Major Q&A at SMBC Group IR Day 2026

Establish Japan's Leading Digital Platform
Build Japan's Largest Wealth Management AUM Base
Akio Uemura, Senior Managing Executive Officer, Head of Retail Business Unit

Q1. What progress has Olive made in transforming the retail business and what is the vision going forward? What are the key drivers of profit growth toward FY3/29?

A1. Olive has expanded its customer base by enhancing convenience through partnerships with leading external players, while offering deposit and payment services. We see significant potential to increase adoption among customers of Group companies beyond SMBC and SMCC and aim to develop Olive into a Group-wide transaction platform. We will also partner with non-financial services that complement our financial services and leverage financial and non-financial data from broader customer touchpoints to provide a wide range of services.

Olive-related profit is driven mainly by deposit income and payment business income. Key growth drivers toward FY3/29 are higher deposit balances, increased deposit income in a rising-rate environment, and growth in credit card sales handled.

Q2. What are the recent results of Olive Consulting and what mix of new and existing customers is assumed in the five-year target?

A2. Olive Consulting has attracted mainly existing SMBC and SBI Securities customers who value both digital convenience and advisory services. Acquiring new customers will also be necessary going forward.

We have not yet established a specific mix of new and existing customers for the five-year target and will refine it over time.

Q3. How do you assess the risk that partnerships with external players through Olive could lead to the loss of customer touchpoints or income opportunities? What progress has been made in the partnership with PayPay?

A3. We recognize that, when promoting a service such as Olive, using only internal resources and partnering with external players each have their own advantages and disadvantages. Our strategy is to enhance convenience through partnerships with leading external players, thereby expanding our customer base and accumulating customer data.

In our partnership with PayPay, three of the four announced initiatives have already been launched and the remaining initiative, the PayPay mode of Flexible Pay, is under development. We will further enhance Olive's value proposition by increasing usage and expanding its functionality.

Q4. How will branches evolve to support further expansion of the Olive customer base? How do you plan to leverage the partnership with Seven & i Holdings?

A4. We originally planned to streamline 250 retail branches by relocating to commercial facilities and converting into lighter, more efficient “STOREs”. However, branch visibility and in-person support have proven important in acquiring Olive customers. We have therefore revised our approach: new STOREs will be opened more selectively, while many existing branches will be streamlined without relocation. This will preserve customer touchpoints while improving efficiency by the consolidation of middle- and back-office operations.

Since FY3/27, Olive promotion has been separated from wealth management business, which had previously been conducted at the same locations, enabling branches to focus more fully on increasing Olive usage. The transition has been completed smoothly and we will expand the range of Olive-related services available at branches.

Seven & i Holdings has extensive customer touchpoints, including in areas where our physical presence is limited. We see opportunities to create new value by adding streamlined banking functions to convenience stores that serve as essential social infrastructure. We are also considering using surplus space created by branch streamlining and jointly opening new locations. While no specific plans have been agreed, we will explore a range of collaboration opportunities.

Q5. What impact would making retail JGBs eligible for NISA or introducing tax incentives have on deposit acquisition?

A5. Higher yields have generated steady demand for retail JGBs among customers seeking interest income. Tax incentives could further increase demand, but we do not currently expect a significant impact on deposit acquisition.

As with all retail products, we do not promote any single product in isolation. Customers may have demand for JGBs, but they represent only one component of a well-balanced portfolio. Deposits remain essential for liquidity, while equities and other investments play a key role in addressing inflation. As part of our efforts to provide optimal portfolio solutions based on customers’ overall financial assets, we also aim to strengthen our deposit base.

Establish Top-Tier Competitiveness in Japan's Corporate Banking

Fumihiko Ito, Senior Managing Executive Officer, Co-Head of Wholesale Business Unit
Yukihiro Mabuchi, Senior Managing Executive Officer, Co-Head of Wholesale Business Unit

Q1. How sustainable is the current strong loan demand in Japan? What is the competitive environment and how will profitability in the loan and deposit business improve?

A1. Loan demand remains strong, particularly among large corporations, with our pipeline exceeding last year's level. We expect continued investment in AI and semiconductors, as well as overseas acquisitions, supported by clients' strong growth appetite.

Over the past three years, we have expanded both loan balances and market share, particularly in large corporations. While competition has intensified, especially in large-scale transactions, we will continue to balance loan and deposit growth while improving profitability.

Deposit balances remain above plan following our acquisition efforts. Although funds are shifting from liquid deposits to time deposits, we will focus on profitability and seek to maximize loan-to-deposit spreads. ROE has also been incorporated into the performance metrics of each office, ensuring that every relationship manager remains focused on capital efficiency and sustainable earnings growth.

