SMFG SUMITOMO MITSUI FINANCIAL GROUP

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"SMFG's management strategy"

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<Presentation Summary>

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(Cover page)

Hello everyone.

I am Takeshi Kunibe, President and Group CEO of SMFG.

Thank you for taking the time today to attend our session. I would also like to thank Merrill Lynch Japan Securities for organizing this conference.

From April 2017, I became the new President and Group CEO of SMFG, and under a new management structure, we started our three-year Medium-Term Management Plan.

Our share price is currently slightly above ¥4,000 and the PBR remains at 0.6 times. Please be assured that as Group CEO, I will be communicating closely with the market and doing whatever I can to improve our share price.

(P.1)

Today, I will first talk about our management strategy by going through the agenda on p.1 for approximately 20 minutes, and then take questions from Mr. Sasaki and the audience.

Please turn to p.2.

(P.2)

First, the business environment and SMFG's initiatives.

The upper part of the slide shows the business environment. While the economy of the developed countries continues to recover steadily, the economic growth of the emerging countries is slowing down, due in part to the China Shock in the summer of 2015.

Under our previous Medium-Term Management Plan that ran from FY3/15 to FY3/17, we initially focused on the growth of our topline revenues, assuming the healthy economic growth of the emerging countries. However, we switched our focus to growing our bottom-line earnings halfway through FY3/16 in light of the changing economic conditions and the tightening of international financial regulations. Our new Medium-Term Management Plan was formulated under such circumstances.

We expect the difficult earnings environment to continue for the next three years. However, we believe there are business opportunities that we can grasp by becoming more competitive amid the new and changing social trends. Therefore, we will proactively work on our initiatives in order to realize our mid- to long term vision.

Please turn to p.3.

(P.3)

I would like to explain the overview of "SMFG Next Stage", our new Medium-Term Management Plan.

We introduced Group-wide business units and CxO system under a new management team in April 2017 and also transformed into a Company with Three Committees. Under this new management structure, we plan to achieve sustainable growth by combining the Group's strengths with more focused business management.

Shown here are the three Core Policies, which are, "Discipline", "Focus" and "Integration".

As for "Discipline", we intend to focus even more on the three efficiencies: capital, asset, and cost in our operations to improve profitability and engage in sound risk-taking and credit control to achieve sustained growth of bottom-line earnings.

As for "Focus", we will pursue well-defined growth strategies that focus on our strengths.

As for "Integration", we plan to further strengthen our ability to respond to our customers on a global group basis, optimize the allocation of management resources and make the planning and management functions more sophisticated in order to underpin the sustained growth.

As for our financial targets, we set ROE, overhead ratio, and CET1 ratio targets to improve profitability and comply with international financial regulations at an early stage to secure financial soundness.

Our basic capital policy seeks a balance among financial soundness, enhancing shareholder returns, and investing for growth. Our shareholder returns policy is a progressive dividend policy, and the dividend payout ratio target is 40%.

Please turn to p.4.

(P.4)

Here are our first quarter results.

Profit attributable to owners of parent was ¥241.5 billion, which represents a 38% progress towards our full-year target of ¥630 billion, showing a steady performance.

Compared to the last fiscal year, Consolidated net business profit increased by ¥23.7 billion. This was mainly led by favorable sales of investment products at SMBC Nikko and the increase of Equity in gains (losses) of affiliates. Consolidated net business profit in the first quarter reached 27% of our full-year target.

In addition, because of the gains on stocks mainly through sales of strategic shareholdings and tax effects, Profit attributable to owners of parent increased by ¥57.2 billion.

Regarding the strategic shareholdings, we reduced approximately ¥25 billion on a book value basis in the first quarter, in line with the annual reduction target of ¥100 billion, as shown on the bottom right-hand side.

Please turn to p.5.

(P.5)

From here on, I would like to explain the major initiatives of the Medium-Term Management Plan.

First, we will review our business and asset portfolio in order to transform the quality of our earnings base. In addition, as we have recently announced, we are taking various initiatives to increase corporate value by leveraging the resources of outside business partners.

The chart on the left-hand side highlights the seven core business areas we will be focusing on and the business areas where change in portfolio is necessary based on SMFG's competitive advantage and growth potential.

