor. The Rule 144A notes and the Regulation S notes will not benefit from any guarantee.

The guarantor will unconditionally and irrevocably guarantee all payments payable by us pursuant to the 3(a)(2) notes and the 3(a)(2) indenture. In the event that we fail to punctually pay any principal, interest, or additional amounts or sinking fund payments on the 3(a)(2) notes, when and as they become due and payable, or to perform such other of our obligations, under the 3(a)(2) notes and the 3(a)(2) indenture in accordance with the terms thereof, the guarantor will cause any such payment to be made punctually, when and as the same shall become due and payable, as if such payment were made by us.

The obligations of the guarantor under the guarantee will be direct, unconditional, irrevocable, unsecured and unsubordinated obligations of the guarantor and will rank *pari passu* with all other unsecured, unsubordinated obligations of the guarantor (except for statutorily preferred obligations).

The guarantor will further (i) agree that its obligations under the guarantee and the 3(a)(2) indenture shall be as principal and not merely as surety, and shall be absolute, unconditional, irrevocable, unsecured and unsubordinated obligations of the guarantor, irrespective of, and shall be unaffected by, any invalidity, irregularity or unenforceability of the 3(a)(2) notes or the 3(a)(2) indenture; and (ii) waive any right to require a proceeding first against us, protest or notice with respect to the 3(a)(2) notes or indebtedness evidenced thereby and all demands whatsoever.

The guarantee will be terminated and discharged by payment in full of the principal of, any interest on, and any additional amounts required with respect to the 3(a)(2) notes and the complete performance of all other obligations contained in the 3(a)(2) notes, as provided in "—Satisfaction and Discharge."

Maturity

Notes to be issued under this Program may have any maturity between seven days and 30 years. The maturity date for a series of notes will be specified in the applicable pricing term sheet.

Offering Price

Notes to be issued under this Program may be issued at par or at a discount from, or premium over, par and either on a fully paid or a partly paid basis. The notes may be offered by dealers at a fixed price or at a price that varies depending on market conditions. A note may be an original issue discount note. A note of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount note may be a zero-coupon note. A note issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount note, regardless of the amount payable upon redemption or acceleration of maturity. See "Taxation—Certain U.S. Federal Income Tax Considerations" in this base offering circular for a general description of the U.S. federal income tax consequences of owning an original issue discount note.

Interest

Each series of notes will bear interest from the issue date of the relevant series at either:

- a fixed rate of interest described in the applicable pricing term sheet; or
- a floating rate equal to the three-month U.S. dollar LIBOR, plus the spread specified in the applicable pricing term sheet, unless otherwise specified in an applicable supplement or pricing term sheet.

Listing

Application will be made to the SGX-ST for permission to list a particular series of notes on the SGX-ST issued pursuant to the Program and agreed at or prior to the time of issue thereof to be so listed on the SGX-ST.

A separate application may be made to the SGX-ST for permission to list any series of notes on the SGX-ST. If approval in-principle is received from the SGX-ST in relation to any series of notes to be listed on the SGX-ST, such notes will be traded on the SGX-ST in a minimum board lot size of at least U.S.$200,000 (or as otherwise specified in an applicable supplement or pricing term sheet) following listing, for so long as such notes are listed on the SGX-ST and the rules of the SGX-ST so require.

The relevant pricing term sheet in respect of any series of notes will specify whether the notes will be listed and, if so, on which exchange(s) the notes are to be listed. If specified in an applicable supplement or pricing term sheet, a series of notes may be unlisted.

Information in the Applicable Supplement or Pricing Term Sheet

An applicable supplement or pricing term sheet may describe one or more of the following terms of any notes:

- the aggregate principal amount;
- the stated maturity date;
- the currency in which the notes are denominated, if other than U.S. dollars and the minimum denomination, if applicable;
- the applicable Common Codes, ISINs and CUSIPs;
- the price at which we originally issue the notes, expressed as a percentage of the principal amount, and the original issue date;
- the name(s) of the dealer(s) or syndicate of the dealers that are to offer and sell the notes;
- the name of the stabilization manager;
- whether the notes are fixed rate notes or a floating rate notes;
- if the notes are fixed rate notes, the yearly rate at which the notes will bear interest, if any, and the interest payment dates;
- if the notes are floating rate notes, the initial interest rate, interest rate basis and the interest reset, determination, calculation and payment dates;
- if the notes are original issue discount notes, the yield to maturity;
- if applicable, any additional circumstances under which the notes may be redeemed at our option before the stated maturity date, including any redemption commencement date, redemption price(s) and redemption period(s) other than as described herein;
- if applicable, the circumstances under which the holder of the notes may demand repayment of the notes before the stated maturity date, including any repayment commencement date, repayment price(s) and repayment period(s);
- certain Japanese or United States federal income tax consequences not described herein of the ownership or disposition of a particular issuance of notes;
- the use of proceeds, if materially different than those discussed in this base offering circular; and
- any other terms of the notes, which could be different from those described in this base offering circular.

Payments of Principal and Interest

Fixed Rate Notes

Interest on fixed rate notes of any series will accrue at the rate per annum specified in the applicable pricing term sheet from the issue date specified in the applicable pricing term sheet. We will pay interest on fixed rate notes of any series semiannually in arrears on the interest payment dates specified in the applicable pricing term sheet (each a fixed rate interest payment date) beginning on the first such date after the issue date to the persons in whose names the fixed rate notes are registered as of the close of business on the fifteenth day before the due date for payment (whether or not a business day). Interest on fixed rate notes will be paid to but excluding the relevant interest payment date. We will compute interest on fixed rate notes on the basis of a 360-day year consisting of twelve 30-day months.

We will pay the principal of and interest in respect of any series of fixed rate notes in U.S. dollars or in such other coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

Principal in respect of any series of fixed rate notes will be repaid at maturity at a price of 100% of the principal amount.

If any payment is due on fixed rate notes of any series on a day that is not a business day, we will make payment on the date that is the next succeeding business day. Payments postponed to the next succeeding business day in this situation will be treated as if they were made on the original due date. Postponement of this kind will not result in a default under the fixed rate notes, and no interest will accrue on the postponed amount from the original due date to the next succeeding business day.

Unless otherwise specified in an applicable supplement or pricing term sheet, the term "business day" means any day which is not a day on which banking institutions in The City of New York, London or Tokyo are authorized or required by law, regulation or executive order to close.

All payments in respect of fixed rate notes (and the guarantee) will be subject in all cases to any applicable fiscal laws or other laws and regulations, and, except as provided in "—Taxation and Additional Amounts" below, no additional amounts will be payable as a result of the withholding or deduction of any taxes or duties of whatever nature imposed or levied as a result of such laws or regulations.

Floating Rate Notes

Interest on floating rate notes of any series will accrue at a floating rate per annum, reset quarterly, equal to the three-month U.S. dollar LIBOR plus the spread specified in the applicable pricing term sheet, from the issue date specified in the applicable pricing term sheet. We will pay interest on floating rate notes of any series quarterly in arrears on the interest payment dates specified in the applicable pricing term sheet (each a floating rate interest payment date and subject to adjustments to make such date a business day, as described below) beginning on the first such date after the issue date to the persons in whose names floating rate notes are registered as of the close of business on the fifteenth day before the due date for payment on the floating rate notes (whether or not a business day). The fixed rate interest payment dates or floating rate interest payment dates in respect of any series of notes are referred to together as interest payment dates.

We will compute interest on floating rate notes of each series on the basis of the actual number of days in an interest period and a 360-day year. An "interest period" is the period from and including the immediately preceding interest payment date (after any adjustments to make such date a business day, as described below) to but excluding the relevant interest payment date (after any adjustments to make such date a business day, as described below). The first floating rate note interest period in respect of any series of floating rate notes will begin on and include the issue date and will end on but exclude the first floating rate interest payment date. The interest rate applicable to the first interest period will be determined by the calculation agent (as defined herein) on the date specified in the applicable pricing term sheet.

We will pay the principal of and interest in respect of any series of floating rate notes in U.S. dollars or in such other coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

Principal in respect of any series of floating rate notes will be repaid at maturity at a price of 100% of the principal amount.

If any interest payment date (other than the maturity date) in respect of any series of floating rate notes would fall on a day that is not a business day, that interest payment date will be adjusted to the day that is the next succeeding business day, unless such business day is in the next succeeding month, in which case such interest payment date will be the immediately preceding business day.

Unless otherwise specified in an applicable supplement or pricing term sheet, the term "business day" means any day which is not a day on which banking institutions in The City of New York, London or Tokyo are authorized or required by law, regulation or executive order to close.

The maturity date for floating rate notes of any series will be the maturity date specified in the applicable pricing term sheet. In the event the date so specified is not a business day, the payment of interest and principal in respect of floating rate notes of such series will be made on the next succeeding day that is a business day, and no interest on such payment shall accrue for the period from and after the date so specified.

All payments in respect of floating rate notes (and the guarantee) will be subject in all cases to any applicable fiscal laws or other laws and regulations, and, except as provided in "Taxation and Additional Amounts" below, no additional amounts will be payable as a result of the withholding or deduction of any taxes or duties of whatever nature imposed or levied as a result of such laws or regulations.

Determination of Floating Interest Rate

So long as any floating rate notes remain outstanding, we will maintain a calculation agent for calculating the interest rates on the floating rate notes. Unless otherwise specified in an applicable supplement or pricing term sheet, Citibank, N.A., London will act as the calculation agent for floating rate notes under the Program.

Unless otherwise specified in an applicable supplement or pricing term sheet:

The calculation agent will reset the rate of interest on floating rate notes of any series for each interest period on the first day of each interest period. (Each such first day of an interest period is also referred to as an "interest reset date" with respect to such interest period.) The interest rate set for floating rate notes of any series on a particular interest reset date will remain in effect during the interest period commencing on such interest reset date.

The calculation agent will determine the applicable interest rate and interest payable on floating rate notes of any series in any interest period on the second London business day immediately preceding the interest reset date for that period, or an interest determination date. The term "London business day" means any day that is not a day on which banking institutions in London are authorized or required by law, regulation or executive order to close.

The calculation agent will calculate the interest payable on floating rate notes of any series for any interest period by multiplying the principal amount of such floating rate notes by an interest factor, which will equal the interest rate for the interest period multiplied by a fraction, the numerator of which is the actual number of days in such interest period and the denominator of which is 360.

The calculation agent will determine LIBOR for any interest period according to the following provisions:

- LIBOR will equal the London interbank offered rate for three-month deposits in U.S. dollars appearing on the display page designated as the Reuters Screen LIBOR01 Page (or such other page as may replace that page on such service (or any successor service) or such other service as may be nominated as the information vendor for the purpose of displaying comparable rates to LIBOR for U.S. dollar deposits (or the successor to such rates if the British Bankers' Association is no longer making LIBOR available)), as determined by the calculation agent, as at 11:00 a.m. (London time) on the interest determination date.

- If LIBOR cannot be determined in this manner, the calculation agent will (i) request the principal London office of each of four major banks selected by the calculation agent in the London interbank market to provide a quotation of the rate at which deposits in U.S. dollars are offered by it to prime banks in the London interbank market for a three-month period commencing on the relevant interest reset date and in a principal amount that in the judgment of the calculation agent is representative for a single transaction in U.S. dollars in such market at approximately 11:00 a.m., London time, on the interest determination date, and (ii) determine LIBOR as the arithmetic mean of the quotations provided in response to such requests.

- If fewer than two such quotations are provided, the calculation agent will determine LIBOR as the arithmetic mean of the rates quoted by at least two major banks in New York City selected by the calculation agent at approximately 11:00 a.m. (New York City time) on the interest determination date for three-month loans in U.S. dollars commencing on the relevant interest reset date to leading European banks in a principal amount that in the judgment of the calculation agent is representative for a single transaction in U.S. dollars in such market at such time.

- If the calculation agent is unable to determine LIBOR as described above in relation to any interest period, LIBOR will be the same as for the immediately preceding interest period.

- The interest rate payable on floating rate notes will not be higher than the maximum rate permitted by Japanese law or by New York state law as modified by U.S. law of general application. The interest rate for floating rate notes will not be lower than zero.

The calculation agent will provide the interest rate for the current interest period and the amount of interest to be paid for such interest period to us, the trustee, DTC and any paying agent as soon as practicable upon determination. The calculations of the calculation agent will, in the absence of negligence, bad faith or manifest error, be conclusive for all purposes and binding on us, the calculation agent, the paying agent, the trustee and the holders of floating rate notes.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 9.876545% (or 0.09876545) being rounded to 9.87655% (or 0.0987655)), and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

Further Issuances

We may from time to time, without the consent of the holders of the notes of a series, create and issue additional notes on the same terms and conditions as the original notes of such series, except as to denomination, issue date, issue price and, if applicable, the date from which interest shall accrue and the date on which interest shall be first paid. Any additional notes issued in this manner may be consolidated and treated as a single series with the relevant series of notes and originally constituting such series for all purposes under the relevant indenture, provided that such additional notes that are so consolidated must be fungible for U.S. federal income tax purposes with the relevant series of notes offered hereby.

We also may, without the consent of the holders of the outstanding notes, issue other series of debt securities in the future under the indentures.

Taxation and Additional Amounts

Unless otherwise specified in an applicable supplement or pricing term sheet:

We will make all payments of principal and interest in respect of the notes without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, we shall pay to a holder such additional amounts as will result in the receipt by the holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any of the notes under any of the following circumstances:

- the holder or beneficial owner of the notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such taxes in respect of such notes by reason of its having some connection with Japan other than the mere holding of such notes or being a person having a special relationship with us as described in Article 6, Paragraph (4) of the Special Taxation Measures Act;

- the holder or beneficial owner of the notes would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide interest recipient information or to submit a written application for tax exemption to the relevant paying agent to whom the relevant notes are presented (where presentation is required), or whose interest recipient information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such paying agent;

- the holder or beneficial owner of the notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for a designated financial institution (as defined below) that complies with the requirement to provide interest recipient information or to submit a written application for tax exemption and an individual resident of Japan or a Japanese corporation that duly notifies (directly or through the relevant Participant or otherwise) the relevant paying agent of its status as not being subject to withholding or deduction by us by reason of receipt by such individual resident of Japan or Japanese corporation of interest on the relevant notes through a payment handling agent in Japan appointed by it);

- the notes are presented for payment (where presentation is required) more than thirty days after the day on which such payment on the notes became due or after the full payment was provided for, whichever occurs later, except to the extent the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of thirty days;

- the withholding or deduction is imposed on a holder or beneficial owner who could have avoided such withholding or deduction by presenting its notes (where presentation is required) to another paying agent maintained by us;

- the holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, a note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, that would not have been entitled to such additional amounts had it been the holder of such note; or

- any combination of the above.

No additional amounts will be payable for or on account of any deduction or withholding imposed pursuant to Sections 1471-1474 of the U.S. Internal Revenue Code and the U.S. Treasury regulations thereunder, or FATCA, any intergovernmental agreement entered into with respect to FATCA, or any law, regulation or other official guidance enacted or published in any jurisdiction implementing, or relating to, FATCA or any intergovernmental agreement.

Where the notes are held through a participant of an international clearing organization or a financial intermediary, or a Participant, in order to receive payments free of withholding or deduction by us for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of ours) or a Japanese financial institution falling under certain categories prescribed by the Special Taxation Measures Act, or a designated financial institution, each such beneficial owner shall, at the time of entrusting a Participant with the custody of the relevant notes, provide certain information prescribed by the Special Taxation Measures Act to enable the Participant to establish that such beneficial owner is exempted from the requirement for withholding or deduction of such taxes, and advise the Participant if the beneficial owner ceases to be so exempted (including the case in which a beneficial owner who is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of ours).

Where the notes are not held through a Participant, in order to receive payments free of withholding or deduction by us for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of ours) or a designated financial institution falling under certain categories prescribed by the Special Taxation Measures Act, each such beneficial owner shall, prior to each time at which it receives interest, submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*), in a form obtainable from the paying agent stating, among other things, the name and address (and if applicable, the Japanese individual or corporate ID number) of the beneficial owner, the title of the notes, the relevant interest payment date, the amount of interest and the fact that the beneficial owner is qualified to submit the written application for tax exemption, together with documentary evidence regarding its identity and residence.

By subscribing to the notes, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act or (ii) a Japanese financial institution, designated in Article 6, Paragraph (9) of the Special Taxation Measures Act. See “Taxation—Japanese Taxation.”

We will make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. We will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment or other governmental charge, and if certified copies are not available, we will use reasonable efforts to obtain other evidence satisfactory to the trustee, and the trustee will make such certified copies or other evidence available to the holders upon reasonable request to the trustee.

If (i) subsequent to making a payment on the notes without withholding or deduction of Japanese taxes we are required to remit to the Japanese taxing authority any amount in respect of Japanese taxes that should have been withheld or deducted from such payment (together with any interest and penalties) due to the failure of the beneficial owner to provide accurate interest recipient information or to otherwise properly claim an exemption from Japanese taxes imposed with respect to such payment, and (ii) such beneficial owner would not have been entitled to receive additional amounts with respect to such payment had Japanese taxes been withheld from the payment when it was made, such beneficial owner (but not any subsequent beneficial owner of the notes) shall be required to reimburse us, in Japanese yen, for the amount remitted by us to the Japanese taxing authority.

The obligation to pay additional amounts with respect to any taxes, duties, assessments or other governmental charges shall not apply to any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge, or any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on the notes; provided that, except as otherwise set forth in the notes of the relevant series and in the relevant indenture, we will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the execution and enforcement of the relevant indenture or as a consequence of the initial issuance, execution, delivery or registration of the notes of such series.

In respect of any payment required to be made by the guarantor to a holder under the guarantee, to the extent practicable and permissible under Japanese tax law, the foregoing paragraphs in this section "Taxation and Additional Amounts" shall apply with necessary changes to the guarantor as if references in this section to "we" read "we or the guarantor or each of them, as the case may be."

References to principal or interest in respect of the notes shall be deemed to include any additional amounts due which may be payable as set forth in the notes, the guarantee, and the indentures.

Redemption for Taxation Reasons

Each series of the notes may be redeemed at our option, in whole, but not in part, at any time, on giving not less than thirty nor more than sixty days' notice of redemption to the holders (which notice shall be irrevocable and shall conform to all requirements with respect to such notice as set forth in the relevant indenture) at a redemption price equal to 100% of the principal amount of the relevant notes together with interest accrued to the date fixed for redemption and any additional amounts thereon, if we or, where applicable, the guarantor, have been or will become obliged to pay additional amounts as described under "—Taxation and Additional Amounts" as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the original issuance date of the relevant series of notes and such obligation cannot be avoided by us or, where applicable, the guarantor, through the taking of reasonable measures available to us or, where applicable, the guarantor; provided, that no such notice of redemption shall be given sooner than ninety days prior to the earliest date on which we or, where applicable, the guarantor, would be obliged to pay such additional amounts were a payment then due in respect of the relevant notes. Prior to the publication of any notice of redemption pursuant to this paragraph, we shall deliver to the trustee a certificate signed by an authorized officer stating that the conditions precedent to our right to so redeem have been fulfilled and an opinion of independent legal or tax advisor of recognized standing to the effect that we, or the guarantor, as the case may be, have become or will be obliged to pay such additional amounts as a result of such change or amendment.

Repurchase

We or any subsidiary of ours may at any time purchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, neither we nor any subsidiary of ours shall have any obligation to offer to purchase any notes held by any holder as a result of our or its purchase or offer to purchase notes held by any other holder in the open market or otherwise.

Any notes so repurchased by us or any subsidiary of ours and surrendered to the trustee shall be cancelled.

Consolidation, Merger, Sale or Conveyance

Each indenture provides that we may consolidate with or merge into any other person or sell or dispose of our properties and assets substantially as an entirety, whether as a single transaction or a number of transactions, related or not, to any person; provided that, among other things, such person formed by such consolidation or into which we are merged or such person who acquires our properties and assets substantially as an entirety is a joint stock company (*kabushiki kaisha*) incorporated and validly existing under the laws of Japan, and expressly assumes our obligations under all series of notes issued under the indentures and under the indentures, and further provided that, immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing.

Events of Default

Each indenture provides holders of the notes with remedies if we fail to perform specific obligations, such as making payments on the notes, or if we become bankrupt. Holders should review these provisions and understand which actions trigger an Event of Default and which actions do not. Each indenture permits the issuance of notes in one or more series, and, in many cases, whether an Event of Default has occurred is determined on a series-by-series basis.

An Event of Default is defined under each indenture, with respect to any series of notes issued thereunder, as any one or more of the following events, subject to modification in a supplemental indenture, to each of which we refer in this document as an Event of Default, having occurred and continuing to exist:

- default shall be made for more than fifteen days in the payment of principal and premium, if any, and for more than thirty days in the payment of interest in respect of any of the notes of such series; or

- we or (in the case of the 3(a)(2) notes) the guarantor shall have defaulted in the performance or observance of any covenant, condition or provision contained in the notes, or the guarantee duly endorsed thereon, of such series or in the indenture in respect of the notes of such series for a period of ninety days after written notification requesting such default to be remedied by us or the guarantor shall first have been given to us by the trustee or holders of at least 25% in principal amount of the then outstanding notes of such series; or

- we shall have become bound as a consequence of a default by us in our obligations in respect of any indebtedness for borrowed monies having a total principal amount then outstanding of at least $100,000,000 (or its equivalent in any other currency or currencies) contracted or incurred by us prematurely to repay the same, or we shall have defaulted in the repayment of any such indebtedness contracted or incurred by us at the later of the maturity thereof or the expiration of any applicable grace period therefor, or we shall have failed to pay when properly called upon to do so, and after the expiration of any applicable grace period, any guarantee contracted or incurred by us of any such indebtedness in accordance with the terms of any such guarantee, and in any such case any such acceleration, default or failure to pay, as the case may be, is not being contested in good faith and not cured or otherwise made good within fifteen days after such acceleration, default or failure to pay; or

- a final and non-appealable order of a court of competent jurisdiction shall have been made or an effective resolution shall have been passed by us for our winding-up or dissolution, except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or other person, or the corporation or other person formed as a result thereof, effectively assumes our entire obligations under the indenture in relation to the notes of such series; or

- an encumbrancer shall have taken possession of all or substantially all of our assets and undertakings, or a trustee or receiver shall have been appointed in our bankruptcy, civil rehabilitation, reorganization or insolvency, and such possession or appointment shall have continued undischarged and unstayed for a period of ninety days; or

- we shall have stopped payment (within the meaning of the bankruptcy laws of Japan) or (otherwise than for the purposes of such a consolidation, amalgamation, merger or reconstruction) shall have ceased to carry on business or shall be unable to pay our debts generally as and when they fall due; or

- a decree or order by any court having jurisdiction shall have been issued adjudging us bankrupt or insolvent, or approving a petition seeking our reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan, and such decree or order shall have continued undischarged and unstayed for a period of ninety days; or

- we shall have initiated or consented to proceedings relating to ourselves under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan or shall have made a conveyance or assignment for the benefit of, or shall have entered into any composition with, our creditors generally; or

- any other Event of Default provided in the supplemental indenture or board resolution under which such series of notes is issued or in the form of notes for such series.

Pursuant to the applicable indenture, the trustee shall give notice by mail to the holders of any series of notes of all defaults known to the trustee which have occurred with respect to such series. The trustee shall transmit the notice within ninety days of such occurrence of an Event of Default, or, if later, within fifteen days after such Event of Default becomes known to the trustee, unless the defaults have been cured before transmission of such notice. However, except in the case of default in the payment of principal of or interest on the notes of any series, the trustee may withhold notice of default if and so long as the board of directors, the executive committee or a trust committee of directors of the trustee determines in good faith that the withholding of the notice is in the interest of the holders of such series.

Acceleration of Notes Upon an Event of Default

Unless otherwise set forth in a supplemental indenture or board resolution under which a series of notes is issued, if any Event of Default shall occur and be continuing with respect to a series of notes, unless the principal of all the notes of such series has already become due and payable, either the trustee or the holders of not less than 25% in aggregate principal amount of the notes of such series then outstanding, by notice in writing to us (and to the trustee if given by the holders), may, and the trustee at the request of such holders shall, declare the entire principal of all such outstanding notes of such series, together with all accrued and unpaid interest, to be due and payable immediately.

Paying Agent, Calculation Agent, Transfer Agent and Registrar

Whenever we appoint a paying agent to make payments required under an indenture and a series of notes, such paying agent will hold all sums received by it as such agent for the payment of the principal and interest (including any additional amounts) on the notes in trust for the benefit of the holders of the notes or of the trustee and will make payments to such holders as provided for in such indenture and such series of notes.

Unless otherwise specified in an applicable supplement or pricing term sheet, Citibank, N.A., London, located at 1 North Wall Quay, Dublin 1, Ireland, will act as paying agent, calculation agent (in the case of the floating rate notes), transfer agent and registrar for any series of notes issued under the Program. We may change the paying agent, calculation agent, transfer agent or registrar without prior notice to the holders of the notes, and we or any of our subsidiaries may act as paying agent, calculation agent, transfer agent or registrar.

For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that a global certificate is exchanged for notes in definitive certificated form. In addition, in the event that a global certificate is exchanged for notes in definitive certificated form, an announcement of such exchange shall be made by or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the notes in definitive certificated form, including details of the paying agent in Singapore.

Indemnification of Judgment Currency

Unless otherwise specified in an applicable supplement or pricing term sheet, we and (in the case of 3(a)(2) notes) the guarantor will indemnify each holder of a note to the full extent permitted by applicable law against any loss incurred by such holder as a result of any judgment or order being given or made for any amount due under such note and such judgment or order being expressed and paid in a judgment currency other than U.S. dollars and as a result of any variation as between the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of such judgment or order and the spot rate of exchange in The City of New York at which the trustee on the day on which final unappealable judgment is entered is able to purchase U.S. dollars with the amount of the judgment currency actually received by the holder. This indemnification will constitute a separate and independent obligation of us and the guarantor, as the case may be, and will continue notwithstanding any such judgment.

Satisfaction and Discharge

We may discharge all of our obligations with respect to any or all series of notes, other than as to transfers and exchanges, under an indenture if:

- we or (in the case of 3(a)(2) notes) the guarantor shall have paid or caused to be paid the principal of and interest on all of the notes of such series outstanding (other than notes of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in the indenture) as and when the same shall have become due and payable;

- we shall have delivered to the trustee for cancellation all of the notes of such series theretofore authenticated (other than notes of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in the indenture); or

- we or (in the case of 3(a)(2) notes) the guarantor shall have irrevocably deposited with the trustee cash or U.S. government obligations in trust for the benefit of the holders of notes of such series issued under such indenture that have either become due and payable, or are by their terms to become due and payable within one year, or are scheduled for redemption within one year, in an amount sufficient to pay, on each date that they become due and payable, the principal of and interest on those notes. However, the deposit of cash or U.S. government obligations for the benefit of holders of notes that are due and payable or are scheduled for redemption within one year will discharge obligations under such indenture relating only to that series of notes.

Defeasance of the Notes

We may also discharge all of our obligations, other than as to transfers and exchanges, under any series of notes at any time, which is referred to in this document as defeasance. Alternatively, we may be released with respect to outstanding notes of any series from the obligations imposed by the covenants described above limiting consolidations, mergers, asset sales and leases and elect not to comply with those sections without creating an Event of Default. Release from our obligations under those procedures is called covenant defeasance.

Unless otherwise specified in an applicable supplement or pricing term sheet, defeasance or covenant defeasance may be effected only if, among other things:

- we irrevocably deposit with the trustee cash or U.S. government obligations (or a combination thereof), as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on all outstanding notes of the series being defeased;

- no default with respect to the outstanding notes of such series has occurred and is continuing at the time of such deposit after giving effect to the deposit;

- such deposit will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which we or the guarantor are bound;

- we deliver to the trustee an officer's certificate and an opinion of counsel to the effect that all conditions precedent provided for relating to the defeasance contemplated by this provision have been complied with; and

- we deliver to the trustee an officer's certificate in the case of a covenant defeasance and an opinion of counsel of recognized standing with respect to U.S. federal income tax matters to the effect that the beneficial owners of the series of notes being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance and that the beneficial owners of the series of notes being defeased will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred.

In the case of defeasance, the opinion must be based on a ruling of the IRS addressed to us or the trustee or a change in U.S. federal income tax law occurring after the date of issuance of the relevant series of notes under the Program, since that result would not occur under current tax law.

Modification and Waiver

Without Consent of Holders

We, (in the case of 3(a)(2) notes) the guarantor and the trustee may amend or modify either indenture, as applicable, or the notes of any series without the consent of any holder of the notes of such series to:

- secure the notes of any series;
- evidence the assumption by a successor of the obligations of us or (in the case of 3(a)(2) notes) the guarantor, as the case may be, under the notes and the indenture;
- add covenants for the protection of the holders of the notes;
- cure ambiguities, defects or inconsistencies, or make other provisions which shall not adversely affect the interests of the holders of the notes in any material respect;
- establish the forms or terms of the notes of any series; or
- evidence and provide for the acceptance of appointment by a successor trustee.

With Consent of Holders

We, (in the case of 3(a)(2) notes) the guarantor and the trustee may, with the consent of the holders of not less than a majority in aggregate principal amount of all affected series of outstanding notes under either indenture (voting together as a single class), add any provisions to, or change in any manner or eliminate any of the provisions of, the indenture or modify in any manner the rights of the holders of the notes issued under the indenture. However, we and (in the case of 3(a)(2) notes) the guarantor, when duly authorized, and the trustee may not make any of the following changes to any outstanding note of any series issued under the indenture without the consent of each holder that would be affected by such change:

- extend the final maturity of any note of any series or of any installment of principal of any such note;
- reduce the principal amount or redemption price thereof;
- reduce the rate or extend the time of payment of interest thereon;
- reduce any amount payable on redemption thereof;
- make the principal thereof (including any amount in respect of original issue discount), or interest thereon, payable in any coin or currency other than that provided in the notes or in accordance with the terms thereof;
- modify or amend any provisions for converting any currency into any other currency as provided in the notes or in accordance with the terms of such notes;
- in the case of 3(a)(2) notes, change our or the guarantor's obligations, if any, to pay additional amounts on the notes of such series;

- reduce the amount of the principal of an original issue discount security that would be due and payable upon an acceleration of the maturity of such note or the amount provable in bankruptcy, or impair or affect the right of any holders of the notes to institute suit for the payment thereof or, if the notes provide therefor, impair or affect any right of repayment at the option of the holders of the notes;

- modify or amend any provisions relating to the conversion or exchange of any of the notes for other of our securities or for securities of other entities or for other property (or the cash value thereof), including the determination of the amount of securities or other property (or cash) into which such notes shall be converted or exchanged, other than as provided in the antidilution provisions or other similar adjustment provisions of such notes or otherwise in accordance with the terms of such notes; or

- reduce the aforesaid percentage of any of the notes of any particular series, the consent of the holders of such series being required for any such supplemental indenture.

Prior to the acceleration of the maturity of any of the notes issued under either indenture, the holders of a majority in aggregate principal amount of the outstanding notes of all affected series then outstanding under such indenture (voting together as a single class) also have the right to waive any past default or Event of Default and its consequences, except a default in respect of a covenant or a provision of such indenture which cannot be modified or amended without the consent of the holder of each note affected thereby.

The Trustee

The trustee is organized under the laws of Hong Kong with offices located at 50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong. Each indenture provides that during the existence of an Event of Default, the trustee will exercise the rights and powers vested in it by the indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an Event of Default, the trustee need only perform the duties specifically set forth in the indenture.

The trustee will be under no obligation to exercise any rights, trusts or powers conferred under the indentures or any of the notes for the benefit of the holders unless such holders have offered to the trustee indemnity or security reasonably satisfactory to the trustee against any loss, cost, liability or expense.

The indentures do not contain limitations on the rights of the trustee thereunder, should it be or become a creditor of ours, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and, if it has or acquires any conflicting interest (as defined in Section 310(b) of the Trust Indenture Act), it is not required to eliminate such conflict or resign.

Each indenture provides that we will indemnify the trustee and each predecessor trustee and their respective agents, employees, officers and directors for, and hold each such party harmless against, any loss, liability or expense arising out of or in connection with the acceptance or administration of the indenture or the trusts thereunder and the performance of each such party’s duties thereunder, including reasonable and properly incurred costs and expenses of defending against or investigating any claim of liability, except to the extent such loss, liability or expense is due to the negligence or bad faith of the trustee, such predecessor trustee or their respective agents, employees, officers or directors.

The trustee currently acts as trustee for other securities issued by us and may in the future act as trustee for other securities issued by us or by our affiliates.

Successor Trustee

Each indenture provides that the trustee may resign or be removed by us, effective upon the acceptance by a successor trustee of its appointment. The indenture provides that any successor trustee shall be a corporation with a combined capital and surplus of not less than $50,000,000.

Repayment of Funds

All monies paid by us or (in the case of 3(a)(2) notes) the guarantor to the trustee or a paying agent for payment of principal of or interest on any note of any series which remain unclaimed at the end of two years after such payment shall have become due and payable will be repaid to us or (in the case of 3(a)(2) notes) the guarantor and all liability of the trustee with respect thereto will cease, and to the extent permitted by law, the holder of such notes shall thereafter look only to us or (in the case of 3(a)(2) notes) the guarantor for any payment which such holder may be entitled to collect.

Governing Law

The indentures, the notes and the guarantee (in the case of the 3(a)(2) notes) will be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction and Service of Process

We and (in the case of 3(a)(2) notes) the guarantor have irrevocably consented to the jurisdiction of the courts of the State of New York and the United States courts located in The City of New York with respect to any action that may be brought in connection with the applicable indenture, the notes or (in the case of 3(a)(2) notes) the guarantee. We have appointed the NY branch at 277 Park Avenue, New York, New York 10172, General Manager, Planning Dept., Americas Division, as our authorized agent upon whom process may be served in any such action arising out of or based on the indentures or the notes issued thereunder until the first-year anniversary of the first day upon which none of the notes issued under such indenture shall be outstanding.

Limitation on Suits

Except for the right to institute a suit for the enforcement of the payment of principal of, or interest on a note, no holder of any note shall have any right by virtue or availing of any provision of either indenture to institute any proceeding with respect to the indenture or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy thereunder, unless: (i) such holder has previously given written notice to the trustee of a continuing default, (ii) the holders of not less than 25% in principal amount of the outstanding notes of each affected series issued under such indenture (treated as a single class) shall have made written request to the trustee to institute proceedings, (iii) such holders have offered to the trustee indemnity or security reasonably satisfactory to the trustee against the costs, expenses and liabilities to be suffered or incurred, (iv) the trustee for sixty days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (v) no direction inconsistent with such written request has been given to the trustee during such sixty-day period by the holders of a majority in principal amount of the outstanding notes of each affected series (voting as a single class).

Undertaking for Costs

Each indenture provides that we and the trustee agree, and each holder of a note of any series by his acceptance thereof shall be deemed to have agreed, that in any suit for the enforcement of any right or remedy under the indenture or against the trustee for action taken, suffered or omitted by it as trustee (other than a suit instituted by the trustee, a holder or group of holders holding more than 10% in aggregate principal amount of the notes of such series, or any holder for the enforcement of the payment of the principal of or interest on any note of such series on or after the due date thereof), a court may in its discretion require the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant.

Form, Book-entry and Transfer

Unless otherwise specified in an applicable supplement or pricing term sheet:

The notes will be issued in fully registered form, without coupons, in denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof, in the case of the Rule 144A notes and Regulation S notes, and in denominations of $250,000 in principal amount and integral multiples of $1,000 in excess thereof, in the case of the 3(a)(2) notes. No service charge will be made for any registration of transfer or exchange of the notes, but we may require payment of a sum sufficient to cover any tax or government charge payable in connection therewith.

We will cause to be maintained offices or agencies where the notes may be presented for registration of transfer or for exchange, each, a transfer agent. Unless otherwise specified in an applicable supplement or pricing term sheet, Citibank, N.A., London will be the transfer agent for notes issued under the Program.

We will cause to be kept, for each series of notes, a register in which, subject to such reasonable regulations as we may prescribe, we will provide for the registration of such notes and registration of transfers of such notes.

We, the trustee and any agent of ours or the trustee may treat the person in whose name any note is registered as the absolute owner of such note for all purposes and none of them shall be affected by any notice to the contrary. At the option of the registered holder of a note, subject to the restrictions contained in the notes and in the relevant indenture, such note may be transferred or exchanged for a like aggregate principal amount of notes of the same series of different authorized denominations, upon surrender for exchange or registration of transfer, at the trustee's office. Any note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to us and the trustee, duly executed by the holder thereof or its attorney duly authorized in writing. Notes issued upon any such transfer will be executed by us and authenticated by or on behalf of the trustee, registered in the name of the designated transferee or transferees and delivered at the trustee's office or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees.

We may vary or terminate the appointment of any transfer agent, or appoint additional or other transfer agents or approve any change in the office through which any transfer agent acts. We will cause notice of any resignation, termination or appointment of the trustee or any transfer agent, and of any change in the office through which any transfer agent will act, to be provided to holders of the notes.

Global Securities

The notes will be initially represented by one or more global certificates in fully registered form without interest coupons, or the global securities. The global securities will be deposited upon issuance with the custodian for DTC, in London, and registered in the name of DTC or its nominee. Beneficial interests in the global securities may be held only through DTC (or any successor clearing system that holds global securities) and its Participants, including Euroclear and Clearstream. Each of DTC, Euroclear and Clearstream is referred to as a depositary.

The Rule 144A notes will initially be issued as global securities, collectively, the Rule 144A global securities. Any notes issued in exchange for Rule 144A global securities or beneficial interests therein will be subject to certain restrictions on transfer set forth therein and in the Rule 144A and Regulation S indenture and will bear the legend regarding such restrictions set forth under "Transfer Restrictions Applicable to Rule 144A Notes and Regulation S Notes."

The Regulation S notes will initially be issued as global securities, collectively, the Regulation S global securities. On or prior to the fortieth day after the later of the commencement of the offering or the date the notes were originally issued, a beneficial interest in Regulation S global securities may be transferred to a person who wishes to take delivery of such beneficial interest as evidenced by a Rule 144A global security only upon receipt by or on behalf of the trustee of a written certification from the transferor (in the form set out in the Rule 144A and Regulation S indenture), to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a QIB within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Beneficial interests in the global securities will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their Participants. Except as set forth below, the global securities may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Accordingly, the sole holder of the notes represented by the global securities will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of the notes will be exercisable by beneficial owners of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global securities may not be exchanged for definitive notes except in the limited circumstances described below under "—Exchanges of Global Securities for Definitive Notes." In addition, beneficial interests in the Rule 144A global securities may not be exchanged for beneficial interests in the Regulation S global securities of the same series or vice versa except in accordance with the transfer and certification requirements described below under "—Exchanges between the Rule 144A Global Securities and the Regulation S Global Securities."

Exchanges between the Rule 144A Global Securities and the Regulation S Global Securities

Beneficial interests in the Rule 144A global securities may be transferred to a person who takes delivery in the form of an interest in a Regulation S global security of the same series, only upon receipt by the trustee of a written certification from the transferor (in the form provided in the Rule 144A and Regulation S indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or, if available, Rule 144.

Transfers involving an exchange of a beneficial interest in the notes evidenced by the Regulation S global securities for a beneficial interest in the notes evidenced by the Rule 144A global securities or vice versa will be effected in DTC by means of an instruction originated by the registrar through the DTC's Deposit/Withdrawal at Custodian system.

