

Major Q&A at the 1H FY3/23 Investors Meeting

Q1. What factors contributed to the strong core business and how sustainable is it?

A1. Consolidated net business profit recorded the highest 1H result while decline in SMBC Nikko and the wealth management business was offset by strong growth of other businesses. In Retail Business Unit, payment business is having a good trend due to recovering domestic consumption and loan balance of consumer finance has bottomed out. In Wholesale Business Unit, recent increase of working capital demand under the reopening of economy contributed in addition to new loans responding to the needs that emerged after Covid. Global Business Unit increased its profit capturing strong loan demand including the anticipation of future interest hike. Global Market Business Unit earned its profit by controlling portfolio under volatile and difficult environment. I expect these good trends to continue, but carefully manage considering uncertainties such as the U.S. and Europe entering recession in the 2H.

Q2. How do you think the business environment and necessary management measure for it?

A2: Long-term trends are undergoing a paradigm shift: reversal of globalization, decoupling, inflation, etc. Direction of our strategy would not change, but we need to adjust our initiatives. We will be more sensitive to risks and manage resilient operation strengthening governance. On the other hand, these paradigm shifts could break free of traditional restraints and unlock new future. I would like to pursue those growth opportunities.

Q3. How do you expect the profit level of the next Medium-Term Management Plan considering the upward revision of annual forecast this fiscal year?

A3: I would like to aim higher level of profit in the next Medium-Term Management Plan considering good business momentum and profit contribution from our recent M&As. On the other hand, there are various paradigm shifts undergoing and one-time impact in this fiscal year from yen depreciation. Therefore, we would like to announce the detail target next May carefully considering the issues above.

Q4. What is the message you would like to convey in terms of shareholder return?

A4. To honor our commitment to shareholders, we decided to raise DPS to achieve dividend payout ratio target of 40% according to steady progress in 1H result. We also resolved JPY 200 bn of share buyback, including a renewal of the program announced last November and terminated without any purchase. We will continuously allocate excess capital to investment for growth and shareholder returns in a balanced manner.

Q5. What is the inorganic growth strategy going forward?

A5. Two types of our investment target are unchanged: "businesses/assets with high asset and capital efficiency" and "businesses that contribute to building future business platforms. Examples of the first category are investment in the U.S. investment banking firm Jefferies and acquisition of the aircraft leasing company Goshawk. We will consider new opportunities which we can expect higher returns than existing businesses. In the latter category, we established a foothold in the four target countries: Indonesia, India, Vietnam, and the Philippines. We aim to grow these into more solid platform. In our next Medium-Term Management Plan, I would like to disclose how envision J-curve growth by enhancing synergies and expanding businesses.

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