Q&A at the FY3/2026 Investors Meeting

Q1. How do you evaluate the latest financial results? How are the FY3/26 results and FY3/27 targets positioned within the medium- to long-term ROTE target of 15%?

A1. I believe that the previous Medium-Term Management Plan progressed steadily and delivered solid results overall. Over three-year period, net income increased by JPY 800 billion. Of this, we estimate that JPY 300 billion came from our own growth through business expansion and strengthened earnings capacity, while the remaining JPY 500 billion was supported by external factors such as rising interest rates and foreign exchange movements.

Our customer base also expanded, particularly in the Retail Business Unit. Olive accounts reached to 7.5 million and transaction volume grew significantly. The wealth management business achieved strong growth in assets under management compared with peers. Overall, we made meaningful progress under the previous Plan in both expanding our customer base and enhancing the quality.

In FY3/26, net income increased by JPY 210 billion, driven by stronger core earnings. I believe we achieved the highest growth in the domestic market even compared with peers. The Retail Business Unit delivered particularly strong results, while the Wholesale Business Unit also outperformed despite solid performance across the industry. The Global Business Unit is in an "intentional pause," prioritizing improvement of profitability over balance sheet expansion. As a result, revenue growth has been moderate, but we are steadily improving loan spreads and ROE.

For FY3/27, we target a JPY 120 billion increase in net income. Replicating last year's strong growth will not be easy, but we will continue to drive earnings expansion through our core businesses. By executing the key strategies of the new Plan, we aim to build toward our medium- to long-term ROTE target of 15%.

Q2. What would you like to highlight about the new Medium-Term Management Plan?

A2. The key point I would like to emphasize is the strengthening of our domestic businesses.

In the Retail Business, while there remains a gap with peers in retail deposit balances, I believe we are already approaching the level of Japan's No.1 financial institution when looking at transaction volume, consumer finance balances, and assets under management. The gap in retail deposits is also narrowing and we intend to close it further. Over the next three years, we will execute our strategy and clearly demonstrate the strength of our Retail Business.

In the Wholesale Business, we had been seen as less competitive in large corporates compared with our strong position in mid-sized corporate clients. However, through enhanced capabilities and a stronger organizational structure, we have now reached a scale comparable to our peers. By further strengthening this area, we aim to be recognized for our capabilities in serving large corporates, and ultimately as the market leader in domestic wholesale business overall.

Our priority in the Global Business is structural reform. We will maintain disciplined asset control and

focus on improving profitability. Once we achieve at least 10% ROTE and gain clearer visibility toward 15% over the medium- to long-term, we will move to re-accelerate asset growth.

Q3. While you set ROTE as a profitability target, how will you position ROE? Could the focus on ROTE weaken investment discipline, particularly in cases where goodwill increases ROTE?

A3. We adopted ROTE to enhance comparability with global peers. Given that domestic investors often refer to ROE, we will continue to disclose it alongside ROTE. We will also continue to monitor ROE internally to ensure that our investment discipline remains rigorous.

Q4. What is preventing the ROE gap with peers from narrowing?

A4. I expect that one factor is the impact of foreign exchange. Our capital structure is designed to reduce the sensitivity of our CET1 ratio to foreign exchange movements. This allows us to maintain CET1 stability even in the current weak yen environment, but it also increases capital in yen terms, creating a headwind to ROE.

That said, I acknowledge that there is still room to improve capital efficiency. We will first focus on executing the initiatives set out in the Plan and will consider additional measures to enhance profitability as needed.

Q5. How do you think about utilizing unrealized gains in securities?

A5. We plan to reduce equity holding by JPY 600 billion over five years, of which JPY 300 billion has already been achieved over the past two years. For FY3/27, we aim to reduce at least JPY 120 billion, in line with the standard pace. While the ratio of market value to net assets has been slower to decline due to rising stock prices, we will increasingly focus on reducing the market value itself going forward. We also recognize that unrealized gains in certain investments are weighing on ROTE. Although disposals are not factored into the Plan at this stage, given they require negotiations with counterparties, we will continue to explore options with the aim of taking appropriate action over the next three years.

Q6. What is the message of the shareholder returns policy?

A6. In formulating the new Plan, the Board revisited our approach to shareholder returns and decided to maintain our basic policy: dividends as a principal, with a payout ratio of 40%. We will aim for steady growth in net income and return 40% of earnings each year. In addition, we will conduct share buybacks flexibly and at appropriate timings to enhance total shareholder returns.

Based on this policy and our net income target of JPY 1.7 trillion, we announced a dividend forecast of JPY 180 per share and increased our share buybacks to JPY 180 billion. Given our current CET1 ratio, I believe we have room to deploy capital. I also recognize that both earnings growth and appropriate capital control are essential to achieve a medium- to long-term ROTE target of 15%.

If earnings exceed expectations, we will determine whether to allocate the upside to share buybacks or divided increases depending on the circumstances. For the JPY 80 billion upside in FY3/26, we

prioritized share buybacks.

While the current environment entails downside risks and there were internal views calling for caution on share buybacks exceeding last year's level, we decided on JPY 180 billion in order to clearly demonstrate our strong commitment to shareholder returns.

Q7. The CET1 ratio target of 10.5% appears relatively higher than peers. What is the rationale, and how does it affect your capital policy?