Any beneficial interest in one of the global securities that is transferred to a person who takes delivery in the form of an interest in the other global security of the same series will, upon transfer, cease to be an interest in such global security and will become an interest in the other global security and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global security for as long as it remains such an interest. In connection with any such exchange, appropriate adjustments will be made in the records of the notes register to reflect the relevant increase and decrease in the principal amounts of the affected global securities.

Exchanges of Global Securities for Definitive Notes

A beneficial interest in a global security may not be exchanged for a definitive note unless DTC notifies us that it is unwilling or unable to continue as depository for such global security or has ceased to be a clearing agency registered under the Exchange Act, and we do not appoint a successor depositary within ninety days. Upon the occurrence of such event, DTC shall instruct us to transfer the notes to such persons as notified to it by the applicable depositary or any successor clearance and settlement system as the holders of beneficial interests therein. In all cases, definitive notes delivered in exchange for any global security or beneficial interests therein will be registered in the names, and issued in approved denominations, requested by or on behalf of the applicable depositary (in accordance with its customary procedures). Any definitive notes issued in exchange for an interest in a global security will bear a legend restricting transfers to those made in accordance with the restrictions set forth in the relevant indenture.

Depositary Procedures

As long as DTC or its nominee is the registered holder of global securities, DTC or its nominee, as the case may be, will be considered the sole owner and holder of the notes represented by such global securities for all purposes under the relevant indenture and the notes, and, accordingly, our obligations under the notes represented by such global securities are to DTC or its nominee, as the case may be, as the registered holder of such notes, and not to the holders of beneficial interests in such notes.

Transfer of beneficial interests in the global securities will be subject to the applicable rules and procedures of the depositaries and their respective direct or indirect Participants, which may change from time to time.

DTC

DTC is a limited-purpose trust company created to hold securities for its participating organizations, collectively, DTC participants, and to facilitate the clearance and settlement of transactions in those securities between DTC participants through electronic book-entry changes in accounts. DTC participants include the dealers and other securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly, collectively, indirect DTC participants.

Persons who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect DTC participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of DTC participants and indirect DTC participants. DTC has also advised that, pursuant to its established procedures, upon deposit of the global securities, DTC will credit the accounts of DTC participants designated by the dealers with portions of the principal amount of such global securities and ownership of such interests in the global securities will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to DTC participants) or by DTC participants and indirect DTC participants (with respect to other owners of beneficial interests in the global securities).

Investors in the notes may hold their interests therein directly through DTC if they are participants in such system, or indirectly through DTC participants. All interests in a global security may be subject to the procedures and requirements of DTC. The laws of some states require that certain persons take physical delivery in certificated form of securities that they own. Consequently, the ability to transfer beneficial interests in a global security to such persons will be limited to that extent. Because DTC can act only on behalf of DTC participants, which in turn act on behalf of indirect DTC participants and certain banks, the ability of a person having beneficial interests in global securities to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. See "—Global Securities—Exchanges of Global Securities for Definitive Notes."

Except as described above under "—Global Securities—Exchanges of Global Securities for Definitive Notes", owners of interests in global securities will not have notes registered in their name, will not receive physical delivery of notes and will not be considered the registered owners or holders thereof for any purpose.

Payments in respect of global securities registered in the name of DTC or its nominee will be payable by Citibank, N.A., London to DTC or to the order of its nominee as the registered owner of the global securities. Citibank, N.A., London will treat the persons in whose names the global securities are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither we nor any agent of ours has or will have any responsibility or liability for any aspect of DTC's records or any DTC participant's or indirect DTC participant's records relating to or payments made on account of beneficial ownership interests in the global securities, or for maintaining, supervising or reviewing any of DTC's records or any DTC participant's or indirect DTC participant's records relating to the beneficial ownership interests in global securities or any other matter relating to the actions and practices of DTC or any of DTC participants or indirect DTC participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes, is to credit the accounts of the relevant DTC participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Payments by the DTC participants and the indirect DTC participants to the beneficial owners of notes will be governed by standing instructions and customary practices, will be the responsibility of the DTC participants or the indirect DTC participants and will not be the responsibility of DTC or us. We and Citibank, N.A., London may conclusively rely upon and will be protected in relying upon instructions from DTC or its nominee for all purposes.

Interests in the global securities will trade in DTC's Settlement System, and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and DTC participants. Transfers between DTC participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds.

DTC has advised that it will take any action permitted to be taken by a holder of notes only at the direction of one or more DTC participants to whose account with DTC interests in the notes are credited. However, DTC reserves the right to exchange the global securities for legended definitive notes and to distribute such legended notes to DTC participants.

The information in this section concerning DTC and its book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof. Although DTC has agreed to the foregoing procedures to facilitate transfers of interest in the global securities among DTC participants, it is under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. We will not have any responsibility for the performance by DTC, DTC participants or indirect DTC participants of their respective obligations under the rules and procedures governing their operations.

Euroclear

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V., under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation. All operations are conducted by Euroclear Bank, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with Euroclear Bank, not with Euroclear Clearance Systems. Euroclear Clearance Systems establishes policies for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the dealers. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is licensed, regulated and examined by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with Euroclear are governed by the terms and conditions governing use of, and the related operating procedures of, Euroclear and applicable Belgian law, which are referred to collectively as the terms and conditions. The terms and conditions govern transfers of securities and cash within Euroclear, and withdrawals of securities and cash from Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear acts under the terms and conditions only on behalf of Euroclear participants and has no record of, or relationship with, persons holding through Euroclear participants.

Clearstream

Clearstream is incorporated as a bank under Luxembourg law. Clearstream holds securities for its participants and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thus eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in a number of countries. Clearstream has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for Supervision of the Financial Sector. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. In the United States, Clearstream participants are limited to securities brokers and dealers. Clearstream participants may include the dealers. Other institutions that maintain a custodial relationship with a Clearstream participant may obtain indirect access to Clearstream.

Transfers among DTC, Clearstream and Euroclear

Transfers between DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitation on Responsibilities

Although the foregoing sets out the procedures of the depositaries established in order to facilitate the transfer of interests in the global securities among their participants, none of the depositaries is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global security. DTC's records reflect only the identity of the DTC participants to whose accounts those global securities are credited, which may or may not be the beneficial owners of interests in a global security. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts global securities are credited, which also may or may not be the beneficial owners of interests in a global security. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Neither we nor the dealers, nor any of our or their respective agents will have any responsibility for the performance by any depositary or their respective participants of their respective obligations under the rules and procedures governing their operations.

TRANSFER RESTRICTIONS APPLICABLE TO RULE 144A NOTES AND REGULATION S NOTES

Because of the following restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of any Rule 144A or Regulation S notes.

A series of notes may be offered in accordance with Rule 144A and Regulation S under the Securities Act. Any such notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, they may not be offered, sold, pledged or otherwise transferred or delivered within the United States except pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this section that are defined in Rule 144A or Regulation S under the Securities Act are used as defined therein.

Notes Offered in Reliance on Rule 144A

Each purchaser of the notes offered in reliance on Rule 144A will be deemed to have represented and agreed as follows:

- the purchaser is:
  - a QIB;
  - aware that the sale of the notes to it is being made in reliance on Rule 144A; and
  - acquiring the notes for its own account or for the account of a QIB, as the case may be;
- the purchaser understands that the notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred, except:
  - to a person who the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of another QIB in a transaction meeting the requirements of Rule 144A;
  - in an offshore transaction complying with Regulation S; or
  - pursuant to an exemption from registration under the Securities Act,
  - and in each case, in accordance with all applicable securities laws of the states of the United States; and
- either (i) no portion of the assets used by the purchaser to acquire and hold the notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, each a Similar Law, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the notes by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law; and

The global certificates representing the notes sold in reliance on Rule 144A will bear a legend to the following effect unless we determine otherwise in compliance with applicable law:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")), (B) AGREES FOR THE BENEFIT OF THE ISSUER THAT THE SECURITIES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OF THIS SECURITY OR A SUBSIDIARY THEREOF, (2) TO A QUALIFIED INSTITUTIONAL BUYER, PURCHASING FOR ITS OWN

ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) AND (C) REPRESENTS THAT EITHER (X) IT IS NOT AND IS NOT PURCHASING OR HOLDING THE NOTES ON BEHALF OF OR WITH THE ASSETS OF ANY PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY PLAN, SUCH AS AN INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF SUCH PLAN'S INVESTMENT THEREIN OR ANY PLAN OR ARRANGEMENT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SIMILAR TO ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (Y) ITS PURCHASE AND HOLDING OF THE NOTES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. AS A CONDITION TO THE REGISTRATION OF THE TRANSFER IN ACCORDANCE WITH (4) ABOVE, THE ISSUER OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

Holders seeking to transfer a beneficial interest in the Rule 144A notes in reliance on the exemption from registration provided in Rule 144 under the Securities Act, will be required under the Rule 144A and Regulation S indenture to deliver a certificate to the trustee confirming that the holder, either by itself or together with its immediate predecessor holders who are not SMBC or an affiliate of SMBC, has held such beneficial interest for a continuous period at least equal to the entire applicable holding period under Rule 144(d)(1) of the Securities Act. Accordingly, no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any Rule 144A notes.

Notes Offered in Reliance on Regulation S

Each purchaser of the notes offered in reliance on Regulation S will be deemed to have represented and agreed as follows:

- the purchaser is a non-U.S. person acquiring the notes in an offshore transaction in accordance with Regulation S;

- the purchaser understands that the notes have not been and will not be registered under the Securities Act and, until 40 days after the later of the commencement of the sale of the notes and the date of the original issuance of the notes, may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act; and

- either (i) no portion of the assets used by the purchaser to acquire and hold the notes constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or provisions under any Similar Law, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the notes by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

The global certificates representing the notes sold in reliance on Regulation S will bear a legend to the following effect unless we determine otherwise in compliance with applicable law:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY

SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO. THE HOLDER REPRESENTS THAT EITHER (X) IT IS NOT AND IS NOT PURCHASING OR HOLDING THE NOTES ON BEHALF OF OR WITH THE ASSETS OF ANY PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY PLAN, SUCH AS AN INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF SUCH PLAN'S INVESTMENT THEREIN OR ANY PLAN OR ARRANGEMENT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SIMILAR TO ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (Y) ITS PURCHASE AND HOLDING OF THE NOTES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

TAXATION

Japanese Taxation

The following is a general description of certain aspects of Japanese taxation applicable to notes. It does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this document are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so-called "taxable linked bonds" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, i.e., bonds of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order under the Special Taxation Measures Act) relating to the issuer of the notes or a specially-related person of the issuer, as defined below.

Representation by Investor upon Distribution

By subscribing to the notes, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, as defined below or (ii) a Designated Financial Institution, as defined below. The notes are not as part of the distribution by the dealers under the applicable subscription agreement at any time to be directly or indirectly offered or sold in Japan or to, or for the benefit of, any person other than (i) or (ii) above, except as specifically permitted under the Special Taxation Measures Act.

Interest Payments on Notes and Redemption Gain

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes and the redemption gain, meaning any difference between the acquisition price of the interest-bearing notes of the holder and the amount which the holder receives upon redemption of such interest-bearing notes, or, the Redemption Gain, where such notes are issued by the issuer of the notes outside Japan and payable outside Japan. In addition, the following description assumes that only global notes are issued for the notes, and no definitive notes and coupons that are independently traded are issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-resident Investors

If the recipient of interest on the notes or of the Redemption Gain with respect to interest-bearing notes is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences on such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer. Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer, income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes under Japanese tax law.

1.1. Interest

(1) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan

but where the receipt of the interest on the notes is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, *inter alia*:

(i) if the relevant notes are held through certain participants in an international clearing organization such as DTC or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order, and together with the Special Taxation Measures Act and the ministerial ordinance and other regulations thereunder, or the Law, (each such participant or financial intermediary, a Participant), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant notes, certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted, or the Interest Recipient Information, and to advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of the issuer); and

(ii) if the relevant notes are not held by a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*), or the Written Application for Tax Exemption, together with certain documentary evidence.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Law) will result in the withholding by the issuer of the notes of income tax at the rate of 15.315% of the amount of such interest.

(2) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, such interest will not be subject to a 15.315% withholding tax by the issuer of the notes, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph 1.1(1). Failure to do so will result in the withholding by issuer of the notes of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.1(1) and (2), if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a person who has a special relationship with the issuer of the notes (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is under direct or indirect common control with, the issuer of the notes) within the meaning prescribed by the Cabinet Order under Article 6, Paragraph (4) of the Special Taxation Measures Act (such person is referred to as a specially-related person of the issuer) as of the beginning of the fiscal year of the issuer of the notes in which the relevant interest payment date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, could apply to such interest under Japanese tax law.

(4) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of the issuer) is subject to Japanese withholding tax with respect to interest on the notes under Japanese tax law, a reduced rate of withholding tax or exemption from such withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this document, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10% with, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland and the United States. Under the tax treaties between Japan and the United Kingdom or Sweden, interest paid to qualified United Kingdom or Swedish residents is generally exempt from Japanese withholding tax. Japan has also signed amendments to existing tax treaties with the United States and Germany generally exempting interest from Japanese withholding tax; however, these amending protocols have not yet entered into force. Under the current income tax treaty between Japan and the United States, certain limited categories of qualified United States residents receiving interest on the notes may, subject to compliance with certain procedural requirements under Japanese law, be fully exempt from Japanese withholding tax for interest on the notes. Under the income

tax treaties with France, Australia, the Netherlands and Switzerland, similar exemptions to those provided in the current income tax treaty between Japan and the United States will be available (provided that no exemption will apply to pension funds in the case of Australia). In order to enjoy such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by the issuer of the notes are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Interest (as well as any other required forms and documents) in advance through the issuer of the notes to the relevant tax authority before payment of interest.

(5) Under the Law, if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the notes becomes a specially-related person of the issuer, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the issuer becomes a beneficial owner of the notes, and, if such notes are held through a Participant, then such individual non-resident of Japan or non-Japanese corporation should notify the Participant of such change in status by the immediately following interest payment date of the notes. As described in paragraph 1.1(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a specially-related person of the issuer for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the issuer in which the relevant interest payment date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of the issuer.

1.2. Redemption Gain

(1) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but the receipt of such Redemption Gain is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no income tax or corporate tax is payable by way of withholding or otherwise with respect to such Redemption Gain.

(2) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Gain is attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, such Redemption Gain will not be subject to any withholding tax but will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.2(1) and (2), if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of the fiscal year of the issuer of the notes in which such individual non-resident of Japan or non-Japanese corporation acquired such notes, the Redemption Gain will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided that an exemption may be available under the relevant income tax treaty.

2. Resident Investors

If the recipient of interest on the notes is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a specially-related person of the issuer, in addition to any applicable local tax, income tax will be withheld at the rate of 15.315% of the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) a Designated Financial Institution (as defined below) which complies with the requirement for tax exemption under Article 6, Paragraph (9) of the Special Taxation Measures Act or (ii) a Public Corporation, etc., as defined below, or a Specified Financial Institution, as defined below, to which such interest is paid through the Japanese Custodian, as defined below, in compliance with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act.). In addition to the withholding tax consequences upon resident investors as explained in this section 2, resident investors should consult their own tax advisors regarding income tax or corporate tax consequences other than by way of withholding, bearing in mind, especially for individual residents of Japan, the change to the taxation regime of bonds which took effect on January 1, 2016.

2.1. Interest

(1) If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution as defined below, or a Public Corporation etc., as defined below, who complies with the requirement as referred to in paragraph 2.1(2)) receives payments of interest on the notes through certain Japanese payment handling agents, each a Japanese Payment Handling Agent, income tax at the rate of 15.315% of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by the issuer of the notes. As the issuer of the notes is not in a position to know in advance the recipient's status, the recipient of interest falling within this category should inform the issuer of the notes through a Paying Agent of its status in a timely manner. Failure to so inform may result in double withholding.

(2) If the recipient of interest on the notes is a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law, or a Public Corporation etc., or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the relevant Cabinet Order under Article 3-3, Paragraph (6) of the Special Taxation Measures Act, each, a Specified Financial Institution, that keeps its notes deposited with, and receives the interest through, a Japanese Payment Handling Agent with custody of the notes, or the Japanese Custodian, and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Law, no withholding tax is levied on such interest. However, since the issuer of the notes is not in a position to know in advance the recipient's such tax exemption status, the recipient of interest falling within this category should inform the issuer of the notes through a paying agent of its status in a timely manner. Failure to so notify the issuer of the notes may result in the withholding by the issuer of the notes of a 15.315% income tax.

(3) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution, as defined below, which complies with the requirements described in paragraph 2.1(4)) receives interest on the notes not through a Japanese Payment Handling Agent, income tax at the rate of 15.315% of the amount of such interest will be withheld by issuer of the notes.

(4) If a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the Cabinet Order under Article 6, Paragraph (9) of the Special Taxation Measures Act, each, a Designated Financial Institution, receives interest on the notes not through a Japanese Payment Handling Agent and such recipient complies with the requirement, *inter alia*, to provide the Interest Recipient Information or to submit the Written Application for Tax Exemption as referred to in paragraph 1.1(1), no withholding tax will be imposed.

2.2. Redemption Gain

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain will not be subject to any withholding tax.

3. Special Additional Tax for Reconstruction from the Earthquake

Due to the imposition of a special additional withholding tax of 0.315% (or 2.1% of 15%) to secure funds for reconstruction from the earthquake of March 11, 2011, the withholding tax rate has been effectively increased to 15.315% during the period beginning on January 1, 2013 and ending on December 31, 2037. There is also certain special additional tax imposed upon regular income tax due other than by way of withholding, for individual non-residents of Japan who are subject to regular income tax, as referred to in the foregoing descriptions, for the period mentioned above.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance and Gift Taxes

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by noteholders in connection with the issue of the notes, nor will such taxes be payable by noteholders in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences of owning and disposing of notes denominated in U.S. dollars. Except as provided in "—Possible FATCA Withholding After 2018" below, this discussion applies only to the U.S. Holders described below who purchase notes in their initial offering at their "issue price," which is the first price at which a substantial amount of the notes is sold to the public, and who hold the notes as capital assets for U.S. federal income tax purposes. This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax and Medicare contribution tax consequences and differing tax consequences that may be applicable to you if you are, for instance:

- a financial institution;
- an insurance company;
- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- holding notes as part of a "straddle" or integrated transaction;
- a person whose functional currency is not the U.S. dollar;
- holding notes in connection with a trade or business conducted outside the United States;
- a partnership for U.S. federal income tax purposes; or
- a tax-exempt entity.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and your activities. If you are a partnership owning notes or a partner in such partnership, you should consult your tax adviser as to your particular U.S. federal income tax consequences of owning and disposing of the notes.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decisions and Treasury regulations, changes to any of which subsequent to the date of this document may affect the tax consequences described herein. This summary does not address state, local or non-U.S. tax consequences, U.S. federal estate or gift tax consequences or any consequences other than U.S. federal income tax consequences.

If you are considering the purchase of notes, you should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

This summary applies only to notes that are treated as debt for U.S. federal income tax purposes. An applicable supplement or pricing term sheet may include a summary of additional or alternative U.S. federal income tax considerations that are not described herein and that may be relevant to a particular series of notes. You should review the applicable supplement or pricing term sheet in addition to the discussion below before making an investment decision.

You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a note and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

Stated interest paid on a note will be taxable to you as ordinary income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. The amount of interest taxable as ordinary income will include amounts, if any, withheld in respect of Japanese taxes and, without duplication, any additional amounts paid with respect thereto as described under "Description of the Notes and Guarantees—Taxation and Additional Amounts." See "—Japanese Taxation—The Notes—Interest Payments on Notes and Redemption Gain—Non-resident Investors" for a discussion of the requirements for obtaining an exemption from Japanese withholding tax.

Special rules governing the treatment of interest paid with respect to notes issued at a discount, short-term notes and floating rate notes are described under "—Discount Notes," "—Short-Term Notes" and "—Floating Rate Notes" below.

Interest will constitute foreign source income for U.S. federal income tax purposes, and will constitute either "passive category income" or "general category income" for foreign tax credit purposes. Subject to applicable limitations, some of which vary depending upon your particular circumstances, any Japanese income taxes withheld from interest payments on a note (at a rate not exceeding any applicable rate under the U.S.-Japan income tax treaty if you are eligible for the benefits of the treaty) may be creditable against your U.S. federal income tax liability. Any Japanese withholding taxes on interest payments will not be creditable to the extent that the Japanese tax is refundable under Japanese law or the U.S.-Japan income tax treaty. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances. Instead of claiming a credit, subject to applicable limitations, you may elect to deduct foreign taxes (if any) in computing your taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all foreign taxes paid or accrued in the taxable year.

Discount Notes

General. If a note's "issue price" (as described above) is less than its "stated redemption price at maturity," the note will be considered to have been issued with original issue discount for U.S. federal income tax purposes (and will be referred to herein as a "Discount Note") unless the note satisfies a de minimis threshold, as described below. For purposes of this discussion "Discount Notes" do not include certain short-term notes, whose treatment is described in "—Short-Term Notes" below. A note's stated redemption price at maturity will equal the sum of all payments under the note, other than payments of "qualified stated interest." Generally, qualified stated interest is stated interest unconditionally payable (other than in debt instruments of the issuer) at least annually during the entire term of the note at a fixed rate. It is expected, and this discussion assumes, that interest on the notes will be qualified stated interest and a note's stated redemption price at maturity will equal its principal amount. See "—Floating Rate Notes" below for a discussion regarding the treatment of interest paid at a variable rate as qualified stated interest.

If the difference between a note's stated redemption price at maturity and its issue price is less than a prescribed de minimis amount (generally 1/4 of one percent of the stated redemption price at maturity multiplied by the number of complete years to maturity), the note will not be considered to have original issue discount and will therefore not be a "Discount Note." If you own a Discount Note, you will be required to include any qualified stated interest in income in accordance with your method of accounting for U.S. federal income tax purposes, as described in "—Payments of Interest" above. In addition, you will be required to include in income the sum of the daily portions of the original issue discount for each day on which you held the Discount Note. You will be required to include such original issue discount as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether you received cash attributable to this discount. Under this method, if you own Discount Notes, you generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods. Notice will be given in the applicable supplement or pricing term sheet if we issue a Discount Note.

You may make an election to include in income all interest that accrues on a note (including stated interest, original issue discount and de minimis original issue discount, as adjusted by any amortizable bond premium), in accordance with a constant yield method based on the compounding of interest.

Notes Subject to Early Redemption. Notes subject to one or more "call options" (i.e. the issuer's unconditional option to redeem the note prior to its stated maturity date) or one or more "put options" (i.e. a holder's unconditional option to require redemption prior to maturity) may be subject to rules that differ from the general rules for purposes of determining the yield and maturity of the note. Under applicable Treasury regulations, a call option will be presumed to be exercised if the exercise of the option will lower the yield on the note. Conversely, a put option will be presumed to be exercised if the exercise of the option will increase the yield on the note. In either case, if contrary to such presumption an option is not in fact exercised, the note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new note were issued, on the presumed exercise date for an amount equal to the note's "adjusted issue price." Generally, the adjusted issue price of a note is the sum of the issue price of the note and the aggregate amount of previously accrued original issue discount.

Short-Term Notes

A note that matures (after taking into account the last possible date that the note could be outstanding under its terms) one year or less from its date of issuance will be referred to herein as a "short-term note."

A short-term note will be treated as being issued at a discount, the amount of which will be equal to the excess of the sum of all payments on the short-term note over its issue price. If you are a U.S. Holder who uses the cash method of accounting for U.S. federal income tax purposes (a "cash method U.S. Holder"), you will not be required to include the discount in income as it accrues for U.S. federal income tax purposes unless you elect to do so. If you are a cash method U.S. Holder who does not make such election, you should include the stated interest payments on the short-term notes, if any, as ordinary income upon receipt. If you are a U.S. Holder who uses the accrual method of accounting for U.S. federal income tax purposes (an "accrual method U.S. Holder") or a cash method U.S. Holder who so elects, you will be required to include the discount in income as it accrues on a straight-line basis, unless you make an election to accrue the discount according to a constant yield method based on daily compounding.

If you are a cash method U.S. Holder who does not make the election to include the discount in income on an accrual basis, you will be required to defer deductions for certain interest paid on indebtedness incurred to purchase or carry the short-term notes until the discount on the notes is included in income. If you are such a cash method U.S. Holder, you should consult your tax adviser regarding these deferral rules. Upon a sale, exchange, redemption or retirement of a short-term note, you generally should recognize gain as ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding), to the extent not previously included in income. Any loss recognized will be treated as a short-term capital loss.

Floating Rate Notes

Unless otherwise provided in an applicable supplement or pricing term sheet, it is expected, and the discussion below assumes, that a floating rate note will be issued with a single variable rate equal to three-month U.S. dollar LIBOR plus a spread specified in the applicable supplement or pricing term sheet and will pay interest quarterly (such notes that are not short-term notes are referred to herein as "floating rate notes").

Stated interest on a floating rate note will generally constitute qualified stated interest (as described under "—Discount Notes" above). Thus, such a floating rate note will generally not be treated as issued with original issue discount and interest on a floating rate note will generally be taxable to you as described in "—Payments of Interest" above, unless the floating rate note is issued at an issue price below its stated principal amount and the difference between the issue price and the stated principal amount is equal to or in excess of the specified de minimis amount described in "—Discount Notes." If a floating rate note is issued with original issue discount, the amount of qualified stated interest and the amount of original issue discount that accrues during an accrual period on such a floating rate note will be determined under the rules discussed in "—Discount Notes" above by assuming that the variable rate is a fixed rate equal to the value, as of the issue date, of the floating rate. The qualified stated interest allocable to an accrual period will be increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to the foregoing rules.

Amortizable Bond Premium

Generally, if you purchase a note for an amount that is greater than its principal amount, you will be considered to have purchased the note with amortizable bond premium. In general, the amount of amortizable bond premium will be equal to the excess of the purchase price over the principal amount and you may elect to amortize this premium, using a constant yield method, over the term of the note. Special rules may apply in the case of notes that are subject to optional redemption. You may generally use the amortizable bond premium allocable to an accrual period to offset qualified stated interest required to be included in your income with respect to the note in that accrual period. If you elect to amortize bond premium, you must reduce your tax basis in the note by the amount of the amortized premium. An election to amortize bond premium applies to all taxable debt obligations owned by you at the beginning of the first taxable year to which the election applies and any taxable debt obligations thereafter acquired by you and may be revoked only with the consent of the IRS. If you make a constant yield election (as described in "—Discount Notes" above) for a note with amortizable bond premium, such election will result in a deemed election to amortize bond premium.

Sale or Other Taxable Disposition of the Notes

Upon the sale or other taxable disposition of a note, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your tax basis in the note. Your tax basis in a note will generally equal the amount you paid for such note, increased by any original issue discount (or discount in the case of a short-term note) included in income and decreased by any amortized bond premium. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "—Payments of Interest" above.

Gain or loss realized on the sale or other taxable disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale or other taxable disposition the note has been held for more than one year. Exceptions to this general rule may apply in the case of a short-term note (see "—Short-Term Notes" above). Long-term capital gains recognized by non-corporate taxpayers are taxed at rates lower than those applicable to ordinary income. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Information returns may be required to be filed with the IRS in connection with payments on the notes and proceeds received from a sale or other disposition of the notes unless you are an exempt recipient. You may also be subject to backup withholding on these payments in respect of your notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or, if required, you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Certain U.S. Holders who are individuals (or entities closely held by individuals) may be required to report information relating to debt securities issued by non-U.S. persons. You should consult your tax adviser regarding your reporting obligations with respect to the notes.

Possible FATCA Withholding After 2018

Provisions of U.S. tax law commonly referred to as "FATCA" impose a 30% withholding tax on certain U.S. source payments made to a foreign financial institution (such as ourselves, certain of our subsidiaries or a financial intermediary through which an investor may hold notes), unless the financial institution is a PFFI, or otherwise exempt from FATCA. A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury Department pursuant to which it agrees to perform specified due diligence, reporting and withholding functions. Specifically, under its PFFI agreement, a PFFI is required to obtain and report to the IRS certain information with respect to financial accounts held by U.S. persons or U.S.-owned foreign entities and may be required to withhold 30% from "foreign passthru payments" (which term is not yet defined) that it makes to foreign financial institutions that are not PFFIs or otherwise exempt from FATCA and certain other persons who fail to provide requested information, if such payments are made on or after the later of January 1, 2019 and the date of publication of final Treasury regulations defining the term "foreign passthru payments." Generally, no such withholding would apply to any payments made on non-U.S. debt obligations that are issued before (and not materially modified after) the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published. On June 11, 2013, the United States and Japan entered into an intergovernmental agreement to facilitate the implementation of FATCA pursuant to which Japanese financial institutions (such as ourselves and certain of our subsidiaries) are directed by the Japanese authorities to register with the IRS and fulfill obligations consistent with those required under a PFFI agreement. We have registered with the IRS to become a PFFI. The United States has also entered into intergovernmental agreements with many other jurisdictions. These intergovernmental agreements (including the intergovernmental agreement with Japan) do not address how the United States and the relevant jurisdictions (including Japan) will address "foreign passthru payments" or whether withholding on such payments will be required by financial institutions that are subject to an intergovernmental agreement.

In the event that any amount of withholding is required from a payment on a note under FATCA or any intergovernmental agreement entered into with respect thereto, or any law, regulation or guidance implementing FATCA or such intergovernmental agreement, no additional amounts will be payable by us and withheld amounts will be treated as paid for all purposes under the notes.

BENEFIT PLAN INVESTOR CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, and Section 4975 of the Code, impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include "plan assets" of any such plan, account or arrangement described in clause (a) or (b) by reason of any such plan's, account's, or arrangement's investment therein (we refer to the foregoing described in clauses (a), (b) and (c), collectively, as "Plans") and (d) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans, or Non-ERISA Arrangements, are not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, but may be subject to other laws that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, each a Similar Law.

In addition to ERISA's general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, i.e., "parties in interest" as defined in ERISA or "disqualified persons" as defined in Section 4975 of the Code (we refer to the foregoing, collectively, as "parties in interest") unless exemptive relief is available under a statutory or administrative exemption. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Thus, a Plan fiduciary considering an investment in the notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Code. For example, the notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between a party in interest and an investing Plan which would be prohibited unless exemptive relief were available under an applicable exemption. Such parties in interest may include, without limitation, us, the trustee, the paying agent, the calculation agent, the transfer agent and the registrar for the notes, the dealer, and the guarantor, as well as our and their current and future affiliates.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase the notes, should consider the exemptive relief available under the following prohibited transaction class exemptions, or PTCEs: (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the notes and related lending transactions, provided that neither the party in interest nor its affiliates has or exercises any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the notes.

Each purchaser or holder of a note, and each fiduciary who causes any entity to purchase or hold a note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such notes, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding the notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement; or (ii) its purchase, holding and subsequent disposition of such notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any provision of any applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the notes on behalf of, or with the assets of, any Plan or Non-ERISA Arrangement, consult with their counsel regarding the potential applicability of Title I of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the notes.

Each purchaser and holder of a note will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the note does not violate the fiduciary or prohibited transaction rules of ERISA or the Code or the provisions of any applicable Similar Law. Nothing herein shall be construed as a representation that an investment in the notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

PLAN OF DISTRIBUTION

The notes will be offered for sale by us to or through Barclays Bank PLC, Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch International, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Nomura Securities International, Inc., SMBC Nikko Capital Markets Limited and SMBC Nikko Securities America, Inc., together with such other dealers as may be appointed by us with respect to a particular series of notes, or the dealers. One or more dealers may purchase notes at a discount, as principal, from us from time to time for resale or, if so specified in the applicable supplement, for resale at varying prices relating to prevailing market prices. We will have the sole right to accept offers to purchase notes and may reject any proposed purchase of notes in whole or in part. We have reserved the right to sell notes through one or more other dealers in addition to the dealers and directly to investors on our behalf in those jurisdictions where it is authorized to do so. Each dealer will have the right, in its discretion reasonably exercised, to reject any proposed purchase of notes through it in whole or in part. No commission will be payable by us to any of the dealers on account of sales of notes made through such other dealers or directly by us.

In addition, the dealers may offer the notes they have purchased as principal to other dealers. The dealers may sell notes to any dealer at a discount and, unless otherwise specified in an applicable supplement or pricing term sheet, such discount allowed to any dealer will not be in excess of the discount to be received by such dealer from us. Unless otherwise indicated in an applicable supplement or pricing term sheet, any note sold to a dealer as principal will be purchased by such dealer at a price equal to the offering price (expressed as a percentage of the principal amount) less a percentage equal to the commission, and may be resold by the dealer to investors and other purchasers as described above. After the initial offering of notes to be resold to investors and other purchasers, the offering price (in the case of notes to be resold at a fixed offering price), the concession and discount may be changed.

We may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase notes in whole or in part. Each dealer shall have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase notes received by it on an agency basis.

We have agreed to indemnify each dealer against, or to make contributions relating to, certain civil liabilities, including liabilities under the Securities Act.

The dealers, including our affiliate SMBC Nikko Securities America, Inc., may from time to time purchase and sell notes in the secondary market as principal or agent, but they are not obligated to do so, and there can be no assurance that there will be a secondary market for the notes or liquidity in the secondary market if one develops. From time to time, the dealers may make a market for the notes. In addition, such purchases and sales by our affiliates, including SMBC Nikko Securities America, Inc., in the Rule 144A notes could affect the determination of the holding periods for eligibility to rely on the exemption from registration provided in Rule 144 under the Securities Act. Accordingly, no representation is given as to the availability of the Rule 144 exemption. See "Transfer Restrictions Applicable to Rule 144A Notes and Regulation S Notes—Notes Offered in Reliance on Rule 144A."

The 3(a)(2) Notes

The 3(a)(2) notes (including the guarantees) will be offered and sold in reliance upon an exemption from registration with the SEC, provided in Section 3(a)(2) of the Securities Act. The notes (including the guarantees) have not been and will not be registered under the Securities Act or securities laws of any jurisdiction.

The Rule 144A Notes and Regulation S Notes

The Regulation S notes will be offered in offshore transactions to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act and the Rule 144A notes will be offered to QIBs in the United States in reliance on Rule 144A under the Securities Act.

Price Stabilization and Short Positions

In connection with any offering, the Stabilization Manager and/or any person acting on behalf thereof may purchase and sell the notes in the open market and engage in other transactions, subject to applicable laws and regulations. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilization Manager and/or any person acting on behalf thereof of a greater principal amount of the notes than they are required to purchase from us in the offering. Stabilizing transactions consist of bids or purchases by the Stabilization Manager and/or any person acting on behalf thereof for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. These transactions may also include stabilizing transactions by the Stabilization Manager and/or any person acting on behalf thereof for the accounts of the dealers.

In addition, the Stabilization Manager and/or any person acting on behalf thereof may impose a penalty bid. A penalty bid is an arrangement that permits the Stabilization Manager and/or any person acting on behalf thereof to reclaim a selling concession from a syndicate member in connection with any offering when the notes originally sold by the syndicate member are purchased in syndicate covering transactions.

These activities may stabilize, maintain or otherwise affect the market prices of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

Conflict of Interest

Our affiliate SMBC Nikko Securities America, Inc. is a member of the Financial Industry Regulatory Authority and a dealer under the Program. Accordingly, any offering of 3(a)(2) notes will be made in compliance with the requirements of the Financial Industry Regulatory Authority Rule 5121. SMBC Nikko Securities America, Inc. will not make any sales in any offering to any discretionary account without the prior written approval of the customer.

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this document, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this document nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

Japan

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. The notes (i) have not, directly or indirectly, been offered or sold and will not, directly or indirectly, be offered or sold, in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) have not, directly or indirectly, been offered or sold and will not, as part of the distribution by the dealers under the applicable subscription agreement at any time, directly or indirectly, be offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act or (b) a Japanese financial institution, designated in Article 6, Paragraph (9) of the Special Taxation Measures Act. Notwithstanding the restriction set forth in (ii) above, pursuant to the Special Taxation Measures Act, SMBC Nikko Capital Markets Limited and SMBC Nikko Securities America, Inc., each acting in its capacity as a dealer, will be permitted to acquire or purchase, as part of the distribution under the applicable subscription agreement of the notes, the remainder of the notes from any of the other dealers, where such other dealer has failed to sell to subsequent purchasers all of the notes that it acquired or purchased from the issuer in its capacity as a dealer.

Canada

The notes may be offered or sold in any province of Canada or to or for the benefit of a resident thereof but only pursuant to an exemption from the requirement to file a prospectus in the province in which such offer or sale is made, and only by an underwriter duly registered under the applicable securities laws of that province or by an underwriter that is relying in that province on the "international dealer" exemption provided by section 8.18 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103). Furthermore, the notes may only be offered or sold to or for the benefit of a resident of a province in Canada provided that such resident is both an "accredited investor" as defined in National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) and a "permitted client" as defined in NI 31-103.

The distribution of the notes in Canada is being made on a private placement basis only and any resale of the notes must be made in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with prospectus and registration requirements or exemptions from the prospectus and registration requirements.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Under Canadian securities law, National Instrument 33-105 *Underwriting Conflicts* (NI 33-105) provides disclosure requirements with respect to potential conflicts of interest between an issuer and underwriters, dealers or placement agents, as the case may be. To the extent any conflict of interest between us and any of the dealers (or any other placement agent acting in connection with this offering) may exist in respect of this offering, the applicable parties to this offering are relying on the exemption from these disclosure requirements provided to them by section 3A.3 of NI 33-105 (Exemption based on U.S. disclosure).

We and the dealers hereby notify prospective Canadian purchasers that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any notes purchased) ("personal information"), which Form 45-106F1 may be required to be filed by us under NI 45- 106, (b) such personal information may be delivered to the Ontario Securities Commission, or the OSC, in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase notes in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this document, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Member States of the European Economic Area

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer of notes which are the subject of the offering contemplated by this document has not been made and will not be made to the public in that Relevant Member State other than:

(1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(2) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted by the Prospectus Directive, subject to obtaining the prior consent of the dealers; or

(3) in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Any invitation or inducement to engage in investment activity within the meaning of Section 21 of the FSMA in connection with the issue or sale of any notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA is complied with or does not apply to us or the guarantor, and all applicable provisions of the FSMA have been complied with and will be complied with in respect to anything done in relation to the notes in, from or otherwise involving the United Kingdom.

Switzerland

The notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issue prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Swiss Exchange Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the notes or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Hong Kong

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes have not been circulated or distributed and will not be circulated or distributed nor have any notes been offered or sold or the notes been caused to be made the subject of an invitation for subscription or purchase nor will the notes be offered or sold caused to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Stamp Taxes and Other Charges

Purchasers of the notes offered by this document may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the offering price in an applicable supplement or pricing term sheet.

Other Relationships

The dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the dealers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and commercial banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the dealers and their respective affiliates has a lending relationship with us, certain of those dealers or their affiliates routinely hedge, and certain other of those dealers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The dealers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

Our subsidiaries SMBC Nikko Capital Markets Limited and SMBC Nikko Securities America, Inc. may act as a dealer with respect to any offering of the notes.

We have certain longstanding business arrangements with Goldman Sachs, including an arrangement for us to provide credit loss protection. See "Business—Other Major SMFG Group Companies and Alliances—Credit Loss Protection Agreement with Goldman Sachs" for more details.

