



MESSAGE FROM GROUP CEO

Navigate the Uncertainty and Advance Strategically

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Standing at the End of an Era

On April 2, 2025, the U.S. announced its reciprocal tariff policy, sending shockwaves throughout the global economy. This shook the very foundations of the free trade order that the U.S. had led throughout the post-war period, causing much confusion and volatility in financial markets. While President Trump soon announced a grace period, the calm brought by this announcement to markets is strictly temporary as we still face much uncertainty going forward.

There is a tangible risk that future developments in tariff negotiations could lead to a slowdown in the global economy.

For the foreseeable future, I expect for us to be in a state of flux, with very close attention being paid to the U.S. and the reactions of impacted countries and heads of state. We cannot let daily ups and downs overly impact us. We must remain calm and strive to understand the essence behind such occurrences.

SMBC Group must realize sustainable growth while at the same time fulfilling our role as a key part of social infrastructure as we face this challenging situation where a paradigm shift in the world causes various changes in our business environment.

I believe that the reciprocal tariffs and other measures implemented by the U.S. are not temporary occurrences that will be reversed when a new leader is elected. I believe they reflect a fundamental change in our environment. The current US administration is the result of inequality, fragmentation, and disparities in the balance of trade brought about by the neoliberal framework that served as the basis for the modern global order. Nationalism, protectionism, confrontation by major powers, and other developments will not change simply because a new government has been elected. Humanity is standing at a historical turning point with rising geopolitical risk as illustrated by the Russia-Ukraine conflict and heightened tensions in the Middle East, the ever-accelerating evolution of AI and other key technologies, and the shift in energy sources as we strive to realize an economy with a sustainable carbon footprint combining with these significant changes in the global political and economic orders.

Of course, such a fundamental shift in the global order will have a material impact on the business environment of financial institutions.

The reversal of Great Globalization, a framework which promotes the free movement of people, goods, and capital is expected to slow global economic growth and raise

inflation rate. The era of low inflation and interest rates that lasted throughout the 2010s has come to an end, and I expect for a world with rising interest rates to become the new norm. Furthermore, the U.S. has stated it will pursue a strong-dollar policy as part of efforts to protect the dollar’s position as the world’s foremost reserve currency. However, we cannot deny the fact that the U.S. may pursue a weak-dollar policy in an attempt to correct global disparities, leading to the conclusion that we should expect elevated levels of volatility to continue. In addition, we expect enormous global demand for capital with numerous countries enhancing their semiconductor production capabilities, the reassessment of global supply chains, the construction of data centers to support the AI revolution, and the transition towards clean energy being a few causes. In an environment where rising interest rates are coupled with increased demand for capital, deposits will become even more important as they are a stable source of capital.

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Generating Growth in a State of Flux

How can SMBC Group increase our corporate value by growing together with our clients and society in this age of change and uncertainty? This is the main theme of our next Medium-Term Management Plan that is scheduled to launch in FY2026. We are in the midst of preparing the next Medium-Term Management Plan, and we should be able to publicly announce specific initiatives and strategies at the start of FY2026. Since appointed as Group CEO, our leadership team has continued discussions regarding the direction of strategies that were launched during the current Medium-Term Management Plan. Through these discussions, we have been able to obtain a broad understanding of medium-to long-term growth strategies, in addition to the current direction of strategies and awareness of issues.

Japan is our mother market and has the utmost importance for us. Thanks to the efforts by the public and private sectors, Japan’s economy is winning its long-fought battle with deflation and has started to move towards regrowth. Leaders of Japanese corporations are gaining confidence and becoming more positive about growth investments. In the household sector, the shift from “savings to asset formation” is becoming clear. Even though the global order is undergoing disruption and volatility, it is vital that we maintain and accelerate the eagerly awaited momentum of Japan’s regrowth. As a financial institution, SMBC Group must take on appropriate levels of risk so that we are able to support our clients as they consider how to make optimal growth investments or how to best deal with tariffs. Japan, our mother market, is the source of our growth and the foundation of our global competitiveness. We must construct robust business foundations based on deposits so that we are able to support clients, regardless of external factors.