Q2. How would you respond if loan demand exceeded expectations, given liquidity constraints such as the NSFR and RWA constraints?

A2. From the liquidity perspective, deposits are currently growing faster than planned, while loan growth has not materially exceeded expectations. We therefore see no immediate pressure.

If loan demand becomes stronger than expected and competition for deposits intensifies, we will further strengthen deposit acquisition efforts, including the use of incentives to capture large fund flows arising from corporate actions such as privatizations, acquisitions and the unwinding of equity holdings. We will also flexibly consider funding through JPY bond issuance and optimizing balance-sheet management across the Group from an ALM perspective. In addition, we aim to develop funding solutions that do not rely on our own balance sheet by leveraging a healthy private debt market and collaboration with direct-lending players. As a megabank, we will respond firmly to customers' funding needs while securing an adequate deposit base.

Regarding RWA, our priority is to maintain discipline and improve ROTE within the current allocation plan. If loan demand exceeds expectations, we will consider additional measures, including accelerating the reduction of low-return assets and expanding off-balance sheet solutions through collaboration with external partners.

Q3. What are the key competitive advantages of Trunk?

A3. As competitors enter the market, we do not believe that first-mover advantage alone will be sufficient to maintain our position. However, our early entry has increased market recognition

among SMEs and we intend to accelerate client acquisition. In addition to client referrals, we are expanding our acquisition channels beyond digital marketing, including partnerships with SaaS providers and referrals from tax accounting firms.

We will also accelerate the rollout of new features. Rather than competing solely on low transfer fees, we aim to differentiate Trunk by providing functions that serve as a virtual finance manager for SMEs.

Q4. How do you plan to achieve the FY3/29 ROTE target of approximately 20%, excluding gains on the sale of equities?

A4. From FY3/26 to FY3/29, we expect net business profit growth, supported by increases of approximately JPY 250 billion each in net interest income and fee income against an increase of approximately JPY 180 billion in expenses. This projection includes benefits from integrating the management of Japanese corporate clients overseas with the Global Business Unit.

The key to improving ROTE is how successfully we can increase deposit income and fee income while utilizing the approximately JPY 6 trillion increase in RWA compared with the previous Medium-Term Management Plan. In particular, we see significant potential to increase fee income by capturing corporate activities. We will strengthen capital-light businesses, including securities activities in collaboration with Jefferies and foreign-exchange-related businesses.

Our capital allocation plan already incorporates the shift from low-return assets to higher-return assets, while keeping the net increase in RWA at approximately JPY 6 trillion. Through these initiatives, we believe that a ROTE of around 20%, excluding gains on sales of equities, is achievable.

Strengthen Global CIB and S&T Businesses
Monetize the Multi-Franchise Strategy

Yoshihiro Hyakutome, Deputy President and Executive Officer, Co-Head of Global Business Unit
Keiichiro Nakamura, Senior Managing Executive Officer, Co-Head of Global Business Unit
Arihiro Nagata, Senior Managing Executive Officer, Head of Global Markets Business Unit

Q1. What key factors are you monitoring in the current market environment and how will you manage the portfolio going forward?

A1. While rising interest rates in Japan have raised concerns, we see this as part of the normalization of the economy. AI continues to have a significant impact on financial markets and we expect the stock market to remain strong despite periodic corrections. At the same time, the world is clearly reaching a turning point after benefiting from globalization and low interest rates for three decades and shifting toward an environment of inflation and positive interest rates. Rising government debt across countries, driven by higher social security and defense spending, is also adding upward pressure on interest rates over the medium- to long-term. Combined with intensifying competition for capital, this makes it difficult to predict how far yen interest rates may rise.

From a portfolio management perspective, however, a world with positive interest rates is also a world in which rates have room to fall, creating new investment opportunities. While many financial institutions carry unrealized losses on bonds accumulated during the low-rate period, our nimble management has enabled us to enter this investment environment with a sound financial position. We believe this gives us a relative advantage and will continue disciplined management while carefully assessing market conditions.

Q2. How confident are you in achieving each of the targets for S&T business?

A2. We have the highest confidence in increasing the use of the bank's balance sheet. Although this has been limited to date, allocating additional capital should enable us to grow earnings from the S&T financing business.

We also see clear potential to increase our fixed Income wallet share. We are hiring professionals, particularly in the Americas, and expect these investments to contribute from the second half of this fiscal year.

In JPY swap e-Trading, we aim to generate revenue at an early stage by integrating the expertise accumulated through the recruitment of quantitative professionals across the bank, the securities business and overseas operations, thereby enhancing our execution capabilities and expanding our product offering. In JGB trading, our limited customer coverage has prevented us from capturing transaction opportunities. We expect expanded coverage to increase our market share.

