



Message from group CEO

Make a breakthrough.

Toru Nakashima
Director President and Group CEO

The Responsibility and Determination Necessary to Inherit the Ball of Corporate Leadership

Offload Pass. In rugby, this is a maneuver in which the player with the ball, while being tackled, hands it off to his teammate running behind him. The player releases the ball with an unwavering trust that his teammate will successfully receive the pass and continue the play. My predecessor, Jun Ohta, never gave up in his battle against his illness and kept on pushing forward until the very end. He passed away on November 25, 2023, while still pushing forward and firmly passed the ball of corporate leadership to the next generation.

For many years, I ran side-by-side with Mr. Ohta and witnessed firsthand his powerful drive and commitment as SMBC Group made great progress as a consolidated financial group under his leadership. He was a business leader who embodied the “Think Big, Start Small” mentality. When making an important decision, he always applied a bird’s-eye view while considering relevant matters from

a long-term perspective. After deciding upon a direction, Mr. Ohta would focus on producing the expected results. By continuously applying this mentality, he was able to build an impressive track record. He was also a business leader who had a big heart. Whenever I was unsure how to proceed with a certain matter and consulted with Mr. Ohta, he would always encourage me by saying, “Don’t worry so much. Do your best.”

I was officially appointed as the successor and Group CEO on December 1 after taking on the role of acting president, entrusted with the ball of corporate leadership that Mr. Ohta had carried. I was filled with deep sorrow, and I would be lying if I said I wasn’t nervous about taking on this critical role in such an unexpected and sudden manner. However, we cannot stop while the ball is still in play. I committed myself to pushing forward, keeping firmly in mind the responsibility of carrying on his vision.

My First Step as Group CEO

The first thought that came to my mind was that Mr. Ohta’s sudden passing would have been received as complete surprise both internally and externally, and there were sure to be stakeholders who felt uneasy about SMBC Group’s business directions, etc. As such, after being named Group CEO I immediately communicated with our stakeholders to reassure them that there would be no change in SMBC Group’s business directions and strategies in spite of a change in leadership.

I particularly focused on quickly removing any confusion and unease among SMBC Group employees, as it was essential to prevent any disruption to the quality of service we provide to our customers. On December 8, the week following my official designation as Group CEO, I communicated with our senior managers via the Executive Officers Meeting, and on December 11, I sent out a Group-wide email to all of our employees. Through such efforts, I conveyed the message that we will join together and overcome any challenges we may face.

For our shareholders and investors, in addition to holding an investors meeting on December 18, I traveled to Europe, including the UK, in January and met with major investors to directly convey my vision and thoughts

as the new Group CEO. At the same time, I spoke with key customers and business partners with whom Mr. Ohta had developed direct ties to request their continued support and coordination. On March 7, we held a special ceremony to pay our final respects to Mr. Ohta.

By communicating with our stakeholders, I was able to maintain our momentum and bring FY2023 to a strong finish. Thanks to our various stakeholders, we were able to declare a record profit for Mr. Ohta’s final year as Group CEO. I would like to take this opportunity to once again express my sincere appreciation.



My Vision for SMBC Group

In the six months that have passed since I became Group CEO, I have spent a lot of time thinking about the ball passed to me by Mr. Ohta. I have also carefully considered my vision for SMBC Group, which I am striving to realize while working each day to ensure the smooth transition of our management team.

What does the ball I inherited consist of? One key component is the unwavering trust of our stakeholders that our predecessors and employees have built over the years. It goes without saying that this is SMBC Group’s most important asset. I believe this trust is built upon our corporate DNA as merchants, which has been passed down through the centuries by our predecessors at Mitsui and

Sumitomo. These two companies, which began as kimono merchants and copper smelters respectively, both have a history of growth and development spanning more than 300 years. Our corporate DNA, as excellent merchants, made this story of growth and success possible. Our forebears thought for themselves, displayed courage, and acted boldly when required. Rather than being blinded by self-interest, they carefully nurtured their businesses in the spirit of *sampo-yoshi* – valuing actions that benefit not only the company but society and customers as well.