We have a strategic business alliance with Citigroup, including an arrangement for Citigroup to provide us with global corporate and investment banking network access. See "Business—Securities—Business Alliance with Citigroup" for more details.

We have certain business arrangements with Barclays, including a joint venture in wealth management services, as well as a business alliance agreement with Absa Bank, a group company of Barclays. See "Business—Other Major SMFG Group Companies and Alliances—Alliance with Barclays" for more details.

VALIDITY OF THE NOTES

The validity of notes issued under the program and certain U.S. legal matters will be passed upon for us by Davis Polk & Wardwell LLP, our U.S. counsel. Certain Japanese legal matters will be passed upon for us by Nagashima Ohno & Tsunematsu, our Japanese counsel. Simpson Thacher & Bartlett LLP, U.S. counsel to the dealers, will pass upon certain U.S. legal matters for the dealers.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the fiscal years ended March 31, 2014, 2015 and 2016 appearing in this document have been audited by KPMG AZSA LLC, independent registered public accounting firm in Japan, as set forth in their reports appearing elsewhere in this document.

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INDEX TO THE FINANCIAL STATEMENTS

Independent Auditor's Report

To the Board of Directors of
Sumitomo Mitsui Banking Corporation:

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Banking Corporation ("SMBC") and subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2016, 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 SMBC and subsidiaries as at March 31, 2015 and 2016, 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, 2016 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.

/s/ KPMG AZSA LLC
June 28, 2016
Tokyo, Japan

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS MARCH 31, 2015 AND 2016

March 31		Millions of yen 2015		Millions of yen 2016	Millions of U.S. dollars 2016
Assets:					
Cash and due from banks	*8	¥ 39,569,276	*8	¥ 42,594,225	$ 378,212
Call loans and bills bought	*8	1,326,965	*8	1,291,365	11,467
Receivables under resale agreements		746,431		494,949	4,395
Receivables under securities borrowing transactions		6,447,116		7,964,208	70,718
Monetary claims bought	*8	4,128,907	*8	4,183,995	37,151
Trading assets	*8	7,364,988	*8	7,980,971	70,866
Money held in trust		1		3	0
Securities	*1, *2, *8, *15	29,559,334	*1, *2, *8, *15	25,153,750	223,351
Loans and bills discounted	*3, *4, *5, *6, *7, *8, *9	75,119,565	*3, *4, *5, *6, *7, *8, *9	77,331,124	686,655
Foreign exchanges	*7	1,907,667	*7	1,577,167	14,004
Lease receivables and investment assets	*8	252,213	*8	269,429	2,392
Other assets	*8	3,422,970	*8	3,697,438	32,831
Tangible fixed assets	*10, *11, *12	1,073,206	*10, *11, *12	1,167,627	10,368
Assets for rent		158,224		206,419	1,833
Buildings		287,583		357,116	3,171
Land		468,728		488,708	4,339
Lease assets		11,270		10,885	97
Construction in progress		75,883		27,084	240
Other tangible fixed assets		71,515		77,413	687
Intangible fixed assets		454,584		526,112	4,672
Software		261,433		299,159	2,656
Goodwill		157,350		160,067	1,421
Lease assets		140		136	1
Other intangible fixed assets		35,660		66,749	593
Net defined benefit asset		367,953		198,637	1,764
Deferred tax assets		68,265		66,570	591
Customers' liabilities for acceptances and guarantees		6,289,881		6,407,272	56,893
Reserve for possible loan losses		(540,134)		(496,178)	(4,406)
Total assets		¥177,559,197		¥180,408,672	$1,601,924

CONSOLIDATED BALANCE SHEETS MARCH 31, 2015 AND 2016 — (Continued)

		Millions of yen			Millions of U.S. dollars
March 31		2015		2016	2016
Liabilities and net assets:					
Liabilities:					
Deposits	*8	¥101,503,889	*8	¥111,238,673	$ 987,735
Negotiable certificates of deposit		14,032,798		14,740,434	130,886
Call money and bills sold	*8	5,873,123		1,220,455	10,837
Payables under repurchase agreements	*8	991,860	*8	1,761,822	15,644
Payables under securities lending transactions	*8	7,833,219	*8	5,309,003	47,141
Commercial paper		3,352,662		3,018,218	26,800
Trading liabilities	*8	5,636,406	*8	6,105,982	54,218
Borrowed money	*8, *13	8,223,808	*8, *13	8,058,848	71,558
Foreign exchanges		1,110,822		1,083,450	9,620
Short-term bonds		545,700		367,000	3,259
Bonds	*14	5,663,566	*14	5,450,145	48,394
Due to trust account		718,133		944,542	8,387
Other liabilities		5,098,781		4,853,664	43,098
Reserve for employee bonuses		59,893		54,925	488
Reserve for executive bonuses		2,567		1,767	16
Net defined benefit liability		12,641		17,844	158
Reserve for executive retirement benefits		759		743	7
Reserve for point service program		1,798		1,249	11
Reserve for reimbursement of deposits		20,870		16,979	151
Reserve for losses on interest repayment		632		234	2
Reserves under the special laws		755		1,129	10
Deferred tax liabilities		514,070		275,887	2,450
Deferred tax liabilities for land revaluation	*10	34,550	*10	32,203	286
Acceptances and guarantees	*8	6,289,881	*8	6,407,272	56,893
Total liabilities		167,523,193		170,962,478	1,518,047
Net assets:					
Capital stock		1,770,996		1,770,996	15,725
Capital surplus		2,717,421		2,702,093	23,993
Retained earnings		2,751,080		2,909,898	25,838
Treasury stock		(210,003)		(210,003)	(1,865)
Total stockholders' equity		7,029,494		7,172,985	63,692
Net unrealized gains (losses) on other securities		1,756,894		1,255,877	11,151
Net deferred gains (losses) on hedges		(27,049)		61,781	549
Land revaluation excess	*10	38,943	*10	39,348	349
Foreign currency translation adjustments		114,413		58,693	521
Accumulated remeasurements of defined benefit plans		44,216		(65,290)	(580)
Total accumulated other comprehensive income		1,927,419		1,350,409	11,991
Stock acquisition rights		198		249	2
Non-controlling interests		1,078,891		922,549	8,192
Total net assets		10,036,003		9,446,193	83,877
Total liabilities and net assets		¥177,559,197		¥180,408,672	$1,601,924

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED MARCH 31, 2015 AND 2016

Year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Ordinary income	¥3,199,409	¥3,059,022	$27,162
Interest income	1,690,086	1,652,508	14,673
Interest on loans and discounts	1,170,833	1,167,181	10,364
Interest and dividends on securities	335,694	302,821	2,689
Interest on call loans and bills bought	19,600	20,457	182
Interest on receivables under resale agreements	9,640	10,100	90
Interest on receivables under securities borrowing transactions	7,813	10,740	95
Interest on deposits with banks	42,649	37,097	329
Interest on lease transactions	7,494	7,565	67
Other interest income	96,359	96,543	857
Trust fees	2,795	3,587	32
Fees and commissions	782,349	779,388	6,921
Trading income	235,239	209,722	1,862
Other operating income	279,857	232,513	2,065
Lease-related income	13,882	16,203	144
Installment-related income	18,956	18,139	161
Other	247,018	198,170	1,760
Other income	209,080	181,301	1,610
Gains on reversal of reserve for possible loan losses	73,566	—	—
Recoveries of written-off claims	6,619	10,324	92
Other	*1 128,894	*1 170,976	1,518
Ordinary expenses	2,000,453	2,128,690	18,902
Interest expenses	365,074	426,091	3,783
Interest on deposits	126,966	141,085	1,253
Interest on negotiable certificates of deposit	44,065	49,561	440
Interest on call money and bills sold	4,200	5,360	48
Interest on payables under repurchase agreements	4,921	8,077	72
Interest on payables under securities lending transactions	5,029	6,724	60
Interest on commercial paper	8,047	10,415	92
Interest on borrowed money	29,312	44,514	395
Interest on short-term bonds	433	573	5
Interest on bonds	99,581	110,489	981
Other interest expenses	42,516	49,290	438
Fees and commissions payments	145,171	150,788	1,339
Trading losses	57,856	—	—
Other operating expenses	94,424	86,746	770
Lease-related expenses	2,022	2,159	19
Installment-related expenses	11,148	9,837	87
Other	81,253	74,749	664
General and administrative expenses	*2 1,261,746	*2 1,314,581	11,673
Other expenses	76,179	150,482	1,336
Provision for reserve for possible loan losses	—	5,632	50
Other	*3 76,179	*3 144,850	1,286
Ordinary profit	1,198,955	930,332	8,261

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2015 AND 2016 — (Continued)

Year ended March 31		Millions of yen 2015		Millions of yen 2016	Millions of U.S. dollars 2016
Extraordinary gains		¥ 452		¥ 3,777	$ 34
Gains on disposal of fixed assets		452		3,709	33
Gains on negative goodwill		—		20	0
Other extraordinary gains		—		46	0
Extraordinary losses		11,326		8,136	72
Losses on disposal of fixed assets		5,893		3,400	30
Losses on impairment of fixed assets	*4	5,080	*4	4,361	39
Provision for reserve for eventual future operating losses from financial instruments transactions		353		374	3
Income before income taxes		1,188,081		925,972	8,222
Income taxes-current		276,257		205,051	1,821
Income taxes-deferred		106,233		(24,868)	(221)
Income taxes		382,490		180,183	1,600
Profit		805,591		745,788	6,622
Profit attributable to non-controlling interests		68,686		65,626	583
Profit attributable to owners of parent		¥ 736,904		¥680,162	$6,039

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2015 AND 2016

Year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Profit	¥ 805,591	¥ 745,788	$ 6,622
Other comprehensive income (losses)	*1 1,131,783	*1 (602,702)	(5,352)
Net unrealized gains (losses) on other securities	829,208	(503,395)	(4,470)
Net deferred gains (losses) on hedges	32,956	89,188	792
Land revaluation excess	3,604	1,705	15
Foreign currency translation adjustments	145,730	(73,687)	(654)
Remeasurements of defined benefit plans	120,738	(113,411)	(1,007)
Share of other comprehensive income of affiliates	(454)	(3,101)	(28)
Total comprehensive income	1,937,374	143,086	1,271
Comprehensive income attributable to owners of parent	1,818,350	104,454	927
Comprehensive income attributable to non-controlling interests	119,024	38,631	343

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2015 AND 2016

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2015	**Capital stock**	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total**
Balance at the beginning of the fiscal year	¥1,770,996	¥2,717,397	¥2,468,427	¥(210,003)	¥6,746,818
Cumulative effects of changes in accounting policies			31,041		31,041
Restated balance	1,770,996	2,717,397	2,499,469	(210,003)	6,777,860
Changes in the fiscal year					
Cash dividends			(485,448)		(485,448)
Profit attributable to owners of parent			736,904		736,904
Changes in shareholders' interest due to transaction with non-controlling interests		23			23
Decrease due to increase in subsidiaries			(158)		(158)
Reversal of land revaluation excess			314		314
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	23	251,610	—	251,634
Balance at the end of the fiscal year	¥1,770,996	¥2,717,421	¥2,751,080	¥(210,003)	¥7,029,494

	Millions of yen					
	Accumulated other comprehensive income					
Year ended March 31, 2015	**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	¥ 938,235	¥(59,626)	¥35,675	¥ 6,779	¥ (74,755)	¥ 846,308
Cumulative effects of changes in accounting policies						
Restated balance	938,235	(59,626)	35,675	6,779	(74,755)	846,308
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Changes in shareholders' interest due to transaction with non-controlling interests						
Decrease due to increase in subsidiaries						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	818,658	32,577	3,268	107,634	118,972	1,081,110
Net changes in the fiscal year	818,658	32,577	3,268	107,634	118,972	1,081,110
Balance at the end of the fiscal year	¥1,756,894	¥(27,049)	¥38,943	¥114,413	¥ 44,216	¥1,927,419

	Millions of yen		
Year ended March 31, 2015	**Stock acquisition rights**	**Non-controlling interests**	**Total net assets**
Balance at the beginning of the fiscal year	¥157	¥1,047,479	¥ 8,640,763
Cumulative effects of changes in accounting policies		(963)	30,078
Restated balance	157	1,046,516	8,670,842
Changes in the fiscal year			
Cash dividends			(485,448)
Profit attributable to owners of parent			736,904
Changes in shareholders' interest due to transaction with non-controlling interests			23
Decrease due to increase in subsidiaries			(158)
Reversal of land revaluation excess			314
Net changes in items other than stockholders' equity in the fiscal year	41	32,374	1,113,526
Net changes in the fiscal year	41	32,374	1,365,161
Balance at the end of the fiscal year	¥198	¥1,078,891	¥10,036,003

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2015 AND 2016 — (Continued)

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2016	**Capital stock**	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total**
Balance at the beginning of the fiscal year	¥1,770,996	¥2,717,421	¥2,751,080	¥(210,003)	¥7,029,494
Changes in the fiscal year					
Cash dividends			(522,635)		(522,635)
Profit attributable to owners of parent			680,162		680,162
Decrease due to corporate reorganization		(15,322)			(15,322)
Changes in shareholders' interest due to transaction with non-controlling interests		(4)			(4)
Reversal of land revaluation excess			1,290		1,290
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	(15,327)	158,817	—	143,490
Balance at the end of the fiscal year	¥1,770,996	¥2,702,093	¥2,909,898	¥(210,003)	¥7,172,985

	Millions of yen					
	Accumulated other comprehensive income					
Year ended March 31, 2016	**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	¥1,756,894	¥(27,049)	¥38,943	¥114,413	¥ 44,216	¥1,927,419
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Decrease due to corporate reorganization						
Changes in shareholders' interest due to transaction with non-controlling interests						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	(501,016)	88,830	404	(55,720)	(109,507)	(577,009)
Net changes in the fiscal year	(501,016)	88,830	404	(55,720)	(109,507)	(577,009)
Balance at the end of the fiscal year	¥1,255,877	¥ 61,781	¥39,348	¥ 58,693	¥ (65,290)	¥1,350,409

	Millions of yen		
Year ended March 31, 2016	**Stock acquisition rights**	**Non-controlling interests**	**Total net assets**
Balance at the beginning of the fiscal year	¥198	¥1,078,891	¥10,036,003
Changes in the fiscal year			
Cash dividends			(522,635)
Profit attributable to owners of parent			680,162
Decrease due to corporate reorganization			(15,322)
Changes in shareholders' interest due to transaction with non-controlling interests			(4)
Reversal of land revaluation excess			1,290
Net changes in items other than stockholders' equity in the fiscal year	50	(156,341)	(733,300)
Net changes in the fiscal year	50	(156,341)	(589,809)
Balance at the end of the fiscal year	¥249	¥ 922,549	¥ 9,446,193

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2015 AND 2016 — (Continued)

	Millions of U.S. dollars				
	Stockholders' equity				
Year ended March 31, 2016	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	$15,725	$24,129	$24,428	$(1,865)	$62,418
Changes in the fiscal year					
Cash dividends			(4,641)		(4,641)
Profit attributable to owners of parent			6,039		6,039
Decrease due to corporate reorganization		(136)			(136)
Changes in shareholders' interest due to transaction with non-controlling interests		(0)			(0)
Reversal of land revaluation excess			11		11
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	(136)	1,410	—	1,274
Balance at the end of the fiscal year	$15,725	$23,993	$25,838	$(1,865)	$63,692

	Millions of U.S. dollars					
	Accumulated other comprehensive income					
Year ended March 31, 2016	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	$15,600	$(240)	$346	$1,016	$ 393	$17,114
Changes in the fiscal year						
Cash dividends						
Profit attributable to owners of parent						
Decrease due to corporate reorganization						
Changes in shareholders' interest due to transaction with non-controlling interests						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	(4,449)	789	4	(495)	(972)	(5,124)
Net changes in the fiscal year	(4,449)	789	4	(495)	(972)	(5,124)
Balance at the end of the fiscal year	$11,151	$ 549	$349	$ 521	$(580)	$11,991

	Millions of U.S. dollars		
Year ended March 31, 2016	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at the beginning of the fiscal year	$2	$ 9,580	$89,114
Changes in the fiscal year			
Cash dividends			(4,641)
Profit attributable to owners of parent			6,039
Decrease due to corporate reorganization			(136)
Changes in shareholders' interest due to transaction with non-controlling interests			(0)
Reversal of land revaluation excess			11
Net changes in items other than stockholders' equity in the fiscal year	0	(1,388)	(6,511)
Net changes in the fiscal year	0	(1,388)	(5,237)
Balance at the end of the fiscal year	$2	$ 8,192	$83,877

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2015 AND 2016

Year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Cash flows from operating activities:			
Income before income taxes	¥ 1,188,081	¥ 925,972	$ 8,222
Depreciation	116,644	131,674	1,169
Losses on impairment of fixed assets	5,080	4,361	39
Amortization of goodwill	11,457	12,683	113
Gains on negative goodwill	—	(20)	(0)
Gains on step acquisitions	—	(46)	(0)
Equity in losses of affiliates	10,765	37,001	329
Net change in reserve for possible loan losses	(88,600)	(45,432)	(403)
Net change in reserve for employee bonuses	3,404	(5,147)	(46)
Net change in reserve for executive bonuses	(1,675)	(848)	(8)
Net change in net defined benefit asset and liability	(46,499)	(23,256)	(206)
Net change in reserve for executive retirement benefits	(48)	(20)	(0)
Net change in reserve for point service program	(227)	(548)	(5)
Net change in reserve for reimbursement of deposits	6,012	(4,138)	(37)
Net change in reserve for losses on interest repayment	(142)	(397)	(4)
Interest income	(1,690,086)	(1,652,508)	(14,673)
Interest expenses	365,074	426,091	3,783
Net gains on securities	(112,392)	(124,938)	(1,109)
Net gains from money held in trust	(0)	(0)	(0)
Net exchange (gains) losses	(560,198)	367,976	3,267
Net (gains) losses from disposal of fixed assets	5,440	(308)	(3)
Net change in trading assets	(415,809)	(616,219)	(5,472)
Net change in trading liabilities	808,665	470,105	4,174
Net change in loans and bills discounted	(5,024,894)	(2,437,049)	(21,640)
Net change in deposits	6,882,650	7,759,148	68,897
Net change in negotiable certificates of deposit	18,430	725,545	6,442
Net change in borrowed money (excluding subordinated borrowings)	2,687,149	(638,560)	(5,670)
Net change in deposits with banks	128,512	830,166	7,371
Net change in call loans and bills bought and others	(832,331)	166,153	1,475
Net change in receivables under securities borrowing transactions	(2,709,907)	(1,517,092)	(13,471)
Net change in call money and bills sold and others	922,259	(3,838,358)	(34,082)
Net change in commercial paper	925,269	(347,256)	(3,083)
Net change in payables under securities lending transactions	2,504,792	(2,524,215)	(22,414)
Net change in foreign exchanges (assets)	(105,639)	314,707	2,794
Net change in foreign exchanges (liabilities)	624,705	(22,636)	(201)
Net change in lease receivables and investment assets	(12,132)	(1,186)	(11)
Net change in short-term bonds (liabilities)	243,200	(178,700)	(1,587)
Issuance and redemption of bonds (excluding subordinated bonds)	1,006,059	(14,586)	(130)
Net change in due to trust account	18,803	226,408	2,010
Interest received	1,701,254	1,659,606	14,736
Interest paid	(353,469)	(419,195)	(3,722)
Other, net	166,152	(553,905)	(4,918)
Subtotal	8,395,810	(908,971)	(8,071)
Income taxes paid	(259,188)	(238,115)	(2,114)
Net cash provided by (used in) operating activities	8,136,621	(1,147,086)	(10,185)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2015 AND 2016 — (Continued)

		Millions of yen			Millions of U.S. dollars
Year ended March 31		**2015**		**2016**	**2016**
Cash flows from investing activities:					
Purchases of securities		¥(36,610,148)		¥(26,993,026)	$(239,682)
Proceeds from sale of securities		27,807,525		22,512,678	199,899
Proceeds from redemption of securities		7,853,257		7,992,749	70,971
Purchases of money held in trust		(0)		(1)	(0)
Proceeds from sale of money held in trust		2,061		0	0
Purchases of tangible fixed assets		(136,429)		(154,331)	(1,370)
Proceeds from sale of tangible fixed assets		9,855		16,087	143
Purchases of intangible fixed assets		(110,184)		(123,713)	(1,098)
Proceeds from sale of intangible fixed assets		22		222	2
Purchases of stocks of subsidiaries resulting from their merger		—		(860)	(8)
Proceeds from acquisition of business		—	*2	2,251,106	19,989
Purchases of stocks of subsidiaries resulting in change in scope of consolidation		—		(0)	(0)
Proceeds from sale of stocks of subsidiaries resulting in change in scope of consolidation		—		6,698	59
Net cash provided by (used in) investing activities		(1,184,039)		5,507,610	48,904
Cash flows from financing activities:					
Proceeds from issuance of subordinated borrowings		356,618		593,223	5,267
Repayment of subordinated borrowings		(5,000)		(31,250)	(277)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights		546		1,667	15
Redemption of subordinated bonds and bonds with stock acquisition rights		(287,243)		(181,779)	(1,614)
Dividends paid		(485,448)		(522,635)	(4,641)
Repayments to non-controlling stockholders		—		(142,000)	(1,261)
Dividends paid to non-controlling stockholders		(55,059)		(53,113)	(472)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(12)		(6)	(0)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation		173		162	1
Net cash used in financing activities		(475,426)		(335,731)	(2,981)
Effect of exchange rate changes on cash and cash equivalents		177,563		(99,475)	(883)
Net change in cash and cash equivalents		6,654,719		3,925,316	34,855
Cash and cash equivalents at the beginning of the fiscal year		26,914,156		33,515,479	297,598
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation		(53,395)		—	—
Cash and cash equivalents at the end of the fiscal year	*1	¥ 33,515,479	*1	¥ 37,440,796	$ 332,452

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MARCH 31, 2015 AND 2016

(Basis of presentation)

Sumitomo Mitsui Banking Corporation ("SMBC") is a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc. ("SMFG") and provides an extensive range of wholesale and retail banking services to its customers in Japan and overseas. SMBC 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 SMBC'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, 2016 which was ¥112.62 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.

(Significant accounting policies for preparing consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

The number of consolidated subsidiaries at March 31, 2016 is 143.

Principal companies:
SMBC Trust Bank Ltd. ("SMBC Trust")
SMBC Nikko Securities, Inc. ("SMBC Nikko")
THE MINATO BANK, LTD. ("MINATO")
Kansai Urban Banking Corporation ("KUBC")
Sumitomo Mitsui Banking Corporation Europe Limited
Sumitomo Mitsui Banking Corporation (China) Limited
SMBC Guarantee Co., Ltd.
SMBC Capital Markets, Inc.

6 companies were newly included in the scope of consolidation as a result of the establishment and for other reasons.

12 companies were also excluded from the scope of consolidation due to liquidation and for other reasons.

(2) Unconsolidated subsidiaries

Principal company: SBCS Co., Ltd.

Unconsolidated subsidiaries are 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 SMBC's financial position and results of operations 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, 2016 is 5.

Principal company: SBCS Co., Ltd.

(2) Affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method at March 31, 2016 is 50.

Principal company: PT Bank Tabungan Pensiunan Nasional Tbk.

ACLEDA Bank Plc. and other 11 companies became equity method affiliates due to the acquisition of stocks and for other reasons.

1 company was excluded from the scope of equity method affiliates due to inclusion in the scope of consolidation.

(3) Unconsolidated subsidiaries that are not accounted for by the equity method

There are no corresponding companies.

(4) Affiliates that are not accounted for by the equity method

Principal company: Sumitomo Mitsui Asset Management (New York) Inc.

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 consolidated 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, 2016 are as follows:

October 31	3
December 31	57
January 31	6
March 31	77

(2) The subsidiaries with balance sheets dated October 31 are consolidated using the financial statements as of January 31. The subsidiaries with balance sheets dated January 31 and certain subsidiaries with balance sheets dated December 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” or “Trading losses.”

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 SMBC or its 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 (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," after deducting the amount that is reflected in the fiscal year's earnings 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 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

The 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 SMBC and its consolidated domestic subsidiaries is depreciated over its estimated useful life (basically 5 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 the 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 SMBC and 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 borrowers, 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 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 amounts of write-off for the years ended March 31, 2015 and 2016 were ¥320,885 million and ¥259,319 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 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 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) Reserve under the special laws

The reserve under the special laws is a reserve 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 calculate 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

SMBC's assets and liabilities 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.

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 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 SMBC and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.

(Unapplied Accounting Standard and Others)

“Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, issued on March 28, 2016)

(1) Outline

The Guidance supersedes the guidance on recoverability of deferred tax assets stipulated in “Auditing Treatment for Judgment of Recoverability of Deferred Assets” (JICPA Industry Committee Report No.66).

(2) Date of application

SMBC intends to apply the Guidance from the fiscal years beginning on April 1, 2016.

(3) Effects of Application of the Guidance

The effects of application of the Guidance are currently being examined.

(Changes in presentation)

In accordance with the provision set forth in Paragraph 39 of the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013) and other relevant provisions, changes are made to the presentation of “Net income” and other relevant items, and “Minority interests” is changed to “Non-controlling interests” from the fiscal year ended March 31, 2016. Figures for the fiscal year ended March 31, 2015 in the consolidated financial statements reflect these changes.

(Additional information)

Effect of a change in the corporate income tax rule

In accordance with the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15, 2016) and the “Act to Amend the Local Taxation Act, etc.” (Act No. 13, 2016) promulgated on March 29, 2016, the corporate income tax rate will be lowered from fiscal years beginning on or after April 1, 2016. Additionally, beginning from fiscal years starting on or after April 1, 2016, the use of tax loss carryforwards will be limited to the equivalent of 60% of taxable income before deducting tax loss carryforwards, and beginning from fiscal years starting on or after April 1, 2017, the use of tax loss carryforwards will be limited to the equivalent of 55% of taxable income before deducting tax loss carryforwards.

As a result of these changes, profit attributable to owners of parent decreased by ¥11,574 million and total accumulated other comprehensive income increased by ¥28,191 million.

(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, 2015 and 2016 were as follows:

March 31	Millions of yen 2015	Millions of yen 2016
Japanese stocks	¥550,940	¥575,943
Investments	321	586

Japanese stocks of jointly controlled entities were as follows:

March 31	Millions of yen 2015	Millions of yen 2016
Japanese stocks of jointly controlled entities	¥89,444	¥92,618

***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, 2015 and 2016 were as follows:

March 31, 2015	Millions of yen	March 31, 2016	Millions of yen
Japanese government bonds and other securities in "Securities"	¥1,540	Japanese government bonds in "Securities"	¥900

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, 2015 and 2016 were as follows:

March 31	Millions of yen 2015	Millions of yen 2016
Securities pledged	¥3,181,553	¥5,245,608
Securities held without being disposed	3,087,292	3,130,201

***3 Bankrupt loans and non-accrual loans**

Bankrupt loans and non-accrual loans at March 31, 2015 and 2016 were as follows:

March 31	Millions of yen 2015	Millions of yen 2016
Bankrupt loans	¥ 35,630	¥ 44,732
Non-accrual loans	710,773	547,362

"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, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Past due loans (3 months or more)	¥6,071	¥12,695

"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, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Restructured loans	¥224,707	¥208,691

"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, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Risk-monitored loans	¥977,183	¥813,481

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, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Bills discounted	¥950,790	¥820,990

*8 Assets pledged as collateral

Assets pledged as collateral at March 31, 2015 and 2016 consisted of the following:

March 31, 2015	Millions of yen
Assets pledged as collateral:	
Cash and due from banks	¥ 59,752
Call loans and bills bought	478,457
Monetary claims bought	75,556
Trading assets	1,712,885
Securities	10,437,256
Loans and bills discounted	2,803,237
Lease receivables and investment assets	1,535
Other assets (installment account receivable, etc.)	107
Liabilities corresponding to assets pledged as collateral:	
Deposits	33,800
Call money and bills sold	1,095,000
Payables under repurchase agreements	406,212
Payables under securities lending transactions	4,121,603
Trading liabilities	480,464
Borrowed money	6,092,928
Acceptances and guarantees	207,009

March 31, 2016	Millions of yen
Assets pledged as collateral:	
Cash and due from banks	¥ 74,645
Call loans and bills bought	433,224
Monetary claims bought	49,961
Trading assets	2,531,750
Securities	5,553,104
Loans and bills discounted	2,609,736
Lease receivables and investment assets	1,164
Other assets (installment account receivable, etc.)	90
Liabilities corresponding to assets pledged as collateral:	
Deposits	39,403
Payables under repurchase agreements	448,908
Payables under securities lending transactions	3,307,827
Trading liabilities	430,159
Borrowed money	4,916,098
Acceptances and guarantees	194,035

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, 2015 and 2016:

March 31, 2015	Millions of yen
Cash and due from banks	¥ 13,580
Trading assets	2,271
Securities	6,057,188

March 31, 2016	Millions of yen
Cash and due from banks	¥ 12,731
Trading assets	11,286
Securities	6,273,788

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, 2015	Millions of yen
Collateral money deposited for financial instruments	¥408,607
Surety deposits	90,911
Margins of futures markets	62,379
Other margins	27,819

March 31, 2016	Millions of yen
Collateral money deposited for financial instruments	¥872,134
Surety deposits	87,023
Margins of futures markets	46,259
Other margins	35,058

*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, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
The amounts of unused commitments	¥49,726,614	¥54,673,310
The amounts of unused commitments whose original contract terms are within 1 year or unconditionally cancelable at any time	36,604,782	39,179,091

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 consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC and consolidated subsidiaries need to secure claims, or other events occur. In addition, SMBC and 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 and other consolidated subsidiaries revalued their 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 net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Net assets."

A certain affiliate also revalued its own land for business activities in accordance with the Act. The net unrealized gains, 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

Other consolidated subsidiaries and 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).

Other consolidated subsidiaries and 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 of March 31, 1998).

*11 Accumulated depreciation on tangible fixed assets

Accumulated depreciation on tangible fixed assets at March 31, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Accumulated depreciation	¥599,844	¥605,967

*12 Deferred gain on tangible fixed assets deductible for tax purposes

Deferred gain on tangible fixed assets deductible for tax purposes at March 31, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Deferred gain on tangible fixed assets deductible for tax purposes	¥62,704	¥62,665
[The consolidated fiscal year concerned]	[145]	[0]

***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, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Subordinated borrowings	¥652,438	¥1,201,264

***14 Subordinated bonds**

The balance of subordinated bonds included in "Bonds" at March 31, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Subordinated bonds	¥1,434,468	¥1,237,757

***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 Financial Instruments and Exchange Act) in "Securities" at March 31, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Guaranteed amount to privately-placed bonds	¥2,030,463	¥2,004,096

16 Money trusts with the principal indemnification agreement

The principal amount of money trusts with principal indemnification agreements which SMBC, as a trustee, has been administrating and operating at March 31, 2015 and 2016 were as follows:

	Millions of yen	
March 31	2015	2016
Money trusts	¥20,977	¥23,784

(Notes to consolidated statements of income)

***1 Other income**

"Other" in "Other income" for the fiscal years ended March 31, 2015 and 2016 included the following:

Year ended March 31, 2015	Millions of yen	Year ended March 31, 2016	Millions of yen
Gains on sales of stocks	¥79,168	Gains on sales of stocks	¥99,048

***2 General and administrative expenses**

"General and administrative expenses" for the fiscal years ended March 31, 2015 and 2016 included the following:

Year ended March 31, 2015	Millions of yen	Year ended March 31, 2016	Millions of yen
Salaries and related expenses	¥502,060	Salaries and related expenses	¥512,299
Research and development costs	171	Research and development costs	207

***3 Other expenses**

"Other" in "Other expenses" for the fiscal years ended March 31, 2015 and 2016 included the following:

Year ended March 31, 2015	Millions of yen	Year ended March 31, 2016	Millions of yen
Equity in losses of affiliates	¥10,765	Equity in losses of affiliates	¥37,001
Losses on devaluation of stocks	12,740	Losses on devaluation of stocks	10,382
		Losses on sales of stocks	20,766
		Losses on sales of loans	11,323
		Write-off of loans	5,158

***4 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, 2015 and 2016.

Year ended March 31, 2015			Millions of yen
Area	Purpose of use	Type	Impairment loss
Tokyo metropolitan area	Branches (2 items)	Land and buildings, etc.	¥ 61
	Idle assets (35 items)		3,019
Kinki area	Branches (4 items)	Land and buildings, etc.	137
	Idle assets (26 items)		1,802
Other	Idle assets (7 items)	Land and buildings, etc.	58

Year ended March 31, 2016			Millions of yen
Area	Purpose of use	Type	Impairment loss
Tokyo metropolitan area	Branches (3 items)	Land and buildings, etc.	¥ 45
	Idle assets (26 items)		2,265
Kinki area	Branches (14 items)	Land and buildings, etc.	649
	Corporate asset (1 item)		349
	Idle assets (24 items)		628
Other	Branch (1 item)	Land and buildings, etc.	6
	Idle assets (11 items)		416

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 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.

(Notes to consolidated statements of comprehensive income)

***1 Reclassification adjustment and tax effect of other comprehensive income**

Year ended March 31	Millions of yen 2015	2016
Net unrealized gains (losses) on other securities:		
Amount arising during the fiscal year	¥1,350,493	¥(512,073)
Reclassification adjustments	(213,606)	(200,314)
Before adjustments to tax effect	1,136,886	(712,387)
Tax effect	(307,678)	208,992
Net unrealized gains (losses) on other securities	829,208	(503,395)
Net deferred gains on hedges:		
Amount arising during the fiscal year	34,813	100,927
Reclassification adjustments	19,654	28,451
Before adjustments to tax effect	54,467	129,378
Tax effect	(21,511)	(40,190)
Net deferred gains on hedges	32,956	89,188
Land revaluation excess:		
Amount arising during the fiscal year	—	—
Reclassification adjustments	—	—
Before adjustments to tax effect	—	—
Tax effect	3,604	1,705
Land revaluation excess	3,604	1,705
Foreign currency translation adjustments:		
Amount arising during the fiscal year	148,173	(65,573)
Reclassification adjustments	(2,443)	(8,114)
Before adjustments to tax effect	145,730	(73,687)
Tax effect	—	—
Foreign currency translation adjustments	145,730	(73,687)
Remeasurements of defined benefit plans:		
Amount arising during the fiscal year	160,604	(196,456)
Reclassification adjustments	23,073	32,351
Before adjustments to tax effect	183,678	(164,105)
Tax effect	(62,939)	50,694
Remeasurements of defined benefit plans	120,738	(113,411)
Share of other comprehensive income of affiliates:		
Amount arising during the fiscal year	952	(1,779)
Reclassification adjustments	(1,407)	(1,322)
Before adjustments to tax effect	(454)	(3,101)
Tax effect	—	—
Share of other comprehensive income of affiliates	(454)	(3,101)
Total other comprehensive income	¥1,131,783	¥(602,702)

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2015

1. Type and number of shares issued and treasury stock

Year ended March 31, 2015	Number of shares				Notes
	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	
Shares issued					
Common stock	106,248,400	—	—	106,248,400	
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	106,318,401	—	—	106,318,401	
Treasury stock					
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	70,001	—	—	70,001	

2. Information on stock acquisition rights

Year ended March 31, 2015	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	
Consolidated subsidiaries	—			—			¥198	
Total							¥198	

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 27, 2014	Common stock	¥320,763	¥3,019	March 31, 2014	June 27, 2014
Meeting of the Board of Directors held on November 13, 2014	Common stock	164,685	1,550	September 30, 2014	November 26, 2014

(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 26, 2015	Common stock	¥331,601	Retained earnings	¥3,121	March 31, 2015	June 26, 2015

Fiscal year ended March 31, 2016

1. Type and number of shares issued and treasury stock

Year ended March 31, 2016	Number of shares: At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	Notes
Shares issued					
Common stock	106,248,400	—	—	106,248,400	
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	106,318,401	—	—	106,318,401	
Treasury stock					
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	70,001	—	—	70,001	

2. Information on stock acquisition rights

Year ended March 31, 2016	Details of stock acquisition rights	Type of shares	Number of shares: At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	Millions of yen: At the end of the fiscal year	Notes
Consolidated subsidiaries	—	—					¥249	
Total							¥249	

3. Information on dividends

(1) Dividends paid in the fiscal year

Date of resolution	Type of shares	Cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2015	Common stock	¥331,601	¥3,121	March 31, 2015	June 26, 2015
Meeting of the Board of Directors held on November 12, 2015	Common stock	191,034	1,798	September 30, 2015	November 26, 2015

Millions of yen, except per share amount

(2) Dividends to be paid in the next fiscal year

Date of resolution	Type of shares	Cash dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 29, 2016	Common stock	¥217,277	Retained earnings	¥2,045	March 31, 2016	June 29, 2016

Millions of yen, except per share amount

(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 2015	Millions of yen 2016
Cash and due from banks	¥39,569,276	¥42,594,225
Interest earning deposits with banks (excluding the deposit with the Bank of Japan)	(6,053,797)	(5,153,429)
Cash and cash equivalents	¥33,515,479	¥37,440,796

***2 The major components of increased assets and liabilities by acquisition of business**

The major components of increased assets and liabilities due to the integration of the retail banking business of Citibank Japan Ltd. by SMBC Trust and the relation between the acquisition cost of the acquired business and net gains from acquisition of business were as follow:

Year ended March 31, 2016	Millions of yen
Assets	¥ 2,407,085
Cash and due from banks	2,296,106
Liabilities	(2,376,561)
Deposits	(2,361,907)
Goodwill	14,476
Acquisition cost	45,000
Cash and cash equivalents included in acquisition asset	(2,296,106)
Proceeds from acquisition of business	¥ 2,251,106

(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 2015	Millions of yen 2016
Lease receivables	¥223,088	¥279,732
Residual value	59,564	72,317
Unearned interest income	(35,035)	(91,077)
Total	¥247,617	¥260,972

2) The scheduled collections of lease payments receivable related to lease receivables and investment assets are as follows:

	Millions of yen			
	2015		2016	
March 31	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	¥1,929	¥ 46,556	¥3,494	¥ 32,381
More than 1 year to 2 years	1,053	30,746	1,743	31,152
More than 2 years to 3 years	793	25,868	1,310	23,861
More than 3 years to 4 years	504	19,207	916	26,305
More than 4 years to 5 years	225	29,484	590	22,703
More than 5 years	232	71,224	646	143,326
Total	¥4,738	¥223,088	¥8,701	¥279,732

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, 2015 and 2016 were ¥30 million and ¥8 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:

	Millions of yen	
March 31	2015	2016
Due within 1 year	¥ 35,511	¥ 32,947
Due after 1 year	213,815	192,021
Total	¥249,327	¥224,969

(2) Lessor side

Future minimum lease payments on operating leases which were not cancelable were as follows:

	Millions of yen	
March 31	2015	2016
Due within 1 year	¥13,113	¥14,683
Due after 1 year	43,491	42,066
Total	¥56,604	¥56,749

(Notes to financial instruments)

1. Status of financial instruments

(1) Policies on financial instruments

SMBC Group conducts banking and other financial services such as leasing, securities, credit card, 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, SMBC 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, 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 SMBC 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 SMBC 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 SMBC 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 SMBC to not only market risk but also funding liquidity risk: the risk of SMBC not being able to raise funds due to market turmoil, deterioration in its 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 SMBC 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 "(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 "Comprehensive Risk Management." SMBC's Management Committee establishes the basic risk management policy for the entire Group, based on the rule, which is then approved by the Board of Directors. SMBC has a risk management system based on the basic policy. The Corporate Risk Management Dept., which, together with the Corporate Planning Dept., controls risk management across SMBC Group by monitors the development and implementation of SMBC Group's risk management system, and gives appropriate guidance as needed. Under this framework, SMBC comprehensively and systematically manages risks on a Group basis.