Q3. SMBC Nikko's Global Markets Division recorded a loss in the first quarter of FY3/27 despite strong results at competitors. How will you restore the performance and strengthen the S&T business?

A3. In strengthening the S&T business, expansion of the client base outpaced the development of our platform. As a result, the infrastructure needed to effectively monetize the growing client flows was not sufficiently developed and we were unable to generate adequate earnings despite elevated market volatility. However, recent performance has been solid and we are not overly concerned.

Performance across the Global Markets Business Unit as a whole has been strong. Even if S&T revenue falls below expectations, we believe we can develop the S&T business while offsetting the shortfall with other businesses.

Q4. Could differences between the businesses of SMBC Nikko and Jefferies become a concern in launching the new joint venture?

A4. SMBC Nikko and Jefferies have different geographic strengths and equity product offerings, but we believe combining these complementary capabilities will generate synergies. Our earnings plans for the first one to two years are conservative. We will first achieve these plans and then pursue further upside from synergies.

Q5. In which regions will you particularly strengthen distribution capabilities as part of the OtoD strategy?

A5. We plan to strengthen distribution capabilities across all regions. The current distribution ratio for underwritten transactions is slightly below 50% and we aim to raise it to approximately 80%. We will increase origination and distribution in areas where borrowers are relatively receptive to distribution, including project finance, structured finance, NAV finance, subscription finance and LBO financing. We see the greatest potential in the Americas, followed by EMEA and Asia.

Q6. How do you define your goal to become the No. 1 foreign bank in India? What synergies do you expect among SMBC, YES BANK and SMICC?

A6. While we do not have a specific definition, our aspiration is to become the No. 1 foreign bank in terms of both franchise scale and earnings.

Collaboration among the three entities has only just begun. For example, several programs have been launched in which our corporate relationships serve as the starting point for collaboration with YES BANK and SMICC on sales finance for manufacturers. As Japanese companies expand their presence in India, demand is also expected for services such as employee bank-account opening. YES BANK has approximately 1,300 branches and has established a dedicated team for Japanese companies, providing further opportunities for collaboration.

Q7. What are the regional downside risks to the FY3/29 bottom-line profit contribution target of JPY 140 billion for the Multi-Franchise Strategy? To what extent have macroeconomic factors affected the past underperformance?

A7. SMICC in India and SMBCI in Indonesia are majority-owned and expected to make substantial profit contributions but also entail corresponding risks. India is expected to make the largest profit contribution among the four target countries. Although its political and economic conditions are relatively stable, it cannot be described as a low-risk market. Indonesia also faces uncertainties, including political risks.

It is difficult to quantify the impact of macroeconomic factors on the past underperformance, but we believe that Indonesia was the most affected. Although we have operated there longer than the other three countries, growth in GDP and the middle class was slower than originally expected, partly due to COVID-19. Nevertheless, the Indonesian economy remains resilient and is expected to grow gradually. We also completed a disposal of non-performing auto loans last fiscal year and will deliver solid profit growth going forward.

Q8. As you improve the profitability of the Multi-Franchise Strategy, will your approach to businesses that create social value, such as financial inclusion, change?

A8. We provide financing in regional and rural areas of India, while BTPN Syariah, a subsidiary of SMBCI, offers group-based financing that contributes to financial inclusion in Indonesia. Although BTPN Syariah was temporarily affected by COVID-19, its profitability is now solid.

We will continue to refine its operating model, including promoting cashless collection to reduce the operational risks associated with handling cash in group finance. However, our commitment to creating social value remains unchanged.

Expand Asset Management Business

Accelerate Growth in Global Transaction Banking Business

Kazuyuki Anchi, Senior Managing Executive Officer, Asset and Wealth Management Strategy Dept.
Kazuya Ikeda, Senior Managing Executive Officer, Transaction Business Division

Q1. How will enhancing global transaction banking through SMBC Connect contribute to yen deposit growth? Are Japanese companies the primary target clients?

A1. Yen deposit opportunities are not limited to companies in Japan. Overseas subsidiaries of Japanese companies often remit accumulated funds to their headquarters and SMBC Connect can help capture those flows.

For foreign currencies, we aim to acquire liquid deposits by providing transaction services through SMBC Connect. Our overseas corporate banking business remains lending-heavy, leaving significant room to expand asset-light, non-interest income businesses and related deposits. We target both Japanese and non-Japanese companies, with particularly strong growth potential among non-Japanese companies.

Q2. Domestic and overseas transaction-related revenue increased by JPY 270 billion under the previous Medium-Term Management Plan. Can you achieve stronger growth under the current plan?