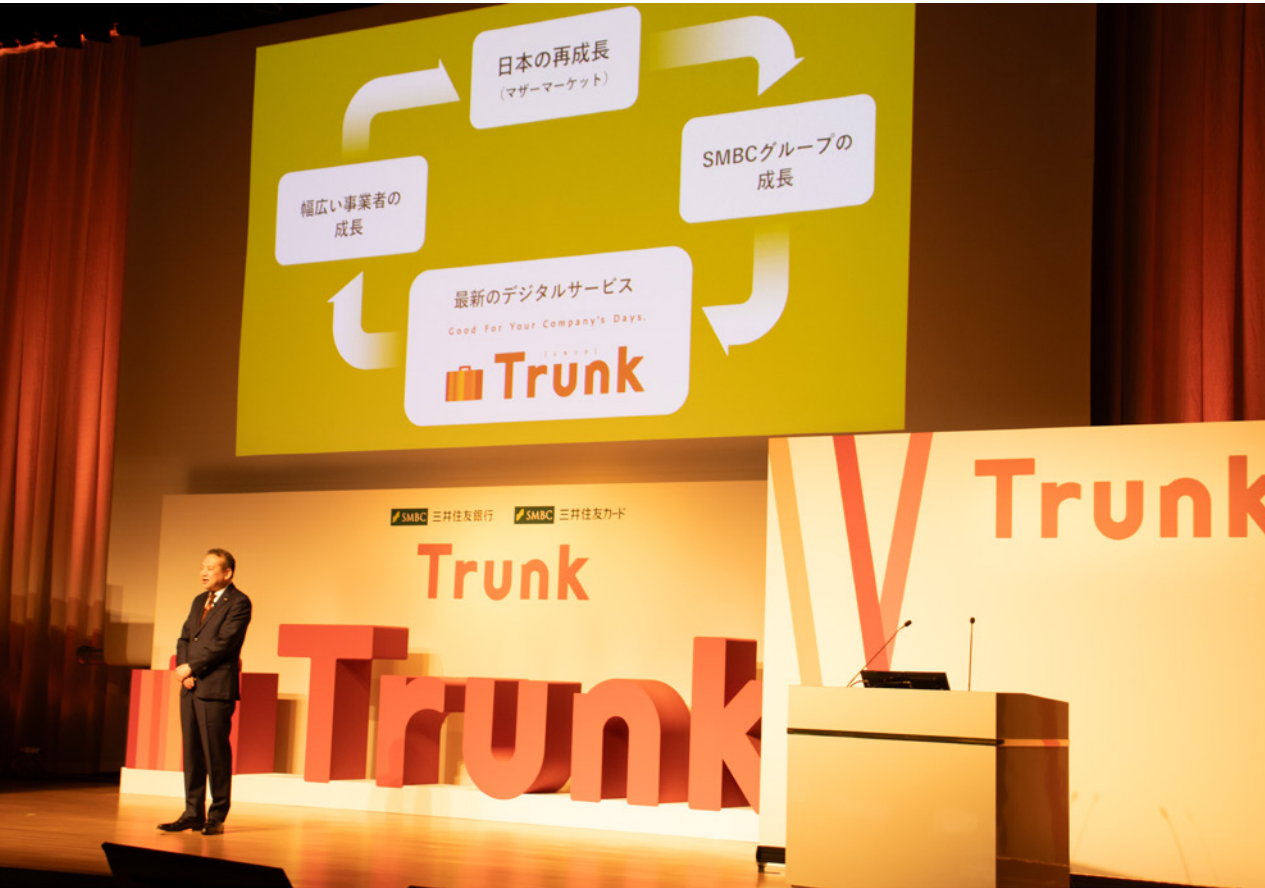
As geopolitical disorder rises due to intensifying competition between major powers, cooperation with our Southeast Asian and South Asian neighbors with whom Japan shares common values is becoming more and more important. India in particular is receiving close attention from the global community given its omnidirectional diplomacy, stable political environment, and economic growth potential. Through our longstanding network of branches and local subsidiaries in Asia, we have expanded our wholesale business by supporting Japanese, local, and global corporations. Furthermore, in recent years we have invested in local financial institutions as part of efforts to enter the SME and retail businesses. Now is the time to leverage the franchise we have built up over the years. We will develop a deposit-based business model that is firmly rooted in the local economy so we can win upside opportunities by supporting the growth of Asian nations with their large, young populations. At the same time, it is vital that we also enhance the services and products offered by our local partners so that we are able to better support Japanese and other global corporations enter local markets and revise their supply chains.