1) Management of credit risk

SMBC has established fundamental principles on credit risk management to thoroughly manage the credit risk of the entire Group. SMBC 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

At SMBC, basic policies on credit risk management and other significant matters require the resolution of Management Committee and the approval of Board of Directors.

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. The department also monitors risk situations and regularly reports to the Management Committee and the Board of Directors.

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 Wholesale Banking Unit, Retail Banking Unit and other business units play a central role in credit screening and managing their units' credit portfolios. In the Wholesale Banking Unit, the Credit Administration Dept. is responsible for formulating and implementing measures to reduce SMBC's exposures mainly to borrowers classified as potentially bankrupt or lower. Each business unit establishes its credit limits based on the baseline amounts for each borrower grading category. Borrowers or loans perceived to have high credit risk undergo intensive evaluation and administration by the unit's Credit Department. The Corporate Research Dept. analyzes industries as well as investigates individual borrower's business situation to detect early signs of problems.

Moreover, the Credit Risk Management Committee, a consultative body straddling the business units, rounds out SMBC's oversight system for undertaking flexible and efficient control of credit risk and ensuring the overall soundness of the bank'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

SMBC 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 the scope of capital

To keep credit risk exposure to a permissible level relative to capital, SMBC sets "credit risk capital limit" for internal control purposes. Under these limits, separate guidelines are issued for each business unit and marketing unit. SMBC 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 a bank's capital significantly, SMBC 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, SMBC also has credit limit guidelines based on each country's creditworthiness.

- Greater understanding of actual corporate conditions and balancing returns and risks

SMBC 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) level.

- Reduction and prevention of non-performing loans

For non-performing loans and potential non-performing loans, SMBC 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 regards 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 regards 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 whom SMBC frequently conducts derivative transactions, measures such as a close-out netting provision, which provide that offsetting credit exposures between the two parties will be combined into 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

SMBC 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

At SMBC, important matters such as basic policies for managing market and liquidity risks and risk management framework are determined by the Management Committee and then approved by the Board of Directors.

The aforementioned Corporate Risk Management Dept., which is independent of the business units that directly handle business transactions, manages market and liquidity risks in an integrated manner. The department also monitors market and liquidity risk situations and regularly reports to the Management Committee and the Board of Directors.

Furthermore, SMBC's cross-departmental "ALM Committee" reports on the state of observance of market risk capital and liquidity risk capital limits, and deliberates on administration of ALM policies. SMBC also has a system whereby front-office departments, middle-office departments and back-office departments check each other's work in order to prevent clerical errors, unauthorized transactions, etc.

In addition, SMBC's Internal Audit Unit, 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

SMBC 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.

SMBC 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 of 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), SMBC 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, SMBC 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, SMBC 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, 2016, total VaR of SMBC and its major consolidated subsidiaries was ¥33.6 billion for the banking activities, ¥10.4 billion for the trading activities, and ¥1,247.0 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

At SMBC, funding liquidity risk is managed based on a framework consisting of setting funding gap limits, establishing contingency plans, and maintaining a system of highly liquid supplementary funding sources. A funding gap is the amount of funds needed in the future to cover duration mismatch between required investments and funding resources. SMBC tries to avoid excessive reliance on short-term funds by managing funding gap limits and has established a contingency plan covering emergency action plans such as reducing funding gap limits. In addition, to ensure smooth fulfillment of transactions in face of market turmoil, SMBC holds assets such as U.S. treasuries that can be sold immediately and emergency committed lines as supplemental liquidity.

Moreover, to manage the liquidity risk of marketable instruments, derivative transactions, etc., SMBC 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, 2015 and 2016 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.

	Millions of yen		
March 31, 2015	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks*1	¥ 39,560,074	¥ 39,567,061	¥ 6,986
2) Call loans and bills bought*1	1,326,280	1,327,080	800
3) Receivables under resale agreements	746,431	747,509	1,077
4) Receivables under securities borrowing transactions	6,447,116	6,447,709	593
5) Monetary claims bought*1	4,124,713	4,135,259	10,545
6) Trading assets			
Securities classified as trading purposes	3,117,124	3,117,124	—
7) Money held in trust	1	1	—
8) Securities			
Bonds classified as held-to-maturity	3,397,151	3,417,732	20,580
Other securities	24,959,454	24,959,454	—
9) Loans and bills discounted	75,119,565		
Reserve for possible loan losses*1	(399,864)		
	74,719,701	76,531,750	1,812,049
10) Foreign exchanges*1	1,903,702	1,907,769	4,066
11) Lease receivables and investment assets*1	251,720	253,877	2,157
Total assets	¥160,553,473	¥162,412,329	¥1,858,856
1) Deposits	¥101,503,889	¥101,509,185	¥ 5,295
2) Negotiable certificates of deposit	14,032,798	14,036,179	3,381
3) Call money and bills sold	5,873,123	5,873,118	(5)
4) Payables under repurchase agreements	991,860	991,860	—
5) Payables under securities lending transactions	7,833,219	7,833,219	—
6) Commercial paper	3,352,662	3,352,634	(27)
7) Trading liabilities			
Trading securities sold for short sales	2,164,905	2,164,905	—
8) Borrowed money	8,223,808	8,295,943	72,134
9) Foreign exchanges	1,110,822	1,110,822	—
10) Short-term bonds	545,700	545,700	—
11) Bonds	5,663,566	5,848,698	185,132
12) Due to trust account	718,133	718,133	—
Total liabilities	¥152,014,491	¥152,280,402	¥ 265,910
Derivative transactions*2			
Hedge accounting not applied	¥ 592,316	¥ 592,316	¥ —
Hedge accounting applied	[854,172]	[854,172]	—
Total	¥ [261,856]	¥ [261,856]	¥ —

*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," "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, 2016	Millions of yen: Consolidated balance sheet amount	Millions of yen: Fair value	Millions of yen: Net unrealized gains (losses)
1) Cash and due from banks*1	¥ 42,581,421	¥ 42,588,696	¥ 7,274
2) Call loans and bills bought*1	1,290,196	1,291,525	1,329
3) Receivables under resale agreements	494,949	494,867	(82)
4) Receivables under securities borrowing transactions*1	7,963,969	7,964,307	337
5) Monetary claims bought*1	4,179,131	4,188,851	9,719
6) Trading assets			
Securities classified as trading purposes	3,551,698	3,551,698	—
7) Money held in trust	3	3	—
8) Securities			
Bonds classified as held-to-maturity	2,267,598	2,284,166	16,568
Other securities	21,874,526	21,874,526	—
9) Loans and bills discounted	77,331,124		
Reserve for possible loan losses*1	(355,975)		
	76,975,149	79,119,900	2,144,751
10) Foreign exchanges*1	1,574,079	1,576,439	2,359
11) Lease receivables and investment assets*1	269,151	245,365	(23,785)
Total assets	¥163,021,875	¥165,180,348	¥2,158,472
1) Deposits	¥111,238,673	¥111,242,624	¥ 3,951
2) Negotiable certificates of deposit	14,740,434	14,748,203	7,769
3) Call money and bills sold	1,220,455	1,220,455	(0)
4) Payables under repurchase agreements	1,761,822	1,761,822	—
5) Payables under securities lending transactions	5,309,003	5,309,003	—
6) Commercial paper	3,018,218	3,018,186	(32)
7) Trading liabilities			
Trading securities sold for short sales	2,191,237	2,191,237	—
8) Borrowed money	8,058,848	8,195,171	136,322
9) Foreign exchanges	1,083,450	1,083,450	—
10) Short-term bonds	367,000	367,000	—
11) Bonds	5,450,145	5,617,072	166,927
12) Due to trust account	944,542	944,542	—
Total liabilities	¥155,383,831	¥155,698,769	¥ 314,937
Derivative transactions*2			
Hedge accounting not applied	¥ 490,888	¥ 490,888	¥ —
Hedge accounting applied	[190,665]	[190,665]	—
Total	¥ 300,223	¥ 300,223	¥ —

*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 on "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 SMBC 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 of benchmark bonds and publicly-offered subordinated bonds 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 2015	2016
Monetary claims bought:		
Monetary claims bought without market prices*1	¥ 2,537	¥ 2,460
Securities:		
Unlisted stocks, etc.*2*4	421,231	217,824
Investments in partnership, etc.*3*4	230,235	217,272
Total	¥654,003	¥437,556

*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 SMBC records net changes in their balance sheets and statements of income.

*4 Unlisted stocks and investments in partnership totaling ¥12,739 million and ¥7,557 million were written-off in the fiscal years ended March 31, 2015 and 2016, respectively.

(4) Redemption schedule of monetary claims and securities with maturities

March 31, 2015	Millions of yen Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits with banks	¥38,313,595	¥ 59,736	¥ 20,911	¥ 1,241
Call loans and bills bought	1,272,265	51,242	3,456	—
Receivables under resale agreements	674,341	72,090	—	—
Receivables under securities borrowing transactions	6,397,326	49,790	—	—
Monetary claims bought	3,233,838	586,345	47,243	221,903
Securities*1	5,644,963	14,427,251	2,305,171	758,126
Bonds classified as held-to-maturity	1,392,417	2,001,567	—	—
Japanese government bonds	1,300,000	1,980,000	—	—
Japanese local government bonds	51,347	16,356	—	—
Japanese corporate bonds	41,070	5,210	—	—
Other	—	—	—	—
Other securities with maturity	4,252,546	12,425,683	2,305,171	758,126
Japanese government bonds	1,715,953	8,893,500	369,500	—
Japanese local government bonds	28,278	21,904	1,224	35
Japanese corporate bonds	452,917	1,585,252	503,625	31,767
Other	2,055,397	1,925,026	1,430,822	726,322
Loans and bills discounted*1*2	15,955,473	29,978,412	10,951,880	9,392,832
Foreign exchanges*1	1,883,491	21,463	—	—
Lease receivables and investment assets*1	37,487	87,962	53,471	13,531
Total	¥73,412,783	¥45,334,295	¥13,382,135	¥10,387,635

*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 Securities: ¥44,260 million, Loans and bills discounted: ¥731,775 million, Foreign exchanges: ¥2,712 million and Lease receivables and investment assets: ¥195 million.

*2 "Loans and bills discounted" without the maturity dates are not included. Such amount is totaled to ¥8,107,246 million at March 31, 2015.

	Millions of yen			
March 31, 2016	**Within 1 year**	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**
Deposits with banks	¥41,578,551	¥ 33,628	¥ 24,213	¥ 1,329
Call loans and bills bought	1,235,295	50,706	5,363	—
Receivables under resale agreements	427,377	67,572	—	—
Receivables under securities borrowing transactions	7,953,168	11,040	—	—
Monetary claims bought	3,194,634	666,850	42,575	235,211
Securities*1	5,120,843	10,853,663	2,040,471	1,712,001
Bonds classified as held-to-maturity	1,093,340	1,172,636	—	—
Japanese government bonds	1,080,000	1,160,000	—	—
Japanese local government bonds	13,340	7,426	—	—
Japanese corporate bonds	—	5,210	—	—
Other	—	—	—	—
Other securities with maturity	4,027,502	9,681,026	2,040,471	1,712,001
Japanese government bonds	1,548,400	6,172,500	11,000	239,400
Japanese local government bonds	12,838	14,197	3,855	33
Japanese corporate bonds	476,283	1,558,301	555,748	96,278
Other	1,989,980	1,936,027	1,469,866	1,376,289
Loans and bills discounted*1*2	16,059,128	30,853,092	12,049,747	9,211,969
Foreign exchanges*1	1,572,622	2,557	—	—
Lease receivables and investment assets*1	21,662	67,708	40,033	67,596
Total	¥77,163,285	¥42,606,820	¥14,202,405	¥11,228,108

*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 Securities: ¥33,152 million, Loans and bills discounted: ¥599,951 million, Foreign exchanges: ¥1,987 million and Lease receivables and investment assets: ¥110 million

*2 "Loans and bills discounted" without the maturity dates are not included. Such amount is totaled to ¥8,555,723 million at March 31, 2016.

(5) Redemption schedule of bonds, borrowed money and other interest-bearing debts

	Millions of yen			
March 31, 2015	**Within 1 year**	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**
Deposits*	¥ 96,373,495	¥4,284,589	¥ 497,816	¥ 347,987
Negotiable certificates of deposit	13,725,626	304,980	2,170	20
Call money and bills sold	5,873,123	—	—	—
Payables under repurchase agreements	991,860	—	—	—
Payables under securities lending transactions	7,833,219	—	—	—
Commercial paper	3,352,662	—	—	—
Borrowed money	6,214,936	608,033	973,730	427,108
Foreign exchanges	1,110,822	—	—	—
Short-term bonds	545,700	—	—	—
Bonds	946,248	2,628,607	1,666,632	426,306
Due to trust account	718,133	—	—	—
Total	¥137,685,830	¥7,826,212	¥3,140,349	¥1,201,422

* Demand deposits are included in "Within 1 year." Deposits include current deposits.

	Millions of yen			
March 31, 2016	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits*	¥106,224,923	¥4,098,026	¥ 468,420	¥ 447,303
Negotiable certificates of deposit	14,230,528	506,777	3,125	1
Call money and bills sold	1,219,196	1,259	—	—
Payables under repurchase agreements	1,761,822	—	—	—
Payables under securities lending transactions	5,309,003	—	—	—
Commercial paper	3,018,218	—	—	—
Borrowed money	4,855,063	878,534	1,560,003	765,246
Foreign exchanges	1,083,450	—	—	—
Short-term bonds	367,000	—	—	—
Bonds	899,979	2,832,512	1,338,050	383,106
Due to trust account	944,542	—	—	—
Total	¥139,913,728	¥8,317,109	¥3,369,600	¥1,595,658

* 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 2015	2016
Valuation gains (losses) included in the earnings for the fiscal year	¥71,730	¥(32,720)

2. Bonds classified as held-to-maturity

March 31, 2015	Millions of yen Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with unrealized gains:			
Japanese government bonds	¥3,283,044	¥3,303,228	¥20,183
Japanese local government bonds	67,843	68,065	221
Japanese corporate bonds	46,263	46,438	175
Other	—	—	—
Subtotal	3,397,151	3,417,732	20,580
Bonds with unrealized losses:			
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	¥3,397,151	¥3,417,732	¥20,580

March 31, 2016	Millions of yen Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with unrealized gains:			
Japanese government bonds	¥2,241,546	¥2,258,065	¥16,518
Japanese local government bonds	16,460	16,485	25
Japanese corporate bonds	5,202	5,230	27
Other	—	—	—
Subtotal	2,263,208	2,279,780	16,572
Bonds with unrealized losses:			
Japanese government bonds	—	—	—
Japanese local government bonds	4,389	4,385	(3)
Japanese corporate bonds	—	—	—
Other	—	—	—
Subtotal	4,389	4,385	(3)
Total	¥2,267,598	¥2,284,166	¥16,568

3. Other securities

	Millions of yen		
March 31, 2015	**Consolidated balance sheet amount**	**Acquisition cost**	**Net unrealized gains (losses)**
Other securities with unrealized gains:			
Stocks	¥ 3,801,421	¥ 1,734,437	¥2,066,983
Bonds	11,260,652	11,199,812	60,839
Japanese government bonds	8,953,782	8,935,132	18,649
Japanese local government bonds	49,123	48,842	281
Japanese corporate bonds	2,257,746	2,215,837	41,908
Other	5,891,481	5,506,447	385,034
Subtotal	20,953,555	18,440,697	2,512,857
Other securities with unrealized losses:			
Stocks	115,005	133,626	(18,620)
Bonds	2,439,587	2,450,396	(10,808)
Japanese government bonds	2,053,203	2,058,883	(5,680)
Japanese local government bonds	3,026	3,039	(12)
Japanese corporate bonds	383,358	388,473	(5,114)
Other	2,059,397	2,078,511	(19,113)
Subtotal	4,613,990	4,662,533	(48,542)
Total	¥25,567,546	¥23,103,231	¥2,464,314

Notes: 1. Net unrealized gains (losses) on other securities shown above include gains of ¥29,870 million for the fiscal year ended March 31, 2015 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, 2015	**Millions of yen**
Stocks	¥280,354
Other	373,649
Total	¥654,003

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.

March 31, 2016	Millions of yen Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other securities with unrealized gains:			
Stocks	¥ 3,141,042	¥ 1,565,561	¥1,575,480
Bonds	9,871,549	9,760,136	111,413
Japanese government bonds	7,380,250	7,317,408	62,842
Japanese local government bonds	26,353	26,195	157
Japanese corporate bonds	2,464,945	2,416,532	48,413
Other	5,188,114	5,036,380	151,734
Subtotal	18,200,706	16,362,077	1,838,629
Other securities with unrealized losses:			
Stocks	270,332	318,243	(47,911)
Bonds	1,021,041	1,023,265	(2,223)
Japanese government bonds	724,800	725,202	(402)
Japanese local government bonds	4,867	4,885	(17)
Japanese corporate bonds	291,373	293,177	(1,803)
Other	3,126,987	3,192,529	(65,542)
Subtotal	4,418,361	4,534,039	(115,677)
Total	¥22,619,068	¥20,896,116	¥1,722,951

Notes: 1. Net unrealized gains (losses) on other securities shown above include gains of ¥871 million for the fiscal year ended March 31, 2016 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, 2016	Millions of yen
Stocks	¥192,889
Other	244,667
Total	¥437,556

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, 2015

There are no corresponding transactions.

Fiscal year ended March 31, 2016

There are no corresponding transactions.

5. Other securities sold during the fiscal year

	Millions of yen		
Year ended March 31, 2015	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 101,785	¥ 42,494	¥ (1,023)
Bonds	13,391,570	9,373	(5,699)
Japanese government bonds	13,142,974	8,939	(5,593)
Japanese local government bonds	63,699	37	(94)
Japanese corporate bonds	184,896	396	(11)
Other	14,266,544	96,964	(16,739)
Total	¥27,759,899	¥148,832	¥(23,462)

	Millions of yen		
Year ended March 31, 2016	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 159,430	¥ 41,080	¥ (2,740)
Bonds	12,304,977	25,883	(1,520)
Japanese government bonds	12,079,605	25,531	(237)
Japanese local government bonds	61,407	23	(98)
Japanese corporate bonds	163,963	329	(1,185)
Other	10,153,955	117,278	(28,467)
Total	¥22,618,363	¥184,242	¥(32,728)

6. Change of classification of securities

Fiscal year ended March 31, 2015

There are no significant corresponding transactions to be disclosed.

Fiscal year ended March 31, 2016

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, 2015 and 2016 were ¥5,992 million and ¥4,834 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, 2015

There are no corresponding transactions.

Fiscal year ended March 31, 2016

There are no corresponding transactions.

2. Money held in trust classified as held-to-maturity

Fiscal year ended March 31, 2015

There are no corresponding transactions.

Fiscal year ended March 31, 2016

There are no corresponding transactions.

3. Other money held in trust

	Millions of yen		
March 31, 2015	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥1	¥1	—

	Millions of yen		
March 31, 2016	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥3	¥3	—

(Notes to net unrealized gains (losses) on other securities and other money held in trust)

The breakdown of "Net unrealized gains (losses) on other securities" reported on the consolidated balance sheets is as shown below:

March 31, 2015	Millions of yen
Net unrealized gains (losses)	¥2,434,453
Other securities	2,434,453
Other money held in trust	—
(-) Deferred tax liabilities	658,270
Net unrealized gains (losses) on other securities (before following adjustments)	1,776,183
(-) Non controlling interests	20,970
(+) SMBC's interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates	1,681
Net unrealized gains (losses) on other securities	¥1,756,894

Notes: 1. Net unrealized gains of ¥29,870 million for the fiscal year ended March 31, 2015 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.

March 31, 2016	Millions of yen
Net unrealized gains (losses)	¥1,722,065
Other securities	1,722,065
Other money held in trust	—
(-) Deferred tax liabilities	449,277
Net unrealized gains (losses) on other securities (before following adjustments)	1,272,788
(-) Non controlling interests	17,772
(+) SMBC's interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates	861
Net unrealized gains (losses) on other securities	¥1,255,877

Notes: 1. Net unrealized gains of ¥871 million for the fiscal year ended March 31, 2016 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

	Millions of yen			
	Contract amount			Valuation
March 31, 2015	Total	Over 1 year	Fair value	gains (losses)
Listed				
Interest rate futures:				
Sold	¥ 72,417,655	¥ 27,182,460	¥ (63,824)	¥ (63,824)
Bought	70,808,254	25,824,043	58,948	58,948
Interest rate options:				
Sold	345,874	36,168	(110)	(110)
Bought	36,305,940	16,041,662	6,990	6,990
Over-the-counter				
Forward rate agreements:				
Sold	6,869,797	35,565	606	606
Bought	6,747,669	377,473	(604)	(604)
Interest rate swaps:	449,415,886	374,586,344	124,031	124,031
Receivable fixed rate/payable floating rate	211,589,587	176,495,486	6,138,876	6,138,876
Receivable floating rate/payable fixed rate	209,578,804	175,966,222	(6,018,949)	(6,018,949)
Receivable floating rate/payable floating rate	28,142,407	22,028,051	(2,593)	(2,593)
Interest rate swaptions:				
Sold	3,595,666	2,228,852	19,802	19,802
Bought	2,131,049	1,590,233	(12,738)	(12,738)
Caps:				
Sold	21,514,098	16,330,540	(18,189)	(18,189)
Bought	7,165,728	5,603,385	(4,231)	(4,231)
Floors:				
Sold	594,392	417,517	(533)	(533)
Bought	98,034	98,034	2,659	2,659
Other:				
Sold	1,004,262	885,363	(6,496)	(6,496)
Bought	3,924,935	3,249,593	9,944	9,944
Total	/	/	¥ 116,255	¥ 116,255

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.

	Millions of yen			
	Contract amount			Valuation
March 31, 2016	Total	Over 1 year	Fair value	gains (losses)
Listed				
Interest rate futures:				
Sold	¥ 63,471,276	¥ 7,435,505	¥ (79,505)	¥ (79,505)
Bought	57,572,037	4,357,650	75,639	75,639
Interest rate options:				
Sold	44,716	24,106	(8)	(8)
Bought	33,993,010	14,119,537	6,597	6,597
Over-the-counter				
Forward rate agreements:				
Sold	7,874,784	148,664	(1,288)	(1,288)
Bought	7,963,487	220,176	1,352	1,352
Interest rate swaps:	396,757,600	332,313,682	176,262	176,262
Receivable fixed rate/payable floating rate	183,971,638	154,668,295	6,357,878	6,357,878
Receivable floating rate/payable fixed rate	180,604,918	151,380,739	(6,206,980)	(6,206,980)
Receivable floating rate/payable floating rate	32,055,448	26,092,014	14,589	14,589
Interest rate swaptions:				
Sold	4,681,782	2,792,669	(7,029)	(7,029)
Bought	3,416,990	2,680,830	(22,676)	(22,676)
Caps:				
Sold	27,745,929	20,292,051	(13,737)	(13,737)
Bought	8,098,947	6,390,955	(6,724)	(6,724)
Floors:				
Sold	623,291	431,693	(596)	(596)
Bought	275,954	274,754	4,193	4,193
Other:				
Sold	1,412,146	1,128,576	(433)	(433)
Bought	5,480,980	4,930,203	484	484
Total	/	/	¥ 132,529	¥ 132,529

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 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

	Millions of yen			
	Contract amount			
March 31, 2015	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Currency futures:				
Sold	¥ 80,931	¥ —	¥ 180	¥ 180
Bought	497	—	0	0
Over-the-counter				
Currency swaps	27,031,054	20,118,327	693,697	10,189
Currency swaptions:				
Sold	308,906	304,563	(559)	(559)
Bought	451,270	443,519	(397)	(397)
Forward foreign exchange	62,569,233	5,225,986	(141,367)	(141,367)
Currency options:				
Sold	2,723,327	1,495,074	(181,167)	(181,167)
Bought	2,395,875	1,248,848	121,468	121,468
Total	/	/	¥ 491,854	¥(191,654)

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.

	Millions of yen			
	Contract amount			
March 31, 2016	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Currency futures:				
Sold	¥ 658	¥ —	¥ 17	¥ 17
Bought	32	—	0	0
Over-the-counter				
Currency swaps	33,799,837	24,283,618	385,554	14,018
Currency swaptions:				
Sold	621,538	576,940	(5,697)	(5,697)
Bought	785,064	735,396	5,823	5,823
Forward foreign exchange	56,820,006	7,266,262	7,718	7,718
Currency options:				
Sold	2,692,132	1,560,230	(138,718)	(138,718)
Bought	2,558,291	1,381,862	112,318	112,318
Total	/	/	¥ 367,016	¥ (4,518)

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

	Millions of yen			
	Contract amount			
March 31, 2015	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Equity price index futures:				
Sold	¥995,570	¥ —	¥(11,329)	¥(11,329)
Bought	276,854	—	6,702	6,702
Equity price index options:				
Sold	169,626	68,750	(16,412)	(16,412)
Bought	153,922	59,715	11,545	11,545
Over-the-counter				
Equity options:				
Sold	225,859	218,338	(23,558)	(23,558)
Bought	233,896	218,338	24,976	24,976
Equity index forward contracts:				
Sold	16,717	—	126	126
Bought	33,481	499	500	500
Equity price index swaps:				
Receivable equity index/payable short-term floating rate	31,690	31,225	(1,262)	(1,262)
Receivable short-term floating rate/payable equity index	59,675	58,570	1,942	1,942
Total	/	/	¥ (6,768)	¥ (6,768)

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.

	Millions of yen			
	Contract amount			
March 31, 2016	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Equity price index futures:				
Sold	¥738,670	¥ —	¥ (4,369)	¥ (4,369)
Bought	350,066	23,912	804	804
Equity price index options:				
Sold	210,655	118,394	(19,470)	(19,470)
Bought	146,355	67,456	8,517	8,517
Over-the-counter				
Equity options:				
Sold	225,296	207,647	(20,896)	(20,896)
Bought	220,558	209,864	20,609	20,609
Equity index forward contracts:				
Sold	4,236	—	152	152
Bought	7,722	400	333	333
Equity price index swaps:				
Receivable equity index/payable short-term floating rate	65,728	51,288	(12,612)	(12,612)
Receivable short-term floating rate/payable equity index	136,471	113,501	21,211	21,211
Total	/	/	¥ (5,721)	¥ (5,721)

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, 2015	Millions of yen			
	Contract amount			
	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Bond futures:				
Sold	¥3,247,523	¥ —	¥(23,131)	¥(23,131)
Bought	2,667,181	—	15,828	15,828
Bond futures options:				
Sold	38,448	—	(40)	(40)
Bought	39,048	—	107	107
Over-the-counter				
Bond options:				
Sold	39,607	—	(123)	(123)
Bought	174,030	134,394	655	655
Total	/	/	¥ (6,704)	¥ (6,704)

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, 2016	Millions of yen			
	Contract amount			
	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Bond futures:				
Sold	¥2,876,486	¥ —	¥(11,457)	¥(11,457)
Bought	2,532,336	—	10,038	10,038
Bond futures options:				
Sold	158,794	—	(362)	(362)
Bought	31,426	—	26	26
Over-the-counter				
Bond options:				
Sold	455,731	—	(11)	(11)
Bought	382,507	119,292	737	737
Total	/	/	¥ (1,028)	¥ (1,028)

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

	Millions of yen			
	Contract amount			
March 31, 2015	**Total**	**Over 1 year**	**Fair value**	**Valuation gains (losses)**
Listed				
Commodity futures:				
Sold	¥ 14,001	¥ —	¥ 1,546	¥ 1,546
Bought	15,703	—	(2,183)	(2,183)
Over-the-counter				
Commodity swaps:				
Receivable fixed price/payable floating price	111,581	72,095	7,608	7,608
Receivable floating price/payable fixed price	87,933	62,634	(5,971)	(5,971)
Receivable floating price/payable floating price	3,922	3,384	(132)	(132)
Commodity options:				
Sold	15,529	13,787	(506)	(506)
Bought	9,095	7,946	(108)	(108)
Total	/	/	¥ 253	¥ 253

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.

	Millions of yen			
	Contract amount			
March 31, 2016	**Total**	**Over 1 year**	**Fair value**	**Valuation gains (losses)**
Listed				
Commodity futures:				
Sold	¥ 7,458	¥ —	¥ 377	¥ 377
Bought	7,841	—	(590)	(590)
Over-the-counter				
Commodity swaps:				
Receivable fixed price/payable floating price	82,658	54,945	21,539	21,539
Receivable floating price/payable fixed price	80,511	52,227	(19,680)	(19,680)
Receivable floating price/payable floating price	3,141	3,061	299	299
Commodity options:				
Sold	19,191	16,972	(967)	(967)
Bought	15,141	13,044	(1)	(1)
Total	/	/	¥ 975	¥ 975

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, 2015	Millions of yen			
	Contract amount			
	Total	Over 1 year	Fair value	Valuation gains (losses)
Over-the-counter				
Credit default options:				
Sold	¥491,723	¥397,171	¥ 6,882	¥ 6,882
Bought	652,486	520,233	(9,456)	(9,456)
Total	/	/	¥(2,574)	¥(2,574)

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, 2016	Millions of yen			
	Contract amount			
	Total	Over 1 year	Fair value	Valuation gains (losses)
Over-the-counter				
Credit default options:				
Sold	¥583,300	¥482,110	¥ 3,336	¥ 3,336
Bought	765,485	611,156	(6,221)	(6,221)
Total	/	/	¥(2,885)	¥(2,885)

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, 2015

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen		
			Contract amount		
			Total	Over 1 year	Fair value
Deferral hedge method	Interest futures:	Interest-earning/			
	Sold	bearing financial	¥ 9,431,618	¥ 6,067,453	¥ (5,029)
	Bought	assets/liabilities	1,300,300	—	(41)
	Interest rate swaps:	such as loans and			
	Receivable fixed rate/payable	bills discounted,			
	floating rate	other securities,	31,042,631	26,461,484	718,262
	Receivable floating rate/payable	deposits and			
	fixed rate	negotiable	16,384,006	14,856,496	(658,221)
	Receivable floating rate/payable	certificates of			
	floating rate	deposit	3,604	—	4
	Interest rate swaptions:				
	Sold		12,344	12,344	89
	Bought		—	—	—
	Caps:				
	Sold		65,156	61,248	135
	Bought		65,156	61,248	(135)
Recognition of gain or loss on the hedged items	Interest rate swaps: Receivable floating rate/payable fixed rate	Loans and bills discounted	148,693	91,040	728
Special treatment for interest rate swaps	Interest rate swaps: Receivable floating rate/payable fixed rate	Loans and bills discounted; borrowed money	123,402	112,566	(Note 3)
	Total		/	/	¥ 55,792

Notes: 1. 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).

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, 2016

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen — Contract amount — Total	Over 1 year	Fair value
Deferral hedge method	Interest futures:	Interest-earning/			
	Sold	bearing financial	¥ 469,759	¥ 20,000	¥ (853)
	Bought	assets/liabilities	466,100	—	176
	Interest rate swaps:	such as loans and			
	Receivable fixed rate/ payable floating rate	bills discounted, other securities, deposits	30,806,710	27,874,743	873,379
	Receivable floating rate/ payable fixed rate	and negotiable certificates of deposit	16,691,371	15,468,649	(729,680)
	Receivable floating rate/ payable floating rate		—	—	—
	Interest rate swaptions:				
	Sold		75,230	75,230	4,382
	Bought		—	—	—
	Caps:				
	Sold		61,472	50,267	5
	Bought		61,472	50,267	(5)
Recognition of gain or loss on the hedged items	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	121,347	118,381	(4,850)
Special treatment for interest rate swaps	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted; borrowed money, corporate bonds	136,722	124,014	(Note 3)
	Total		/	/	¥ 142,552

Notes: 1. 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).

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, 2015

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen — Contract amount — Total	Over 1 year	Fair value
Deferral hedge method	Currency swaps	Foreign currency denominated loans and bills discounted, other securities, deposits, foreign currency exchange, etc.	¥6,715,292	¥4,762,555	¥(912,620)
	Forward foreign exchange		8,547	—	(38)
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted, foreign exchange	100,155	84,886	16,193
	Forward foreign exchange		813,122	16,526	(173)
	Total		/	/	¥(896,638)

Notes: 1. SMBC applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing Concerning Accounting Standard 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.

March 31, 2016

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen: Contract amount Total	Millions of yen: Contract amount Over 1 year	Millions of yen: Fair value
Deferral hedge method	Currency swaps	Foreign currency denominated loans and bills discounted, other securities, deposits, foreign currency exchange, etc.	¥9,577,076	¥4,713,853	¥(364,668)
	Forward foreign exchange		7,769	—	158
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted, foreign exchange	90,378	69,277	22,037
	Forward foreign exchange		494,141	—	8,939
	Total		/	/	¥(333,533)

Notes: 1. SMBC applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing Concerning Accounting Standard 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) Equity derivatives

March 31, 2015

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen: Contract amount Total	Millions of yen: Contract amount Over 1 year	Millions of yen: Fair value
Recognition of gain or loss on the hedged items	Equity price index futures:	Other securities			
	Sold		¥118,375	¥ —	¥ 1,687
	Bought		—	—	—
	Equity price index swaps:				
	Receivable equity index/payable floating rate		—	—	—
	Receivable floating rate/payable equity index		65,978	8,769	(15,013)
	Total		/	/	¥(13,326)

Note: 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.

March 31, 2016

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen: Contract amount Total	Millions of yen: Contract amount Over 1 year	Millions of yen: Fair value
Recognition of gain or loss on the hedged items	Equity price index swaps:	Other securities			
	Receivable equity index/payable floating rate		—	—	—
	Receivable floating rate/payable equity index		9,929	—	315
	Total		/	/	¥315

Note: Fair value is calculated using discounted present value.

(Notes to employee retirement benefits)

1. Outline of employee retirement benefits

SMBC and its 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

	Millions of yen	
Year ended, March 31	2015	2016
Beginning balance of projected benefit obligation	¥1,008,800	¥1,002,768
Cumulative effects of changes in accounting policies	(46,849)	—
Restated balance	961,950	1,002,768
Service cost	26,747	29,502
Interest cost on projected benefit obligation	12,886	10,804
Unrecognized net actuarial gain or loss incurred	49,062	106,156
Payments of retirement benefits	(48,084)	(49,008)
Unrecognized prior service cost	—	(33)
Net change as a result of business combinations	—	13,477
Other	206	(2,789)
Ending balance of projected benefit obligation	¥1,002,768	¥1,110,877

(2) Reconciliation of beginning and ending balances of plan assets

	Millions of yen	
Year ended, March 31	2015	2016
Beginning balance of plan assets	¥1,110,022	¥1,358,080
Expected return on plan assets	33,367	38,260
Unrecognized net actuarial gain or loss incurred	209,660	(90,362)
Contributions by the employer	44,070	41,614
Payments of retirement benefits	(39,842)	(65,242)
Net change as a result of business combinations	—	12,281
Other	801	(2,961)
Ending balance of plan assets	¥1,358,080	¥1,291,670

(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

	Millions of yen	
March 31	**2015**	**2016**
Funded projected benefit obligation	¥ (993,419)	¥(1,100,810)
Plan assets	1,358,080	1,291,670
	364,660	190,859
Unfunded projected benefit obligation	(9,349)	(10,066)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 355,311	¥ 180,792

	Millions of yen	
March 31	**2015**	**2016**
Net defined benefit asset	¥367,953	¥198,637
Net defined benefit liability	(12,641)	(17,844)
Net amount of asset and liability reported on the consolidated balance sheet	¥355,311	¥180,792

(4) Pension expenses

	Millions of yen	
Year ended March 31	**2015**	**2016**
Service cost	¥ 26,747	¥ 29,502
Interest cost on projected benefit obligation	12,886	10,804
Expected return on plan assets	(33,367)	(38,260)
Amortization of unrecognized net actuarial gain or loss	23,032	32,354
Amortization of unrecognized prior service cost	41	(3)
Other (nonrecurring additional retirement allowance paid and other)	6,455	5,370
Pension expenses	¥ 35,794	¥ 39,769

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:

	Millions of yen	
Year ended March 31	**2015**	**2016**
Prior service cost	¥ (41)	¥ (30)
Net actuarial gain or loss	(183,636)	164,135
Total	¥(183,678)	¥164,105

(6) Accumulated remeasurements of defined benefit plans

The breakdown of "Accumulated remeasurements of defined benefit plans" (before deducting tax effect) is as shown below:

	Millions of yen	
March 31	**2015**	**2016**
Unrecognized prior service cost	¥ 21	¥ (8)
Unrecognized net actuarial gain or loss	(66,754)	97,381
Total	¥(66,732)	¥97,372

(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	2015	2016
Stocks	64.2%	62.9%
Bonds	20.7%	26.7%
Other	15.1%	10.4%
Total	100.0%	100.0%

Note: The retirement benefit trusts set up for employee pension plans and lump-sum severance indemnity plans account for 39.2% and 35.2% of the total plan assets at March 31, 2015 and 2016, 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, 2015	Percentages	Year ended March 31, 2016	Percentages
SMBC and its domestic consolidated subsidiaries	0.4% to 1.4%	SMBC and its domestic consolidated subsidiaries	(0.1)% to 0.8%
Overseas consolidated subsidiaries	3.1% to 12.0%	Overseas consolidated subsidiaries	3.3% to 12.8%

2) Long-term expected rate of return on plan assets

Year ended March 31, 2015	Percentages	Year ended March 31, 2016	Percentages
SMBC and its domestic consolidated subsidiaries	0% to 4.0%	SMBC and its domestic consolidated subsidiaries	0% to 4.0%
Overseas consolidated subsidiaries	3.1% to 12.0%	Overseas consolidated subsidiaries	3.5% to 12.8%

3. Defined contribution plan

Fiscal year ended March 31, 2015

The amount required to be contributed by the consolidated subsidiaries is ¥5,988 million.

Fiscal year ended March 31, 2016

The amount required to be contributed by the consolidated subsidiaries is ¥6,256 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, 2015 and 2016 are as follows:

Year ended March 31	Millions of yen 2015	2016
General and administrative expenses	¥56	¥57

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, 2015 and 2016 are as follows:

Year ended March 31	Millions of yen 2015	2016
Other income	¥14	¥6

3. Outline of stock options and changes

(1) Consolidated subsidiary, KUBC

1) Outline of stock options

Date of resolution	June 29, 2005	June 29, 2006	June 29, 2006	June 28, 2007
Title and number of grantees	Directors and employees 183	Directors 9	Officers not doubling as directors 14 Employees 46	Directors 10
Number of stock options*	Common shares 46,400	Common shares 16,200	Common shares 11,500	Common shares 17,400
Grant date	July 29, 2005	July 31, 2006	July 31, 2006	July 31, 2007
Condition for vesting	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.
Exercise period	June 30, 2007 to June 29, 2015	June 30, 2008 to June 29, 2016	June 30, 2008 to June 29, 2016	June 29, 2009 to June 28, 2017

Date of resolution	June 28, 2007	June 27, 2008	June 26, 2009
Title and number of grantees	Officers not doubling as directors 14 Employees 48	Directors 9 Officers not doubling as directors 16 Employees 45	Directors 11 Officers not doubling as directors 14 Employees 57
Number of stock options*	Common shares 11,200	Common shares 28,900	Common shares 35,000
Grant date	July 31, 2007	July 31, 2008	July 31, 2009
Condition for vesting	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.
Exercise period	June 29, 2009 to June 28, 2017	June 28, 2010 to June 27, 2018	June 27, 2011 to June 26, 2019

* Number of stock options has been converted and stated as the number of shares in consideration of the reverse stock split to combine 10 common shares as one share, performed on October 1, 2014.