Another item I inherited is the two “wings” -- business scope and operating region -- that have grown over the past 20-odd years since the launch of SMBC Group. Estab-

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lished in 2002, we have steadily expanded our presence in terms of both business scope and operating region, growing from a domestic, commercial bank centered business model in response to the changing business environment and the needs of customers and society. In terms of our business scope, we have grown into a top-level financial conglomerate in Japan by acquiring and developing credit card, leasing, IT/think tank, consumer finance, securities, trust banking, and asset management businesses. As for our operating region, in addition to our traditional focus of supporting Japanese corporations to expand overseas, we have focused on deepening transactions with foreign corporations and strengthening our capabilities in project finance and other businesses requiring high levels of expertise. At the same time, through investments and acquisitions, we have established a presence in aircraft leasing, overseas securities, and Asian commercial banks/non-banks. We are now a global financial institution in which more than half of our employees are stationed outside of Japan. By expanding our two wings in this manner, SMBC Group has been able to considerably increase our market capitalization by meeting and exceeding the market’s expectations while enhancing our status within Japan’s financial sector and among Japan’s megabanks.

Keeping this ball, containing the assets and strengths built up by our predecessors, close to our hearts, we will pursue SMBC Group’s 2030 Vision of becoming “a trusted global solution provider committed to the growth of our customers and advancement of society.” This Vision was established in 2019 when Mr. Ohta was named Group CEO,

and I assumed the position of Group CFO and CSO. The concept of “trusted” stated at the beginning of our Vision has been passed down as a basic management principle since the establishment of SMBC Group. I want to make sure that this “trust” continues to be passed on, and I want us to fulfill our responsibilities as a public institution “committed to the growth of our customers and society” as stated in our Vision. By doing so, I want to establish SMBC Group as the most trusted brand in its field.

The word “global solution provider” represents two thoughts. The first is “global.” This means becoming a player that has a solid presence and track record in the global market based on a robust management foundation in Japan. The second is “solution provider.” This reflects our belief that it is no longer enough to stay within the framework of financial institutions to solve the problems of our customers and society. I want to make SMBC Group soar to new heights by further expanding and strengthening our two wings.

My vision cannot become a reality by my efforts alone. As in rugby, teammates who share the same vision are essential to success. SMBC Group has more than 120,000 talented employees spread across 38 countries and regions who share the same aspirations. Social and economic value that SMBC Group creates is the result of each one of our 120,000 employees, who come from a diverse range of backgrounds, creating their own unique value. As Group CEO, I want our employees to place great value on “Integrity,” “Passion,” and “Solidarity.” “Integrity” reflects our desire to become true professionals who go beyond com-

plying with the applicable rules and regulations. We must face our customers head-on in a fair and sincere manner and win in a proper way in the arena of business. “Passion” reflects our unwavering commitment and desire to contribute to our customers and society, and our desire to proactively take appropriate risks that will lead to the growth of our customers and of SMBC Group. “Solidarity” reflects our commitment to creating a strong “One Team.” That means gathering our diverse strengths together into a scrum and drawing out each other’s strengths by helping, supporting,

and competing together. In addition, I established “Make a breakthrough.” as the shared slogan of SMBC Group. This carries on the essence of Mr. Ohta’s slogan “Break the Mold,” which reflected his desire to transform our mindsets by getting rid of stereotypes, as well as our focus on the logic of precedent and organization. My slogan reflects my desire to have the courage to take this transformation even further via concrete actions. I want each of our employees to have the “Make a breakthrough.” mentality and work together to realize our Vision.

Enhancing SMBC Group’s Corporate Value

The first step in realizing my vision and enhancing our corporate value is to bring our Medium-Term Management Plan that launched last year to a successful conclusion.

We focused on discipline and accumulated capital during the Plan, which covered FY2017-2019, with the negative interest rate environment and the enhanced capital requirements of Basel III finalization. In the next Plan, covering FY2020-2022, given our increased financial soundness, we shifted our focus to “Transformation & Growth.” Our goal in the current Plan is to further accelerate the good momentum that we have developed so far while at the same time upgrading our various initiatives. SMBC Group will strive to realize “Fulfilled Growth” by following our core policies of “Create Social Value,” “Pursue Economic Value,” and “Rebuild Corporate Infrastructure.”

Our Environment

The current Medium-Term Management Plan started under a cloud of uncertainty triggered by the bank failures in the U.S. However, our business environment has developed into a more positive one than initially projected with the yen’s depreciation, the rising stock markets, and the plateauing of high interest rates in the U.S. acting as tailwinds for our profitability.