The right-hand side shows the review of group operations we have already announced. As part of "Businesses competing with domestic regional banks" in the "Transform" area, which is shown on the bottom left-hand side of the left chart, we will turn two of our consolidated regional banks into equity method affiliates. We also are promoting business integration of our two major credit card group companies. Furthermore, we will leverage the resources of outside business partners, and will revise our resource allocation to The Japan Net Bank and POCKET CARD. As such we are working on a series of revisions.

As for the objectives of the last two cases I just mentioned, firstly, The Japan Net Bank, which is the first Japanese bank to specialize in internet banking, will be

able to utilize various resources of Yahoo! JAPAN including its customer base and big data by turning into Yahoo! JAPAN's consolidated subsidiary.
Regarding POCKET CARD, the idea is to reduce SMBC's ownership and further pursue synergies with ITOCHU and FamilyMart in the financial area.
Please turn to p.6.

(P.6)

Here provides an overview of the seven core business areas that we will focus on.
From the next page, I will explain the progress of our initiatives in some of the business areas.
Please turn to p.7.

(P.7)

First is the retail business.
We are aiming to hold the number one retail banking franchise in Japan.
One of the core strategies is to enhance our wealth management business through bank-securities integration. We will build a business model that produces stable earnings by increasing the balance of stock-based assets.
As shown on the top left-hand side, we increased the balance of stock-based assets by ¥300 billion in the first quarter towards our three year target of increasing ¥2.8 trillion.
We started selling the first investment fund with a "protect line" in Japan to meet the needs of Japanese individual investors, who has a tendency to dislike taking risk of loss. This fund is being well received by our customers including those with not much investment experience, and the net asset has built up to ¥87.5 billion in only two months since it has been launched.
Shown on the top right-hand side is the inflow of clients' assets of the three major securities companies in Japan. As shown as the green bar graph on the chart, SMBC Nikko has continuously recorded inflow of clients' assets.
Please turn to p.8.

(P.8)

In this slide, we show the wholesale business on the left-hand side and the international business on the right-hand side.
In the wholesale business, we are working on improving profitability by strengthening non-interest income, having considered the narrowing loan spread and the need to control risk-weighted asset to comply with the tightening of

international financial regulations.

One of the core initiatives is bank-securities collaboration. As shown on the top left-hand side, we are promoting collaboration to capture our corporates clients' investment needs under the low-interest rate environment and needs for investment banking services such as advisory and underwriting.

We will support the dynamic business activities of large corporate clients with our group- and global-wide strengths. We are aiming to expand our presence in the market by increasing our market share to 20% in lead arranger roles of domestic corporate bond issues.

In the international business, we are working on building a high-quality portfolio to improve asset efficiency. In June, we acquired American Railcar Leasing, which is the 6th largest railcar leasing company in the U.S. to increase high profit assets.

We will continue to operate a nimble portfolio management, while controlling our credit costs under disciplined operation.

Please turn to p.9.

(P.9)

This slide talks about digitalization.

We are promoting digitalization by introducing diverse new technologies in four different aspects: "enhancing the customer experience", "generating new businesses", "improving productivity and efficiency" and "upgrading management infrastructure", in other words we will promote digitalization in the areas of customer services and internal management / business processes.

We often receive questions on what differentiates us from competitors in digitalization. The answer is that our focus is on initiatives "that we could monetize" and "that leads to build a new platform".

For example, as shown on the top left-hand side, we established Polarify, a new company that provides a biometric authentication platform, and started business in July. This was the first approval of the Banking Act revision that allows banks to invest in FinTech related companies.

In August, we signed a comprehensive alliance with Yahoo! JAPAN. We will aim to improve the sophistication of financial services and achieve efficient marketing based on data analysis by utilizing the expertise and resources of SMFG and Yahoo! JAPAN.

Also, in the retail branch reorganization, as shown on the top right-hand side, we are promoting transformation of SMBC's branches into next-generation branches that utilize digital technology.

For example, in the next-generation branches, we will promote paperless operations in the over-the-counter services by applying digital technology such as the use of tablets, as well as eliminate middle to back-office operations within the branches and centralize them to administration centers. The basic idea is to alter our branch into a place where we provide consulting service of wealth management for our customers.
Please turn to p.10.