A2. Transaction-related revenue includes the benefit of higher interest rates and therefore does not solely reflect growth in transaction banking. Nevertheless, we aim to exceed the growth achieved under the previous plan by increasing foreign-currency deposits by USD 60 billion and yen deposits by JPY 4 trillion.

Achieving these ambitious targets will require us to address client needs and optimize our service offerings. Over the past year, our growth in both yen and foreign-currency deposits has exceeded that of our peers, demonstrating the strength of our client coverage. We will differentiate ourselves from global banks by leveraging our Japan-related strengths and providing services in Multi-Franchise Strategy countries, such as India, that Western banks cannot readily match.

Q3. In asset management, what is your strategy for achieving JPY 20 trillion in active mutual-fund assets in Japan's retail market? What are the challenges and risks in expanding the private-assets business?

A3. A key measure of increasing active mutual-fund assets will be how many flagship funds we can develop with the potential to reach JPY 1 trillion in AUM. The "Revolution Series," including the "Electricity Revolution" and "Materials Revolution" funds, has recently grown through our own channels, interest from third-party distributors, and investor inquiries. Given the scale of our JPY 20 trillion target, we are strengthening our distribution, including collaborations with sales partners.

In private assets, the key challenges are expanding our investor base and strengthening distribution. We are pursuing joint ventures with external managers while enhancing our ability to develop proprietary funds.

The main risks for both joint ventures and proprietary funds are whether we can maintain the asset assessment capabilities developed through our banking business. Any deterioration could limit our ability to offer high-quality investment opportunities to investors and lower the profitability of the business.

CFO Session

Kazuyuki Anchi, Senior Managing Executive Officer, Group CFO and Group CSO

Q1. As CFO, how do you assess the recent underperformance of the share price relative to peers?

A1. I believe one factor is that our ROE remains below that of our peers. Some investors may also view our capital policy as insufficiently flexible as we did not revise our targets or announce an additional share buyback with our first quarter results.

Our core business is growing steadily and disciplined capital management will be key to improving ROE. If profits outperform our plan, including the effect of policy rate hikes, we intend to prioritize dividend increases over share buybacks. However, it was difficult to assess the full-year upside in the first quarter. We therefore made no additional announcements at that stage and will reassess the outlook ahead of our first-half results.

Investors also frequently ask about further investments in existing investees. As the Multi-Franchise Strategy has yet to demonstrate sufficient profit contributions, some may be concerned that inorganic investments will be prioritized over shareholder returns. While our confidence in the earnings outlook has increased, our immediate priority is to deliver tangible results.

Q2. How do you view the ROE gap between SMFG and its peers?

A2. In addition to the further policy rate hikes, our core businesses continue to grow strongly. We will therefore carefully assess how far we can raise ROE. While our peers have set ambitious ROE targets, we intend to close the gap.

We also plan to leverage the unrealized gains on securities effectively for growth investments. In particular, under the current Medium-Term Management Plan, we plan to allocate more capital to IT investment, rather than limiting reinvestment to the amount corresponding to depreciation and may use part of these gains as a funding source.

Q3. Could share buybacks raise the total payout ratio above its historical level?

A3. We have not set a specific target for the total payout ratio. However, we do not intend to raise the CET1 ratio rapidly and excess capital is likely to increase given the current pace of profit accumulation. As a result, the total shareholder payout ratio could exceed historical levels.

Q4. Could Jefferies become an equity-method affiliate or a consolidated subsidiary?

A4. The additional investment announced last year has been completed, bringing our economic interest to 19.5% and our voting interest to 4.5%.

If we increased our stake and made Jefferies an equity-method affiliate, goodwill and related amortization could arise. We would therefore need to assess the economic rationale and whether it would be appropriate for us to exercise greater influence over Jefferies. Consolidation would involve even higher hurdles.

We are not currently considering either option. We intend to maintain our current stake and maximize the benefits of the partnership through the Japanese equities joint venture scheduled to launch next January and collaboration centered on the U.S.

Collaboration in areas such as ECM and M&A in the U.S. is progressing well, giving us confidence in achieving our FY3/31 profit contribution target of JPY 50 billion, including dividend income.

Q5. As you continue to reduce low-return assets, do you anticipate any losses on asset sales?

A5. We do not currently expect any significant losses from asset sales. Although overall credit costs were well controlled in FY3/26, we recorded some provisions overseas and are selling the relevant assets this fiscal year. We may also proactively sell assets to control credit costs, advance OtoD, and secure liquidity, which could result in some losses.

Potential risks in credit costs include the impact of geopolitical developments in the Middle East on Asian economies and global inflation. While inflation has not had a significant impact to date, we are closely monitoring our consumer finance portfolios in Japan and overseas.

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