If we turn our attention overseas, the Russia-Ukraine war and the conflict in the Middle East show no sign of coming to any form of conclusion, and there are increasing concerns about a slowdown in China’s economy. In addition, we must pay close attention to the fiscal policies and the health of the major economies, the outcome of key elections and their impact on politics, and heightening geopolitical risk. However, the strength of the U.S. economy continues to exceed expectations, despite the current high inflation, and we expect a soft landing.

In Japan, the negative interest rate regime that lasted eight years has been discontinued, and we are finally moving toward the nation’s re growth. In the corporate sector, it is clear that many corporations have undertaken bold investments for growth and daring business structure

reforms with the aim of enhancing their global competitiveness. Many corporations are also engaging in earnest efforts to realize a sustainable society. As for individuals, we expect to see an expansion in consumption resulting from rising wages and an acceleration in the trend of “from savings to asset formation” with the introduction of the new NISA framework and a robust market environment.

SMBC Group, under the healthy business environment, is determined to contribute to Japan’s regrowth by supporting the forward-looking activities of corporate and individual customers. We will proactively engage in healthy risk taking by making bold decisions and carefully judging risks as financial professionals while walking hand-in-hand with our customers.

Pursue even greater heights

While engaging in communications with our investors as Group CEO, I strongly felt the importance of accurately conveying our direction and goals to investors.

Traditionally, SMBC Group has set financial targets as the minimum benchmarks we have to accomplish even in downside scenarios. We would revise our forecasts upward during the fiscal year if the risks we initially assumed did not arise. Especially for FY2023 and the current Medium-Term Management Plan, we set quite conservative assumptions given the backdrop of high uncertainty in global financial markets. As a result, not only did we revise our bottom-line profit target upwards by ¥100 billion during the fiscal year, we exceeded the revised target by more than ¥40 billion. This meant that we had exceeded the Plan’s final year’s profit target in the first year.

While announcing conservative forecasts at the start of the fiscal year helps us to prevent investors from being exposed to the negative surprise of not achieving targets, it can also convey a lack of confidence or the misunderstanding that there are undisclosed risks. Therefore, for FY2024 we based our forecasts on “most likely” scenarios and revised the preconditions on which our business plans had been formulated based on the assumption that the current robust business environment would continue. In

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my job isn’t going well or when I’m about to give up.

In addition, the values of “Integrity, Passion, and Solidarity” that I communicated to our Group employees are something I borrowed from the core values of World Rugby. Mr. Tetsunosuke Onishi, the father of Japanese rugby, believed the game provided the opportunity to learn fairness and honesty. He repeatedly told his players: “Be fair, be honest” and “There is no meaning in victory if we injure our opponents, even if the rules allowed the play,” even when victory was on the line and both teams were playing intensely. This episode made a lasting impression on me, and I summarized this impression in the value of “Integrity,” which I constantly kept in mind as I carried out my professional duties and share this with our employees.

The finals of the Japan Rugby League One play-off tournament took place in May. Mr. Shota Horie, who retired following the season, said in the post-match interview: “I will not play rugby again, even if I am reborn.” His words remain in my heart. He had truly given 100%. I believe Horie was able to say those words because he had consistently given his all to rugby over the years and he truly had no regrets. I want to be in such a state of mind when I pass the ball I inherited from Mr. Ohta to the next successor. I want to give my whole body and soul to leading SMBC Group.



Rugby and Me

I spent my seven years of high school and university immersed in rugby. My experiences during those years form the basis of who I am today.

During my high school days, we did not win many games, even though we trained very hard. That was a very frustrating experience for me. One memory that particularly stands out is when we lost a match that we absolutely did not want to lose, and we were in tears. Our coach told us: “You should be embarrassed for crying because you lost. You should be thinking about how to get better instead of crying.” My feeling of frustration and determination to win taught me to keep on going and try harder when

addition, by further advancing the initiatives established under the Medium-Term Management Plan, we are aiming to once again exceed our past profit record, and achieve, for the first time as SMBC Group, a bottom-line profit of more than ¥1 trillion.

