INTERVIEW **S&T Business**

Building an S&T Business Capable of Competing on the Global Stage

Responding Reliably to Global Client Needs and Turning Volatility into Opportunity

Keita Matsumoto
Managing Executive Officer
Co-Head of Global Markets Unit
SMBC Nikko Securities Inc.

The new Medium-Term Management Plan highlights the enhancement of our global S&T presence as a key objective. In the following interview, the Co-Head of the Global Markets Unit discusses the initiatives underpinning the growth of SMBC Group's S&T business and outlines the vision for its future development.

The Japanese Market—A Market Attracting Global Attention

Japan's capital markets have been undergoing notable transformation in recent years, driven by rising interest rates and buoyant equity markets. I can strongly sense this shift based on my conversations with foreign investors. Some have remarked that Japan today feels similar to the U.S. in the late 1990s. That was a period when higher interest rates spurred the development of diverse financial products and laid the groundwork for the subsequent expansion of U.S. banks. Investors who experienced that era now perceive comparable potential in Japan, and those viewing Japan from abroad may be even more sensitive to these changes than domestic participants.

During overseas client visits, I increasingly observe a distinct change in how SMBC Group is received, which is an indication of rising expectations toward the Japanese market. Our task is to convert this momentum into concrete business opportunities.

Working Together as “One Team” on a Global Level

Taking into consideration the business conditions that I have mentioned, our strongest focus is building a global “One Team” structure that links all our offices seamlessly. We are establishing systems that allow our Japan and Asia teams to work collaboratively with our U.S. and European offices in serving clients. This includes appointing vertical heads in each region.

Previously, each office operated largely within its own region. For clients whose business was confined to a single market, that approach was sufficient. However, for global institutional investors operating across multiple regions, we cannot deliver adequate service without cross-regional coordination. Major Western banks, our competitors, have spent many years building such integrated organizational structures. Closing this gap is one of our key challenges today.

At the same time, it is essential that we clearly identify the clients we should prioritize and allocate resources accordingly. The number of institutional investors worldwide is enormous, and it is not realistic to approach all of them with equal depth. We aim to deepen relationships with clients to whom we can truly deliver value, based on the strengths of the SMBC Group. The first step is building a strong foundation of trust. Without trust, clients will not share their real needs.

The Answers Lie in Dialogue with Clients

When delivering products, what I value most is starting with the client's needs. It is something that may seem obvious, but in practice it is difficult to do. We often fall into the trap of proposing solutions based on what we can offer rather than what the client actually requires. But the real answer lies with the client. Our business is, at its core, a client-service business.

That is why I place the highest importance on direct dialogue with clients. While sharing what is happening in global markets as well as in Japan's markets, we listen carefully to what clients seek and what concerns they have. Their true thoughts, which cannot be perceived from data or documents, often emerge only through conversation.

We are also working to share these insights across regions in real time using AI-based tools. For example, client-meeting notes entered in Japanese by the Tokyo team are organized and translated into English by AI, enabling colleagues in London and New York to access them immediately. This approach allows us to build client understanding as a shared organizational asset.

Strengthening the Business Foundation

Strengthening our global S&T capabilities requires continuous investment in infrastructure. With global trading now largely electronic and executed at massive scale and speed, a robust system platform, including electronic trading capabilities, is essential. We must continue IT investment with a long-term perspective.

Ultimately, the foundation of the business is talent. The S&T business is a business centered on client value, and people are the most critical management resource. We will continue to recruit highly competitive talent from around the world and foster the SMBC Group's culture within our teams. Although it takes time, I believe this is the most important investment we can make in building the foundation of our business.

Expanding the S&T Business Strengthens the Entire Group

Enhancing our S&T capabilities also has significant implications for the overall balance of the SMBC Group's portfolio. At major U.S. banks, S&T businesses account for roughly 30 to 40% of their gross profit. At SMBC Group, the figure is just over 10%, which means there is substantial room for growth in this area. Moreover, the S&T business has characteristics that differ from traditional banking. Periods of heightened geopolitical risk or market volatility typically create headwinds for banking due to rising credit costs, yet they often generate increased trading activity among investors, creating opportunities for S&T. Developing the S&T business therefore contributes to diversification of the Group's overall risk profile. Given its capital-efficient nature, S&T is also expected to support improvements in the Group's ROE.

Building a S&T Business Capable of Competing on the Global Stage One Step at a Time

As mentioned earlier, the structural changes underway in Japan's markets provide a strong tailwind. This is precisely the moment to strengthen our S&T platform and accelerate growth. Driving this transformation is highly fulfilling. Still, rather than chasing quick wins, I believe that steady, disciplined progress, which involves global coordination, client trust, and investment in people and infrastructure, will create the foundation for long-term growth. Becoming a trusted partner to our clients, and continuously building on that trust, is the path toward realizing the future vision of SMBC Group's S&T business. I remain fully committed to advancing our efforts toward a S&T business capable of competing on the global stage.