In addition, capital markets will become increasingly important as a source of funds as traditional indirect financing by banks will struggle to satisfy the tremendous demand for funds by itself. In the U.S., the large and broad-based capital market supplements banks in the supply of funds. Over the past few years, we saw the expansion of private equity and private credit where funds and other nonbanks extended investments and loans. I expect this trend of supplementing the funding capacity of banks to spread to the rest of the world. The functions and roles of Japan’s capital market is also expected to expand with the backdrop of corporate governance reform and efforts to

establish Japan as an asset management center. In order to fulfill our role as a stable capital supplier who provides a diverse range of funding methods that match customers’ needs, we must develop global capabilities in capital markets and establish a robust presence in this area. For some time now our overseas securities business has been one of our weaknesses, and we have been outdone by our competitors. However, we can take the view that our overseas securities business has much potential for growth.

Based on this mindset, SMBC Group will pursue growth in the following three areas: “Lead Japan’s re-growth,” “Capture dynamic growth with partners in Multi-Franchise Strategy target countries,” and “Establish a strong presence in global capital markets.”

As the foundations to support our activities in these areas, we will invest in IT to capture advances in AI and other key technologies, further strengthen human capital investment to develop human resources which are the source of our competitiveness, and proceed with initiatives to create social value, including measures against climate change.



Strategically Move Forward in a Calm and Flexible Manner

If we use rugby as an example, a state of confusion and uncertainty is also an opportunity to make great strides forward. It is important to buckle down and strengthen one’s defense while strategically moving forward each time an opportunity arises. FY2025 is the final year of the current Medium-Term Management Plan, and we will bring our various strategies to a strong conclusion while preparing the next Medium-Term Management Plan. We will also carry out the early implementation of initiatives when possible based on the direction of the above strategies.

Lead Japan’s Regrowth

Olive has allowed us to steadily expand our retail customer base. We significantly increased the balance of retail deposits at a time that coincided with rising interest rates, and we are steadily increasing the volume of credit card transactions and credit card installment investment which we are offering in partnership with SBI Securities. In May 2025, we announced our partnership with PayPay, the largest code payment provider. Japan’s cashless payment ratio is still approximately 40%, and I want to push forward the growth of the cashless payment market through this partnership by increasing users and merchants. In our

asset management business, SMBC, SMBC Nikko Securities, and SMBC Trust Bank will work together to provide their products and services to SMBC’s customers under a one-stop framework to support transition from “savings to asset formation.” In addition, for “digital affluent customers” who usually conduct their transaction online but want to receive in-person consulting from time-to-time, we are planning to work with SBI Securities to provide a new asset management service that combines the convenience of digital transactions with in-person consulting.

In our wholesale business, we will continue developing a framework that allows for expanded risk taking in our medium-sized companies business, an area of strength for SMBC Group, so that our highly-motivated employees can reach their full potential, thereby further expanding our presence in the market. In our business with large corporations, since the launch of SMBC Group we have caught up with our peers, and we will continue to proactively allocate resources to this effort. In our SME business, we will go on the offensive by applying digital technology to build a new business model in a rising interest rate environment. Through “Trunk,” our new comprehensive financial service, we will expand our client base in an efficient manner and secure sticky liquid deposits.