At the same time, we have increased our five-year ROE (Return on Equity) target, a timeframe which encompasses the next Medium-Term Management Plan. Last year, we brought forward the Tokyo Stock Exchange standard ROE target of 8% that had originally been planned as the goal for the next Medium-Term Management Plan. We will strive to reach an ROE of 8% by the final year (FY2025) of the current Plan and an ROE of 9% by the final year (FY2028) of the next Medium-Term Management Plan. In order to realize this goal, we will strive to increase our bottom-line profit, the numerator, to a level well above ¥1 trillion.

Strive to enhance ROE

Our share price has risen significantly over the past year, and our PBR (Price to Book Ratio) recovered from 0.58 as of the end of FY2022 to 0.86 as of the end of FY2023. Furthermore, it reached to 1.0 in July 2024. However, as Group CEO, I firmly believe that this is an issue I must continue to improve. While financial institutions’ share prices are quite susceptible to changes in the macro-environment, we will strive to raise both our ROE and PER (Price Earnings Ratio) so that we are able to maintain a PBR over 1.0, even under a challenging business environment.

As for our ROE, we must grow our bottom-line profit, the numerator. We will focus on enhancing asset light businesses which do not rely on our balance sheet, realizing the upside of existing growth investments, and controlling expenses.

On the domestic front, given our expectations that interest rates will rise, we will rebuild our retail business model into a stabler and more efficient one. We will do this through the digital transformation of our business model with Olive as the cornerstone and by working to create and deploy a consolidated SMBC Group channel that merges our commercial banking, trust banking, and securities

capabilities. Through such efforts, we will strive to become No.1 in the domestic retail business sector. Furthermore, in our domestic wholesale business, we will enhance profitability by strengthening our commission-based business that leverages SMBC Group’s comprehensive capabilities. An example is enhancing our sector capabilities and global coordination in our domestic CIB (Corporate and Investment Banking) business with large corporations, real estate brokerage, and corporate settlements.

Overseas, we will strive to further enhance our business’ position as the growth driver of SMBC Group by building a growth-oriented portfolio. Some examples of these efforts include strengthening our global CIB business through our partnership with Jefferies in the U.S. market, which is not only the largest market in the world but also stable, and realizing the anticipated revenue from our Multi-Franchise Strategy, a strategy in which we aim to create a second and third SMBC Group in the four Asian countries of India, Indonesia, Vietnam, and the Philippines.

As for cost control, we will apply firm control over base expenses by continuing ongoing efforts to reduce costs via the transformation of our domestic business model, consolidating Group functions, and enhancing the efficiency of our overseas business. In addition, we will replace the components of our business portfolio to enhance capital efficiency, shift from low profit to high profit assets, and sell assets with unrealized gains.



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Increase PER

To improve PBR, we have to improve PER in addition to boosting ROE. We will further evolve our policy of “Transformation & Growth” which continues from the previous Plan and focus on businesses that will lead to medium- to long-term growth, for example Olive, the global CIB business, and our Multi-Franchise Strategy. Through these efforts we will expand our growth momentum and increase our expected growth rate.

In addition, we must control our capital costs to improve our PER and rebuilding our corporate infrastructure is a key part of this initiative. To realize “Quality builds Trust,” a key phrase that reflects our commitment to enhancing the quality of our operations to a level that wins the trust of our stakeholders, we will work to improve our governance and compliance capabilities -- both important prerequisites for running a business, and embed a healthy culture in all corners of our organization. In FY2023, Ms. Jenifer Rogers and Mr. Charles D. Lake II joined the Board of Directors, and we have been engaging in lively discussions. From FY2024 the ratio of Outside Directors exceeds 50%, and we will continue to enhance our governance capabilities by further expanding our diversity.

We will proactively invest in IT from the two perspectives of building a stable, reliable IT framework and creating new businesses. Generative AI is an important technology that could bring about major change to how business is conducted in finance, and I want to promote its use from the top. An environment already exists in SMBC Group in which many employees use AI, as we are

conducting training sessions to instill the skills necessary to apply AI to employees’ tasks. Our call centers are also undergoing an increase in efficiency due to the application of AI. While AI is a major pillar in our efforts to enhance efficiency, at the same time we are studying initiatives to use AI to increase our top-line revenue. For example, if an AI-equipped avatar were able to provide our individual customers with investment advice online regarding mutual funds, insurance, and other financial products, I believe our asset management business model would undergo a major transformation.

