

Interview with Chairperson of the Nomination Committee

Selection Process of a New
CEO and Expectations for
Mr. Nakashima



Outside Director
Chairperson,
Nomination Committee

**Yoshinobu
Tsutsui**

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Mr. Toru Nakashima was selected as the new Group CEO following Mr. Jun Ohta's sudden and unexpected passing. What sort of discussions did the Nomination Committee engage in during the selection process?

I was deeply saddened by Mr. Ohta's passing, and I would first like to express my deepest condolences to his family, friends, and colleagues.

The Nomination Committee of SMBC Group engages in regular discussions regarding the succession plan, including a contingency plan to address unforeseen circumstances, and plans activities from an early stage. We commenced discussions in earnest regarding potential successors in 2021, and in 2022 we clearly stipulated the qualities we felt a successful leader would need. Following this, based on recommendations from the executive side, we identified candidates and discussed who was best qualified to become a top management of SMBC Group based on their career, track record, personality, etc. We held careful discussions for more than two years. As such,

I am confident that we were able to thoroughly discuss the succession plan.

When discussing the qualities we felt top management should possess, we focused on ability, behavioral characteristics, and personality. For ability, we established "broad perspective," "deep insights," "DX literacy," "leadership," "risk sensitivity," and "communication ability" as key factors. For behavioral characteristics, in addition to "customer-orientated attitude," we established "attitude toward sustainability," "decision-making skills," and "ability to take the initiative and set examples" as key factors. Finally, for personality, we identified "moral character," "ethics," "courage," and "patience" as important.

The Nomination Committee identified Mr. Nakashima as an individual possessing the necessary character, insights, and abilities. Not only does he possess these necessary characteristics, but thanks to his experience as Group CFO and Group CSO, he also has the ability to see the big picture when planning strategies and boasts a wide personal network spanning various groups.

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What do you expect from Mr. Nakashima as he leads SMBC Group to further growth?

In a nutshell, we expect to see Mr. Nakashima lead efforts to increase SMBC Group's corporate value. As a first step it is crucial that the strong momentum and direction established under the leadership of Mr. Ohta in terms of strategy and financial results are strengthened. Specifically, executing the Multi-Franchise Strategy in Asia, promoting alliances both in and outside of Japan, enhancing the domestic wholesale business, and further strengthening Olive, SMBC Group's comprehensive financial service for individual clients. Such efforts will allow SMBC Group to further enhance its business performance. In addition, we expect SMBC Group to give every effort to support the realization of Japan as a leading asset management center, a national policy announced by the Japanese government in December 2023, in addition to engaging in a variety of other efforts to create social value.

There have been numerous discussions at Board of Directors meetings concerning Create Social Value, and SMBC Group's vision is gradually taking shape. The most important factor identified during the discussions was our employees. For SMBC Group to successfully create social value, it is vital for every employee to go beyond the boundaries of their respective responsibilities, raise their awareness regarding social value, and take part in efforts to create social value. To make this a reality, I believe the focus cannot solely be internal. Rather, a high level of sensitivity must be developed and maintained regarding the mindset and expectations of external parties and of society. Having all SMBC Group employees take part and respecting their diverse values and opinions will help the Group well understand the views of those outside the company or in society.

Of course, it goes without saying that Create Social Value does not simply mean contributing to society. It is important to pay careful attention to how activities aimed at creating social value can also be tied to pursuing economic value, thereby contributing to the enhancement of SMBC Group's corporate value. Solving social issues in turn leads to SMBC Group's development and the growth of its employees, allowing for the Group, its employees,

and society to prosper together. This type of story needs to become a reality. For example, decarbonization is closely tied with SMBC Group's main businesses. Through sustainable finance, I hope to see the Group lead Japan's industrial sector's self-driven decarbonization efforts.

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Can you share with us the discussions by the Nomination Committee regarding the development and selection of the next generation of management candidates?

SMBC Group did not suffer from any major upheaval when it underwent its sudden and unexpected change in top management. This reinforced the importance of having a thorough, high-quality succession plan in place.

The Nomination Committee is discussing the development and selection of the next generation of management candidates. The selection criteria are, in essence, the qualities I shared with you earlier. Successful candidates must embody SMBC Group's Mission, while also possessing the necessary track record and experience. In addition, as part of efforts to develop next generation managers, third party assessment and coaching were introduced after their merits were discussed by the Nomination Committee. The purpose is to ensure the candidates understand how they are viewed by an external party and provide them with an opportunity to reflect on their characteristics. By doing so, we want the candidates to develop a style of leadership that fits those characteristics.

I strongly believe that the Group must avoid becoming siloed, or bureaucratized, with its continued growth. If this became a reality, it would interfere with Create Social Value by encouraging the inward-looking mindset that I spoke of before. This is why future members of the Group's top and senior management, much like Mr. Nakashima, Mr. Ohta, and other past leaders, must engage in spirited discussions that overcome the boundaries of position and Group companies, and play a leading role in creating an open environment in which the voices of each employee can be heard. I will do my best as Chairperson of the Nomination Committee to support SMBC Group in its efforts realize the sustainable growth of its corporate value.