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Capture Asia’s Dynamic Growth

In our overseas’ business, our priority is to improve profitability. Our immediate goal is to lay down the groundwork for further profitability by reducing low profit assets and reallocating the freed-up resources to growth areas with our eye on ten, twenty years into the future.

Asia is the first focus area to which we will strategically allocate resources. We have balanced revenue growth with accumulating high-quality assets in our existing branch network in Asia. Under our Multi-Franchise Strategy, we established India, Indonesia, Vietnam, and the Philippines as the target countries and have been building platforms by investing in local financial institutions. In FY2025, we decided to invest in YES BANK, an Indian commercial bank, as the last missing piece of our Multi-Franchise Strategy. We have not yet been able to realize the anticipated profit from our investments, and the leadership team is engaging in earnest discussions on how to address this. Going forward, we will focus our efforts on improving the profitability of our partnership companies so that they can grow into pillars of SMBC Group’s revenue stream.

Establish a Presence in Global Capital Markets

In terms of capital markets, our other focus area, we are working to strengthen our Corporate & Investment Banking (“CIB”) business. For our organic growth strategy, we established a framework that allows for the integrated management of our primary and secondary markets businesses. We are starting to see synergies in the secondary markets business as a result of our efforts to heighten our market position in the primary markets business. Moreover, I am very confident in our partnership with Jefferies. We have expanded the scope of our collaborations and have built up a track record of successful deals at a steady pace. I believe that this partnership still has much room for growth. We will further accelerate global collaborations by bringing together the strengths of SMBC Group and Jefferies.

As we expect to see large corporations continue their revitalized activities in the domestic market, we will further enhance our proposal capabilities by further integrating the joint operations of SMBC and SMBC Nikko Securities and strengthening our industry research functions. This will allow us to continue meeting our customers’ diverse financial needs.



SMBC Group will continue to launch projects leveraging our competitive edges after determining the focus areas where we can apply our strengths while also deepening collaborations with our stakeholders.

Proactively Invest in AI and Human Resources

We have clearly stated that IT investments, especially those in Generative AI, are a Group-wide priority issue. In FY2024, we set an AI investment budget of 50 billion yen. We will use AI and other key technologies to strengthen our business model, comprehensively enhance operational efficiency, and strengthen decision making. We will also secure top class global talent who will support such efforts and develop infrastructure that generates our competitiveness so that we can establish a SMBC as an AI-leading Financial Institution. We are mindful of balancing the needs of AI investment and integration for the future, with our continuing commitment to protecting the privacy and security of our customers’ information.

In addition, we will expand investments in human capital. In our Mission, we state: “We create a work environment that encourages and rewards diligent and highly-motivated employees.” In January 2026, SMBC is scheduled to fundamentally revise its personnel system with the goal of better rewarding diligent and highly motivated employees based on their roles and contributions. Employees will plan their own career paths as professionals and choose the optimal workstyle and career path based on their aspirations and lifestyle. While our diversity initiatives have made steady progress with the Japanese government acting as a tailwind, work philosophies and lifestyles continue to diversify, and the private and public sectors must work together to build an environment in

which all workers can select a workstyle based on their goals and values.

Create Social Value

In regard to creating social value, efforts to have all employees involved in such initiatives are generating results with more and more employees starting to take action aimed at solving social issues. SMBC Group will continue to launch projects leveraging our competitive edges after determining the focus areas where we can apply our strengths while also deepening collaborations with our stakeholders.

