

Using Digital Technology to Create the Future of Finance

As CDIO, I will become SMBC Group's internal disrupter and lead efforts to pursue new opportunities.

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The economy and society are in the process of undergoing major change due to the spread of digitalization. Technology is progressing at an astonishing speed, and SMBC Group is faced with a situation in which its business model may undergo change of such a scale that it could be seen as a paradigm shift. There is no doubt that this is a substantial challenge for us. However, I believe that there is much potential for us to evolve by absorbing and adopting these technological advances. In addition, we will collaborate with external partners to create new business opportunities, which would not have been possible based solely on the resources and expertise of SMBC Group.

In our current Medium-Term Management Plan “SMBC Group Next Stage,” we have positioned digitalization as a pillar which penetrates all Seven Core Business Areas. More specifically, we will spread digitalization by leveraging new technology, such as blockchain and AI, in all business areas with the goal of increasing customer convenience, creating new businesses, increasing productivity and efficiency, and enhancing our business infrastructure.

For example, in the cashless payment sector we are in the midst of creating a next-generation payment platform with the aim of providing hybrid payment solutions that fuse together finance, IT, and marketing. Furthermore, by using data which

is accumulated through activities such as payments, we are working to develop and provide advanced financial products using high-quality risk analysis and realize a more personalized approach to marketing. New business models which leverage data, such as the information bank business model, are being developed, and I believe there is the possibility that in the future SMBC Group will gradually move from the financial sector to the information sector.

Our digitalization initiatives have been recognized by outside parties



Received an award in the Cyber Security Category (conducted by a subsidiary of the Financial Times)



Selected as a “Competitive IT Strategy Company 2019” by METI and the Tokyo Stock Exchange

Reinventing SMBC Group and Pursuing New Opportunities

In order to implement our digitalization initiatives in a speedy and efficient manner, we must engage in open innovation that brings together the data, technology, and expertise of not only SMBC Group companies, but also of partner companies, which include start-ups, and our customers. We will no longer rely on our traditional principle of self-sufficiency; rather, we will focus on developing business opportunities by collaborating with partners, including the use of application programming interface (“API”s.)

In regards to the digitalization of SMBC Group, I believe it is important that innovation is not undertaken by a small group of personnel or divisions with specialized skill sets. Digitalization must involve all parties within SMBC Group. In order to make this vision a reality, we need to create an environment in which all SMBC Group employees, especially our younger employees, can pursue new challenges without fear of failure. At the same time as CDIO, I will become SMBC

Group’s disruptor and spearhead efforts to drive forward initiatives that are not bound by traditional frameworks.

We will create high-quality, appealing services by focusing equally on accelerating the reinvention of SMBC Group’s business culture, for example marketing style and the work-style of head office employees, and pursuing new opportunities. All of our customers will be offered these services, regardless of whether they are wholesale or retail customers.



Mr. Tanizaki attended the 2019 Spring Membership Meeting of the Institute of International Finance.

A company's IT strategy is a key business strategy given the rapid digitalization of our world. SMBC Group has positioned digitalization as an initiative that will encompass all Seven Core Business Areas and will promote digitalization from both defensive and offensive perspectives.

I would now like to share with you a few examples of SMBC Group's digitalization related initiatives.

Promoting Open Innovation

SMBC BREWERY

SMBC BREWERY, a workshop in which SMBC Group companies collaborate with non-financial sector partners to develop new ideas, kicked-off in April 2018. SMBC Group companies spend half a day working with companies, including start-ups, from outside the financial sector to discuss ideas on which they could collaborate.

Through the workshop, SMBC Nikko and HEROZ, inc., a firm with considerable expertise in AI, partnered together to develop an investment information service "AI Portfolio Diagnosis", a service which has been successfully commercialized and is available to customers.

* The AI program compiles a suggested portfolio with a high expected rate of return by forecasting companies' profitability one month in the future based on an analysis of factors such as stock price and earnings.



Discovering and Developing Cutting Edge Technology

The SMFG Silicon Valley Digital Innovation Laboratory

The SMFG Silicon Valley Digital Innovation Laboratory was established in Silicon Valley and is in charge of discovering high-potential local start-ups. For example, SMBC Group adopted Trifacta Wrangler Enterprise, software which dramatically accelerates data analysis, starting March 2019. Traifacta, the company which developed the software, was discovered by the SMFG Silicon Valley Digital Innovation Laboratory.



Establishing the Advanced Technology Laboratory

SMBC Group has established the Advanced Technology Laboratory at The Japan Research Institute, and through the laboratory we conduct research/studies into basic and advanced technology in collaboration with IT companies and research institutes.



Application of AI

AML Initiatives

The efficiency of the screening process targeting suspicious transactions has greatly increased following the application of AI.

SMBC Chatbot

We are proactively marketing commercialized systems such as the SMBC Chatbot, an AI-based automatic response system developed to deal with internal inquiries, to customers.

A System that Detects Changes in a Company's Financial Conditions

A system that detects changes in a company's financial conditions which was developed in partnership with JSOL*, a company that engages in IT consulting and systems development, uses AI to analyze movements in the target company's bank account to recognize changes in the company's financial conditions in a timely manner. The system is already in use at SMBC and SMBC Group is planning to market the system to customers with the initial focus being Japanese regional banks.

* JSOL is a subsidiary of NTT Data and an equity-method affiliate of SMBC Group.

Enhancing Our Data Analysis Capabilities

Promoting Digital Marketing Initiatives

BrainCell, Inc., which was established in partnership with Yahoo! JAPAN, is classified as a business that will contribute to the sophistication of the banking industry under Japan's Amended Banking Act. We will initially focus on pushing forward SMBC Group's digital marketing initiatives leveraging the search knowledge of Yahoo! JAPAN.

Verification Exercises Regarding the Data Bank Business Model

SMBC and The Japan Research Institute have been commissioned by the Ministry of Internal Affairs and Communications to conduct verification exercises regarding the data bank business model. We are working to enhance the convenience of patients by facilitating the sharing of information regarding medical examinations/check-ups and prescriptions between hospitals and pharmacies.

