

Retail Business Unit



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Senior Managing Executive Officer
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Overview of Business Unit

The Retail Business Unit offers a wide range of products and services, including wealth management, settlement services, and consumer finance, in order to address the financial needs of all individual customers. Responding to environmental changes including the acceleration of the shift from savings to asset building and the rapid digitalization fueled by the spread of smart phones, we will strive to become the most trusted and No. 1 comprehensive financial service institution.

Strengths

- Holds top-tier companies in the banking, securities, credit card, and consumer finance industries
- Serves approximately 43 million individual customers on a group-wide basis
- Ability to respond to customer needs with the bank-securities retail integration strategy, SMBC DEBIT, and other initiatives advanced through collaboration utilizing the characteristics of Group companies

Breakdown of Consolidated Net Business Profit



**Retail
Business Unit**
20%

Major Operating Companies

Operating Companies	Business Characteristics
SMBC	Serves wide range of financial needs including deposits, loans, and wealth management for 27 million account holders
SMBC Trust Bank	No. 1 in retail foreign currency deposits (PRESTIA)
SMBC Nikko Securities	One of Japan's top 3 full-service securities firms, promoting the bank and securities retail business advanced since fiscal 2014
Sumitomo Mitsui Card Company	Pioneer in provision of Visa-brand credit cards in Japan
Cedyna	Development of integrated settlement solutions including credit cards and installment services
SMBC Consumer Finance	Holds the leading market share in the consumer loans and guarantee business

Medium-Term Management Plan

Business Environment and Challenges

The Retail Business Unit is facing a difficult business environment as a result of the declining population in Japan and the persistence of low interest rates. At the same time, business opportunities are expanding in certain fields as indicated by the growth of households' financial assets, the shift from savings to asset building, and digitalization driven by the spread of the Internet and smartphones. The SMFG companies, which hold top-tier status in each of their fields, will cooperate with each other to take advantage of such opportunities.

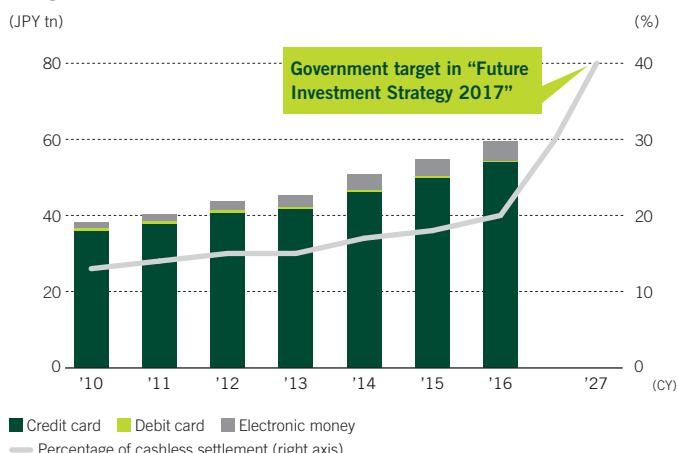
Basic Policies and Directives

Taking advantage of our strengths, which are SMFG's comprehensive capabilities and business scale, we will build the retail business into a business that achieves stable and sustainable growth. Specifically, we will leverage our consulting capability and advanced digitalization to improve customer satisfaction in pursuit of improved efficiency and profitability. In addition, the Retail Business Unit will utilize digitalization as a means to lower its break-even point while boldly advancing in growing fields in order to become Japan's No. 1 retail finance institution.

Business Scale of the Retail Business Unit (Fiscal 2016)

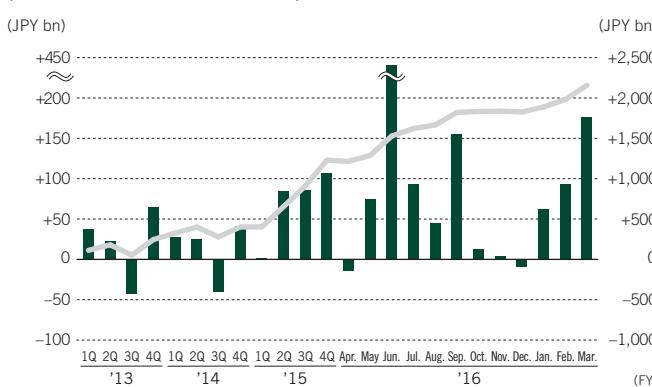
AUM Balance (JPY tn)	Investment products	45
	Yen deposits	44
	Foreign currency deposits	1.4
Credit card sales handled (JPY tn)		15
Balance of unsecured card loans (JPY tn)		1.8
Origination of housing loans (JPY tn)		1.1
Gross profit (JPY tn)		1.3

Usage of Cashless Settlement



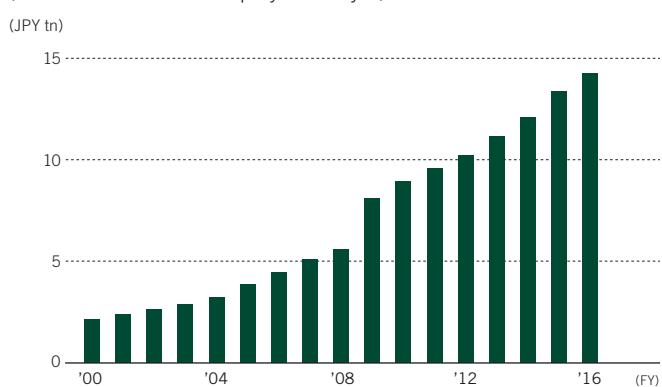
Source: The Cabinet Office, the Japan Consumer Credit Association, the Japan Debit Card Promotion Association, and the Bank of Japan

Increase in Balance of Investment Assets (SMBC and SMBC Nikko Securities)



Legend: Increase in balance of investment assets (left axis)
Increase in balance of investment assets (aggregated, right axis)

Credit Card Sales Handled (Sumitomo Mitsui Card Company and Cedyna)



Retail Business Unit

Priority Strategies

Enhance Wealth Management Business through Bank-Securities Integration

We will further evolve the bank-securities retail integration strategy implemented through coordination between SMBC and SMBC Nikko Securities by leveraging the unique strengths of both companies. In order to address our customers' wealth management needs, we will promote medium-to-long term diversified investment opportunities to our customers as our basic approach through the bank-securities integration.