While fighting climate change remains an urgent issue, close attention is now being paid how initiatives addressing the issue will impact national and regional industrial policies. This is due to the increasing uncertainty and complexity of the external environment, with a number of European nations starting to take a more pragmatic approach. We have consistently stated that we must balance stable energy supply and carbon reduction while controlling costs. Adopting a more pragmatic approach that considers factors unique to individual countries, regions, and business sectors, along with the development of new technologies and societal collaborations will drive growth in both Japan’s and global economy. We will support customers’ sustainability goals in their business models by offering transition finance and taking risks related to new energy and technologies while enhancing our climate change business-related risk management capabilities.

Tireless Efforts to Enhance Corporate Value and Shareholder Returns

Our share price rose due to a significant increase in positive expectations for the banking sector with the return of interest rates and our steadily improving ROE. However, our share price saw a temporary decline during the April volatility as expectations for interest rate hikes fell. It is during times of uncertainty that we must strive to enhance our corporate value by working tirelessly to further improve our ROE and enhancing our PER by producing growth expectations that are not swayed by changes in the business environment.

In FY2024, mainly thanks to a positive business environment in Japan, we were able to grow our core businesses while allocating one-off profits to prepare for future. While carrying out these measures, we were able to generate record profit for three consecutive years. In addition, in FY2025, we revised our original business plan given material changes to the business environment and set a minimum year-on-year profit growth target of 10% for the final year of the current Medium-Term Management Plan based on “most likely” scenarios at the time.

For our medium- to long-term financial results, given that we achieved our FY2025 8% ROE target announced in May 2024 one-year ahead of schedule, we set an ROE target of 9% to 10% for the final year of the next Medium-Term Management Plan. We will strive to reach profit attributable to owners of parent of ¥2 trillion and ROE of approximately 11% by FY2030.

We will make sure to return the revenue generated by this growth to our shareholders. Our basic capital policy is to achieve a healthy balance between shareholder returns and investment for growth while maintaining financial soundness. Our Common Equity Tier 1 (CET1) ratio target is set at approximately 10%. Dividends remain our principal approach to shareholder returns and we will maintain a progressive dividend policy and 40% dividend payout ratio while realizing an increase in dividend payments by growing bottom-line profit. We will conduct a flexible share buybacks. For FY2025, we announced a buyback program of ¥100 billion in May after increasing our dividend forecast in line with revenue growth and setting aside the required capital for the YES BANK investment. In this uncertain environment, we will carefully determine the capital required for organic growth while nimbly considering additional buybacks. In addition, we will discuss our capital policy for the next Medium-Term Management Plan.

We set a goal to reduce our equity holdings by ¥200 billion over the current Plan’s three years but managed to reach this goal ahead of schedule in FY2024. If we succeed in executing the new five year, ¥600 billion reduction plan, we will be in the final stretch of achieving our overall goal. We accelerated our equity reduction efforts in FY2024 and will strive to maintain this momentum in FY2025.



See “Message from Group CFO” on page 018 for details.

In Closing

“The pessimist sees difficulty in every opportunity. The optimist sees opportunity in every difficulty.” These are the words of Sir Winston Churchill, 61st Prime Minister of the United Kingdom. The world is filled with uncertainty as it approaches a historic turning point, but I am an optimist at heart. I firmly believe that SMBC Group will be able to grow and prosper irrespective of the environment.

Our 120,000 talented employees, stationed across 38 countries and regions, are what make my optimism possible. SMBC Group’s strength is our ability to work together to execute, no matter the headwinds, initiatives based on our commitment to giving our best efforts to support customers and society. Since I was appointed Group CEO,

under the shared slogan “Make a Breakthrough,” I have been sharing with our employees to “Passionately take actions to transform SMBC Group into a better group.” Each and every one of our employees pursuing new challenges with a strong sense of ownership, combining our diverse strengths together into a scrum so that we can overcome difficulties by supporting each other. I have no doubt that we can break through the confusion and uncertainty to realize a bright future if we all work together. As Group CEO I am committed to standing at the forefront and boldly leading these efforts.

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

