

Q&A at the 1H FY3/2026 Investors Meeting

Q1. Is the current momentum in business performance sustainable, and what will be the key drivers from FY3/27 onward? How will this year's one-off factors normalize?

A1. I expect the core businesses to drive earnings growth from FY3/27 onward and the current strong momentum to continue at least through next fiscal year.

Wholesale Business Unit:

We have a robust pipeline of large deals—including M&A, carve-outs, delistings, and sizeable investments in the semiconductor sector—expected to drive loan growth. In addition, this year's bridge loans will create further fee-income opportunities through subsequent loan syndication and DCM underwriting. Although corporate activity may moderate over the next five years amid a weaker global economy, softer M&A sentiment, and a temporary pause in shareholder activism, I expect it to remain more resilient than in past cycles as corporate governance reforms have taken root and changed management's mindset.

Retail Business Unit:

Growth remains highly sustainable over the medium- to long-term. In the early stages of Olive, we anticipated higher customer-acquisition costs and noted that monetization would take roughly five to seven years. The customer base is growing rapidly, and the business turned profitable in FY3/25. We expect profit of JPY 20 billion in FY3/26, with further growth as the number of accounts rise to 12 million.

Global Business Unit:

We are in an intentional pause ahead of the next leg of growth. Under the current Medium-term Plan, we have reduced RWA by about JPY 2 trillion, with cumulative after-tax disposal losses of roughly JPY 200 billion. The benefit of asset reallocation will materialize over time. When selling assets, we aim to recoup disposal losses within five years at the latest; losses incurred to date are expected to be recovered in about four years. Through the first half of the next Medium-term Plan, we will continue reallocating assets in preparation for future growth. Our aim is for the Global Business Unit to lead the SMBC Group once again.

As for one-off factors, we recognized a gain on the sales of our stake in Kotak Mahindra Bank and a loss on The Bank of East Asia. Losses from the previously planned sale of low-return assets are still expected next fiscal year at a similar level; the additional JPY 45 billion loss included in the revised forecast is largely one-off, reflecting a management decision to accelerate disposals ahead of the next Medium-term Plan. Overall, one-off impacts are expected to net out.

Q2. Is it feasible to exceed 11% ROE over the medium-term? What timeline and longer-term target are you considering?

A2. The “11% ROE by around 2030” target we announced at our Investors Meeting in May 2025 reflects a bottom-up assessment that we believe is achievable by executing our current initiatives. Incorporating investor feedback, our next step is to define the longer-term ROE level we should aim for. If we aspire to be a financial group with a global presence, 11% ROE is not sufficient; we need to lift returns to the mid-teens on an ROTE basis, in line with leading U.S. and European peers.

For the next Medium-term Plan, we are combining a top-down perspective and bottom-up planning to set the strategy and execution needed to deliver that ambition. In May 2026, we will present our long-term aspiration and ROE objective, the target portfolio mix, and the three-year initiatives that will get us there.

Q3. What does your ROE target compare with peers over the next three years?

A3. Compared with peers, large unrealized gains on securities—which inflate shareholders’ equity—are a headwind for ROE and need to be addressed. We aim to raise ROE sustainably by reallocating the business portfolio and strengthening each business.

Q4. What message are you sending to the market with this share buyback?

A4. My stance has been consistent since my time as Group CFO: we allocate excess capital in a balanced way between inorganic investments and share buybacks. Toward the end of the previous Medium-term Plan and into the early phase of the current plan, we heard feedback that our allocation had become skewed toward inorganic investments. In FY3/25, we allocated roughly the same amount to each. This year, even with investments such as YES Bank and Jefferies, I decided to underscore our commitment to balance by conducting buybacks alongside these outlays. Supported by strong bottom-line performance and continued reduction of low-return assets, we have capacity for JPY 150 billion of additional buybacks this fiscal year. In years with fewer inorganic opportunities, we intend to return more to shareholders via buybacks.

Q5. How are you setting the CET1 capital ratio target for the next Medium-term Plan?

A5. We are assessing whether a 10% CET1 target remains sufficient relative to global peers. If our business portfolio becomes closer to that of leading global peers, we will need to allow for greater complexity and volatility. In addition, as unrealized gains on equity holdings decline over time, we must ensure we can maintain our external ratings. Accordingly, we are considering a modest upward shift of the target into the mid-10% range; however, we do not see a need to move to 11% at this stage.

Q6. How will you allocate RWA between domestic and global businesses over the long term?

A6. While not yet finalized, under the next Medium-term Plan we do not expect to allocate significant amount of RWA to our overseas operations; overseas RWA may even decline. To reach a level of capital

efficiency in line with global peers, we need to reallocate our business mix. In our domestic businesses, ROCET1 in the Wholesale Business is around 16% (excluding gains on sales of equity holdings) and the Retail Business is roughly 13%, with upside potential. We also need to scale capital-light, fee-based businesses—such as asset management—though current volumes remain small. Accordingly, we expect the share of RWA to increase in domestic businesses and to decline in overseas lending, alongside a shift toward fee-based, capital-light revenues.

Q7. What are your competitive advantages for scaling the digital-affluent business?

A7. We see three key strengths.