In addition, we will expand investments in our personnel, which forms the basis of our competitiveness, and carry out Human Capital Management. In a world where views on work and lifestyles are continuously evolving, it is crucial for SMBC Group to be the company of choice for diligent and hardworking professionals. As Group CEO, I will support our employees as they take bold new steps. My goal is to foster an environment where each employee can achieve self-actualization through their work, driven by a passionate desire to contribute to customers and society.

Regarding our equity holdings, our clients’ attitude has been changing with the backdrop of robust share prices and investors’ demand for better governance. We will push forward with our reduction efforts. In addition, we will reduce capital costs by enhancing our information disclosure to reduce the information gap, both financial and non-financial, with investors.

We will strive to create social value based on the mindset of “full participation,” including myself, and create a framework that will give birth to a positive environment to create social value by collaborating with various stakeholders.

Create Social Value

Many social issues, including global warming, human rights violations, and increasing poverty/inequality have worsened, and measures aimed at solving these issues are becoming a major theme facing business leaders. I believe that efforts to resolve these issues can lead to an improvement in PER through enhanced expected growth rate and reducing capital costs.

The Medium-Term Management Plan has positioned Create Social Value as one of the key pillars of our business strategy, and we will proactively engage in these areas as we believe it will contribute to profits over the long term. We have established “Environment,” “DE&I/Human Rights,” “Poverty & Inequality,” “Declining Birthrate & Aging Population,” and “Japan’s Regrowth” as our materiality and set goals for each materiality.

One year has passed since the current Plan was launched and it has become clear how we need to approach these themes. This year, we will further develop and refine the necessary frameworks/capabilities and begin our efforts in earnest.

Considering that many first-class global companies return about 1% of their profit to society, we have decided to give back as well, with our belief that SMBC Group’s success would not have been possible without the support of customers and society, and that we should repay this support. We will allocate ¥10 billion (about 1% of our bottom line profit) to the creation of social value. In addition, we have established an investment fund of ¥40 billion for the purposes of creating and developing businesses with

customers, developing new technologies, and cultivating new businesses.

Going forward, every one of SMBC Group’s employees will contribute to customers, regions, and industries that are facing various social issues, with passion and ownership based on the mindset of “I want to help customers” and “I want to contribute to society.”

We will strive to create social value based on the mindset of “full participation,” including myself, and create a framework that will give birth to a positive environment to create social value by collaborating with various stakeholders. I aim to soon make the impact that SMBC Group has on society and the environment more visible.

SMBC Group will contribute to “Fulfilled Growth” so that people can live their lives with happiness, by leading both economic growth and supporting social advancements.



Capital Policy/Shareholder Returns

We will make sure our shareholders benefit from the corporate value that has increased via the various initiatives I have shared with you. The optimal distribution of capital is an important factor in enhancing ROE. We will pay even closer attention to balancing shareholder returns and investment for growth while maintaining financial soundness. Dividends remain our principal approach to shareholder returns and we will maintain our progressive dividend policy and divi-

dend payout ratio target of 40% while realizing an increase in dividend payments by growing our bottom-line profit. We have increased our dividend forecast for FY2024 by ¥60, from ¥270 to ¥330 per share to maintain a dividend payout ratio of 40% based on our bottom-line target over ¥1 trillion. Under a policy of engaging in flexible share buybacks, we announced a buyback program of ¥100 billion in May 2024. We will consider additional share buybacks during the fiscal year based on various factors.

In Closing

“I don’t believe in magic. I believe in hard work.” These are the words of Richie McCaw, a rugby legend who captained the All Blacks, New Zealand’s national rugby team, to back-to-back rugby world championships in 2011 and 2015. I believe that this also applies to running a business. There is no magic way to become “a trusted global solution provider committed to the growth of our customers and advancement of society.” I strongly believe that the ongoing, everyday efforts of every one of our employees is what will lead SMBC Group to

further growth and success.

I want to make SMBC Group a financial group that fights and wins fairly while gaining the unwavering trust of our customers and society in and outside of Japan. It is with this mindset that I will stand at the forefront of our 120,000 employees as Group CEO and boldly walk the path to realize this vision.

I would like to ask for the continued support and understanding of all our stakeholders.