(P.10)
Next is improving productivity and efficiency.
We are targeting cost savings of ¥50 billion during the three years of the Medium-Term Management Plan, and ¥100 billion in the medium term by measures such as improvement of efficiency through productivity management, including the application of technology and infrastructure-sharing across group companies, retail branch reorganization, and reorganization of group companies.
In the bottom left-hand side, we show the quarterly trend of our consolidated overhead ratio and a peer comparison. Our quarterly consolidated overhead ratio has been declining since the peak in 4Q, FY3/16. However, we will continue to execute the measures with speed to expand our competitive advantage against the other mega banks.
Please turn to p.11.

(P.11)
Shown in this slide are the new Group-wide operational structure and the new governance framework.
We started a new Group-wide operational structure from April this year to maximize our business potential for the Group on a global basis.
Specifically, we introduced Group-wide business units and CxO system. Since then, we have been exchanging personnel and information among the entities included in the business units. With more active communication, sharing of information has remarkably progressed and has led to new businesses in some cases.
In June, with the approval of the General Shareholders' Meeting, we made a transition from a Company with Auditors to a Company with Three Committees to establish a governance structure suitable for G-SIBs and to strengthen the supervisory function of the board of directors. In addition, we increased the number of outside directors from five to seven in order to incorporate multifaceted "perspectives from outside the company" into management. I believe that in the

Board of Directors, discussions such as on management strategy have deepened even more than before June, with broader "perspectives from outside the company" incorporated.
We also reviewed the executive pay system to further ensure the management is well aligned with shareholders' perspective, shown on the bottom right-hand side. Specifically, we introduced stock compensation plan that is linked to achievement of financial targets and performance of our stock in order to enhance link to financial results. We also raised the ratio of stock-based compensation. In addition, we introduced a system for deferral and returning compensation (Malus and Clawback).
Please turn to p.12.

(P.12)
Next is capital policy.
Our basic capital policy is to balance securing financial soundness, enhancing shareholder returns, and investing for growth.
Here, we are showing you a clear message of our thoughts on shareholder returns.
First, our basic policy is a progressive dividend policy, i.e., no dividend cuts, therefore either maintaining or increasing dividends. We will also target a dividend payout ratio of 40%, where the previous target was 30%.
For share buybacks, which many of you are interested in, we intend to decide on a policy after Basel III reforms are finalized, given that the effects of the reforms are still unclear and we cannot confirm our capital adequacy at this stage.
Please turn to p.13.

(P.13)
This slide illustrates our capital position.
We still do not know at this stage the timing of the introduction of tightened international financial regulations or what impact they will have, but we formulated our capital policy based on the estimation that with the capital floor set at 70%, our RwA will increase by around 25% in FY3/21 when Basel III regulations are finalized.
We set the CET1 ratio target as 10% factoring in the increase in RwA, as well as subtracting net unrealized gains on Other securities and risk assets corresponding to stock valuation gains from both the numerator and denominator.
On this basis, our CET1 ratio as of June 30, 2017 is 8.6%. We will raise this figure up to approximately 10%.

Our CET1 ratio including net unrealized gains on a Basel III fully-loaded basis based on the definition applicable for March 31, 2019 is 12.6%.
Please turn to p.15.

(P.15)

Next is our dividend policy.
We have steadily increased our dividends over time. In order to further enhance shareholder returns, we have adopted a progressive dividend policy, and have a target payout ratio of 40%.
Under this policy, as a start, we plan to increase dividend per share by ¥10 to ¥160 per share in FY3/18. The payout ratio will be 35.8%.
Please turn to p.16.

(P.16)

To conclude, the messages I would like to convey today are as follows.
Firstly, we made a good start of the Medium-Term Management Plan that focuses on improving capital, asset and cost efficiencies to become a financial group with high quality.
Secondly, we believe that our group-based operations have evolved through the introduction of Group-wide business units and CxO system in April. We also started managing ROE by business units, and the ROE target as well as the path of achieving the target for each business unit is shown on page 22. Each business unit will implement measures to attain the target, although some improvement may be necessary.
Thirdly, our first quarter results demonstrated steady progress toward the annual target.
Fourthly, as to capital policy, we will aim to strike a balance among securing financial soundness, enhancing shareholder returns, and investing for growth to increase shareholder value.
Although we expect a difficult earnings environment to continue, we will strive to achieve sustainable growth by combining all of the Group's strengths with more focused business management.
We sincerely ask for your continued support and understanding. Thank you very much for your kind attention.

(End)