2) Stock options granted and changes

(a) Number of stock options

Date of resolution	Number of stock options June 29, 2005	June 29, 2006	June 29, 2006	June 28, 2007	June 28, 2007	June 27, 2008	June 26, 2009
Before vested							
Previous fiscal year-end	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—	—
After vested							
Previous fiscal year-end	22,600	6,200	5,700	7,800	7,000	22,700	31,900
Vested	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—
Forfeited	22,600	—	1,700	—	1,900	2,700	3,100
Exercisable	—	6,200	4,000	7,800	5,100	20,000	28,800

Note: Number of stock options has been converted and stated as the number of shares in consideration of the reverse stock split to combine 10 common shares as one share, performed on October 1, 2014.

(b) Price information

Date of resolution	Yen June 29, 2005	June 29, 2006	June 29, 2006	June 28, 2007	June 28, 2007	June 27, 2008	June 26, 2009
Exercise price	¥3,130	¥4,900	¥4,900	¥4,610	¥4,610	¥3,020	¥1,930
Average exercise price	—	—	—	—	—	—	—
Fair value at the grant date	—	1,380	1,380	960	960	370	510

3) Method of estimating the 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.

(2) Consolidated subsidiary, MINATO

1) Outline of stock options

Date of resolution	June 28, 2012	June 27, 2013	June 27, 2014
Title and number of grantees	Directors 7 Officers 12	Directors 7 Officers 12	Directors 7 Officers 16
Number of stock options*	Common shares 368,000	Common shares 334,000	Common shares 320,000
Grant date	July 20, 2012	July 19, 2013	July 18, 2014
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 or executive officer of MINATO.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director or executive officer of MINATO.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director or executive officer of MINATO.

Date of resolution	June 28, 2012	June 27, 2013	June 27, 2014
Requisite service period	June 28, 2012 to the closing of the ordinary general meeting of shareholders of MINATO for the fiscal year ended March 31, 2013.	June 27, 2013 to the closing of the ordinary general meeting of shareholders of MINATO for the fiscal year ended March 31, 2014.	June 27, 2014 to the closing of the ordinary general meeting of shareholders of MINATO for the fiscal year ended March 31, 2015
Exercise period	July 21, 2012 to July 20, 2042	July 20, 2013 to July 19, 2043	July 19, 2014 to July 18, 2044

Date of resolution	June 26, 2015
Title and number of grantees	Directors 7 Officers 17
Number of stock options*	Common shares 200,000
Grant date	July 17, 2015
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 or executive officer of MINATO.
Requisite service period	June 26, 2015 to the closing of the ordinary general meeting of shareholders of MINATO for the fiscal year ended March 31, 2016.
Exercise period	July 18, 2015 to July 17, 2045

* Number of stock options has been converted and stated as number of shares.

2) Stock options granted and changes

(a) Number of stock options

	Number of stock options			
Date of resolution	June 28, 2012	June 27, 2013	June 27, 2014	June 26, 2015
Before vested				
Previous fiscal year-end	202,000	223,000	262,000	—
Granted	—	—	—	200,000
Forfeited	—	—	6,000	5,000
Vested	71,000	81,000	70,000	19,000
Outstanding	131,000	142,000	186,000	176,000
After vested				
Previous fiscal year-end	143,000	105,000	46,000	—
Vested	71,000	81,000	70,000	19,000
Exercised	—	—	—	—
Forfeited	—	—	—	—
Exercisable	214,000	186,000	116,000	19,000

Note: Number of stock options has been converted and stated as number of shares.

(b) Price information

Date of resolution	Yen			
	June 28, 2012	June 27, 2013	June 27, 2014	June 26, 2015
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
Average exercise price	—	—	—	—
Fair value at the grant date	132	166	181	309

3) Valuation technique used for valuating fair value of stock options

Stock options granted in the fiscal year were valuated using the following valuation technique.

(a) Valuation technique: Black-Scholes option-pricing model

(b) Principal parameters used in the option-pricing model

Date of resolution	June 26, 2015
Expected volatility*1	24.38%
Average expected life*2	2 years
Expected dividends*3	¥ 5 per share
Risk-free interest rate*4	0.005%

*1 Calculated based on the actual stock prices during 2 years from July 18, 2013 to July 17, 2015.

*2 The average expected life could not be estimated rationally due to insufficient amount of data. Therefore, it was estimated based on average tenures of officers of MINATO.

*3 Expected dividends are based on the actual dividends on common stock for the fiscal year ended March 31, 2015.

*4 Japanese government bond yield corresponding to the average expected life.

4) Method of estimating the 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, 2015	Millions of yen
Deferred tax assets:	
Reserve for possible loan losses and write-off of loans	¥ 233,406
Write-off of securities	121,715
Net defined benefit liability	27,370
Net operating loss carryforwards	18,947
Deferred losses on hedges	11,564
Other	122,612
Subtotal	535,616
Valuation allowance	(189,795)
Total deferred tax assets	345,820
Deferred tax liabilities:	
Net unrealized gains on other securities	(660,546)
Gains on securities contributed to employee retirement benefits trust	(33,932)
Leveraged lease	(22,513)
Remeasurements of defined benefit plans	(21,339)
Other	(53,293)
Total deferred tax liabilities	(791,625)
Net deferred tax assets (liabilities)	(445,804)

March 31, 2016	Millions of yen
Deferred tax assets:	
Reserve for possible loan losses and write-off of loans	¥ 195,092
Write-off of securities	123,668
Remeasurements of defined benefit plans	29,860
Net defined benefit liability	25,592
Net operating loss carryforwards	21,589
Other	121,856
Subtotal	517,661
Valuation allowance	(132,458)
Total deferred tax assets	385,203
Deferred tax liabilities:	
Net unrealized gains on other securities	(442,829)
Gains on securities contributed to employee retirement benefits trust	(32,112)
Deferred gains on hedges	(30,151)
Undistributed earnings of subsidiaries	(19,283)
Other	(70,143)
Total deferred tax liabilities	(594,520)
Net deferred tax assets (liabilities)	(209,317)

2. Significant components of difference between the statutory tax rate used by SMBC and the effective income tax rate

March 31, 2015	Percentages
Statutory tax rate	35.57%
Difference between SMBC and overseas consolidated subsidiaries	(2.10)
Dividends exempted for income tax purposes	(2.09)
Valuation allowance	(1.02)
Effects of changes in the corporate income tax rate	1.99
Other	(0.16)
Effective income tax rate	32.19%

March 31, 2016	Percentages
Statutory tax rate	33.00%
Valuation allowance	(11.29)
Difference between SMBC and overseas consolidated subsidiaries	(2.14)
Difference of the scope of taxable income between corporate income tax and enterprise income tax	(1.14)
Dividends exempted for income tax purposes	(0.91)
Effects of changes in the corporate income tax rate	1.45
Equity in losses of affiliates	1.32
Other	(0.83)
Effective income tax rate	19.46%

3. Adjustments to deferred tax assets and liabilities arising from a change in the income tax rate

In accordance with the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 15, 2016) and the Act to Amend the Local Taxation Act, etc. (Act No.13, 2016) on March 29, 2016, the corporate income tax rate is lowered from fiscal years beginning on or after April 1, 2016. As a result of these changes, the effective statutory tax rate used by SMBC for the calculation of deferred tax assets and liabilities was changed from the current rate of 32.20% to 30.81% for temporary differences and other items expected to be realized during the period beginning from the fiscal year beginning on April 1, 2016 or April 1 2017, and to 30.58% for temporary differences and other items expected to be realized in the fiscal year beginning on or after April 1, 2018. As a result of these changes in tax rates, "Net deferred tax assets (liabilities)" increased by ¥14,236 million, "Net unrealized gains (losses) on other securities" increased by ¥23,768 million, "Net deferred gains (losses) on hedges" increased by ¥1,577 million, "Remeasurments of defined benefit plans" increased by ¥1,381 million, and "Income tax deferred" increased by ¥12,510 million before considering about non-controlling interests. "Deferred tax liabilities for land revaluation excess" decreased by ¥1,705 million, while "Land revaluation excess" increased by the same amount before considering about non-controlling interests.

(Notes to asset retirement obligations)

Fiscal year ended March 31, 2015

There is no significant information to be disclosed.

Fiscal year ended March 31, 2016

There is no significant information to be disclosed.

(Notes to real estate for rent)

Fiscal year ended March 31, 2015

There is no significant information to be disclosed.

Fiscal year ended March 31, 2016

There is no significant information to be disclosed.

(Notes to segment and other related information)

[Segment information]

1. Summary of reportable segment

SMBC 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 SMBC's Management Committee regularly in order to make decisions about resources to be allocated to the segment and assess its performance.

Besides commercial banking, SMBC Group companies conduct businesses such as leasing, securities, credit card, and system development and data processing. The primary businesses, "Commercial banking" and "Securities," are separate reportable segments, and other businesses are aggregated as "Other business."

SMBC assesses business performance by classifying "Commercial banking" into the following 4 business units: "Wholesale banking unit," "Retail banking unit" and "International banking unit" that are based on the client segment, and "Treasury unit" that is based on the financial markets.

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)."

SMBC does not assess assets by business segments.

3. Information on profit and loss amount by reportable segment

	Millions of yen							
	Commercial banking							
	SMBC							
Year ended March 31, 2015	SMBC Sub-total	Wholesale Banking Unit	Retail Banking Unit	International Banking Unit	Treasury Unit	Head office account	Others	Total
Gross profit	¥1,634,284	¥ 555,429	¥ 386,784	¥ 345,332	¥353,990	¥ (7,250)	¥ 289,397	¥1,923,682
Interest income	1,121,428	315,796	313,171	227,808	212,361	52,292	171,222	1,292,650
Non-interest income	512,856	239,633	73,613	117,524	141,629	(59,542)	118,175	631,032
Expenses, etc.	(791,211)	(206,778)	(350,047)	(106,637)	(25,918)	(101,831)	(202,923)	(994,135)
Depreciation	(82,976)	(23,281)	(31,317)	(10,195)	(4,682)	(13,501)	(10,041)	(93,018)
Consolidated net business profit	¥ 843,073	¥ 348,651	¥ 36,737	¥ 238,695	¥328,072	¥(109,081)	¥ 86,473	¥ 929,547

	Millions of yen				
	Securities			Other Business	Grand Total
Year ended March 31, 2015	SMBC Nikko	Others	Total		
Gross profit	¥ 346,294	¥ (2,794)	¥ 343,499	¥ 60,619	¥ 2,327,801
Interest income	1,498	1,015	2,513	29,847	1,325,011
Non-interest income	344,796	(3,809)	340,986	30,771	1,002,789
Expenses, etc.	(248,680)	(8,711)	(257,392)	(20,984)	(1,272,512)
Depreciation	(2,720)	(674)	(3,395)	(17,218)	(113,631)
Consolidated net business profit	¥ 97,613	¥(11,506)	¥ 86,107	¥ 39,634	¥ 1,055,289

Notes: 1. Figures shown in the parenthesis represent the loss.

2. "SMBC Nikko" represents non-consolidated figures of SMBC Nikko plus figures of the overseas incorporated securities companies.

3. "Other business" includes profit or loss to be eliminated as inter-segment transactions.

	Millions of yen							
	Commercial banking							
	SMBC							
Year ended March 31, 2016	SMBC Sub-total	Wholesale Banking Unit	Retail Banking Unit	International Banking Unit	Treasury Unit	Head office account	Others	Total
Gross profit	¥1,534,271	¥ 545,350	¥ 372,811	¥ 355,994	¥293,570	¥ (33,453)	¥ 302,987	¥ 1,837,258
Interest income	1,023,576	300,125	302,025	225,437	168,190	27,799	174,431	1,198,007
Non-interest income	510,694	245,225	70,786	130,557	125,380	(61,253)	128,555	639,250
Expenses, etc.	(805,483)	(205,095)	(354,116)	(116,484)	(29,074)	(100,714)	(218,991)	(1,024,475)
Depreciation	(92,376)	(23,592)	(35,577)	(10,934)	(5,473)	(16,800)	(11,597)	(103,974)
Consolidated net business profit	¥ 728,787	¥ 340,255	¥ 18,695	¥ 239,510	¥264,496	¥(134,168)	¥ 83,995	¥ 812,783

	Millions of yen				
	Securities			Other Business	Grand Total
Year ended March 31, 2016	SMBC Nikko	Others	Total		
Gross profit	¥ 316,329	¥ (2,971)	¥ 313,358	¥ 63,478	¥ 2,214,094
Interest income	1,605	1,531	3,137	25,271	1,226,416
Non-interest income	314,724	(4,503)	310,221	38,206	987,678
Expenses, etc.	(255,820)	(8,095)	(263,915)	(63,192)	(1,351,582)
Depreciation	(2,895)	(755)	(3,651)	(20,544)	(128,169)
Consolidated net business profit	¥ 60,509	¥(11,066)	¥ 49,442	¥ 286	¥ 862,512

Notes: 1. Figures shown in the parenthesis represent the loss.
2. "SMBC Nikko" represents non-consolidated figures of SMBC Nikko plus figures of the overseas incorporated securities companies.
3. "Other business" 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, 2015	Millions of yen
Consolidated net business profit	¥1,055,289
Other ordinary income	209,080
Other ordinary expenses (excluding equity in losses of affiliates)	(65,414)
Ordinary profit on consolidated statements of income	¥1,198,955

Year ended March 31, 2016	Millions of yen
Consolidated net business profit	¥ 862,512
Other ordinary income	181,301
Other ordinary expenses (excluding equity in losses of affiliates)	(113,481)
Ordinary profit on consolidated statements of income	¥ 930,332

[Related information]

Fiscal year ended March 31, 2015

1. Information on each service

	Millions of yen			
	Commercial banking	Securities	Other business	Total
Ordinary income to external customers	¥2,616,948	¥443,419	¥139,040	¥3,199,409

Note: Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Geographic information

(1) Ordinary income

Millions of yen				
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total
¥2,358,869	¥314,485	¥181,897	¥344,156	¥3,199,409

Notes: 1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Ordinary income from transactions of SMBC (excluding overseas branches) and domestic consolidated subsidiaries is classified as "Japan." The geographic segmentation is classified based on the location of overseas branches of SMBC and overseas consolidated subsidiaries and the degrees of geographic proximity. Ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries is classified as "The Americas," "Europe and Middle East" and "Asia and Oceania."

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
¥891,551	¥168,423	¥4,383	¥8,848	¥1,073,206

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, 2016

1. Information on each service

	Millions of yen			
	Commercial banking	Securities	Other business	Total
Ordinary income to external customers	¥2,540,375	¥327,631	¥191,014	¥3,059,022

Note: Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Geographic information

(1) Ordinary income

Millions of yen				
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total
¥2,116,802	¥383,485	¥218,458	¥340,275	¥3,059,022

Notes: 1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Ordinary income from transactions of SMBC (excluding overseas branches) and domestic consolidated subsidiaries is classified as "Japan." The geographic segmentation is classified based on the location of overseas branches of SMBC and overseas consolidated subsidiaries and the degrees of geographic proximity. Ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries is classified as "The Americas," "Europe and Middle East" and "Asia and Oceania."

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
¥933,355	¥219,949	¥5,212	¥9,109	¥1,167,627

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]

	Millions of yen			
Year ended March 31, 2015	Commercial Banking	Securities	Other business	Total
Impairment loss	¥4,906	¥173	¥—	¥5,080

	Millions of yen			
Year ended March 31, 2016	Commercial Banking	Securities	Other business	Total
Impairment loss	¥4,076	¥241	¥43	¥4,361

[Information on amortization of goodwill and unamortized balance by reportable segment]

	Millions of yen			
Year ended March 31, 2015	Commercial Banking	Securities	Other business	Total
Amortization of goodwill	¥ 1,945	¥ 9,488	¥23	¥ 11,457
Unamortized balance	21,123	136,155	71	157,350

	Millions of yen			
Year ended March 31, 2016	Commercial Banking	Securities	Other business	Total
Amortization of goodwill	¥ 3,172	¥ 9,488	¥23	¥ 12,683
Unamortized balance	33,352	126,667	47	160,067

[Information on gains on negative goodwill by reportable segment]

Fiscal year ended March 31, 2015

There are no corresponding transactions.

Fiscal year ended March 31, 2016

There is no significant information to be disclosed.

[Information on total credit cost by reportable segment]

	Millions of yen			
Year ended March 31, 2015	Commercial banking	Securities	Other business	Total
Total credit cost	¥(68,299)	¥(200)	¥3,123	¥(65,376)

Notes: 1. Total credit cost = Write-off loans + Losses on sales of delinquent loans – Gains on reversal of reserve for possible loan losses – Recoveries of written-off claims.

2. "Other business" includes profit or loss to be eliminated as inter-segment transactions.

3. Figures shown in the parenthesis represent the reversal of total credit cost.

	Millions of yen			
Year ended March 31, 2016	**Commercial banking**	**Securities**	**Other business**	**Total**
Total credit cost	¥10,333	¥(196)	¥3,764	¥13,901

Notes: 1. Total credit cost = Provision for reserve for possible loan losses + Write-off loans + Losses on sales of delinquent loans – Recoveries of written-off claims.

2. "Other business" includes profit or loss to be eliminated as inter-segment transactions.

3. Figures shown in the parenthesis represent the reversal of total credit cost.

[Information on related parties]

Fiscal year ended March 31, 2015

1. Transactions with related parties

There are no significant transactions to be disclosed.

2. Notes to the parent company or important affiliates

Information on parent company

Sumitomo Mitsui Financial Group, Inc. (listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange and the New York Stock Exchange)

Fiscal year ended March 31, 2016

1. Transactions with related parties

There are no significant transactions to be disclosed.

2. Notes to the parent company or important equity affiliates

Information on parent company

Sumitomo Mitsui Financial Group, Inc. (listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange and the New York Stock Exchange)

(Business Combinations)

<Business combination through acquisition>

The integration of Citibank's retail banking business by SMBC Trust Bank

SMBC Trust Bank Ltd. ("SMBC Trust"), a wholly owned subsidiary of SMFG, succeeded the retail banking business from Citibank Japan Ltd. ("Citibank"), a wholly owned subsidiary of Citigroup Inc., through the absorption-type split on November 1, 2015 (effective 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

Citibank Japan Ltd. (Retail banking business)

(2) Main reasons for the business combination

The acquisition is aimed at achieving sustainable growth at SMFG, through expansion of the customer base with the integration of retail customers acquired from Citibank; further strengthening of overseas operations through the acquisition of approximately 1 trillion yen in foreign currency deposits; and the sharing of expertise in various areas, including foreign currency investment management and marketing.

(3) Date of the business combination

November 1, 2015

(4) Legal form of the business combination

This is an absorption-type split in which SMBC Trust is the successor company.

(5) Name of the entity after the business combination

SMBC Trust Bank Ltd.

(6) Grounds for deciding on the acquirer

SMBC Trust allocated non-voting stocks to Citibank as the consideration of the acquisition.

2. Period of the acquired company's financial result included in the consolidated statements of income of SMBC

From November 1, 2015 to March 31, 2016

3. Acquisition cost and consideration of the acquired business

Consideration	Non-voting stocks (900,000 shares)	¥45,000 million
Acquisition cost		¥45,000 million

Note that SMBC Trust allocated its non-voting stocks to Citibank and SMBC acquired them in cash.

4. Major acquisition-related costs

Advisory fees etc., ¥286 million

5. Amount of goodwill, reason for recognizing goodwill, amortization method and the period

(1) Amount of goodwill

¥14,476 million

(2) Reason for recognizing goodwill

SMBC accounted for the difference between the acquisition cost and fair value of the acquired net assets on the date of the business combination as goodwill.

(3) Amortization method and the period

Straight-line method over 20 years

6. Amounts of assets and liabilities acquired on the date of the business combination

(1) Assets

	Millions of yen
Total assets	2,407,085
Cash and due from banks	2,296,106

(2) Liabilities

	Millions of yen
Total liabilities	2,376,561
Deposits	2,361,907

7. The amounts allocated to intangible fixed assets other than goodwill, breakdown by component and the weighted average amortization period by component

Intangible fixed assets, other than goodwill	¥36,807 million (20 years)
Core deposits	¥27,487 million (20 years)
Assets related to customers	¥ 9,320 million (20 years)

8. Approximate amounts and their calculation method of impact on the consolidated statements of income for the fiscal year ended March 31, 2016, 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)

	Yen	
As of and year ended March 31	2015	2016
Net assets per share	¥84,301.64	¥80,221.39
Earnings per share	6,935.67	6,401.63
Earnings per share (diluted)	6,935.67	6,401.62

Notes: 1. Earnings per share and earnings per share (diluted) are calculated based on the following.

	Millions of yen except number of shares	
Year ended March 31	2015	2016
Earnings per share:		
Profit attributable to owners of parent	¥736,904	¥680,162
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent attributable to common stock	¥736,904	¥680,162
Average number of common stock during the fiscal year (in thousand)	106,248	106,248
Earnings per share (diluted):		
Adjustment for profit attributable to owners of parent	¥ (0)	¥ (0)
Adjustment of dilutive shares issued by subsidiaries and affiliates	(0)	(0)
Increase in number of common stock (in thousand)	—	—
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.

	Millions of yen except number of shares	
March 31	2015	2016
Net assets	¥10,036,003	¥9,446,193
Amounts excluded from Net assets	1,079,089	922,799
Stock acquisition rights	198	249
Non-controlling interests	1,078,891	922,549
Net assets attributable to common stock at the fiscal year-end	¥ 8,956,913	¥8,523,394
Number of common stock at the fiscal year-end used for the calculation of Net assets per share (in thousands)	106,248	106,248

(Significant Subsequent Events)

There is no significant subsequent event to be disclosed.

[Consolidated supplementary financial schedules]

[Schedule of bonds]

			Millions of yen		Percentages		
Company	Type of bonds	Date of issuance	At the beginning of the fiscal year	At the end of the fiscal year	Interest rate (Note 1)	Collat-eral	Date of maturity
SMBC	Short-term bonds, payable in Yen (Note 3)	Mar. 31, 2015	¥25,000 [25,000]	—	—	—	—
	Straight bonds, payable in Yen (Note 3)	Aug. 2004 ~ Sep. 2004	35,000	35,000 [35,000]	(0.03943) ~ (0.03914)	None	Aug. 2016 ~ Sep. 2016
	Straight bonds, payable in Yen (Note 3)	Apr. 2010 ~ Apr. 2014	729,974 [370,000]	359,992 [200,000]	0.254 ~ 0.69	None	Apr. 2016 ~ Apr. 2019
	Straight bonds, payable in Euroyen (Note 3)	May. 8, 2006	500 [500]	—	—	—	—
	Straight bonds, payable in U.S. dollars (Notes 3 and 4)	Jul. 2010 ~ Jan. 2016	2,562,816 ($21,330,140 thousand) [432,540]	2,538,524 ($22,540,617 thousand) [439,218]	0.9411 ~ 4.13	None	Jul. 2016 ~ Mar. 2030
	Subordinated bonds, payable in U.S. dollars (Note 4)	May. 28, 2015	—	73,766 ($655,000 thousand)	4.3	None	May. 30, 2045
	Straight bonds, payable in British pound sterling (Notes 3 and 4)	Mar. 18, 2013	44,502 (£250,000 thousand) [44,502]	—	—	—	—
	Straight bonds, payable in Euro (Note 4)	Jul. 2013 ~ Nov. 2015	259,206 (€1,989,456 thousand)	445,008 (€3,491,084 thousand)	0.085 ~ 2.75	None	Sep. 2017 ~ Jul. 2023
	Straight bonds, payable in Australian dollars (Notes 3 and 4)	Jun. 2012 ~ Aug. 2015	137,981 (A$1,499,469 thousand) [12,882]	131,958 (A$1,529,597 thousand) [53,487]	2.97 ~ 4.13	None	Jun. 2016 ~ Mar. 2025
	Straight bonds, payable in Hong Kong Dollars (Note 4)	Mar. 2015, Apr. 2015	13,392 (HKD 864,000 thousand)	34,348 (HKD 2,364,000 thousand)	2.09 ~ 2.92	None	Apr. 2020 ~ Apr. 2025
	Subordinated bonds, payable in Yen (Note 3)	Aug. 2005 ~ Dec. 2011	583,074 [50,000]	534,321 [70,000]	1.43 ~ 2.8	None	Feb. 2017 ~ Dec. 2026
	Subordinated bonds, payable in Yen	Nov. 2011 ~ Jan. 2013	355,075	355,366	0.87 ~ 1.1	None	Nov. 2021 ~ Feb. 2023
	Subordinated bonds, payable in Euroyen	Jun. 2005 ~ Jun. 2008	12,000	2,000	2.564	None	Jun. 16, 2023
	Subordinated bonds, payable in U. S. dollars (Note 4)	Mar. 1, 2012	178,636 ($1,486,780 thousand)	168,794 ($1,498,795 thousand)	4.85	None	Mar. 1, 2022
	Perpetual subordinated bonds, payable in U. S. dollars (Note 4)	Jul. 22, 2005	39,309 ($327,169 thousand)	—	—	—	—
	Subordinated bonds, payable in Euro (Note 4)	Nov. 9, 2010	97,019 (€744,646 thousand)	94,975 (€745,078 thousand)	4	None	Nov. 9, 2020
	Perpetual subordinated bonds, payable in Euro (Note 4)	Jul. 22, 2005	43,152 (€331,204 thousand)	—	—	—	—
* 1	Consolidated subsidiaries, straight bonds, payable in Yen (Notes 2 and 3)	Feb. 2011 ~ Mar. 2016	424,980 [25,715]	545,165 [53,660]	0.01 ~ 19.2	None	Apr. 2016 ~ Mar. 2046

Company	Type of bonds	Date of issuance	Millions of yen: At the beginning of the fiscal year	Millions of yen: At the end of the fiscal year	Percentages: Interest rate (Note 1)	Collat-eral	Date of maturity
* 2	Consolidated subsidiaries, straight bonds, payable in U.S. dollars (Notes 2, 3 and 4)	Apr. 2014 ~ Mar. 2016	1,457 ($13,000 thousand) [108]	3,391 ($32,530 thousand) [886]	0.01 ~ 5	None	Apr. 2016 ~ Feb. 2036
* 3	Consolidated subsidiaries, straight bonds, payable in Australian dollars (Notes 2 and 4)	Mar. 29, 2016	—	89 (A$1,040 thousand)	0.01	None	Mar. 29, 2019
* 4	Consolidated subsidiaries, straight bonds, payable in renminbi (Notes 2, 3 and 4)	May. 2014 ~ Mar. 2016	19,287 (RMB 996,255 thousand)	36,365 (RMB 2,093,569 thousand) [36,365]	2.809 ~ 5.8	None	May. 2016 ~ Jun. 2016
* 5	Consolidated subsidiaries, straight bonds, payable in Indonesia rupiah (Notes 2 and 4)	Feb. 3, 2015	—	8,778 (IDR997,500,994 thousand)	9.85	None	Feb. 3, 2018
* 6	Consolidated subsidiaries, subordinated bonds, payable in Yen (Note 2 and 3)	Mar. 1996 ~ Dec. 2012	126,200 [10,000]	82,300 [11,250]	2.19 ~ 4.5	None	Mar. 2016 ~ Perpetual
* 7	Consolidated subsidiaries, short-term bonds, payable in Yen (Notes 2 and 3)	Dec. 2014 ~ Mar. 2016	520,700 [520,700]	367,000 [367,000]	0.0005 ~ 0.11	None	Apr. 2016 ~ Jul. 2016
Total		—	¥6,209,266	¥5,817,145	—	—	—

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 bond issued in yen by SMBC Nikko, a domestic consolidated subsidiary.

(*2) This represents an aggregate of straight bond issued in U.S. dollars by SMBC Nikko, a domestic consolidated subsidiary.

(*3) This is a straight bond issued in Australian dollars by SMBC Nikko, a domestic consolidated subsidiary.

(*4) This represents an aggregate of straight bond issued in renminbi by Sumitomo Mitsui Banking Corporation (China) Limited, an overseas consolidated subsidiary.

(*5) This is a straight bond issued in Indonesia rupiah by PT Bank Sumitomo Mitsui Indonesia, an overseas consolidated subsidiary.

(*6) This represents an aggregate of perpetual subordinated bonds and subordinated term bonds issued in yen by SMBC International Finance N.V., an overseas consolidated subsidiary and KUBC and MINATO, domestic consolidated subsidiaries.

(*7) This represents an aggregate of short-term bond issued in yen by SMBC Nikko, a domestic consolidated subsidiary.

3. 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.

4. Figures showed in ( ) in "At the beginning of the fiscal year" and "At the end of the fiscal year" are in foreign currency.

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
¥1,266,979	¥1,005,477	¥644,397	¥519,293	¥663,343

[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	¥8,223,808	¥8,058,848	0.77	—
Other borrowings	8,223,808	8,058,848	0.77	Jan. 2016 ~ Perpetual
Lease obligations	12,943	12,752	3.56	Apr. 2016 ~ 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	¥4,855,063	¥63,451	¥224,326	¥176,216	¥414,539
Lease obligations	3,179	2,635	1,791	1,220	898

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:

	Millions of yen		Percentage	
	At the beginning of the fiscal year	At the end of the fiscal year	Average interest rate	Repayment Term
Commercial paper	¥3,352,662	¥3,018,218	0.53	Apr. 2016 ~ Mar. 2017

[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 retirement obligation is not disclosed.

[Others]

Not applicable.

(Non-consolidated financial statements)

1. Non-consolidated balance sheets

	Millions of yen		Millions of U.S. dollars
March 31	2015	2016	2016
Assets:			
Cash and due from banks	¥ 37,008,665	¥ 38,862,725	$ 345,078
Call loans	539,916	899,594	7,988
Receivables under resale agreements	417,473	359,318	3,191
Receivables under securities borrowing transactions	2,012,795	2,798,855	24,852
Monetary claims bought	1,047,498	950,106	8,436
Trading assets	3,627,862	3,511,957	31,184
Securities	29,985,267	25,602,156	227,332
Loans and bills discounted	68,274,308	69,276,735	615,137
Foreign exchanges	1,798,843	1,558,252	13,836
Other assets	2,460,344	2,131,869	18,930
Tangible fixed assets	812,383	831,326	7,382
Intangible fixed assets	200,966	220,174	1,955
Prepaid pension cost	293,082	279,917	2,485
Customers' liabilities for acceptances and guarantees	6,721,131	6,737,089	59,821
Reserve for possible loan losses	(394,140)	(357,186)	(3,172)
Reserve for possible losses on investments	(82,321)	(21,465)	(191)
Total assets	¥154,724,079	¥153,641,430	$1,364,246
Liabilities and net assets:			
Liabilities:			
Deposits	¥ 91,337,714	¥ 98,839,722	$ 877,639
Negotiable certificates of deposit	14,022,064	14,428,338	128,115
Call money	4,579,940	1,107,825	9,837
Payables under repurchase agreements	350,010	496,236	4,406
Payables under securities lending transactions	5,113,896	1,374,280	12,203
Commercial paper	2,551,652	1,980,153	17,583
Trading liabilities	2,754,739	2,987,815	26,530
Borrowed money	8,096,070	7,868,311	69,866
Foreign exchanges	1,172,969	1,131,796	10,050
Short-term bonds	25,000	—	—
Bonds	5,095,577	4,775,072	42,400
Due to trust account	717,529	921,320	8,181
Other liabilities	3,672,970	2,924,495	25,968
Reserve for employee bonuses	13,738	13,869	123
Reserve for executive bonuses	644	566	5
Reserve for point service program	1,119	1,086	10
Reserve for reimbursement of deposits	19,589	15,374	137
Deferred tax liabilities	444,863	249,427	2,215
Deferred tax liabilities for land revaluation	34,141	31,837	283
Acceptances and guarantees	6,721,131	6,737,089	59,821
Total liabilities	146,725,363	145,884,620	1,295,370
Net assets:			
Capital stock	1,770,996	1,770,996	15,725
Capital surplus	2,481,273	2,470,198	21,934
Retained earnings	2,327,186	2,414,989	21,444
Treasury stock	(210,003)	(210,003)	(1,865)
Total stockholders' equity	6,369,453	6,446,181	57,238
Net unrealized gains (losses) on other securities	1,726,573	1,233,910	10,956
Net deferred gains (losses) on hedges	(124,906)	48,706	432
Land revaluation excess	27,593	28,011	249
Total valuation and translation adjustments	1,629,261	1,310,628	11,638
Total net assets	7,998,715	7,756,810	68,876
Total liabilities and net assets	¥154,724,079	¥153,641,430	$1,364,246

2. Non-consolidated statements of income

	Millions of yen		Millions of U.S. dollars
Year ended March 31	**2015**	**2016**	**2016**
Ordinary income	¥2,370,998	¥2,277,812	$20,226
Interest income	1,455,992	1,422,367	12,630
Interest on loans and discounts	990,485	980,604	8,707
Interest and dividends on securities	356,754	326,077	2,895
Trust fees	1,872	2,589	23
Fees and commissions	517,528	527,316	4,682
Trading income	12,799	66,593	591
Other operating income	194,059	123,606	1,098
Other Income	188,745	135,338	1,202
Ordinary expenses	1,415,005	1,529,919	13,585
Interest expenses	334,564	398,791	3,541
Interest on deposits	71,588	93,258	828
Fees and commissions payments	167,548	168,796	1,499
Other operating expenses	45,855	40,613	361
General and administrative expenses	820,216	842,710	7,483
Other expenses	46,820	79,007	702
Ordinary profit	955,992	747,892	6,641
Extraordinary gains	356	3,706	33
Extraordinary losses	8,700	5,379	48
Income before income taxes	947,648	746,219	6,626
Income taxes—current	224,845	170,558	1,514
Income taxes—deferred	79,787	(33,509)	(298)
Net income	¥ 643,015	¥ 609,171	$ 5,409

	Yen		U.S. dollars
	2015	**2016**	**2016**
Per share data:			
Earnings per share	¥6,052.00	¥5,733.46	$50.91
Earnings per share (diluted)	—	—	—

3. Non-consolidated statements of changes in net assets

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2015	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	¥1,770,996	¥2,481,273	¥2,137,235	¥(210,003)	¥6,179,502
Cumulative effects of changes in accounting policies			32,236		32,236
Restated balance	1,770,996	2,481,273	2,169,471	(210,003)	6,211,738
Changes in the fiscal year:					
Cash dividends			(485,448)		(485,448)
Net income			643,015		643,015
Reversal of land revaluation excess			148		148
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	157,715	—	157,715
Balance at the end of the fiscal year	¥1,770,996	¥2,481,273	¥2,327,186	¥(210,003)	¥6,369,453

	Millions of yen				
	Valuation and translation adjustments				
Year ended March 31, 2015	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Balance at the beginning of the fiscal year	¥ 926,836	¥ (53,158)	¥24,180	¥ 897,858	¥7,077,360
Cumulative effects of changes in accounting policies					32,236
Restated balance	926,836	(53,158)	24,180	897,858	7,109,597
Changes in the fiscal year:					
Cash dividends					(485,448)
Net income					643,015
Reversal of land revaluation excess					148
Net changes in items other than stockholders' equity in the fiscal year	799,736	(71,747)	3,413	731,403	731,403
Net changes in the fiscal year	799,736	(71,747)	3,413	731,403	889,118
Balance at the end of the fiscal year	¥1,726,573	¥(124,906)	¥27,593	¥1,629,261	¥7,998,715

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2016	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	¥1,770,996	¥2,481,273	¥2,327,186	¥(210,003)	¥6,369,453
Changes in the fiscal year					
Decrease due to subsidiaries reorganization		(11,074)			(11,074)
Cash dividends			(522,635)		(522,635)
Net income			609,171		609,171
Reversal of land revaluation excess			1,267		1,267
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	(11,074)	87,802	—	76,727
Balance at the end of the fiscal year	¥1,770,996	¥2,470,198	¥2,414,989	¥(210,003)	¥6,446,181

Year ended March 31, 2016	Millions of yen				
	Valuation and translation adjustments				
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Balance at the beginning of the fiscal year	¥1,726,573	¥(124,906)	¥27,593	¥1,629,261	¥7,998,715
Changes in the fiscal year					
Decrease due to subsidiaries reorganization					(11,074)
Cash dividends					(522,635)
Net income					609,171
Reversal of land revaluation excess					1,267
Net changes in items other than stockholders' equity in the fiscal year	(492,662)	173,612	417	(318,632)	(318,632)
Net changes in the fiscal year	(492,662)	173,612	417	(318,632)	(241,904)
Balance at the end of the fiscal year	¥1,233,910	¥ 48,706	¥28,011	¥1,310,628	¥7,756,810

Year ended March 31, 2016	Millions of U. S. Dollars				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	$15,725	$22,032	$20,664	$(1,865)	$56,557
Changes in the fiscal year					
Decrease due to subsidiaries reorganization		(98)			(98)
Cash dividends			(4,641)		(4,641)
Net income			5,409		5,409
Reversal of land revaluation excess			11		11
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	(98)	780	—	681
Balance at the end of the fiscal year	$15,725	$21,934	$21,444	$(1,865)	$57,238

Year ended March 31, 2016	Millions of U. S. Dollars				
	Valuation and translation adjustments				
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Balance at the beginning of the fiscal year	$15,331	$(1,109)	$245	$14,467	$71,024
Changes in the fiscal year					
Decrease due to subsidiaries reorganization					(98)
Cash dividends					(4,641)
Net income					5,409
Reversal of land revaluation excess					11
Net changes in items other than stockholders' equity in the fiscal year	(4,375)	1,542	4	(2,829)	(2,829)
Net changes in the fiscal year	(4,375)	1,542	4	(2,829)	(2,148)
Balance at the end of the fiscal year	$10,956	$ 432	$249	$11,638	$68,876

Independent Auditor's Report

To the Board of Directors of
Sumitomo Mitsui Banking Corporation:

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Banking Corporation ("SMBC") and subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2015, 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 SMBC and subsidiaries as at March 31, 2014 and 2015, 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, 2015 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.