- SBI Securities platform: Olive fully integrates the SBI Securities platform to enable securities brokerage. We benefit from SBI Securities' broad products range and industry-leading infrastructure, and plan to expand offerings tailored to digital-affluent customers.
- Addressable customer base: Olive gives us to access to roughly 12 million customers, enabling us to scale distribution.
- Flexible advisory model: A hybrid setup leveraging SMBC Nikko and SMBC consultants—AI-enabled advice for fully digital uses and in-person consultations through Olive LOUNGES for those seeking face-to-face support.

By combining these strengths and building out the supporting infrastructure, we aim to establish a distinctive advisory edge on Olive.

Q8. Is there room for your loan market share in the large-corporate segment to further increase?

A8. Over the past two decades, our share among the megabanks has risen from roughly 20% to about one-third today. One contributing factor was the consolidation from four megabanks to three, which led many clients to transact with all three, closing part of the gap in market share. While there is still room for growth, I do not expect a further c.10-percentage-point increase over the next 10–20 years.

To support steady expansion of our share, we are focusing on the following initiatives:

- Providing higher-quality proposals for large-scale investments and M&A that are aligned with clients' strategies, backed by stronger industry research and closer ties with government.
- Deepening bank–securities collaboration, including a reorganization of coverage and marketing.
- Prioritizing the allocation of RWA and top talent to the large-corporate business.

Q9. What is the path to achieving the profit targets of the Multi-franchise Strategy, and what ROE level are you aiming for?

A9. While performance has been challenging to date, we have strengthened our engagement and support for each investee and deepened our understanding of their businesses. Having clarified the key issues, we are now working with local management to implement concrete measures. Over the past year, my confidence in meeting the profit-contribution targets has increased, and we will further validate this as we formulate the next Medium-term Plan. I believe they must achieve at least a 10% ROE as soon as

possible.

Q10. What are the lessons learned from past inorganic investments?

A10. Above all, investments must deliver returns within a defined timeline. For example, in our investment in YES Bank, we were highly disciplined on both timing and valuation, unlike the past mindset of “paying 3x P/B because opportunities are rare in Asia.” In fact, we passed on the opportunity about a year earlier because the stock traded at around 2 times P/B. Ultimately, we decided to invest at about 1.4 times P/B after the share price declined, and seller expectations reset.

A second lesson is the importance of pursuing capital-efficient structures. In the recently announced acquisition of U.S. Air Lease Corporation, SMBC Aviation Capital is investing equity alongside Sumitomo Corporation and other investors. Our structure earns fee income (e.g., maintenance fees) and is designed to recoup our initial investment in about a year. Historically, we tended to invest directly in target companies, but by bringing in external co-investors and refining the structure, we can achieve very attractive returns.

In short, we are enhancing our investment approach by drawing on lessons from past deals.

Q11. Do you plan to inject additional capital into your existing overseas investees?

A11. As needed, we will inject additional capital into consolidated investees to maintain local regulatory capital ratios as their asset bases expand. Such injections are CET1-neutral on consolidation. However, the associated growth in RWA can dilute the CET1 ratio.

With regard to a strategic increase in ownership, we are not currently considering any transactions.

Q12. What level of IT investment do you expect under the next Medium-term Plan?

A12. Under the current plan, IT investment, including the renewal of core banking system, totals about JPY 800 billion, roughly 50% higher than the prior plan. While we do not plan another such system renewal in the next plan, JPY 800 billion will not be sufficient, given that we need to invest in new businesses and technologies, including AI.

Q13. What is your view on the future outlook for the Bank of Japan's monetary policy?

A13. I do not attach much importance to the next rate hike coming at year-end or early next year; in any case, I expect a rate increase by next summer. I see underlying inflation and wage momentum to strengthen into next spring, with a shift from cost-push to demand-pull inflation. As price-relief measures and an expansionary fiscal policy stance are likely to persist over the next 6–12 months, the resulting inflationary pressure would prompt the BoJ to act. While I see the terminal policy rate around 1.0–1.5%, it may end up being higher if fiscal stimulus continues, which would not be negative for Japan's economy or banks.

Q14. Given that outlook, what is your stance on yen-denominated bond investments?

A14. We remain cautious on investments. We began building positions gradually in the first half of this fiscal year, but we are holding them largely on a held-to-maturity basis, as we expect rates to rise further. At this stage, the position size is still modest, at a little over JPY 1 trillion, and we are not planning a significant increase.

Q15. The business appears to be performing very well. What risks do you see?

A15. Our Asian investees are in a recovery phase, but the pace of improvement will largely depend on the macro environment. We are closely monitoring economic conditions and the recovery outlook for each investee, particularly as deflationary pressures from China weigh on some local economies.

Regarding the so-called “AI bubble” and private credit, we see no major concerns at this stage. Even if AI-related equities decline, we do not expect a material impact on our business. Given our selective exposure to high-quality managers, any outflows from private credit funds should have only a limited impact.

That said, we remain most alert to compliance and operational risks, as discipline can slip, especially in strong markets.

Q16. How will you proceed with equity holdings after completing the current five-year reduction plan of JPY 600 billion?

A16. From a corporate governance perspective, we will continue to reduce equity holdings. While progress was strong last fiscal year, client acceptance has slowed this year. Our immediate focus is to complete the current plan ahead of schedule; however, we will not stop at the JPY 600 billion target. Shares that underpin strategic partnerships may be retained, but our basic stance is to bring equity holdings as close to zero as practicable.

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