Transform Business Model through Digitalization and Group Integration

We will promote the digitalization in the services we provide to our customers and our business operation to become the most advanced digital bank in Japan while also being regarded as an innovative bank on a global basis. At the same time, Group integration will be pursued in various fields, such as in the settlement service field through collaboration leveraging the strengths of SMBC, Sumitomo Mitsui Card Company, and Cedyna.

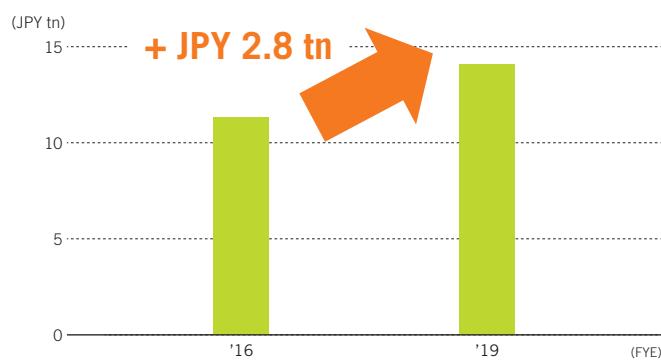
Reform of Cost Structures

At SMBC branches, we are promoting three reforms at once, "changing the way we offer services to our customers," "changing the administration process," and "changing the concept of branches." The scope of these reforms will be expanded to all branches over the next three years to enable us to reduce costs while providing customers with convenient and high-quality services.

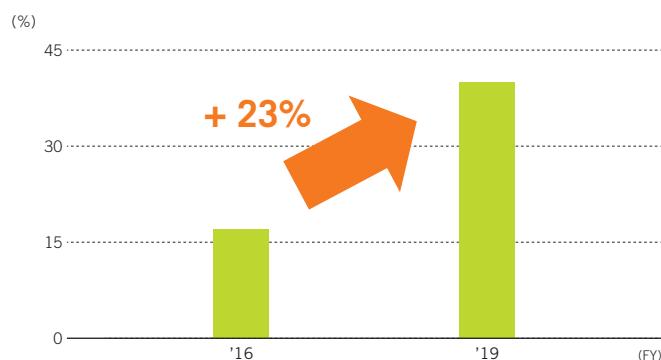


Paperless service counter

Balance of Stock-Based Assets
(SMBC and SMBC Nikko Securities)



Utilization Rate for Digital Channels (SMBC)*



* Clients using digital channels / (clients using physical branches + clients using digital channels)

Introducing Next-Generation Branches

	Fiscal 2017	Fiscal 2018	Fiscal 2019
Introduction of next-generation branches	100	280	430 Completed
Digitalization of processes	Digitalization of interfaces	Increase use of straight-through processing with internal processes	JPY 20 bn plus
Cost reduction		Fiscal 2021: JPY 30 bn (reduce expenses associated with in-person banking by 20%)	

Review of Fiscal 2016

In our wealth management business, we stepped up our collaboration between SMBC and SMBC Nikko Securities. We made promotion of medium- to long-term diversified investment opportunities to address our customers' needs of stable investments in order to protect their financial assets under the prolonged ultra-low interest rate environment. Meanwhile, in the settlement and digital service fields, we focused on improving customer convenience through concerted Group efforts, which included the launch of SMBC DEBIT

and various smartphone applications as well as starting service for Apple Pay. Branches and call centers worked to improve customer satisfaction, and these efforts are steadily producing results. Furthermore, we sought to provide new value by responding to a wide range of needs of business owners involving both corporate and private interests, by responding to the wealth management, inheritance and business succession needs.

Topics

SMBC DEBIT

The SMBC DEBIT card was launched in fiscal 2016 as one of the collaborative initiatives between SMBC and Sumitomo Mitsui Card Company for addressing cashless payment needs. This Visa debit card can be used at any Visa affiliate in the world, with payments being immediately deducted from its registered account. No annual fees are required.



SMBC Network App Smartphone Application

In order to enhance the customer experience, we introduced "SMBC Network App" smartphone application, which allows our customers to easily and seamlessly view information on transactions with SMBC as well as with Sumitomo Mitsui Card Company and SMBC Nikko Securities.



Recognition of Initiatives for Improving Customer Satisfaction

In fiscal 2016, SMBC ranked No.1 overall for the 12th Annual Retail Banking Survey,^{*1} SMBC Nikko Securities received the first-place award in Best Customer Support of The Year 2016,^{*2} and SMBC Consumer Finance became the first nonbank-sector company to obtain COPC® CSP^{*3} certification for four consecutive years.



*1 Survey of 117 banks nationwide conducted by Nikkei Inc. and the Nikkei Research Inc.

*2 Customer support award sponsored by Japan Institute of Information Technology

*3 International quality standard for call center operations