/s/ KPMG AZSA LLC
June 25, 2015
Tokyo, Japan

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS MARCH 31, 2014 AND 2015

March 31		Millions of yen 2014		Millions of yen 2015	Millions of U.S. dollars 2015
Assets:					
Cash and due from banks	*8	¥ 32,826,744	*8	¥ 39,569,276	$ 329,332
Call loans and bills bought	*8	1,248,235	*8	1,326,965	11,044
Receivables under resale agreements		522,860		746,431	6,212
Receivables under securities borrowing transactions		3,737,208		6,447,116	53,659
Monetary claims bought	*8	3,420,145	*8	4,128,907	34,365
Trading assets	*8	6,846,729	*8	7,364,988	61,298
Money held in trust		14,572		1	0
Securities	*1, *2, *8, *15	27,092,373	*1, *2, *8, *15	29,559,334	246,020
Loans and bills discounted	*3, *4, *5, *6, *7, *8, *9	69,754,391	*3, *4, *5, *6, *7, *8, *9	75,119,565	625,215
Foreign exchanges	*7	1,790,406	*7	1,907,667	15,877
Lease receivables and investment assets	*8	218,360	*8	252,213	2,099
Other assets	*8	1,703,060	*8	3,422,970	28,489
Tangible fixed assets	*10, *11, *12	976,903	*10, *11, *12	1,073,206	8,932
Assets for rent		122,847		158,224	1,317
Buildings		277,481		287,583	2,394
Land		444,100		468,728	3,901
Lease assets		11,369		11,270	94
Construction in progress		55,759		75,883	632
Other tangible fixed assets		65,344		71,515	595
Intangible fixed assets		445,686		454,584	3,783
Software		236,775		261,433	2,176
Goodwill		168,807		157,350	1,310
Lease assets		206		140	1
Other intangible fixed assets		39,895		35,660	297
Net defined benefit asset		115,847		367,953	3,062
Deferred tax assets		101,929		68,265	568
Customers' liabilities for acceptances and guarantees		5,632,563		6,289,881	52,350
Reserve for possible loan losses		(623,876)		(540,134)	(4,495)
Total assets		¥155,824,141		¥177,559,197	$1,477,813

CONSOLIDATED BALANCE SHEETS MARCH 31, 2014 AND 2015 — (Continued)

March 31		Millions of yen			Millions of U.S. dollars
		2014		2015	2015
Liabilities and net assets:					
Liabilities:					
Deposits	*8	¥ 94,543,064	*8	¥101,503,889	$ 844,810
Negotiable certificates of deposit		13,973,339		14,032,798	116,794
Call money and bills sold	*8	4,113,650	*8	5,873,123	48,882
Payables under repurchase agreements	*8	1,708,801	*8	991,860	8,255
Payables under securities lending transactions	*8	5,328,427	*8	7,833,219	65,195
Commercial paper		2,374,051		3,352,662	27,904
Trading liabilities	*8	4,740,484	*8	5,636,406	46,911
Borrowed money	*8, *13	5,101,073	*8, *13	8,223,808	68,446
Foreign exchanges		451,658		1,110,822	9,245
Short-term bonds		302,500		545,700	4,542
Bonds	*14	4,906,764	*14	5,663,566	47,137
Due to trust account		699,329		718,133	5,977
Other liabilities	*8	3,145,635		5,098,781	42,437
Reserve for employee bonuses		55,272		59,893	498
Reserve for executive bonuses		4,244		2,567	21
Net defined benefit liability		14,625		12,641	105
Reserve for executive retirement benefits		814		759	6
Reserve for point service program		2,025		1,798	15
Reserve for reimbursement of deposits		14,858		20,870	174
Reserve for losses on interest repayment		774		632	5
Reserve under the special laws		402		755	6
Deferred tax liabilities		30,739		514,070	4,279
Deferred tax liabilities for land revaluation excess	*10	38,276	*10	34,550	288
Acceptances and guarantees	*8	5,632,563	*8	6,289,881	52,350
Total liabilities		147,183,378		167,523,193	1,394,284
Net assets:					
Capital stock		1,770,996		1,770,996	14,740
Capital surplus		2,717,397		2,717,421	22,617
Retained earnings		2,468,427		2,751,080	22,897
Treasury stock		(210,003)		(210,003)	(1,748)
Total stockholders' equity		6,746,818		7,029,494	58,506
Net unrealized gains (losses) on other securities		938,235		1,756,894	14,623
Net deferred gains (losses) on hedges		(59,626)		(27,049)	(225)
Land revaluation excess	*10	35,675	*10	38,943	324
Foreign currency translation adjustments		6,779		114,413	952
Accumulated remeasurements of defined benefit plans		(74,755)		44,216	368
Total accumulated other comprehensive income		846,308		1,927,419	16,042
Stock acquisition rights		157		198	2
Minority interests		1,047,479		1,078,891	8,980
Total net assets		8,640,763		10,036,003	83,529
Total liabilities and net assets		¥155,824,141		¥177,559,197	$1,477,813

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED MARCH 31, 2014 AND 2015

Year ended March 31		Millions of yen 2014		Millions of yen 2015	Millions of U.S. dollars 2015
Ordinary income		¥3,105,992		¥3,199,409	$26,628
Interest income		1,606,106		1,690,086	14,066
Interest on loans and discounts		1,107,862		1,170,833	9,745
Interest and dividends on securities		344,851		335,694	2,794
Interest on call loans and bills bought		18,351		19,600	163
Interest on receivables under resale agreements		7,749		9,640	80
Interest on receivables under securities borrowing transactions		7,266		7,813	65
Interest on deposits with banks		37,798		42,649	355
Interest on lease transactions		6,260		7,494	62
Other interest income		75,965		96,359	802
Trust fees		2,393		2,795	23
Fees and commissions		778,343		782,349	6,511
Trading income		189,085		235,239	1,958
Other operating income		225,360		279,857	2,329
Lease-related income		855		13,882	116
Installment-related income		18,550		18,956	158
Other		205,954		247,018	2,056
Other income		304,702		209,080	1,740
Gains on reversal of reserve for possible loan losses		136,457		73,566	612
Recoveries of written-off claims		475		6,619	55
Other	*1	167,769	*1	128,894	1,073
Ordinary expenses		1,807,254		2,000,453	16,650
Interest expenses		296,861		365,074	3,038
Interest on deposits		105,561		126,966	1,057
Interest on negotiable certificates of deposit		39,142		44,065	367
Interest on call money and bills sold		3,505		4,200	35
Interest on payables under repurchase agreements		4,105		4,921	41
Interest on payables under securities lending transactions		3,486		5,029	42
Interest on commercial paper		6,606		8,047	67
Interest on borrowed money		16,622		29,312	244
Interest on short-term bonds		231		433	4
Interest on bonds		89,190		99,581	829
Other interest expenses		28,409		42,516	354
Fees and commissions payments		144,131		145,171	1,208
Trading losses		—		57,856	482
Other operating expenses		93,907		94,424	786
Lease-related expenses		881		2,022	17
Installment-related expenses		10,819		11,148	93
Other		82,206		81,253	676
General and administrative expenses	*2	1,195,499	*2	1,261,746	10,501
Other expenses	*3	76,853	*3	76,179	634
Ordinary profit		1,298,738		1,198,955	9,979

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED MARCH 31, 2014 AND 2015 — (Continued)

Year ended March 31		Millions of yen 2014		Millions of yen 2015	Millions of U.S. dollars 2015
Extraordinary gains		¥ 2,626		¥ 452	$ 4
Gains on disposal of fixed assets		2,626		452	4
Extraordinary losses		9,427		11,326	94
Losses on disposal of fixed assets		6,544		5,893	49
Losses on impairment of fixed assets	*4	2,640	*4	5,080	42
Provision for reserve for eventual future operating losses from financial instruments transactions		243		353	3
Income before income taxes and minority interests		1,291,937		1,188,081	9,888
Income taxes-current		233,528		276,257	2,299
Income taxes-deferred		188,880		106,233	884
Income taxes		422,408		382,490	3,183
Income before minority interests		869,529		805,591	6,705
Minority interests in net income		83,841		68,686	572
Net income		¥ 785,687		¥ 736,904	$6,133

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2014 AND 2015

Year ended March 31	Millions of yen 2014	Millions of yen 2015	Millions of U.S. dollars 2015
Income before minority interests	¥ 869,529	¥ 805,591	$ 6,705
Other comprehensive income	*1 304,763	*1 1,131,783	9,420
Net unrealized gains (losses) on other securities	182,873	829,208	6,901
Net deferred gains (losses) on hedges	(29,034)	32,956	274
Land revaluation excess	18	3,604	30
Foreign currency translation adjustments	155,374	145,730	1,213
Remeasurements of defined benefit plans	—	120,738	1,005
Share of other comprehensive income of affiliates	(4,468)	(454)	(4)
Total comprehensive income	1,174,292	1,937,374	16,125
Comprehensive income attributable to shareholders of the parent	1,055,195	1,818,350	15,134
Comprehensive income attributable to minority interests	119,096	119,024	991

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2014 AND 2015

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2014	**Capital stock**	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total**
Balance at the beginning of the fiscal year	¥1,770,996	¥2,717,397	¥1,869,906	¥(210,003)	¥6,148,297
Adjustment due to changes in accounting policies as a result of revisions to accounting standards			(168)		(168)
Changes in the fiscal year					
Cash dividends			(190,397)		(190,397)
Net income			785,687		785,687
Reversal of land revaluation excess			3,398		3,398
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	598,689	—	598,689
Balance at the end of the fiscal year	¥1,770,996	¥2,717,397	¥2,468,427	¥(210,003)	¥6,746,818

	Millions of yen					
	Accumulated other comprehensive income					
Year ended March 31, 2014	**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	¥754,804	¥(30,781)	¥39,055	¥(108,123)	¥ —	¥654,954
Adjustment due to changes in accounting policies as a result of revisions to accounting standards						
Changes in the fiscal year						
Cash dividends						
Net income						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	183,431	(28,844)	(3,380)	114,903	(74,755)	191,353
Net changes in the fiscal year	183,431	(28,844)	(3,380)	114,903	(74,755)	191,353
Balance at the end of the fiscal year	¥938,235	¥(59,626)	¥35,675	¥ 6,779	¥(74,755)	¥846,308

	Millions of yen		
Year ended March 31, 2014	**Stock acquisition rights**	**Minority interests**	**Total net assets**
Balance at the beginning of the fiscal year	¥120	¥1,453,718	¥8,257,091
Adjustment due to changes in accounting policies as a result of revisions to accounting standards		802	634
Changes in the fiscal year			
Cash dividends			(190,397)
Net income			785,687
Reversal of land revaluation excess			3,398
Net changes in items other than stockholders' equity in the fiscal year	37	(407,042)	(215,651)
Net changes in the fiscal year	37	(407,042)	383,037
Balance at the end of the fiscal year	¥157	¥1,047,479	¥8,640,763

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2014 AND 2015 — (Continued)

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2015	**Capital stock**	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total**
Balance at the beginning of the fiscal year	¥1,770,996	¥2,717,397	¥2,468,427	¥(210,003)	¥6,746,818
Cumulative effects of changes in accounting policies			31,041		31,041
Restated balance	1,770,996	2,717,397	2,499,469	(210,003)	6,777,860
Changes in the fiscal year					
Cash dividends			(485,448)		(485,448)
Net income			736,904		736,904
Changes in shareholders' interest due to transaction with minority interests		23			23
Decrease due to increase in subsidiaries			(158)		(158)
Reversal of land revaluation excess			314		314
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	23	251,610	—	251,634
Balance at the end of the fiscal year	¥1,770,996	¥2,717,421	¥2,751,080	¥(210,003)	¥7,029,494

	Millions of yen					
	Accumulated other comprehensive income					
Year ended March 31, 2015	**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	¥ 938,235	¥(59,626)	¥35,675	¥ 6,779	¥ (74,755)	¥ 846,308
Cumulative effects of changes in accounting policies						
Restated balance	938,235	(59,626)	35,675	6,779	(74,755)	846,308
Changes in the fiscal year						
Cash dividends						
Net income						
Changes in shareholders' interest due to transaction with minority interests						
Decrease due to increase in subsidiaries						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	818,658	32,577	3,268	107,634	118,972	1,081,110
Net changes in the fiscal year	818,658	32,577	3,268	107,634	118,972	1,081,110
Balance at the end of the fiscal year	¥1,756,894	¥(27,049)	¥38,943	¥114,413	¥ 44,216	¥1,927,419

	Millions of yen		
Year ended March 31, 2015	**Stock acquisition rights**	**Minority interests**	**Total net assets**
Balance at the beginning of the fiscal year	¥157	¥1,047,479	¥ 8,640,763
Cumulative effects of changes in accounting policies		(963)	30,078
Restated balance	157	1,046,516	8,670,842
Changes in the fiscal year			
Cash dividends			(485,448)
Net income			736,904
Changes in shareholders' interest due to transaction with minority interests			23
Decrease due to increase in subsidiaries			(158)
Reversal of land revaluation excess			314
Net changes in items other than stockholders' equity in the fiscal year	41	32,374	1,113,526
Net changes in the fiscal year	41	32,374	1,365,161
Balance at the end of the fiscal year	¥198	¥1,078,891	¥10,036,003

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2014 AND 2015 — (Continued)

	Millions of U.S. dollars				
	Stockholders' equity				
Year ended March 31, 2015	**Capital stock**	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total**
Balance at the beginning of the fiscal year	$14,740	$22,617	$20,545	$(1,748)	$56,153
Cumulative effects of changes in accounting policies			258		258
Restated balance	14,740	22,617	20,803	(1,748)	56,412
Changes in the fiscal year					
Cash dividends			(4,040)		(4,040)
Net income			6,133		6,133
Changes in shareholders' interest due to transaction with minority interests		0			0
Decrease due to increase in subsidiaries			(1)		(1)
Reversal of land revaluation excess			3		3
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	0	2,094	—	2,094
Balance at the end of the fiscal year	$14,740	$22,617	$22,897	$(1,748)	$58,506

	Millions of U.S. dollars					
	Accumulated other comprehensive income					
Year ended March 31, 2015	**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	$ 7,809	$(496)	$297	$ 56	$(622)	$ 7,044
Cumulative effects of changes in accounting policies						
Restated balance	7,809	(496)	297	56	(622)	7,044
Changes in the fiscal year						
Cash dividends						
Net income						
Changes in shareholders' interest due to transaction with minority interests						
Decrease due to increase in subsidiaries						
Reversal of land revaluation excess						
Net changes in items other than stockholders' equity in the fiscal year	6,814	271	27	896	990	8,998
Net changes in the fiscal year	6,814	271	27	896	990	8,998
Balance at the end of the fiscal year	$14,623	$(225)	$324	$952	$ 368	$16,042

	Millions of U.S. dollars		
Year ended March 31, 2015	**Stock acquisition rights**	**Minority interests**	**Total net assets**
Balance at the beginning of the fiscal year	$1	$8,718	$71,916
Cumulative effects of changes in accounting policies		(8)	250
Restated balance	1	8,710	72,167
Changes in the fiscal year			
Cash dividends			(4,040)
Net income			6,133
Changes in shareholders' interest due to transaction with minority interests			0
Decrease due to increase in subsidiaries			(1)
Reversal of land revaluation excess			3
Net changes in items other than stockholders' equity in the fiscal year	0	269	9,268
Net changes in the fiscal year	0	269	11,362
Balance at the end of the fiscal year	$2	$8,980	$83,529

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2014 AND 2015

Year ended March 31	Millions of yen 2014	Millions of yen 2015	Millions of U.S. dollars 2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,291,937	¥ 1,188,081	$ 9,888
Depreciation	110,011	116,644	971
Losses on impairment of fixed assets	2,640	5,080	42
Amortization of goodwill	13,845	11,457	95
Equity in (gains) losses of affiliates	(7,527)	10,765	90
Net change in reserve for possible loan losses	(187,228)	(88,600)	(737)
Net change in reserve for employee bonuses	9,319	3,404	28
Net change in reserve for executive bonuses	830	(1,675)	(14)
Net change in net defined benefit asset and liability	(9,433)	(46,499)	(387)
Net change in reserve for executive retirement benefits	(460)	(48)	(0)
Net change in reserve for point service program	(606)	(227)	(2)
Net change in reserve for reimbursement of deposits	3,662	6,012	50
Net change in reserve for losses on interest repayment	(243)	(142)	(1)
Interest income	(1,606,106)	(1,690,086)	(14,066)
Interest expenses	296,861	365,074	3,038
Net gains on securities	(109,339)	(112,392)	(935)
Net (gains) losses from money held in trust	(69)	(0)	(0)
Net exchange (gains) losses	(360,449)	(560,198)	(4,662)
Net losses from disposal of fixed assets	3,917	5,440	45
Net change in trading assets	927,312	(415,809)	(3,461)
Net change in trading liabilities	(1,500,333)	808,665	6,730
Net change in loans and bills discounted	(4,187,383)	(5,024,894)	(41,822)
Net change in deposits	4,759,979	6,882,650	57,284
Net change in negotiable certificates of deposit	1,974,916	18,430	153
Net change in borrowed money (excluding subordinated borrowings)	1,990,569	2,687,149	22,365
Net change in deposits with banks	(98,825)	128,512	1,070
Net change in call loans and bills bought and others	(140,333)	(832,331)	(6,927)
Net change in receivables under securities borrowing transactions	(99,924)	(2,709,907)	(22,554)
Net change in call money and bills sold and others	725,888	922,259	7,676
Net change in commercial paper	325,572	925,269	7,701
Net change in payables under securities lending transactions	929,342	2,504,792	20,847
Net change in foreign exchanges (assets)	521,251	(105,639)	(879)
Net change in foreign exchanges (liabilities)	75,411	624,705	5,199
Net change in lease receivables and investment assets	(25,171)	(12,132)	(101)
Net change in short-term bonds (liabilities)	25,000	243,200	2,024
Issuance and redemption of bonds (excluding subordinated bonds)	629,902	1,006,059	8,373
Net change in due to trust account	53,680	18,803	156
Interest received	1,639,224	1,701,254	14,159
Interest paid	(300,312)	(353,469)	(2,942)
Other, net	688,557	166,152	1,383
Subtotal	8,365,888	8,395,810	69,878
Income taxes paid	(338,512)	(259,188)	(2,157)
Net cash provided by (used in) operating activities	8,027,375	8,136,621	67,721

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2014 AND 2015 — (Continued)

Year ended March 31	Millions of yen 2014	Millions of yen 2015	Millions of U.S. dollars 2015
Cash flows from investing activities:			
Purchases of securities	¥(19,903,112)	¥(36,610,148)	$(304,704)
Proceeds from sale of securities	26,832,383	27,807,525	231,440
Proceeds from maturity of securities	8,130,515	7,853,257	65,362
Purchases of money held in trust	(0)	(0)	(0)
Proceeds from sale of money held in trust	0	2,061	17
Purchases of tangible fixed assets	(91,546)	(136,429)	(1,135)
Proceeds from sale of tangible fixed assets	14,144	9,855	82
Purchases of intangible fixed assets	(96,403)	(110,184)	(917)
Proceeds from sale of intangible fixed assets	6	22	0
Purchases of stocks of subsidiaries	(825)	—	—
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	(43,568)	—	—
Net cash provided by (used in) investing activities	14,841,594	(1,184,039)	(9,855)
Cash flows from financing activities:			
Proceeds from issuance of subordinated borrowings	—	356,618	2,968
Repayment of subordinated borrowings	(32,000)	(5,000)	(42)
Proceeds from issuance of subordinated bonds and bonds with stock acquisition rights	1,799	546	5
Repayment of subordinated bonds and bonds with stock acquisition rights	(349,715)	(287,243)	(2,391)
Dividends paid	(190,397)	(485,448)	(4,040)
Proceeds from contributions paid by minority stockholders	1	—	—
Repayments to minority stockholders	(452,868)	—	—
Dividends paid to minority stockholders	(71,032)	(55,059)	(458)
Purchases of treasury stock of subsidiaries	(10)	—	—
Proceeds from sale of treasury stock of subsidiaries	172	—	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(12)	(0)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	173	1
Net cash provided by (used in) financing activities	(1,094,050)	(475,426)	(3,957)
Effect of exchange rate changes on cash and cash equivalents	5,525	177,563	1,478
Net change in cash and cash equivalents	21,780,445	6,654,719	55,387
Cash and cash equivalents at the beginning of the fiscal year	5,133,711	26,914,156	224,005
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(53,395)	(444)
Cash and cash equivalents at the end of the fiscal year	*1 ¥ 26,914,156	*1 ¥ 33,515,479	$ 278,947

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MARCH 31, 2014 AND 2015

(Basis of presentation)

Sumitomo Mitsui Banking Corporation ("SMBC") is a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc. ("SMFG") and provides an extensive range of wholesale and retail banking services to its customers in Japan and overseas. SMBC 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 SMBC'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, 2015 which was ¥120.15 to U.S. $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.

The consolidated financial statements released in previous fiscal years were restructured from the FIEA based financial statements by making several adjustments and reclassifications that are no longer made in these consolidated financial statements.

(Notes to significant accounting policies for preparing consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

The number of consolidated subsidiaries at March 31, 2015 is 149.

Principal companies:	SMBC Nikko Securities, Inc. ("SMBC Nikko") THE MINATO BANK, LTD. ("MINATO") Kansai Urban Banking Corporation ("KUBC") Sumitomo Mitsui Banking Corporation Europe Limited Sumitomo Mitsui Banking Corporation (China) Limited SMBC Guarantee Co., Ltd. SMBC Capital Markets, Inc.

7 companies were newly included in the scope of consolidation as a result of the establishment and for other reasons. The Japan Net Bank, Limited was excluded from the scope of consolidation because it became an equity method affiliate due to a decrease in the ratio of voting rights. Other 13 companies were also excluded from the scope of consolidation due to liquidation and for other reasons.

(2) Unconsolidated subsidiaries

Principal company: SBCS Co., Ltd.

Unconsolidated subsidiaries are 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 SMBC's financial position and results of operations 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, 2015 is 5.

Principal company: SBCS Co., Ltd.

(2) Affiliates accounted for by the equity method

The number of affiliates accounted for by the equity method at March 31, 2015 is 39.

Principal company: PT Bank Tabungan Pensiunan Nasional Tbk

The Japan Net Bank, Limited became an equity method affiliate due to a decrease in the ratio of voting rights. 5 companies including The Bank of East Asia, Limited also became equity method affiliates due to the acquisition of stocks and for other reasons.

2 companies were excluded from the scope of equity method affiliates due to the liquidation.

(3) Unconsolidated subsidiaries that are not accounted for by the equity method

There are no corresponding companies.

(4) Affiliates that are not accounted for by the equity method

Principal company: Sumitomo Mitsui Asset Management (New York) Inc.

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 consolidated 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, 2015 are as follows:

October 31	3
December 31	64
January 31	6
March 31	76

(2) The subsidiaries with balance sheets dated October 31 are consolidated using the financial statements as of January 31. The subsidiaries with balance sheets dated January 31 and certain subsidiaries with balance sheets dated December 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) 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" or "Trading losses."

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) Securities

1) Debt securities that SMBC or its 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," after deducting the amount that is reflected in the fiscal year's earnings 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) Derivative transactions

Derivative transactions, excluding those classified as trading purposes, are carried at fair value.

(4) Depreciation

1) Tangible fixed assets (excluding assets for rent and lease assets)

Buildings owned by 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

The consolidated subsidiaries depreciate their 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 SMBC and its consolidated domestic subsidiaries is depreciated over its estimated useful life (basically 5 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 the 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 SMBC and principal 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 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 amounts of write-off were ¥320,885 million and ¥448,613 million during the fiscal years ended March 31, 2015 and 2014, 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 directors, corporate auditors and other executive officers, 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 executive officers, in the amount deemed accrued at the fiscal year-end based on the 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 from 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) Reserve under the special laws

The reserve under the special laws is a reserve 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, 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

SMBC's assets and liabilities 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.

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) 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) 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 consolidated subsidiaries apply the deferred hedge accounting, the 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 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 SMBC and its consolidated domestic subsidiaries are accounted for using the tax-excluded method.

(Changes in accounting policies due to application of new or revised accounting standards)

1. Accounting Standard for Retirement Benefits and related guidance

SMBC has adopted Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, "Accounting Standard") and Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on March 26, 2015, "Guidance") from the beginning of the fiscal year ended March 31, 2015. Accordingly, SMBC has reviewed its calculation methods for the projected benefit obligation and service cost, and changed the method for attributing the expected benefit to periods of service from a straight-line basis to a benefit formula basis.

The Accounting Standard and Guidance are applied in accordance with the transitional treatment stipulated in Paragraph 37 of the Accounting Standard. The effect, arising from the change in calculation method for the projected benefit obligation and service cost, is reflected in retained earnings as of the beginning of the fiscal year ended March 31, 2015.

As a result, net defined benefit asset increased by ¥49,052 million, net defined benefit liability increased by ¥2,202 million and retained earnings increased by ¥31,041 million as of the beginning of the fiscal year ended March 31, 2015. The effect of these changes on profit and loss for the fiscal year ended March 31, 2015 is considered to be immaterial.

The effect of this change on net assets per share is disclosed in "(Per Share Data)."

2. Revision of Accounting Standard for Business Combinations and related rules

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7) and other related standards and implementation guidance were revised on September 13, 2013, and became effective from fiscal years beginning on or after April 1, 2014. SMBC has prospectively adopted these revised accounting standards and implementation guidance from the beginning of the fiscal year ended March 31, 2015 (excluding the provisions defined in Paragraph 39 of Accounting Standard for Consolidated Financial Statements), in accordance with the transitional treatment set forth in Paragraph 58-2 (4) of Accounting Standard for Business Combinations, Paragraph 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of Accounting Standard for Business Divestitures.

In accordance with these revisions, SMBC's accounting policies have been changed as follows:

- the difference arising from a change in SMBC's ownership interest in a subsidiary over which SMBC continues to have control is recognized in capital surplus, and acquisition costs are expensed in the period incurred, and
- for a business combination occurring on or after April 1, 2014, an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment relating to the purchase price allocation is retrospectively recognized in the consolidated financial statements for the accounting period in which the combination occurs.

The effect of these changes on profit and loss for the fiscal year ended March 31, 2015 is considered to be immaterial.

(Additional information)

Effect of a change in the corporate income tax rule

In accordance with the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9, 2015) and the "Act to Amend the Local Taxation Act, etc." (Act No. 2, 2015) promulgated on March 31, 2015, the corporate income tax rate will be lowered from fiscal years beginning on or after April 1, 2015. Additionally, beginning from fiscal years starting on or after April 1, 2015, the use of tax loss carryforwards will be limited to the equivalent of 65% of taxable income before deducting tax loss carryforwards, and beginning from fiscal years starting on or after April 1, 2017, the use of tax loss carryforwards will be limited to the equivalent of 50% of taxable income before deducting tax loss carryforwards.

As a result of these changes, net income decreased by ¥22,553 million, and total accumulated other comprehensive income increased by ¥72,606 million.

(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, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
Japanese stocks	¥329,542	¥550,940
Investments	234	321

Japanese stocks of jointly controlled entities were as follows:

	Millions of yen	
March 31	2014	2015
Japanese stocks of jointly controlled entities	¥89,336	¥89,444

*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, 2014 and 2015 were as follows:

March 31, 2014	Millions of yen	March 31, 2015	Millions of yen
Japanese government bonds in "Securities"	¥28,995	Japanese government bonds and other securities in "Securities"	¥1,540

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, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
Securities borrowed with cash collateral	¥1,462,265	¥3,181,553
Unsecured borrowed securities, securities under resale agreements	2,482,406	3,087,292

*3 Bankrupt loans and non-accrual loans

Bankrupt loans and non-accrual loans at March 31, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
Bankrupt loans	¥ 38,949	¥ 35,630
Non-accrual loans	788,485	710,773

"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, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
Past due loans (3 months or more)	¥7,546	¥6,071

"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, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
Restructured loans	¥331,782	¥224,707

"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, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
Risk-monitored loans	¥1,166,764	¥977,183

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 included in "Loans and bills discounted" and "Foreign exchanges" accounts depending on the type of the bills. 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). 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, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
Bills discounted	¥1,019,215	¥950,790

*8 Assets pledged as collateral

Assets pledged as collateral at March 31, 2014 and 2015 consisted of the following:

March 31, 2014	Millions of yen	March 31, 2015	Millions of yen
Assets pledged as collateral:		Assets pledged as collateral:	
Cash and due from banks	¥ 96,884	Cash and due from banks	¥ 59,752
Call loans and bills bought	347,681	Call loans and bills bought	478,457
Monetary claims bought	76,437	Monetary claims bought	75,556
Trading assets	2,241,684	Trading assets	1,712,885
Securities	7,424,695	Securities	10,437,256
Loans and bills discounted	2,278,931	Loans and bills discounted	2,803,237
Lease receivables and investment assets	1,962	Lease receivables and investment assets	1,535
Other assets (installment account receivable, etc.)	191	Other assets (installment account receivable, etc.)	107
Liabilities corresponding to assets pledged as collateral:		Liabilities corresponding to assets pledged as collateral:	
Deposits	29,933	Deposits	33,800
Call money and bills sold	745,000	Call money and bills sold	1,095,000
Payables under repurchase agreements	1,662,702	Payables under repurchase agreements	406,212
Payables under securities lending transactions	5,315,246	Payables under securities lending transactions	4,121,603
Trading liabilities	350,379	Trading liabilities	480,464
Borrowed money	3,554,024	Borrowed money	6,092,928
Other liabilities	1,519	Acceptances and guarantees	207,009
Acceptances and guarantees	187,730		

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, 2014 and 2015:

March 31, 2014	Millions of yen	March 31, 2015	Millions of yen
Cash and due from banks	¥ 11,658	Cash and due from banks	¥ 13,580
Trading assets	21,939	Trading assets	2,271
Securities	8,012,692	Securities	6,057,188

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, 2014	Millions of yen	March 31, 2015	Millions of yen
Collateral money deposited for financial instruments	¥150,447	Collateral money deposited for financial instruments	¥408,607
Margins of futures markets	21,876	Margins of futures markets	62,379
Surety deposits	93,278	Surety deposits	90,911
Other margins	1,362	Other margins	27,819

*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, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
The amounts of unused commitments	¥45,205,946	¥49,726,614
The amounts of unused commitments whose original contract terms are within 1 year or unconditionally cancelable at any time	34,057,920	36,604,782

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 and another consolidated subsidiary revaluated their 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," and the net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Net assets."

A certain affiliate also revaluated its own land for business activities in accordance with the Act. The net unrealized gains, 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

Another consolidated subsidiary and an affiliate: 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 Articles 2-3, 2-4 or 2-5 of "Order for Enforcement of Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998).

Another consolidated subsidiary and an affiliate: Fair values were determined based on the values stipulated in Articles 2-3 and 2-5 of "Order for Enforcement of Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998).

*11 Accumulated depreciation on tangible fixed assets

Accumulated depreciation on tangible fixed assets at March 31, 2014 and 2015 were as follows:

	Millions of yen	
March 31	2014	2015
Accumulated depreciation	¥574,081	¥599,844

*12 Deferred gain on tangible fixed assets deductible for tax purposes

Deferred gain on tangible fixed assets deductible for tax purposes at March 31, 2014 and 2015 were as follows:

	Millions of yen	
March 31	**2014**	**2015**
Deferred gain on tangible fixed assets deductible for tax purposes	¥62,791	¥62,704
[The consolidated fiscal year concerned]	[4,471]	[145]

*13 Subordinated borrowing

The balance of subordinated borrowing with the special clause specifying that the repayment order of the borrowing subordinates to other borrowings included in “Borrowed money” at March 31, 2014 and 2015 were as follows:

	Millions of yen	
March 31	**2014**	**2015**
Subordinated borrowing	¥282,449	¥652,438

*14 Subordinated bonds

The balance of subordinated bonds included in “Bonds” at March 31, 2014 and 2015 were as follows:

	Millions of yen	
March 31	**2014**	**2015**
Subordinated bonds	¥1,701,631	¥1,434,468

*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 Financial Instruments and Exchange Act) in “Securities” at March 31, 2014 and 2015 were as follows:

	Millions of yen	
March 31	**2014**	**2015**
Guaranteed amount to privately-placed bonds	¥1,885,300	¥2,030,463

16 Money trusts with the principal indemnification agreement

The principal amount of money trusts with principal indemnification agreements which SMBC, as a trustee, has been administrating and operating at March 31, 2014 and 2015 were as follows:

	Millions of yen	
March 31	**2014**	**2015**
Money trusts	¥4,978	¥20,977

(Notes to consolidated statements of income)

*1 Other income

Other operating income for the fiscal years ended March 31, 2014 and 2015 included the following:

Year ended March 31, 2014	Millions of yen	Year ended March 31, 2015	Millions of yen
Gains on sale of stocks and other securities	¥125,338	Gains on sale of stocks and other securities	¥79,168

*2 General and administrative expenses

General and administrative expenses for the fiscal years ended March 31, 2014 and 2015 included the following:

Year ended March 31, 2014	Millions of yen	Year ended March 31, 2015	Millions of yen
Payment and allowance	¥471,398	Payment and allowance	¥502,060
Research and development costs	159	Research and development costs	171

*3 Other expenses

Other operating expenses for the fiscal years ended March 31, 2014 and 2015 included the following:

Year ended March 31, 2014	Millions of yen	Year ended March 31, 2015	Millions of yen
Write-off of loans	¥11,754	Losses on devaluation of stocks	¥12,740
Losses on sale of stocks	8,199	Equity in losses of affiliates	10,765
Losses on devaluation of stocks	9,329		

*4 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 years ended March 31, 2014 and 2015.

Year ended March 31, 2014

Area	Purpose of use	Type	Millions of yen Impairment loss
Tokyo metropolitan area	Idle assets (34 items)	Land and buildings, etc.	¥1,535
	Other (1 item)		23
Kinki area	Idle assets (36 items)	Land and buildings, etc.	848
Other	Idle assets (10 items)	Land and buildings, etc.	232

Year ended March 31, 2015

Area	Purpose of use	Type	Millions of yen Impairment loss
Tokyo metropolitan area	Branches (2 items)	Land and buildings, etc.	¥ 61
	Idle assets (35 items)		3,019
Kinki area	Branches (4 items)	Land and buildings, etc.	137
	Idle assets (26 items)		1,802
Other	Idle assets (7 items)	Land and buildings, etc.	58

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 consolidated subsidiaries, a branch or other group is the smallest asset grouping unit as well.

SMBC and consolidated subsidiaries reduced the carrying amounts of long-lived assets of which investments are not expected to be fully recovered to their recoverable amounts, and recognized the losses as “Losses on impairment of fixed assets,” which is included in “Extraordinary losses.” SMBC reduced the carrying amounts of idle assets, and consolidated subsidiaries reduced the carrying amounts of their branches and idle assets.

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.

(Notes to consolidated statements of comprehensive income)

***1 Reclassification adjustment and tax effect of other comprehensive income**

Year ended March 31	Millions of yen 2014	2015
Net unrealized gains on other securities:		
Amount arising during the fiscal year	¥ 495,459	¥1,350,493
Reclassification adjustments	(241,141)	(213,606)
Before adjustments to tax effect	254,318	1,136,886
Tax effect	(71,445)	(307,678)
Net unrealized gains on other securities	182,873	829,208
Net deferred gains (losses) on hedges:		
Amount arising during the fiscal year	(59,614)	34,813
Reclassification adjustments	14,383	19,654
Before adjustments to tax effect	(45,231)	54,467
Tax effect	16,197	(21,511)
Net deferred gains (losses) on hedges	(29,034)	32,956
Land revaluation excess:		
Amount arising during the fiscal year	—	—
Reclassification adjustments	—	—
Before adjustments to tax effect	—	—
Tax effect	18	3,604
Land revaluation excess	18	3,604
Foreign currency translation adjustments:		
Amount arising during the fiscal year	156,236	148,173
Reclassification adjustments	(862)	(2,443)
Before adjustments to tax effect	155,374	145,730
Tax effect	—	—
Foreign currency translation adjustments	155,374	145,730
Remeasurements of defined benefit plans:		
Amount arising during the fiscal year	—	160,604
Reclassification adjustments	—	23,073
Before adjustments to tax effect	—	183,678
Tax effect	—	(62,939)
Remeasurements of defined benefit plans	—	120,738
Share of other comprehensive income of affiliates:		
Amount arising during the fiscal year	(606)	952
Reclassification adjustments	(3,862)	(1,407)
Before adjustments to tax effect	(4,468)	(454)
Tax effect	—	—
Share of other comprehensive income of affiliates	(4,468)	(454)
Total other comprehensive income	¥ 304,763	¥1,131,783

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2014

1. Type and number of shares issued and treasury stock

Year ended March 31, 2014	Number of shares: At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	Notes
Shares issued					
Common stock	106,248,400	—	—	106,248,400	
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	106,318,401	—	—	106,318,401	
Treasury stock					
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	70,001	—	—	70,001	

2. Information on stock acquisition rights

Year ended March 31, 2014	Details of stock acquisition rights	Type of shares	Number of shares: At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	Millions of yen: At the end of the fiscal year	Notes
Consolidated subsidiaries	—		—				¥157	
Total							¥157	

3. Information on dividends

(1) Dividends paid in the fiscal year

Date of resolution	Type of shares	Cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	¥ 51,636	¥ 486	March 31, 2013	June 27, 2013
Meeting of the Board of Directors held on November 12, 2013	Common stock	138,760	1,306	September 30, 2013	November 25, 2013

(2) Dividends to be paid in the next fiscal year

Date of resolution	Type of shares	Cash dividends (Millions of yen)	Source of dividends	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	¥320,763	Retained earnings	¥3,019	March 31, 2014	June 27, 2014

Fiscal year ended March 31, 2015

1. Type and number of shares issued and treasury stock

Year ended March 31, 2015	Number of shares: At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	Notes
Shares issued					
Common stock	106,248,400	—	—	106,248,400	
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	106,318,401	—	—	106,318,401	
Treasury stock					
Preferred stock (1st series Type 6)	70,001	—	—	70,001	
Total	70,001	—	—	70,001	

2. Information on stock acquisition rights

Year ended March 31, 2015	Details of stock acquisition rights	Type of shares	Number of shares: At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year	Millions of yen: At the end of the fiscal year	Notes
Consolidated subsidiaries	—			—			¥198	
Total							¥198	

3. Information on dividends

(1) Dividends paid in the fiscal year

Date of resolution	Type of shares	Cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	¥320,763	¥3,019	March 31, 2014	June 27, 2014
Meeting of the Board of Directors held on November 13, 2014	Common stock	164,685	1,550	September 30, 2014	November 26, 2014

(2) Dividends to be paid in the next fiscal year

Date of resolution	Type of shares	Cash dividends (Millions of yen)	Source of dividends	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders on June 26, 2015	Common stock	¥331,601	Retained earnings	¥3,121	March 31, 2015	June 26, 2015

(Notes to consolidated statement of cash flows)

***1 The relation between the amounts of accounts listed on the consolidated financial statement and "Cash and cash equivalents"**

Year ended March 31	Millions of yen 2014	Millions of yen 2015
Cash and due from banks	¥32,826,744	¥39,569,276
Interest earning deposits with banks (excluding the deposit with the Bank of Japan)	(5,912,588)	(6,053,797)
Cash and cash equivalents	¥26,914,156	¥33,515,479

(Notes to lease transactions)

1. Financing 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 2014	Millions of yen 2015
Lease receivables	¥189,116	¥223,088
Residual value	56,864	59,564
Unearned interest income	(30,341)	(35,035)
Total	¥215,639	¥247,617

2) The scheduled collections of lease payments receivable related to lease receivables and investment assets are as follows:

	Millions of yen			
	2014		2015	
March 31	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	¥ 924	¥ 31,486	¥1,929	¥ 46,556
More than 1 year to 2 years	730	32,777	1,053	30,746
More than 2 years to 3 years	503	22,612	793	25,868
More than 3 years to 4 years	352	17,198	504	19,207
More than 4 years to 5 years	204	13,349	225	29,484
More than 5 years	114	71,691	232	71,224
Total	¥2,831	¥189,116	¥4,738	¥223,088

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 and minority interests" for the fiscal years ended March 31, 2014 and 2015 were ¥78 million and ¥30 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:

	Millions of yen	
March 31	**2014**	**2015**
Due within 1 year	¥ 34,825	¥ 35,511
Due after 1 year	235,755	213,815
Total	¥270,580	¥249,327

(2) Lessor side

Future minimum lease payments on operating leases which were not cancelable were as follows:

	Millions of yen	
March 31	**2014**	**2015**
Due within 1 year	¥ 9,674	¥13,113
Due after 1 year	30,827	43,491
Total	¥40,501	¥56,604

(Notes to financial instruments)

1. Status of financial instruments

(1) Policies on financial instruments

SMBC Group conducts banking and other financial services such as leasing, securities, credit card, and 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, SMBC 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, 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.

