

Major Q&A at the 1H FY3/24 Investors Meeting

Q1. What are the key points of this first half's financial results?

- A1. At the beginning of this fiscal year, we clarified that the bottom-line profit target of JPY 820 bn is a minimum level we must achieve even amidst an uncertain business environment. We also expressed our intention to pursue a higher goal after assessing the environment and link it to shareholder returns. By announcing an upward revision of our full-year forecast, an increase of dividends, and share buybacks at this timing, we believe that we could actualize the message above and show to the market that our policy is consistent.
- Our policy of shareholder returns also remains unchanged: dividends in principle, and flexible share buybacks. Based on the idea of sustainably achieving progressive dividends and increasing dividends through bottom-line profit growth, we decided to raise our dividend with a dividend payout ratio of 40%, taking into account the one-off factors that elevate our profits temporarily, and to flexibly implement share buybacks with excess capital. We will continue to allocate excess capital, striking a balance with growth investments and shareholder returns.

Q2. What is the background of upward revision and the outlook for next year and beyond?

- A2: We have revised our full-year target of bottom-line profit upward by JPY100 bn to JPY 920 bn which will set a new record. This is due to significantly larger yen depreciation than we originally anticipated and a reduction in equity holdings amid high stock prices, which resulted in gains on sales that exceeded our expectations. In addition, each Business Unit showed strong performance. We will also record the receipt of insurance claims by SMBCAC and the losses from the sale of the freight car leasing business in the second half.
- We will assess the level of the bottom-line profit based on our core earnings, considering the outlook for the macro environment, such as FX and U.S. interest rates particularly in light of the slowdown in overseas economies. The target of JPY 920 bn has been set as a level that allows us to aim for a stable increase in profits in the next fiscal year and beyond, assuming the current favorable business environment continues. We will also consider whether to revise the targets for the final year of the Medium-Term Management Plan.

Q3. What is the current status of each business?

- A3: In the domestic market, our retail business is progressing steadily with Olive. The number of new accounts has exceeded 1.4 million, surpassing our target of 12 million in 5 years. We are also seeing an increase in new accounts even in areas where SMBC has fewer branches. We aim to differentiate ourselves through our platform functions, convenience, and profitability, and are preparing for possible interest hike.
- Our wholesale business is showing strong loan demands, such as business restructuring and capital investment due to GX and supply chain restructuring. Fee businesses, like structured finance, are also growing.
- On the other hand, our overseas loan balance has decreased due to our initiatives to reduce unprofitable assets and raise our criteria with a focus on ROE. This decrease is also due to the slowdown in corporate activities amid rising interest rates. However, loan spreads have risen and profitability has improved as a result of these efforts.

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