A7. Rating agencies consider unrealized gains on securities when assessing capital adequacy. Given that these gains are expected to decline in line with the reduction of equity holdings, we set our CET1 ratio target at 10.5%.

Supported by strong earnings, our CET1 ratio reached 10.3% at the end of March 2026, limited gap to our target. As the additional capital required to reach 10.5% is not substantial, we will gradually increase the ratio toward this level.

Q8. What drives Olive's high active user ratio, and what impact does Olive have on the overall Retail Business?

A8. Olive has a structurally high utilization rate, in line with our original expectations. This is because customers with strong service engagement voluntarily open accounts online, rather than through traditional pushed-base, product-driven sales.

Olive contributes to the Retail Business in two ways. First, it drives medium- to long-term customer base expansion. Through partnerships with various companies, we will continue to expand services on Olive and create cross-selling opportunities.

Second, it also functions as a platform for digitalizing the entire Retail Business. One example is "Olive Consulting," which enables a shift from traditional face-to-face, labor-intensive models. By integrating more services into Olive, we aim to accelerate digitalization across the Retail Business.

Q9. What are the key initiatives to improve ROTE in the Global Business Unit?

A9. I am not satisfied with current profitability. We will accelerate our initiatives, at first by strengthening the acquisition of stable, sticky deposits. We have been investing in transaction banking infrastructure for the past two years and are making progress in talent acquisition. Second, we will shift our business model from loan-centric to fee-based businesses, including sales and trading and investment banking businesses. Third, we will expand asset management business, including private assets. I see the strong growth potential in this area by leveraging our origination capabilities. For example, we achieved a highly capital-efficient structure in the Air Lease transaction by utilizing third-party investor capital. We will apply similar models in overseas corporate and project finance to improve profitability.

Leading global banks achieve ROTE of around 20%. While their business mix differs from ours, we will focus on how to steadily close this gap over time.

Q10. What is your approach to allocating risk assets to the Multi-Franchise Strategy?

A10. We do not assume large-scale inorganic investments in the new Plan. We will allocate assets to each investee in line with local economic growth, implying a certain level of deployment. However, we will carefully assess whether investments can achieve around 13% ROTE during the plan period and 15% over the longer term. If returns are not expected to meet these thresholds, we will review our approach in a disciplined and flexible manner.

Q11. What is your growth strategy and risk management framework in India?

A11. The objective of our Multi-Franchise Strategy is to establish a full-line platform that can generate earnings across different economic, regulatory, and social environments.

In India, SMBC operates five branches, primarily focusing on corporate banking and project finance. SMICC provides consumer finance services, including SME and retail lending. In addition, we invested in YES BANK in FY3/26, completing the key components required for growth. Under the new Plan, our focus is on enhancing coordination among these entities. If successfully executed, we can establish a leading position among foreign banks in India.

However, we recognize that India is a complex market, particularly in terms of regulation and taxation. To address this, we have strengthened our risk management framework, including intelligence capabilities. We have established a dedicated India headquarters to enhance our ability to gather information and respond quickly to issues.

Q12. How do you assess the risk for exposure to private credit, the Middle East, and AI?

A12. For private credit, we have JPY 1.2 trillion of exposure to BDCs, primarily to high-quality borrowers. With a high proportion of investment-grade exposure, low LTV, and a well-diversified portfolio, we do not expect any significant impact on earnings. No losses have been realized to date.

Our Middle East exposure is concentrated in Qatar, Saudi Arabia, and the UAE, mainly to financial institutions and sovereign. Credit quality remains high and we recorded forward-looking provisions of JPY 65 billion in FY3/26. While we consider the current position manageable, downside risks remain if geopolitical tensions escalate further.

For AI-related exposure, particularly data centers, we generally limit off-takers to hyperscalers, resulting in low credit risk. While we do not see material concerns at present, we are applying more selective underwriting standards going forward.

Q13. What is your outlook for cost increases and potential cost reduction?

A13. We expect inflationary pressures both in Japan and overseas. In addition, we anticipate increases in performance-linked costs driven by the strong credit card business, as well as IT-related costs associated with continued investments. Each of these factors is expected to push costs higher by close to JPY 200 billion.

That said, we will maintain strict cost discipline. We executed cost reductions of JPY 160 billion under

the previous Plan and JPY 130 billion under the Plan before that. Under the new Plan, we aim to achieve a further JPY 200 billion in cost reductions.

Although we have revised our concept of base expenses by excluding IT investments, as this is an area we intend to expand going forward, our basic approach remains unchanged: to keep operating expenses flat.

Q14. What impact do you expect from AI investment, and over what timeframe?

A14. We expect the initial impact of AI investment to materialize primarily through cost reduction. In addition to routine operations, we will pursue efficiency gains in more advanced analytical processes. That said, full-scale adoption of AI will require further investment in data infrastructure and the deployment of AI agents. Rather than implementing AI on a fragmented manner, we will invest to build a flexible system architecture for future.

Over the medium- to long-term, AI is also expected to contribute to revenue growth and business model transformation. For example, transaction banking is highly compatible with AI-driven accounting support, which could lead to the integration of payment services with adjacent solutions.

Competition may also expand beyond traditional financial services into consulting and IT domains. We will therefore capture cost efficiencies in the near term, while positioning ourselves to seize new revenue opportunities over the medium- to long-term.

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