(2) Details of financial instruments and associated risks

1) Financial assets

The main financial assets held by SMBC 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 SMBC 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 SMBC 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 SMBC to not only market risk but also funding liquidity risk: the risk of SMBC not being able to raise funds due to market turmoil, deterioration in its 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 SMBC 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 the method to assess the effectiveness of hedging 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 SMBC Group are set forth in "Regulations on Risk Management." SMBC'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. SMBC has a risk management system based on the basic policy. The Corporate Risk Management Dept., which, together with the Corporate Planning Dept., controls risk management across SMBC Group by monitoring the development and implementation of SMBC Group's risk management system, and gives appropriate guidance as needed. Under this framework, SMBC comprehensively and systematically manages risks.

1) Management of credit risk

SMBC conducts integrated management of credit risk according to its operational characteristics, and the credit risk inherent in its entire portfolio as well as the risk in individual credits are managed quantitatively and continuously.

(a) Credit risk management system

At SMBC, basic policies on credit risk management and other significant matters require the resolution of the Management Committee and the approval of the Board of Directors.

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. The department also monitors risk situations and regularly reports to the Management Committee and the Board of Directors.

Moreover, the Credit Portfolio Management Dept. within the Credit & Investment Planning Dept. works to stabilize SMBC's overall credit portfolio through using credit derivatives and selling loan claims.

The Credit Departments of Wholesale Banking Unit, Retail Banking Unit and other business units play a central role in credit screening and managing their units' credit portfolios. In the Wholesale Banking Unit, the Credit Administration Dept. is responsible for formulating and implementing measures to reduce SMBC's exposures mainly to borrowers classified as potentially bankrupt or lower. Each business unit establishes its credit limits based on the baseline amounts for each borrower grading category. Borrowers or loans perceived to have high credit risk undergo intensive evaluation and administration by the unit's Credit Department. The Corporate Research Dept. analyzes industries as well as investigates the borrower's business situation to detect early signs of problems.

Moreover, the Credit Risk Management Committee, a consultative body straddling the business units, rounds out SMBC's oversight system for undertaking flexible and efficient control of credit risk and ensuring the overall soundness of the bank'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

SMBC 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 the scope of capital

  To limit credit risks to a permissible level relative to capital, "credit risk capital limit" has been established for internal control purposes. Based on this limit, guidelines are set for each business unit. Regular monitoring is conducted to ensure that these guidelines are being followed.

- Controlling concentration of risk

  Concentration of risk in specific borrowers/industries/countries could severely reduce a bank's capital should it materialize. SMBC therefore implements measures to prevent concentration of credit risk in specific industries, and control large exposures to individual borrowers by setting maximum loan amounts and conducting thorough loan reviews. To manage country risk, SMBC also has credit limit guidelines based on each country's creditworthiness.

- Greater understanding of actual corporate conditions and balancing returns and risks

  SMBC 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) level.

- Reduction and prevention of non-performing loans

  For non-performing loans and potential non-performing loans, SMBC 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 regards 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 regards to credit risk of derivative transactions, the potential exposure based on the market price is regularly calculated and property managed. When the counterparty is a financial institution with whom SMBC frequently conducts derivative transactions, measures such as a close-out netting provision, which provide that offsetting credit exposures between the 2 parties will be combined into a single net payment from 1 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

SMBC 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

At SMBC, important matters such as basic policies for managing market and liquidity risks and risk management framework are determined by the Management Committee and then approved by the Board of Directors.

The aforementioned Corporate Risk Management Dept., which is independent from the business units that directly handle business transactions, manages market and liquidity risks in an integrated manner. The department also monitors market and liquidity risk situations and regularly reports to the Management Committee and the Board of Directors.

Furthermore, SMBC's cross-departmental "ALM Committee" reports on the state of observance of market risk capital and liquidity risk capital limits, and deliberates on administration of ALM policies. SMBC also has a system whereby front-office departments, middle-office departments and back-office departments check each other's work in order to prevent clerical errors, unauthorized transactions, etc.

In addition, SMBC's Internal Audit Unit, which is independent from 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

SMBC 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.

SMBC 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 of assets such as loans and bonds and liabilities such as deposits) and trading activities (activities for generating profit by taking advantage of short-term fluctuations in market values and differences in value among markets), SMBC 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, SMBC 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, share price, option prices and other market risk factors, SMBC 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, 2015, total VaR of SMBC and its major consolidated subsidiaries was ¥37.8 billion for the banking activities, ¥13.8 billion for the trading activities, and ¥1,400.5 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

At SMBC, funding liquidity risk is managed based on a framework consisting of setting funding gap limits, maintaining a system of highly liquid supplementary funding sources, and establishing contingency plans. A funding gap is the amount of funds needed in the future to cover duration mismatch between required investments and funding resources. SMBC tries to avoid excessive reliance on short-term funds by managing funding gap limits and has established a contingency plan covering emergency action plans such as reducing funding gap limits. In addition, to ensure smooth fulfillment of transactions in face of market turmoil, SMBC holds assets such as U.S. treasuries that can be sold immediately and emergency committed lines as supplemental liquidity.

Moreover, to manage the liquidity risk of marketable instruments, derivative transactions, etc., SMBC 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, 2014 and 2015 are as follows:

The amounts shown in the following tables do not include financial instruments whose fair values are extremely difficult to determine, such as unlisted stocks classified as other securities (see (3) below), and stocks of subsidiaries and affiliates.

	Millions of yen		
March 31, 2014	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks*1	¥ 32,816,532	¥ 32,823,722	¥ 7,189
2) Call loans and bills bought*1	1,247,326	1,248,436	1,110
3) Receivables under resale agreements	522,860	528,406	5,545
4) Receivables under securities borrowing transactions	3,737,208	3,737,836	627
5) Monetary claims bought*1	3,413,460	3,425,896	12,436
6) Trading assets			
Securities classified as trading purpose	3,353,603	3,353,603	—
7) Money held in trust	14,572	14,572	—
8) Securities			
Bonds classified as held-to-maturity	4,528,549	4,562,347	33,797
Other securities	21,608,776	21,608,776	—
9) Loans and bills discounted	69,754,391		
Reserve for possible loan losses*1	(481,553)		
	69,272,838	70,895,138	1,622,299
10) Foreign exchanges*1	1,786,063	1,790,855	4,792
11) Lease receivables and investment assets*1	217,792	220,243	2,450
Total assets	¥142,519,585	¥144,209,836	¥1,690,250
1) Deposits	¥ 94,543,064	¥ 94,545,318	¥ 2,253
2) Negotiable certificates of deposit	13,973,339	13,976,699	3,359
3) Call money and bills sold	4,113,650	4,113,650	(0)
4) Payables under repurchase agreements	1,708,801	1,708,801	—
5) Payables under securities lending transactions	5,328,427	5,328,427	—
6) Commercial paper	2,374,051	2,374,049	(2)
7) Trading liabilities			
Trading securities sold for short sales	1,823,171	1,823,171	—
8) Borrowed money	5,101,073	5,120,751	19,678
9) Foreign exchanges	451,658	451,658	—
10) Short-term bonds	302,500	302,500	—
11) Bonds	4,906,764	5,055,406	148,641
12) Due to trust account	699,329	699,329	—
Total liabilities	¥135,325,834	¥135,499,764	¥ 173,930
Derivative transactions*2			
Hedge accounting not applied	¥ 440,787	¥ 440,787	¥ —
Hedge accounting applied	[474,630]	[474,630]	—
Total	¥ [33,842]	¥ [33,842]	¥ —

*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," "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 on "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.

	Millions of yen		
March 31, 2015	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks*1	¥ 39,560,074	¥ 39,567,061	¥ 6,986
2) Call loans and bills bought*1	1,326,280	1,327,080	800
3) Receivables under resale agreements	746,431	747,509	1,077
4) Receivables under securities borrowing transactions	6,447,116	6,447,709	593
5) Monetary claims bought*1	4,124,713	4,135,259	10,545
6) Trading assets			
Securities classified as trading purpose	3,117,124	3,117,124	—
7) Money held in trust	1	1	—
8) Securities			
Bonds classified as held-to-maturity	3,397,151	3,417,732	20,580
Other securities	24,959,454	24,959,454	—
9) Loans and bills discounted	75,119,565		
Reserve for possible loan losses*1	(399,864)		
	74,719,701	76,531,750	1,812,049
10) Foreign exchanges*1	1,903,702	1,907,769	4,066
11) Lease receivables and investment assets*1	251,720	253,877	2,157
Total assets	¥160,553,473	¥162,412,329	¥1,858,856
1) Deposits	¥101,503,889	¥101,509,185	¥ 5,295
2) Negotiable certificates of deposit	14,032,798	14,036,179	3,381
3) Call money and bills sold	5,873,123	5,873,118	(5)
4) Payables under repurchase agreements	991,860	991,860	—
5) Payables under securities lending transactions	7,833,219	7,833,219	—
6) Commercial paper	3,352,662	3,352,634	(27)
7) Trading liabilities			
Trading securities sold for short sales	2,164,905	2,164,905	—
8) Borrowed money	8,223,808	8,295,943	72,134
9) Foreign exchanges	1,110,822	1,110,822	—
10) Short-term bonds	545,700	545,700	—
11) Bonds	5,663,566	5,848,698	185,132
12) Due to trust account	718,133	718,133	—
Total liabilities	¥152,014,491	¥152,280,402	¥ 265,910
Derivative transactions*2			
Hedge accounting not applied	¥ 592,316	¥ 592,316	¥ —
Hedge accounting applied	[854,172]	[854,172]	—
Total	¥ [261,856]	¥ [261,856]	¥ —

*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," "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 on "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 SMBC 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 amounts of financial instruments whose fair values are extremely difficult to determine are as follows:

March 31	Millions of yen 2014	Millions of yen 2015
Monetary claims bought:		
Monetary claims bought without market prices*1	¥ 5,168	¥ 2,537
Securities:		
Unlisted stocks, etc.*2*4	315,517	421,231
Investments in partnership, etc.*3*4	309,753	230,235
Total	¥630,438	¥654,003

*1 They are beneficiary claims on loan trusts that (a) behave more like equity than debt, (b) do not have market prices, and (c) 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 SMBC records net changes in their balance sheets and statements of income.

*4 Unlisted stocks and investments in partnership totaling ¥9,044 million and ¥12,739 million were written-off in the fiscal years ended March 31, 2014 and 2015, respectively.

(4) Redemption schedule of monetary claims and securities with maturities

March 31, 2014	Millions of yen Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits with banks	¥31,529,651	¥ 33,586	¥ 24,359	¥ 841
Call loans and bills bought	1,189,456	57,267	1,511	—
Receivables under resale agreements	360,564	162,296	—	—
Receivables under securities borrowing transactions	3,683,458	53,750	—	—
Monetary claims bought	2,680,301	456,975	59,526	213,170
Securities*1	6,945,298	11,785,010	2,847,434	539,648
Bonds classified as held-to-maturity	1,105,218	3,394,784	22,000	—
Japanese government bonds	1,045,000	3,260,000	20,000	—
Japanese local government bonds	32,783	69,504	—	—
Japanese corporate bonds	27,434	65,280	1,500	—
Other	—	—	500	—
Other securities with maturity	5,840,080	8,390,225	2,825,434	539,648
Japanese government bonds	3,672,565	4,740,766	1,429,700	30,000
Japanese local government bonds	45,454	58,074	5,323	13,688
Japanese corporate bonds	584,032	1,678,752	469,465	64,137
Other	1,538,028	1,912,632	920,946	431,822
Loans and bills discounted*1*2	14,070,052	27,391,391	10,468,661	9,203,196
Foreign exchanges*1	1,777,457	10,651	—	—
Lease receivables and investment assets*1	27,792	71,788	49,357	12,552
Total	¥62,264,032	¥40,022,717	¥13,450,850	¥9,969,409

*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 Securities: ¥17,250 million, Loans and bills discounted: ¥866,892 million, Foreign exchanges: ¥2,297 million and Lease receivables and investment assets: ¥4 million.

*2 "Loans and bills discounted" without the maturity dates are not included. Such amount is totaled to ¥7,748,873 million at March 31, 2014.

	Millions of yen			
March 31, 2015	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits with banks	¥38,313,595	¥ 59,736	¥ 20,911	¥ 1,241
Call loans and bills bought	1,272,265	51,242	3,456	—
Receivables under resale agreements	674,341	72,090	—	—
Receivables under securities borrowing transactions	6,397,326	49,790	—	—
Monetary claims bought	3,233,838	586,345	47,243	221,903
Securities*1	5,644,963	14,427,251	2,305,171	758,126
Bonds classified as held-to-maturity	1,392,417	2,001,567	—	—
Japanese government bonds	1,300,000	1,980,000	—	—
Japanese local government bonds	51,347	16,356	—	—
Japanese corporate bonds	41,070	5,210	—	—
Other	—	—	—	—
Other securities with maturity	4,252,546	12,425,683	2,305,171	758,126
Japanese government bonds	1,715,953	8,893,500	369,500	—
Japanese local government bonds	28,278	21,904	1,224	35
Japanese corporate bonds	452,917	1,585,252	503,625	31,767
Other	2,055,397	1,925,026	1,430,822	726,322
Loans and bills discounted*1*2	15,955,473	29,978,412	10,951,880	9,392,832
Foreign exchanges*1	1,883,491	21,463	—	—
Lease receivables and investment assets*1	37,487	87,962	53,471	13,531
Total	¥73,412,783	¥45,334,295	¥13,382,135	¥10,387,635

*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 Securities: ¥44,260 million, Loans and bills discounted: ¥731,775 million, Foreign exchanges: ¥2,712 million and Lease receivables and investment assets: ¥195 million.

*2 "Loans and bills discounted" without the maturity dates are not included. Such amount is totaled to ¥8,107,246 million at March 31, 2015.

(5) Redemption schedule of bonds, borrowed money and other interest-bearing debts

	Millions of yen			
March 31, 2014	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits*	¥ 89,505,876	¥4,255,577	¥ 469,026	¥312,583
Negotiable certificates of deposit	13,229,524	739,755	3,948	111
Call money and bills sold	4,113,650	—	—	—
Payables under repurchase agreements	1,708,801	—	—	—
Payables under securities lending transactions	5,328,427	—	—	—
Commercial paper	2,374,051	—	—	—
Borrowed money	3,787,251	413,121	627,397	273,303
Foreign exchanges	451,658	—	—	—
Short-term bonds	302,500	—	—	—
Bonds	475,926	2,341,460	1,733,159	359,825
Due to trust account	699,329	—	—	—
	¥121,976,999	¥7,749,914	¥2,833,532	¥945,823

* Demand deposits are included in "Within 1 year." Deposits include current deposits.

	Millions of yen			
March 31, 2015	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Deposits*	¥ 96,373,495	¥4,284,589	¥ 497,816	¥ 347,987
Negotiable certificates of deposit	13,725,626	304,980	2,170	20
Call money and bills sold	5,873,123	—	—	—
Payables under repurchase agreements	991,860	—	—	—
Payables under securities lending transactions	7,833,219	—	—	—
Commercial paper	3,352,662	—	—	—
Borrowed money	6,214,936	608,033	973,730	427,108
Foreign exchanges	1,110,822	—	—	—
Short-term bonds	545,700	—	—	—
Bonds	946,248	2,628,607	1,666,632	426,306
Due to trust account	718,133	—	—	—
	¥137,685,830	¥7,826,212	¥3,140,349	¥1,201,422

* 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

	Millions of yen	
March 31	**2014**	**2015**
Valuation gains (losses) included in the earnings for the fiscal year	¥(15,176)	¥71,730

2. Bonds classified as held-to-maturity

	Millions of yen		
March 31, 2014	**Consolidated balance sheet amount**	**Fair value**	**Net unrealized gains (losses)**
Bonds with unrealized gains:			
Japanese government bonds	¥4,061,397	¥4,093,197	¥31,800
Japanese local government bonds	100,697	101,543	845
Japanese corporate bonds	86,478	87,781	1,303
Other	500	501	1
Subtotal	4,249,072	4,283,023	33,950
Bonds with unrealized losses:			
Japanese government bonds	269,773	269,649	(124)
Japanese local government bonds	1,883	1,881	(1)
Japanese corporate bonds	7,820	7,793	(26)
Other	8,300	8,300	—
Subtotal	287,777	287,623	(153)
Total	¥4,536,849	¥4,570,647	¥33,797

	Millions of yen		
March 31, 2015	**Consolidated balance sheet amount**	**Fair value**	**Net unrealized gains (losses)**
Bonds with unrealized gains:			
Japanese government bonds	¥3,283,044	¥3,303,228	¥20,183
Japanese local government bonds	67,843	68,065	221
Japanese corporate bonds	46,263	46,438	175
Other	—	—	—
Subtotal	3,397,151	3,417,732	20,580
Bonds with unrealized losses:			
Japanese government bonds	—	—	—
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	¥3,397,151	¥3,417,732	¥20,580

3. Other securities

	Millions of yen		
March 31, 2014	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other securities with unrealized gains:			
Stocks	¥ 2,673,427	¥ 1,483,778	¥1,189,648
Bonds	11,608,821	11,540,128	68,693
Japanese government bonds	8,875,554	8,852,054	23,499
Japanese local government bonds	117,529	116,816	713
Japanese corporate bonds	2,615,737	2,571,256	44,480
Other	3,638,370	3,465,873	172,497
Subtotal	17,920,619	16,489,779	1,430,839
Other securities with unrealized losses:			
Stocks	343,067	395,038	(51,970)
Bonds	1,272,360	1,276,606	(4,245)
Japanese government bonds	1,035,648	1,036,692	(1,044)
Japanese local government bonds	7,017	7,045	(27)
Japanese corporate bonds	229,694	232,868	(3,173)
Other	2,681,994	2,741,460	(59,466)
Subtotal	4,297,422	4,413,105	(115,682)
Total	¥22,218,042	¥20,902,885	¥1,315,157

Notes: 1. Net unrealized gains (losses) on other securities shown above include gains of ¥17,031 million for the fiscal year ended March 31, 2014 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, 2014	Millions of yen
Stocks	¥301,907
Other	328,531
Total	¥630,438

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.

March 31, 2015	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other securities with unrealized gains:			
Stocks	¥ 3,801,421	¥ 1,734,437	¥2,066,983
Bonds	11,260,652	11,199,812	60,839
Japanese government bonds	8,953,782	8,935,132	18,649
Japanese local government bonds	49,123	48,842	281
Japanese corporate bonds	2,257,746	2,215,837	41,908
Other	5,891,481	5,506,447	385,034
Subtotal	20,953,555	18,440,697	2,512,857
Other securities with unrealized losses:			
Stocks	115,005	133,626	(18,620)
Bonds	2,439,587	2,450,396	(10,808)
Japanese government bonds	2,053,203	2,058,883	(5,680)
Japanese local government bonds	3,026	3,039	(12)
Japanese corporate bonds	383,358	388,473	(5,114)
Other	2,059,397	2,078,511	(19,113)
Subtotal	4,613,990	4,662,533	(48,542)
Total	¥25,567,546	¥23,103,231	¥2,464,314

Notes: 1. Net unrealized gains (losses) on other securities shown above include gains of ¥29,870 million for the fiscal year ended March 31, 2015 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, 2015	Millions of yen
Stocks	¥280,354
Other	373,649
Total	¥654,003

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, 2014

There are no corresponding transactions.

Fiscal year ended March 31, 2015

There are no corresponding transactions.

5. Other securities sold during the fiscal year

	Millions of yen		
Year ended March 31, 2014	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 144,365	¥ 57,934	¥ (6,357)
Bonds	16,969,082	14,545	(8,256)
Japanese government bonds	16,603,340	13,195	(7,591)
Japanese local government bonds	139,552	350	(294)
Japanese corporate bonds	226,188	999	(370)
Other	9,551,532	93,589	(19,319)
Total	¥26,664,980	¥166,070	¥(33,933)

	Millions of yen		
Year ended March 31, 2015	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 101,785	¥ 42,494	¥ (1,023)
Bonds	13,391,570	9,373	(5,699)
Japanese government bonds	13,142,974	8,939	(5,593)
Japanese local government bonds	63,699	37	(94)
Japanese corporate bonds	184,896	396	(11)
Other	14,266,544	96,964	(16,739)
Total	¥27,759,899	¥148,832	¥(23,462)

6. Change of classification of securities

Fiscal year ended March 31, 2014

There are no corresponding transactions.

Fiscal year ended March 31, 2015

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 value 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, 2014 and 2015 were ¥7,106 million and ¥5,992 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, 2014

There are no corresponding transactions.

Fiscal year ended March 31, 2015

There are no corresponding transactions.

2. Money held in trust classified as held-to-maturity

Fiscal year ended March 31, 2014

There are no corresponding transactions.

Fiscal year ended March 31, 2015

There are no corresponding transactions.

3. Other money held in trust

	Millions of yen		
March 31, 2014	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥14,572	¥14,572	—

	Millions of yen		
March 31, 2015	Consolidated balance sheet amount	Acquisition cost	Net unrealized gains (losses)
Other money held in trust	¥1	¥1	—

(Notes to net unrealized gains (losses) on other securities and other money held in trust)

The breakdown of "Net unrealized gains (losses) on other securities" reported on the consolidated balance sheets is as shown below:

March 31, 2014	Millions of yen
Net unrealized gains (losses)	¥1,298,127
Other securities	1,298,127
Other money held in trust	—
(-) Deferred tax liabilities	350,791
Net unrealized gains (losses) on other securities (before following adjustments)	947,336
(-) Minority interests	9,542
(+) SMBC's interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates	442
Net unrealized gains (losses) on other securities	¥ 938,235

Notes: 1. Net unrealized gains of ¥17,031 million for the fiscal year ended March 31, 2014 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.

March 31, 2015	Millions of yen
Net unrealized gains (losses)	¥2,434,453
Other securities	2,434,453
Other money held in trust	—
(-) Deferred tax liabilities	658,270
Net unrealized gains (losses) on other securities (before following adjustments)	1,776,183
(-) Minority interests	20,970
(+) SMBC's interest in net unrealized gains (losses) on valuation of other securities held by equity method affiliates	1,681
Net unrealized gains (losses) on other securities	¥1,756,894

Notes: 1. Net unrealized gains of ¥29,870 million for the fiscal year ended March 31, 2015 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

	Millions of yen			
	Contract amount			Valuation
March 31, 2014	Total	Over 1 year	Fair value	gains (losses)
Listed				
Interest rate futures:				
Sold	¥ 28,829,810	¥ 13,631,032	¥ (8,873)	¥ (8,873)
Bought	28,567,999	13,072,376	8,388	8,388
Interest rate options:				
Sold	782,288	443,131	(66)	(66)
Bought	26,838,675	14,265,117	4,243	4,243
Over-the-counter				
Forward rate agreements:				
Sold	5,077,154	—	301	301
Bought	4,789,752	—	(224)	(224)
Interest rate swaps:	429,980,550	351,518,120	87,005	87,005
Receivable fixed rate/payable floating rate	201,748,944	167,033,574	4,013,819	4,013,819
Receivable floating rate/payable fixed rate	201,393,983	164,385,578	(3,930,937)	(3,930,937)
Receivable floating rate/payable floating rate	26,692,561	19,955,612	(2,864)	(2,864)
Interest rate swaptions:				
Sold	2,742,490	1,537,970	5,529	5,529
Bought	1,925,738	1,418,490	12,574	12,574
Caps:				
Sold	14,761,826	10,254,207	(24,927)	(24,927)
Bought	6,463,984	4,583,241	4,137	4,137
Floors:				
Sold	578,076	328,062	(885)	(885)
Bought	158,814	48,770	2,282	2,282
Other:				
Sold	768,378	665,087	11,697	11,697
Bought	3,107,097	2,364,787	(134)	(134)
Total	/	/	¥ 101,048	¥ 101,048

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.

	Millions of yen			
	Contract amount			Valuation
March 31, 2015	Total	Over 1 year	Fair value	gains (losses)
Listed				
Interest rate futures:				
Sold	¥ 72,417,655	¥ 27,182,460	¥ (63,824)	¥ (63,824)
Bought	70,808,254	25,824,043	58,948	58,948
Interest rate options:				
Sold	345,874	36,168	(110)	(110)
Bought	36,305,940	16,041,662	6,990	6,990
Over-the-counter				
Forward rate agreements:				
Sold	6,869,797	35,565	606	606
Bought	6,747,669	377,473	(604)	(604)
Interest rate swaps:	449,415,886	374,586,344	124,031	124,031
Receivable fixed rate/payable floating rate	211,589,587	176,495,486	6,138,876	6,138,876
Receivable floating rate/payable fixed rate	209,578,804	175,966,222	(6,018,949)	(6,018,949)
Receivable floating rate/payable floating rate	28,142,407	22,028,051	(2,593)	(2,593)
Interest rate swaptions:				
Sold	3,595,666	2,228,852	19,802	19,802
Bought	2,131,049	1,590,233	(12,738)	(12,738)
Caps:				
Sold	21,514,098	16,330,540	(18,189)	(18,189)
Bought	7,165,728	5,603,385	(4,231)	(4,231)
Floors:				
Sold	594,392	417,517	(533)	(533)
Bought	98,034	98,034	2,659	2,659
Other:				
Sold	1,004,262	885,363	(6,496)	(6,496)
Bought	3,924,935	3,249,593	9,944	9,944
Total	/	/	¥ 116,255	¥ 116,255

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, 2014	Millions of yen			
	Contract amount			Valuation
	Total	Over 1 year	Fair value	gains (losses)
Listed				
Currency futures:				
Sold	¥ 70,439	¥ —	¥ 31	¥ 31
Bought	13	—	0	0
Over-the-counter				
Currency swaps	22,074,896	15,370,027	445,429	31,333
Currency swaptions:				
Sold	202,168	196,919	(101)	(101)
Bought	338,266	313,407	480	480
Forward foreign exchange	50,898,952	3,687,400	(68,586)	(68,586)
Currency options:				
Sold	2,567,685	1,238,886	(163,998)	(163,998)
Bought	2,386,911	1,096,745	121,475	121,475
Total	/	/	¥ 334,730	¥ (79,365)

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, 2015	Millions of yen			
	Contract amount			Valuation
	Total	Over 1 year	Fair value	gains (losses)
Listed				
Currency futures:				
Sold	¥ 80,931	¥ —	¥ 180	¥ 180
Bought	497	—	0	0
Over-the-counter				
Currency swaps	27,031,054	20,118,327	693,697	10,189
Currency swaptions:				
Sold	308,906	304,563	(559)	(559)
Bought	451,270	443,519	(397)	(397)
Forward foreign exchange	62,569,233	5,225,986	(141,367)	(141,367)
Currency options:				
Sold	2,723,327	1,495,074	(181,167)	(181,167)
Bought	2,395,875	1,248,848	121,468	121,468
Total	/	/	¥ 491,854	¥(191,654)

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, 2014	Millions of yen			
	Contract amount			Valuation
	Total	Over 1 year	Fair value	gains (losses)
Listed				
Equity price index futures:				
Sold	¥487,519	¥ —	¥ (2,819)	¥ (2,819)
Bought	204,073	—	918	918
Equity price index options:				
Sold	81,075	31,150	(4,721)	(4,721)
Bought	65,400	18,150	3,106	3,106
Over-the-counter				
Equity options:				
Sold	220,479	220,479	(25,656)	(25,656)
Bought	227,041	223,876	26,751	26,751
Equity index forward contracts:				
Sold	—	—	—	—
Bought	14,995	381	(262)	(262)
Equity index swaps:				
Receivable equity index/payable short-term floating rate	9,270	9,020	(975)	(975)
Receivable short-term floating rate/payable equity index	22,313	20,530	1,497	1,497
Total	/	/	¥ (2,161)	¥ (2,161)

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, 2015	Millions of yen			
	Contract amount			Valuation
	Total	Over 1 year	Fair value	gains (losses)
Listed				
Equity price index futures:				
Sold	¥995,570	¥ —	¥(11,329)	¥(11,329)
Bought	276,854	—	6,702	6,702
Equity price index options:				
Sold	169,626	68,750	(16,412)	(16,412)
Bought	153,922	59,715	11,545	11,545
Over-the-counter				
Equity options:				
Sold	225,859	218,338	(23,558)	(23,558)
Bought	233,896	218,338	24,976	24,976
Equity index forward contracts:				
Sold	16,717	—	126	126
Bought	33,481	499	500	500
Equity index swaps:				
Receivable equity index/payable short-term floating rate	31,690	31,225	(1,262)	(1,262)
Receivable short-term floating rate/payable equity index	59,675	58,570	1,942	1,942
Total	/	/	¥ (6,768)	¥ (6,768)

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

	Millions of yen			
	Contract amount			
March 31, 2014	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Bond futures:				
Sold	¥1,346,086	¥ —	¥ 4,518	¥ 4,518
Bought	1,282,196	—	(4,863)	(4,863)
Bond futures options:				
Sold	6,172	—	(13)	(13)
Bought	10,172	—	7	7
Over-the-counter				
Bond forwards:				
Sold	302	—	2	2
Bought	—	—	—	—
Bond options:				
Sold	77,673	—	(61)	(61)
Bought	199,487	121,065	880	880
Total	/	/	¥ 471	¥ 471

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.

	Millions of yen			
	Contract amount			
March 31, 2015	Total	Over 1 year	Fair value	Valuation gains (losses)
Listed				
Bond futures:				
Sold	¥3,247,523	¥ —	¥(23,131)	¥(23,131)
Bought	2,667,181	—	15,828	15,828
Bond futures options:				
Sold	38,448	—	(40)	(40)
Bought	39,048	—	107	107
Over-the-counter				
Bond options:				
Sold	39,607	—	(123)	(123)
Bought	174,030	134,394	655	655
Total	/	/	¥ (6,704)	¥ (6,704)

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

	Millions of yen			
	Contract amount			Valuation
March 31, 2014	**Total**	**Over 1 year**	**Fair value**	**gains (losses)**
Listed				
Commodity futures:				
Sold	¥ 6,564	¥ —	¥ (88)	¥ (88)
Bought	7,201	—	90	90
Over-the-counter				
Commodity swaps:				
Receivable fixed price/payable floating price	95,227	71,255	(9,702)	(9,702)
Receivable floating price/payable fixed price	86,006	58,936	19,770	19,770
Receivable floating price/payable floating price	7,016	5,408	(668)	(668)
Commodity options:				
Sold	8,771	6,631	(197)	(197)
Bought	2,282	1,327	47	47
Total	/	/	¥ 9,250	¥ 9,250

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.

	Millions of yen			
	Contract amount			Valuation
March 31, 2015	**Total**	**Over 1 year**	**Fair value**	**gains (losses)**
Listed				
Commodity futures:				
Sold	¥ 14,001	¥ —	¥ 1,546	¥ 1,546
Bought	15,703	—	(2,183)	(2,183)
Over-the-counter				
Commodity swaps:				
Receivable fixed price/payable floating price	111,581	72,095	7,608	7,608
Receivable floating price/payable fixed price	87,933	62,634	(5,971)	(5,971)
Receivable floating price/payable floating price	3,922	3,384	(132)	(132)
Commodity options:				
Sold	15,529	13,787	(506)	(506)
Bought	9,095	7,946	(108)	(108)
Total	/	/	¥ 253	¥ 253

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, 2014	Millions of yen			
	Contract amount			
	Total	Over 1 year	Fair value	Valuation gains (losses)
Over-the-counter				
Credit default options:				
Sold	¥810,582	¥440,541	¥ 4,484	¥ 4,484
Bought	925,268	522,885	(7,037)	(7,037)
Total	/	/	¥(2,552)	¥(2,552)

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, 2015	Millions of yen			
	Contract amount			
	Total	Over 1 year	Fair value	Valuation gains (losses)
Over-the-counter				
Credit default options:				
Sold	¥491,723	¥397,171	¥ 6,882	¥ 6,882
Bought	652,486	520,233	(9,456)	(9,456)
Total	/	/	¥(2,574)	¥(2,574)

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, 2014			Millions of yen		
			Contract amount		
Hedge accounting method	Type of derivative	Principal items hedged	Total	Over 1 year	Fair value
Deferral hedge method	Interest futures:	Interest-earning/bearing financial assets/liabilities such as loans and bills discounted, other securities (bonds), deposits and negotiable certificates of deposit			
	Sold		¥ 823,040	¥ 823,040	¥ 24
	Bought		—	—	—
	Interest rate swaps:				
	Receivable fixed rate/payable floating rate		29,012,108	25,144,657	393,005
	Receivable floating rate/payable fixed rate		15,806,568	15,136,209	(370,535)
	Receivable floating rate/payable floating rate		10,423	—	(8)
	Interest rate swaptions:				
	Sold		11,543	11,543	154
	Bought		—	—	—
	Caps:				
	Sold		23,267	18,139	383
	Bought		23,267	18,139	(383)
Recognition of gain or loss on the hedged items	Interest rate swaps:	Loans and bills discounted			
	Receivable floating rate/payable fixed rate		18,475	8,581	(482)
	Receivable floating rate/payable floating rate		193,202	164,962	(4,105)
Special treatment for interest rate swaps	Interest rate swaps:	Loans and bills discounted; borrowed money			
	Receivable floating rate/payable fixed rate		63,620	51,719	(Note 3)
	Total		/	/	¥ 18,052

Notes: 1. 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).

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, 2015

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen — Contract amount — Total	Over 1 year	Fair value
Deferral hedge method	Interest futures:	Interest-earning/			
	Sold	bearing financial	¥ 9,431,618	¥ 6,067,453	¥ (5,029)
	Bought	assets/liabilities	1,300,300	—	(41)
	Interest rate swaps:	such as loans and			
	Receivable fixed rate/ payable floating rate	bills discounted, other securities,	31,042,631	26,461,484	718,262
	Receivable floating rate/ payable fixed rate	deposits and negotiable	16,384,006	14,856,496	(658,221)
	Receivable floating rate/ payable floating rate	certificates of deposit	3,604	—	4
	Interest rate swaptions:				
	Sold		12,344	12,344	89
	Bought		—	—	—
	Caps:				
	Sold		65,156	61,248	135
	Bought		65,156	61,248	(135)
Recognition of gain or loss on the hedged items	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted	148,693	91,040	728
Special treatment for interest rate swaps	Interest rate swaps: Receivable floating rate/ payable fixed rate	Loans and bills discounted; borrowed money	123,402	112,566	(Note 3)
	Total		/	/	¥ 55,792

Notes: 1. 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).

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, 2014

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen — Contract amount — Total	Over 1 year	Fair value
Deferral hedge method	Currency swaps	Foreign currency denominated	¥4,989,343	¥3,554,864	¥(500,635)
	Forward foreign exchange	loans and bills discounted; other securities (bonds); deposits; foreign currency exchange, etc.	24,659	—	208
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted;	34,642	6,075	3,350
	Forward foreign exchange	foreign exchange	309,265	14,658	910
Allocation method	Forward foreign exchange	Other securities (bonds)	3,179	—	(Note 3)
	Total		/	/	¥(496,166)

Notes: 1. SMBC applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing Concerning Accounting Standard for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

2. Fair value is calculated using discounted present value.

3. Forward foreign exchange amounts treated by the allocation method are treated with other securities 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, 2015

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen Contract amount Total	Over 1 year	Fair value
Deferral hedge method	Currency swaps	Foreign currency denominated loans and bills discounted; other securities; deposits; foreign currency exchange, etc.	¥6,715,292	¥4,762,555	¥(912,620)
	Forward foreign exchange		8,547	—	(38)
Recognition of gain or loss on the hedged items	Currency swaps	Loans and bills discounted; foreign exchange	100,155	84,886	16,193
	Forward foreign exchange		813,122	16,526	(173)
	Total		/	/	¥(896,638)

Notes: 1. SMBC applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing Concerning Accounting Standard for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

2. Fair value is calculated using discounted present value.

(3) Equity derivatives

March 31, 2014

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen Contract amount Total	Over 1 year	Fair value
Recognition of gain or loss on the hedged items	Equity price index swaps:	Other securities (equity)			
	Receivable equity index/payable floating rate		¥ —	¥ —	¥ —
	Receivable floating rate/payable equity index		115,244	59,945	3,483
	Total		/	/	¥3,483

Note: Fair value is calculated using discounted present value.

March 31, 2015

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen Contract amount Total	Over 1 year	Fair value
Recognition of gain or loss on the hedged items	Equity price index futures:	Other securities			
	Sold		¥118,375	¥ —	¥ 1,687
	Bought		—	—	—
	Equity price index swaps:				
	Receivable equity index/payable floating rate		—	—	—
	Receivable floating rate/payable equity index		65,978	8,769	(15,013)
	Total		/	/	¥(13,326)

Note: 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.

(Notes to employee retirement benefits)

1. Outline of employee retirement benefits

SMBC and its 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 2014	Millions of yen 2015
Beginning balance of projected benefit obligation	¥1,039,149	¥1,008,800
Cumulative effects of changes in accounting policies	—	(46,849)
Restated balance	1,039,149	961,950
Service cost	26,194	26,747
Interest cost on projected benefit obligation	16,089	12,886
Unrecognized net actuarial gain or loss incurred	(19,248)	49,062
Payments of retirement benefits	(54,163)	(48,084)
Unrecognized prior service cost	(74)	—
Other	853	206
Ending balance of projected benefit obligation	¥1,008,800	¥1,002,768

(2) Reconciliation of beginning and ending balances of plan assets

Year ended, March 31	Millions of yen 2014	Millions of yen 2015
Beginning balance of plan assets	¥ 987,863	¥1,110,022
Expected return on plan assets	30,367	33,367
Unrecognized net actuarial gain or loss incurred	87,740	209,660
Contributions by the employer	42,373	44,070
Payments of retirement benefits	(39,836)	(39,842)
Other	1,513	801
Ending balance of plan assets	¥1,110,022	¥1,358,080

(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 2014	Millions of yen 2015
Funded projected benefit obligation	¥ (999,368)	¥ (993,419)
Plan assets	1,110,022	1,358,080
	110,654	364,660
Unfunded projected benefit obligation	(9,432)	(9,349)
Net amount of asset and liability reported on the consolidated balance sheet	¥ 101,221	¥ 355,311

March 31	Millions of yen 2014	Millions of yen 2015
Net defined benefit asset	¥115,847	¥367,953
Net defined benefit liability	(14,625)	(12,641)
Net amount of asset and liability reported on the consolidated balance sheet	¥101,221	¥355,311

(4) Pension expenses

Year ended March 31	Millions of yen 2014	Millions of yen 2015
Service cost	¥ 26,194	¥ 26,747
Interest cost on projected benefit obligation	16,089	12,886
Expected return on plan assets	(30,367)	(33,367)
Amortization of unrecognized net actuarial gain or loss	35,990	23,032
Amortization of unrecognized prior service cost	48	41
Other (nonrecurring additional retirement allowance paid and other)	863	6,455
Pension expenses	¥ 48,819	¥ 35,794

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 2014	Millions of yen 2015
Prior service cost	¥—	¥ (41)
Net actuarial gain or loss	—	(183,636)
Total	¥—	¥(183,678)

(6) Accumulated remeasurements of defined benefit plans

The breakdown of "Accumulated remeasurements of defined benefit plans" (before deducting tax effect) is as shown below:

	Millions of yen	
March 31	**2014**	**2015**
Unrecognized prior service cost	¥ 63	¥ 21
Unrecognized net actuarial gain or loss	116,882	(66,754)
Total	¥116,945	¥(66,732)

(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	**2014**	**2015**
Stocks	60.8%	64.2%
Bonds	22.3%	20.7%
Other	16.9%	15.1%
Total	100.0%	100.0%

Note: The retirement benefit trusts set up for employee pension plans and lump-sum severance indemnity plans account for 35.3% and 39.2% of the total plan assets at March 31, 2014 and 2015, 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, 2014	**Percentages**	**Year ended March 31, 2015**	**Percentages**
SMBC and its domestic consolidated subsidiaries	0.4% to 2.0%	SMBC and its domestic consolidated subsidiaries	0.4% to 1.4%
Overseas consolidated subsidiaries	3.5% to 11.3%	Overseas consolidated subsidiaries	3.1% to 12.0%

2) Long-term expected rate of return on plan assets

Year ended March 31, 2014	**Percentages**	**Year ended March 31, 2015**	**Percentages**
SMBC and its domestic consolidated subsidiaries	0% to 4.0%	SMBC and its domestic consolidated subsidiaries	0% to 4.0%
Overseas consolidated subsidiaries	4.3% to 10.5%	Overseas consolidated subsidiaries	3.1% to 12.0%

3. Defined contribution plan

Fiscal year ended March 31, 2014

The amount required to be contributed by the consolidated subsidiaries is ¥5,168 million.

Fiscal year ended March 31, 2015

The amount required to be contributed by the consolidated subsidiaries is ¥5,988 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, 2014 and 2015 are as follows:

	Millions of yen	
Year ended March 31	**2014**	**2015**
General and administrative expenses	¥52	¥56

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, 2014 and 2015 are as follows:

	Millions of yen	
Year ended March 31	**2014**	**2015**
Other income	¥13	¥14

3. Outline of stock options and changes

(1) A consolidated subsidiary, KUBC

1) Outline of stock options

Date of resolution	June 29, 2004	June 29, 2005	June 29, 2006	June 29, 2006
Title and number of grantees	Directors and employees 174	Directors and employees 183	Directors 9	Officers not doubling as directors 14 Employees 46
Number of stock options*	Common shares 39,900	Common shares 46,400	Common shares 16,200	Common shares 11,500
Grant date	July 30, 2004	July 29, 2005	July 31, 2006	July 31, 2006
Condition for vesting	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.
Exercise period	June 30, 2006 to June 29, 2014	June 30, 2007 to June 29, 2015	June 30, 2008 to June 29, 2016	June 30, 2008 to June 29, 2016

Date of resolution	June 28, 2007	June 28, 2007	June 27, 2008	June 26, 2009
Title and number of grantees	Directors 10	Officers not doubling as directors 14 Employees 48	Directors 9 Officers not doubling as directors 16 Employees 45	Directors 11 Officers not doubling as directors 14 Employees 57
Number of stock options*	Common shares 17,400	Common shares 11,200	Common shares 28,900	Common shares 35,000
Grant date	July 31, 2007	July 31, 2007	July 31, 2008	July 31, 2009
Condition for vesting	N.A.	N.A.	N.A.	N.A.
Requisite service period	N.A.	N.A.	N.A.	N.A.
Exercise period	June 29, 2009 to June 28, 2017	June 29, 2009 to June 28, 2017	June 28, 2010 to June 27, 2018	June 27, 2011 to June 26, 2019

* Number of stock options has been converted and stated as the number of shares in consideration of the reverse stock split to combine 10 common shares as one share, performed on October 1, 2014.

2) Stock options granted and changes

(a) Number of stock options

	Number of stock options							
Date of resolution	**June 29, 2004**	**June 29, 2005**	**June 29, 2006**	**June 29, 2006**	**June 28, 2007**	**June 28, 2007**	**June 27, 2008**	**June 26, 2009**
Before vested								
Previous fiscal year-end	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—
Outstanding	—	—	—	—	—	—	—	—
After vested								
Previous fiscal year-end	19,700	27,200	9,400	6,800	12,200	8,000	28,400	35,000
Vested	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—
Forfeited	19,700	4,600	3,200	1,100	4,400	1,000	5,700	3,100
Exercisable	—	22,600	6,200	5,700	7,800	7,000	22,700	31,900

Note: Number of stock options has been converted and stated as the number of shares in consideration of the reverse stock split to combine 10 common shares as one share, performed on October 1, 2014.

(b) Price information

	Yen							
Date of resolution	**June 29, 2004**	**June 29, 2005**	**June 29, 2006**	**June 29, 2006**	**June 28, 2007**	**June 28, 2007**	**June 27, 2008**	**June 26, 2009**
Exercise price	¥2,020	¥3,130	¥4,900	¥4,900	¥4,610	¥4,610	¥3,020	¥1,930
Average exercise price	—	—	—	—	—	—	—	—
Fair value at the grant date	—	—	1,380	1,380	960	960	370	510

3) Method of estimating the 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.

(2) A consolidated subsidiary, MINATO

1) Outline of stock options

Date of resolution	June 28, 2012	June 27, 2013	June 27, 2014
Title and number of grantees	Directors 7 Officers 12	Directors 7 Officers 12	Directors 7 Officers 16
Number of stock options*	Common shares 368,000	Common shares 334,000	Common shares 320,000
Grant date	July 20, 2012	July 19, 2013	July 18, 2014
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 or executive officer of MINATO.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director or executive officer of MINATO.	Stock acquisition right holders may exercise stock acquisition rights from the day when they are relieved of their positions either as a director or executive officer of MINATO.
Requisite service period	June 28, 2012 to the closing of the ordinary general meeting of shareholders of MINATO for the fiscal year ended March 31, 2013.	June 27, 2013 to the closing of the ordinary general meeting of shareholders of MINATO for the fiscal year ended March 31, 2014.	June 27, 2014 to the closing of the ordinary general meeting of shareholders of MINATO for the fiscal year ended March 31, 2015
Exercise period	July 21, 2012 to July 20, 2042	July 20, 2013 to July 19, 2043	July 19, 2014 to July 18, 2044

* Number of stock options has been converted and stated as number of shares.

2) Stock options granted and changes

(a) Number of stock options

	Number of stock options		
Date of resolution	June 28, 2012	June 27, 2013	June 27, 2014
Before vested			
Previous fiscal year-end	272,000	306,000	—
Granted	—	—	320,000
Forfeited	—	—	12,000
Vested	70,000	83,000	46,000
Outstanding	202,000	223,000	262,000
After vested			
Previous fiscal year-end	73,000	22,000	—
Vested	70,000	83,000	46,000
Exercised	—	—	—
Forfeited	—	—	—
Exercisable	143,000	105,000	46,000

Note: Number of stock options has been converted and stated as number of shares.

(b) Price information

Date of resolution	Yen		
	June 28, 2012	June 27, 2013	June 27, 2014
Exercise price	¥ 1	¥ 1	¥ 1
Average exercise price	—	—	—
Fair value at the grant date	132	166	181

3) Valuation technique used for valuating fair value of stock options

Stock options granted in the fiscal year were valuated using the following valuation technique.

(a) Valuation technique: Black-Scholes option-pricing model

(b) Principal parameters used in the option-pricing model

Date of resolution	June 27, 2014
Expected volatility*1	26.49%
Average expected life*2	2 years
Expected dividends*3	¥ 5 per share
Risk-free interest rate*4	0.06%

*1 Calculated based on the actual stock prices during 2 years from July 19, 2012 to July 18, 2014.

*2 The average expected life could not be estimated rationally due to insufficient amount of data. Therefore, it was estimated based on average tenures of officers of MINATO.

*3 Expected dividends are based on the actual dividends on common stock for the fiscal year ended March 31, 2015.

*4 Japanese government bond yield corresponding to the average expected life.

4) Method of estimating the 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, 2014	Millions of yen
Deferred tax assets:	
Reserve for possible loan losses and write-off of loans	¥ 320,872
Write-off of securities	154,824
Net defined benefit liability	52,042
Remeasurements of defined benefit plans	41,586
Net operating loss carryforwards	22,099
Deferred losses on hedges	33,076
Other	152,053
Subtotal	776,554
Valuation allowance	(244,471)
Total deferred tax assets	532,083
Deferred tax liabilities:	
Net unrealized gains on other securities	(355,484)
Gains on securities contributed to employee retirement benefits trust	(36,812)
Leveraged lease	(20,378)
Other	(48,218)
Total deferred tax liabilities	(460,894)
Net deferred tax assets (liabilities)	71,189

March 31, 2015	Millions of yen
Deferred tax assets:	
Reserve for possible loan losses and write-off of loans	¥ 233,406
Write-off of securities	121,715
Net defined benefit liability	27,370
Net operating loss carryforwards	18,947
Deferred losses on hedges	11,564
Other	122,612
Subtotal	535,616
Valuation allowance	(189,795)
Total deferred tax assets	345,820
Deferred tax liabilities:	
Net unrealized gains on other securities	(660,546)
Gains on securities contributed to employee retirement benefits trust	(33,932)
Leveraged lease	(22,513)
Remeasurements of defined benefit plans	(21,339)
Other	(53,293)
Total deferred tax liabilities	(791,625)
Net deferred tax assets (liabilities)	(445,804)

2. Significant components of difference between the statutory tax rate used by SMBC and the effective income tax rate

March 31, 2014	Percentages
Statutory tax rate	37.94%
Difference between SMBC and overseas consolidated subsidiaries	(2.44)
Dividends exempted for income tax purposes	(1.83)
Valuation allowance	(1.20)
Effects of changes in the corporate income tax rate	0.61
Other	(0.38)
Effective income tax rate	32.70%

March 31, 2015	Percentages
Statutory tax rate	35.57%
Difference between SMBC and overseas consolidated subsidiaries	(2.10)
Dividends exempted for income tax purposes	(2.09)
Valuation allowance	(1.02)
Effects of changes in the corporate income tax rate	1.99
Other	(0.16)
Effective income tax rate	32.19%

3. Adjustments to deferred tax assets and liabilities arising from a change in the income tax rate

In accordance with the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9, 2015) and the Act for Partial Amendment of the Local Tax Act, etc. (Act No. 2, 2015) on March 31, 2015, the corporate income tax rate is lowered from fiscal years beginning on or after April 1, 2015. As a result of these changes, the effective statutory tax rate used by SMBC for the calculation of deferred tax assets and liabilities was changed from the current rate of 35.57% to 33.00% for temporary differences and other items expected to be eliminated during the period beginning from the fiscal year beginning on April 1, 2015, and to 32.20% for temporary differences and other items expected to be eliminated in the fiscal year beginning on or after April 1, 2016. As a result of these changes in tax rates, "Net deferred tax assets (liabilities)" increased by ¥46,287 million, and "Net unrealized gains (losses) on other securities" increased by ¥68,801 million, "Net deferred gains (losses) on hedges" decreased by ¥1,063 million, "Remeasurements of defined benefit plans" increased by ¥2,208 million, and "Income tax-deferred" increased by ¥23,659 million before considering about minority interests. "Deferred tax liabilities for land revaluation excess" decreased by ¥3,604 million, while "Land revaluation excess" increased by the same amount before considering about minority interests.

(Notes to asset retirement obligations)

Fiscal year ended March 31, 2014

There is no significant information to be disclosed.

Fiscal year ended March 31, 2015

There is no significant information to be disclosed.

(Notes to real estate for rent)

Fiscal year ended March 31, 2014

There is no significant information to be disclosed.

Fiscal year ended March 31, 2015

There is no significant information to be disclosed.

(Notes to segment and other related information)

[Segment information]

1. Summary of reportable segment

SMBC 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 SMBC's Management Committee regularly in order to make decisions about resources to be allocated to the segment and assess its performance.

Besides commercial banking, SMBC Group companies conduct businesses such as leasing, securities, credit card, system development and data processing. The primary businesses, "Commercial banking" and "Securities," are separate reportable segments, and other businesses are aggregated as "Other business."

SMBC assesses business performance by classifying "Commercial banking" into the following 4 business units: "Retail banking unit," "Wholesale banking unit" and "International banking unit" that are based on the client segment, and "Treasury unit" that is based on the financial markets.

SMBC reviewed its domestic business units with an aim to improve its ability to meet customers' needs and provide more value-added products and services by reconstructing business model for each segment. "Customer banking unit," "Middle market banking unit" and "Corporate banking unit," which were 3 domestic business units, have changed into 2 business units; "Wholesale banking unit" and "Retail banking unit."

From the fiscal year ended March 31, 2015, the performance assessment method was changed by, for example, changing the definition of consolidated net business profit, in order to enhance the group business management.

Information for the fiscal year ended March 31, 2014 indicates profit and loss amount by reportable segment prepared based on the above-mentioned revisions.

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)."

SMBC does not assess assets by business segments.

3. Information on profit and loss amount by reportable segment

	Millions of yen							
	Commercial banking							
	SMBC							
Year ended March 31, 2014	**SMBC Sub-total**	**Wholesale Banking Unit**	**Retail Banking Unit**	**International Banking Unit**	**Treasury Unit**	**Head office account**	**Others**	**Total**
Gross profit	¥1,558,184	¥ 558,538	¥ 405,391	¥295,984	¥325,522	¥ (27,250)	¥ 249,055	¥1,807,239
Interest income	1,064,906	323,396	321,309	174,587	225,207	20,407	171,143	1,236,050
Non-interest income	493,277	235,142	84,082	121,397	100,315	(47,658)	77,912	571,189
Expenses, etc.	(745,745)	(200,758)	(336,413)	(89,093)	(22,901)	(96,580)	(195,566)	(941,311)
Depreciation	(81,666)	(23,550)	(31,292)	(9,745)	(4,810)	(12,269)	(10,635)	(92,302)
Consolidated net business profit	¥ 812,438	¥ 357,780	¥ 68,978	¥206,891	¥302,621	¥(123,831)	¥ 53,488	¥ 865,927

Year ended March 31, 2014	Millions of yen				
	Securities			Other Business	Grand Total
	SMBC Nikko	Others	Total		
Gross profit	¥ 339,299	¥ 353	¥ 339,653	¥119,496	¥ 2,266,388
Interest income	229	1,132	1,361	71,832	1,309,244
Non-interest income	339,070	(779)	338,291	47,663	957,144
Expenses, etc.	(235,255)	(9,789)	(245,045)	(1,614)	(1,187,972)
Depreciation	(2,842)	(743)	(3,585)	(11,299)	(107,187)
Consolidated net business profit	¥ 104,044	¥(9,436)	¥ 94,607	¥117,881	¥ 1,078,416

Notes: 1. "SMBC Nikko" represents non-consolidated figures of SMBC Nikko plus figures of the overseas incorporated securities companies.

2. "Other business" includes profit or loss to be eliminated as inter-segment transactions.

Year ended March 31, 2015	Millions of yen								
	Commercial banking								
	SMBC								
	SMBC Sub-total	Wholesale Banking Unit	Retail Banking Unit	International Banking Unit	Treasury Unit	Head office account	Others	Total
Gross profit	¥1,634,284	¥ 555,429	¥ 386,784	¥ 345,332	¥353,990	¥ (7,250)	¥ 289,397	¥1,923,682
Interest income	1,121,428	315,796	313,171	227,808	212,361	52,292	171,222	1,292,650
Non-interest income	512,856	239,633	73,613	117,524	141,629	(59,542)	118,175	631,032
Expenses, etc.	(791,211)	(206,778)	(350,047)	(106,637)	(25,918)	(101,831)	(202,923)	(994,135)
Depreciation	(82,976)	(23,281)	(31,317)	(10,195)	(4,682)	(13,501)	(10,041)	(93,018)
Consolidated net business profit	¥ 843,073	¥ 348,651	¥ 36,737	¥ 238,695	¥328,072	¥(109,081)	¥ 86,473	¥ 929,547

Year ended March 31, 2015	Millions of yen				
	Securities			Other Business	Grand Total
	SMBC Nikko	Others	Total		
Gross profit	¥ 346,294	¥ (2,794)	¥ 343,499	¥ 60,619	¥ 2,327,801
Interest income	1,498	1,015	2,513	29,847	1,325,011
Non-interest income	344,796	(3,809)	340,986	30,771	1,002,789
Expenses, etc.	(248,680)	(8,711)	(257,392)	(20,984)	(1,272,512)
Depreciation	(2,720)	(674)	(3,395)	(17,218)	(113,631)
Consolidated net business profit	¥ 97,613	¥(11,506)	¥ 86,107	¥ 39,634	¥ 1,055,289

Notes: 1. "SMBC Nikko" represents non-consolidated figures of SMBC Nikko plus figures of the overseas incorporated securities companies.

2. "Other business" 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, 2014	Millions of yen
Consolidated net business profit	¥1,078,416
Other ordinary income (excluding equity in gains of affiliates)	297,175
Other ordinary expenses	(76,853)
Ordinary profit on consolidated statements of income	¥1,298,738

Year ended March 31, 2015	Millions of yen
Consolidated net business profit	¥1,055,289
Other ordinary income	209,080
Other ordinary expenses (excluding equity in losses of affiliates)	(65,414)
Ordinary profit on consolidated statements of income	¥1,198,955

[Related information]

Fiscal year ended March 31, 2014

1. Information on each service

	Millions of yen			
	Commercial banking	Securities	Other business	Total
Ordinary income to external customers	¥2,609,866	¥344,062	¥152,063	¥3,105,992

Note: Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Geographic information

(1) Ordinary income

Millions of yen				
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total
¥2,430,723	¥244,332	¥180,482	¥250,453	¥3,105,992

Notes: 1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Ordinary income from transactions of SMBC (excluding overseas branches) and domestic consolidated subsidiaries is classified as "Japan." The geographic segmentation is classified based on the location of overseas branches of SMBC and overseas consolidated subsidiaries and the degrees of geographic proximity. Ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries is classified as "The Americas," "Europe and Middle East" and "Asia and Oceania."

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
¥837,489	¥128,496	¥4,833	¥6,084	¥976,903

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, 2015

1. Information on each service

	Millions of yen			
	Commercial banking	Securities	Other business	Total
Ordinary income to external customers	¥2,616,948	¥443,419	¥139,040	¥3,199,409

Note: Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Geographic information

(1) Ordinary income

Millions of yen				
Japan	The Americas	Europe and Middle East	Asia and Oceania	Total
¥2,358,869	¥314,485	¥181,897	¥344,156	¥3,199,409

Notes: 1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. Ordinary income from transactions of SMBC (excluding overseas branches) and domestic consolidated subsidiaries is classified as "Japan." The geographic segmentation is classified based on the location of overseas branches of SMBC and overseas consolidated subsidiaries and the degrees of geographic proximity. Ordinary income from transactions of overseas branches of SMBC and transactions of overseas consolidated subsidiaries is classified as "The Americas," "Europe and Middle East" and "Asia and Oceania."

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
¥891,551	¥168,423	¥4,383	¥8,848	¥1,073,206

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]

	Millions of yen			
Year ended March 31, 2014	Commercial Banking	Securities	Other business	Total
Impairment loss	¥2,551	¥65	¥23	¥2,640

	Millions of yen			
Year ended March 31, 2015	Commercial Banking	Securities	Other business	Total
Impairment loss	¥4,906	¥173	¥—	¥5,080

[Information on amortization of goodwill and unamortized balance by reportable segment]

	Millions of yen			
Year ended March 31, 2014	Commercial Banking	Securities	Other business	Total
Amortization of goodwill	¥ 1,315	¥ 9,495	¥3,034	¥ 13,845
Unamortized balance	23,069	145,643	94	168,807

	Millions of yen			
Year ended March 31, 2015	**Commercial Banking**	**Securities**	**Other business**	**Total**
Amortization of goodwill	¥ 1,945	¥ 9,488	¥23	¥ 11,457
Unamortized balance	21,123	136,155	71	157,350

[Information on gains on negative goodwill by reportable segment]

Fiscal year ended March 31, 2014

There is no significant information to be disclosed.

Fiscal year ended March 31, 2015

There is no significant information to be disclosed.

[Information on total credit cost by reportable segment]

	Millions of yen			
Year ended March 31, 2014	**Commercial banking**	**Securities**	**Other business**	**Total**
Total credit cost	¥(116,546)	¥(40)	¥3,268	¥(113,318)

Notes: 1. Total credit cost = Write-off loans + Losses on sales of delinquent loans − Gains on reversal of reserve for possible loan losses − Recoveries of written-off claims.

2. "Other business" includes profit or loss to be eliminated as inter-segment transactions.

3. Figures shown in the parenthesis represent the reversal of total credit cost.

	Millions of yen			
Year ended March 31, 2015	**Commercial banking**	**Securities**	**Other business**	**Total**
Total credit cost	¥(68,299)	¥(200)	¥3,123	¥(65,376)

Notes: 1. Total credit cost = Write-off loans + Losses on sales of delinquent loans − Gains on reversal of reserve for possible loan losses − Recoveries of written-off claims.

2. "Other business" includes profit or loss to be eliminated as inter-segment transactions.

3. Figures shown in the parenthesis represent the reversal of total credit cost.

[Information on related parties]

Fiscal year ended March 31, 2014

1. Transactions with related parties

There are no significant transactions to be disclosed.

2. Notes to the parent company or important affiliates

Information on parent company

Sumitomo Mitsui Financial Group, Inc. (listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange and the New York Stock Exchange)

Fiscal year ended March 31, 2015

1. Transactions with related parties

There are no significant transactions to be disclosed.

2. Notes to the parent company or important equity affiliates

Information on parent company

Sumitomo Mitsui Financial Group, Inc. (listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange and the New York Stock Exchange)

(Business Combinations)

There is no significant business combination to be disclosed.

(Per Share Data)

As of and year ended March 31	Yen	
	2014	2015
Net assets	¥71,465.80	¥84,301.64
Net income per share	7,394.82	6,935.67
Net income per share (diluted)	7,394.81	6,935.67

Notes: 1. Net income per share and net income per share (diluted) are calculated based on the following.

Year ended March 31	Millions of yen except number of shares	
	2014	2015
Net income per share:		
Net income	¥785,687	¥736,904
Amount not attributable to common stockholders	—	—
Net income attributable to common stock	¥785,687	¥736,904
Average number of common stock during the fiscal year (in thousand)	106,248	106,248
Net income per share (diluted):		
Adjustment for net income	¥ (0)	¥ (0)
Adjustment of dilutive shares issued by subsidiaries and affiliates	(0)	(0)
Increase in number of common stock (in thousand)	—	—
Outline of dilutive shares which were not included in the calculation of "Net income 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	
	2014	2015
Net assets	¥8,640,763	¥10,036,003
Amounts excluded from Net assets	1,047,636	1,079,089
Stock acquisition rights	157	198
Minority interests	1,047,479	1,078,891
Net assets attributable to common stock at the fiscal year-end	¥7,593,127	¥ 8,956,913
Number of common stock at the fiscal year-end used for the calculation of Net assets per share (in thousands)	106,248	106,248

3. Changes in accounting policies

As described in (Notes to significant accounting policies for preparing consolidated financial statements), SMBC has adopted Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, "Accounting Standard") and Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on March 26, 2015, "Guidance") from the beginning of the fiscal year ended March 31, 2015. Accordingly, SMBC applies the transitional treatment stipulated in Paragraph 37 of the Accounting Standard.

As a result, net assets per share as of April 1, 2014 increased by ¥ 292.16.

(Significant Subsequent Events)

There is no significant subsequent event to be disclosed.

[Consolidated supplementary financial schedules]

[Schedule of bonds]

Company	Type of bonds	Date of issuance	Millions of yen At the beginning of the fiscal year	Millions of yen At the end of the fiscal year	Percentages Interest rate (Note 1)	Collateral	Date of maturity
SMBC	Short-term bonds, payable in Yen (Note 3)	Mar. 2014 ~ Mar. 2015	¥25,000 [25,000]	¥25,000 [25,000]	0.07	None	Apr. 2015
	Straight bonds, payable in Yen (Note 3)	Aug. 2004 ~ Sep. 2004	65,000 [30,000]	35,000	0.03429 ~ 0.08143	None	Aug. 2016 ~ Sep. 2016
	Straight bonds, payable in Yen (Note 3)	May. 2009 ~ Apr. 2014	861,808 [196,396]	729,974 [370,000]	0.254 ~ 0.69	None	Apr. 2015 ~ Apr. 2019
	Straight bonds, payable in Euroyen (Note 3)	Mar.2006 ~ Feb. 2007	12,900	500 [500]	0.01286	None	May 8, 2015
	Straight bonds, payable in U.S. dollars (Notes 3 and 4)	Jul. 2010 ~ Mar. 2015	1,618,005 ($15,727,110 thousand) [144,015]	2,562,816 ($21,330,140 thousand) [432,540]	0.5741 ~ 4.13	None	Jul. 2015 ~ Mar. 2030
	Straight bonds, payable in British pound sterling (Notes 3 and 4)	Mar. 18, 2013	42,805 (£250,000 thousand)	44,502 (£250,000 thousand) [44,502]	1.11438	None	Mar. 18, 2016
	Straight bonds, payable in Euro (Note 4)	Jul. 2013 ~ Jan. 2015	175,822 (€1,242,032 thousand)	259,206 (€1,989,456 thousand)	1.00 ~ 2.75	None	Dec. 2020 ~ Jul. 2023
	Straight bonds, payable in Australian dollars (Notes 3 and 4)	Dec. 2011 ~ Mar. 2015	139,961 (A$1,469,873 thousand) [40,942]	137,981 (A$1,499,469 thousand) [12,882]	2.97 ~ 4.13	None	Mar. 2016~ Mar. 2025
	Straight bonds, payable in Hong Kong Dollars (Note 4)	Mar. 5, 2015	—	13,392 (HKD 864,000 thousand)	2.55	None	Mar. 7, 2022
	Subordinated bonds, payable in Yen (Note 3)	Oct. 2004 ~ Dec. 2011	739,271 [49,997]	583,074 [50,000]	1.43 ~ 2.8	None	Aug. 2015~ Dec. 2026
	Subordinated bonds, payable in Yen	Nov. 2011 ~ Jan. 2013	355,722	355,075	0.87 ~ 1.1	None	Nov. 2021~ Feb. 2023
	Subordinated bonds, payable in Euroyen	Jun. 2005 ~ Dec. 2009	130,800	12,000	2.564 ~ 2.97	None	Jun. 2023 ~ Jun. 2035
	Subordinated bonds, payable in U. S. dollars (Note 4)	Mar. 1, 2012	153,765 ($1,494,609 thousand)	178,636 ($1,486,780 thousand)	4.85	None	Mar. 1, 2022
	Perpetual subordinated bonds, payable in U. S. dollars (Note 4)	Jul. 22, 2005	33,641 ($327,001 thousand)	39,309 ($327,169 thousand)	5.625	None	Perpetual
	Subordinated bonds, payable in Euro (Note 4)	Nov. 9, 2010	105,391 (€744,503 thousand)	97,019 (€744,646 thousand)	4	None	Nov. 9, 2020
	Perpetual subordinated bonds, payable in Euro (Note 4)	Jul. 22, 2005	46,839 (€330,881 thousand)	43,152 (€331,204 thousand)	4.375	None	Perpetual
*1	Consolidated subsidiaries, straight bonds, payable in Yen (Notes 2 and 3)	Nov. 2010 ~ Mar. 2015	288,830 [14,550]	424,980 [25,715]	0.01 ~ 13.71	None	Apr. 2015 ~ Mar. 2045
*2	Consolidated subsidiaries, straight bonds, payable in U.S. dollars (Notes 2,3 and 4)	Apr. 2014 ~ Mar. 2015	—	1,457 ($13,000 thousand) [108]	0.01 ~ 3.8	None	Apr. 2015 ~ Feb. 2020
*3	Consolidated subsidiaries, straight bonds, payable in renminbi (Notes 2 and 4)	May 5, 2014	—	19,287 (RMB 996,255 thousand)	5.8	None	May 5, 2016
*4	Consolidated subsidiaries, subordinated bonds, payable in Yen (Note 2 and 3)	Mar. 1996 ~ Dec. 2012	136,200	126,200 [10,000]	2.19 ~ 4.5	None	Mar. 2016 ~ Perpetual
*5	Consolidated subsidiaries, short-term bonds, payable in Yen (Notes 2 and 3)	Oct. 2013 ~ Mar. 2015	277,500 [277,500]	520,700 [520,700]	0.085 ~ 0.12	None	Apr. 2015 ~ Aug. 2015
Total		—	¥5,209,264	¥6,209,266	—	—	—

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 is a straight bond issued in yen by SMBC Nikko, a domestic consolidated subsidiary.

(*2) This is a straight bond issued in U.S. dollars by SMBC Nikko, a domestic consolidated subsidiary.

(*3) This is a straight bond issued in renminbi by Sumitomo Mitsui Banking Corporation (China) Limited, an overseas consolidated subsidiary.

(*4) This represents an aggregate of perpetual subordinated bonds and subordinated term bonds issued in yen by SMBC International Finance N.V., an overseas consolidated subsidiary and KUBC and MINATO, domestic consolidated subsidiaries.

(*5) This is a short-term bond issued by SMBC Nikko, a domestic consolidated subsidiary.

3. 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.

4. Figures showed in ( ) in "At the beginning of the fiscal year" and "At the end of the fiscal year" are in foreign currency.

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
¥1,491,948	¥886,840	¥848,780	¥322,981	¥570,006

[Schedule of borrowings]

Classification	Millions of yen: At the beginning of the fiscal year	Millions of yen: At the end of the fiscal year	Percentages: Average interest rate	Repayment Term
Borrowed money	¥5,101,073	¥8,223,808	0.43	—
Other borrowings	5,101,073	8,223,808	0.43	Jan. 2015 ~ Perpetual
Lease obligations	12,884	12,943	3.55	Apr. 2015 ~ 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	¥6,214,936	¥99,877	¥67,536	¥252,979	¥187,639
Lease obligations	3,108	2,452	1,869	1,301	878

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:

	Millions of yen: At the beginning of the fiscal year	Millions of yen: At the end of the fiscal year	Percentage: Average interest rate	Repayment Term
Commercial paper	¥2,374,051	¥3,352,662	0.29	Apr. 2015 ~ Feb. 2016

[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 retirement obligation is not disclosed.

[Others]

Not applicable.

(Non-consolidated financial statements)

1. Non-consolidated balance sheets

March 31	Millions of yen 2014	Millions of yen 2015	Millions of U.S. dollars 2015
Assets:			
Cash and due from banks	¥ 30,133,257	¥ 37,008,665	$ 308,021
Call loans	557,619	539,916	4,494
Receivables under resale agreements	455,595	417,473	3,475
Receivables under securities borrowing transactions	643,127	2,012,795	16,752
Bills bought	20,091	—	—
Monetary claims bought	873,331	1,047,498	8,718
Trading assets	3,220,669	3,627,862	30,194
Money held in trust	2,060	—	—
Securities	27,317,549	29,985,267	249,565
Loans and bills discounted	63,370,678	68,274,308	568,242
Foreign exchanges	1,698,141	1,798,843	14,972
Other assets	1,298,327	2,460,344	20,477
Tangible fixed assets	753,279	812,383	6,761
Intangible fixed assets	182,351	200,966	1,673
Prepaid pension cost	226,615	293,082	2,439
Customers' liabilities for acceptances and guarantees	5,767,068	6,721,131	55,940
Reserve for possible loan losses	(472,548)	(394,140)	(3,280)
Reserve for possible losses on investments	(80,785)	(82,321)	(685)
Total assets	¥135,966,434	¥154,724,079	$1,287,758
Liabilities and net assets:			
Liabilities:			
Deposits	¥ 84,137,339	¥ 91,337,714	$ 760,197
Negotiable certificates of deposit	14,020,505	14,022,064	116,705
Call money	3,265,929	4,579,940	38,119
Payables under repurchase agreements	1,126,120	350,010	2,913
Payables under securities lending transactions	3,390,533	5,113,896	42,563
Commercial paper	1,806,866	2,551,652	21,237
Trading liabilities	2,400,057	2,754,739	22,927
Borrowed money	5,091,006	8,096,070	67,383
Foreign exchanges	490,873	1,172,969	9,763
Short-term bonds	25,000	25,000	208
Bonds	4,501,843	5,095,577	42,410
Due to trust account	698,953	717,529	5,972
Other liabilities	2,071,738	3,672,970	30,570
Reserve for employee bonuses	12,112	13,738	114
Reserve for executive bonuses	610	644	5
Reserve for point service program	1,338	1,119	9
Reserve for reimbursement of deposits	13,650	19,589	163
Deferred tax liabilities	29,744	444,863	3,703
Deferred tax liabilities for land revaluation	37,782	34,141	284
Acceptances and guarantees	5,767,068	6,721,131	55,940
Total liabilities	128,889,073	146,725,363	1,221,185
Net assets:			
Capital stock	1,770,996	1,770,996	14,740
Capital surplus	2,481,273	2,481,273	20,651
Retained earnings	2,137,235	2,327,186	19,369
Treasury stock	(210,003)	(210,003)	(1,748)
Total stockholders' equity	6,179,502	6,369,453	53,013
Net unrealized gains (losses) on other securities	926,836	1,726,573	14,370
Net deferred gains (losses) on hedges	(53,158)	(124,906)	(1,040)
Land revaluation excess	24,180	27,593	230
Total valuation and translation adjustments	897,858	1,629,261	13,560
Total net assets	7,077,360	7,998,715	66,573
Total liabilities and net assets	¥135,966,434	¥154,724,079	$1,287,758

2. Non-consolidated statements of income

	Millions of yen		Millions of U.S. dollars
Year ended March 31	**2014**	**2015**	**2015**
Ordinary income	¥2,342,582	¥2,370,998	$19,734
Interest income	1,367,602	1,455,992	12,118
Interest on loans and discounts	945,454	990,485	8,244
Interest and dividends on securities	334,755	356,754	2,969
Trust fees	1,972	1,872	16
Fees and commissions	513,309	517,528	4,307
Trading income	37,059	12,799	107
Other operating income	142,006	194,059	1,615
Other Income	280,632	188,745	1,571
Ordinary expenses	1,390,065	1,415,005	11,777
Interest expenses	302,697	334,564	2,785
Interest on deposits	62,784	71,588	596
Fees and commissions payments	155,957	167,548	1,394
Trading losses	280	—	—
Other operating expenses	44,833	45,855	382
General and administrative expenses	780,534	820,216	6,827
Other expenses	105,763	46,820	390
Ordinary profit	952,516	955,992	7,957
Extraordinary gains	2,365	356	3
Extraordinary losses	8,399	8,700	72
Net income before taxes	946,483	947,648	7,887
Income taxes—current	182,869	224,845	1,871
Income taxes—deferred	158,358	79,787	664
Net income	¥ 605,255	¥ 643,015	$ 5,352

	Yen		U.S. dollars
	2014	**2015**	**2015**
Per share data:			
Net income	¥5,696.60	¥6,052.00	$50.37
Net income (diluted)	—	—	—

3. Non-consolidated statements of changes in net assets

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2014	**Capital stock**	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total**
Balance at the beginning of the fiscal year	¥1,770,996	¥2,481,273	¥1,720,728	¥(210,003)	¥5,762,995
Changes in the fiscal year:					
Cash dividends			(190,397)		(190,397)
Net income			605,255		605,255
Reversal of land revaluation excess			1,649		1,649
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	416,507	—	416,507
Balance at the end of the fiscal year	¥1,770,996	¥2,481,273	¥2,137,235	¥(210,003)	¥6,179,502

	Millions of yen				
	Valuation and translation adjustments				
Year ended March 31, 2014	**Net unrealized gains (losses) on other securities**	**Net deferred gains (losses) on hedges**	**Land revaluation excess**	**Total**	**Total net assets**
Balance at the beginning of the fiscal year	¥742,338	¥ 23,301	¥25,810	¥791,451	¥6,554,446
Changes in the fiscal year:					
Cash dividends					(190,397)
Net income					605,255
Reversal of land revaluation excess					1,649
Net changes in items other than stockholders' equity in the fiscal year	184,498	(76,460)	(1,630)	106,406	106,406
Net changes in the fiscal year	184,498	(76,460)	(1,630)	106,406	522,914
Balance at the end of the fiscal year	¥926,836	¥(53,158)	¥24,180	¥897,858	¥7,077,360

	Millions of yen				
	Stockholders' equity				
Year ended March 31, 2015	**Capital stock**	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total**
Balance at the beginning of the fiscal year	¥1,770,996	¥2,481,273	¥2,137,235	¥(210,003)	¥6,179,502
Cumulative effects of changes in accounting policies			32,236		32,236
Restated balance	1,770,996	2,481,273	2,169,471	(210,003)	6,211,738
Changes in the fiscal year:					
Cash dividends			(485,448)		(485,448)
Net income			643,015		643,015
Reversal of land revaluation excess			148		148
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	157,715	—	157,715
Balance at the end of the fiscal year	¥1,770,996	¥2,481,273	¥2,327,186	¥(210,003)	¥6,369,453

Year ended March 31, 2015	Millions of yen — Valuation and translation adjustments: Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Balance at the beginning of the fiscal year	¥ 926,836	¥ (53,158)	¥24,180	¥ 897,858	¥7,077,360
Cumulative effects of changes in accounting policies					32,236
Restated balance	926,836	(53,158)	24,180	897,858	7,109,597
Changes in the fiscal year:					
Cash dividends					(485,448)
Net income					643,015
Reversal of land revaluation excess					148
Net changes in items other than stockholders' equity in the fiscal year	799,736	(71,747)	3,413	731,403	731,403
Net changes in the fiscal year	799,736	(71,747)	3,413	731,403	889,118
Balance at the end of the fiscal year	¥1,726,573	¥(124,906)	¥27,593	¥1,629,261	¥7,998,715

Year ended March 31, 2015	Millions of U. S. Dollars — Stockholders' equity: Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of the fiscal year	$14,740	$20,651	$17,788	$(1,748)	$51,432
Cumulative effects of changes in accounting policies			268		268
Restated balance	14,740	20,651	18,056	(1,748)	51,700
Changes in the fiscal year:					
Cash dividends			(4,040)		(4,040)
Net income			5,352		5,352
Reversal of land revaluation excess			1		1
Net changes in items other than stockholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	1,313	—	1,313
Balance at the end of the fiscal year	$14,740	$20,651	$19,369	$(1,748)	$53,013

Year ended March 31, 2015	Millions of U. S. Dollars — Valuation and translation adjustments: Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Land revaluation excess	Total	Total net assets
Balance at the beginning of the fiscal year	$ 7,714	$ (442)	$201	$ 7,473	$58,904
Cumulative effects of changes in accounting policies					268
Restated balance	7,714	(442)	201	7,473	59,173
Changes in the fiscal year:					
Cash dividends					(4,040)
Net income					5,352
Reversal of land revaluation excess					1
Net changes in items other than stockholders' equity in the fiscal year	6,656	(597)	28	6,087	6,087
Net changes in the fiscal year	6,656	(597)	28	6,087	7,400
Balance at the end of the fiscal year	$14,370	$(1,040)	$230	$13,560	$66,573

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Global Medium Term Notes Program

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