


In order to uphold a robust management foundation based on a high degree of self-discipline guided by our fiduciary spirit and to gain the unwavering trust from society, our Board of Directors continued to work on enhancing and refining corporate governance, with the objectives of improving SuMi TRUST Group's sustainable growth and increasing our corporate value over the medium- to long-term.

For the basic policy and approach to corporate governance, please refer to the following link: https://www.smtg.jp/english/about_us/management/governance




Isao Matsushita
External Director, Chairperson of the Board of Directors,
Chairperson of the Nominating Committee

Message from the Chairperson of the Board of Directors

1. Board of Directors in FY2024

Looking back at the external environment during FY2024, the Japanese market returned to a "world with positive interest rates", supporting the banking business in terms of interest income. Moreover, trust-related businesses, such as asset management and asset administration, performed well on the back of AUF of approximately 640 trillion yen. While our recent performance has been favorable, we believe that expectations from our shareholders and other stakeholders for medium- to long-term growth in the Group are even higher, reflecting the improved business performance of the entire financial industry in response to the rise in domestic interest rates and other factors.

Based on this recognition, the Board of Directors has adopted a policy of intensively discussing topics of high importance for the Group, which is engaged in business model reforms, in terms of establishing a sustainable competitive advantage in the new environment. Specifically, in order to enhance the resolution of medium- to long-term growth that our new business model aims to achieve, and to ensure its steady realization, we conducted a comprehensive review of our management policies including strategic investments and resource allocation which need to be reliably implemented. As part of this process, to have deepened our deliberations, we set the Group's asset management business strategy and the business portfolio as "Management theme".

With respect to the asset management business, while the executive side is advancing growth initiatives under the leadership of the responsible executive officers, the Board of Directors has engaged in strategic deliberations about our future growth paths and deliberated from the perspective of how to firmly establish a sustainable competitive advantage by organically combining and integrating the asset management functions of our asset management subsidiaries with the asset sourcing functions of business corporations, and our advisory functions for investors, including wealthy individuals, which are strengths of a trust bank.

In the business portfolio, we confirmed that we have performed at a certain level from the perspective of capital generation. In order to realize a business model that links the Group's strengths in banking, trusts, asset management, and asset administration, we focused our deliberations on the direction of capital utilization, held lively discussions on the strategic importance of each business as a platform, and evaluated the effects of inter-segmental synergies.

2. Sophistication of corporate governance

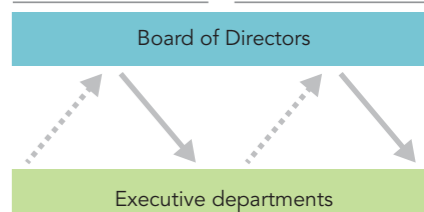
Since our transition to a company with a Nominating Committee, etc., in 2017, when I assumed the role of Chairperson of the Group's Board of Directors, the Board of Directors has been progressing toward becoming a monitoring board. With a shared recognition of this direction and status, the Board of Directors has defined its Future vision, and formulated a roadmap for the transition. Both oversight and execution have been preparing accordingly. Having made the necessary preparations, the Board shared the view – based on the Evaluation of the effectiveness of the Board of Directors in FY2023 – that the governance framework required for a monitoring board is now in its final stage of development.

In FY2024, based on this self-awareness and understanding, the Board of Directors engaged in further deliberations on the ideal form it should pursue as a monitoring board. Given the Group's position – providing governance consulting services and owning one of Japan's largest asset management subsidiaries actively engaged in stewardship activities, including broad based engagement with investee companies, the Board of Directors confirmed its commitment to becoming a leading company in corporate governance that we aim to become a model of a leading company in corporate governance. In line with this vision, we revised the Basic Policy on Corporate Governance to clarify the roles and responsibilities that the Board of Directors should assume.

In cooperation with the Nominating Committee, we held discussions on the composition of the Board of Directors and statutory committees toward realizing the new Future vision of the Board of Directors. The size of the Board of Directors reduced in this year and which now be composed of a majority of External Directors. In addition, we have adopted a system that is better suited to a monitoring board. For example, composition of the Nominating Committee and the Compensation Committee changed to be composed only of External Directors, and the ratio of External Directors at the Audit Committee has increased.

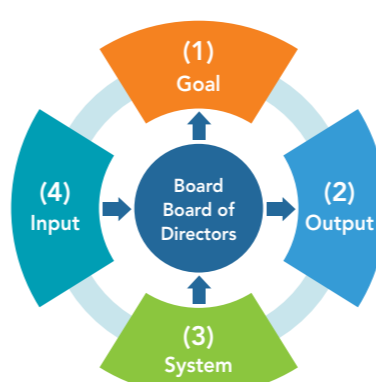
As Chairperson of the Board of Directors, I will continue striving toward our aim of become a leading company in corporate governance that can serve as a model for others and gain the trust of all stakeholders as a fiduciary.

Deliberations of the Board of Directors on the business portfolio, the Group's asset management business, etc.

Month and year	Main discussion themes	Rallying process of developing strategy
2024	Jul. ● Corporate profitability analysis	Dialogue over strategies → Strategy development
	Oct. ● Group asset management business strategy (direction) Management Theme	
2025	Jan. ● FY2025 Group Management Plan (direction) ● Key management issues for each business at Sumitomo Mitsui Trust Bank (competitor analysis) TB Management Theme	
	Feb. ● Group asset management business strategy (competitor analysis) Management Theme	
	mid-Mar. ● Strengthening our business portfolio Management Theme	
	Mar. 27 ● FY2025 Group Management Plan ● FY2025 Group Asset Management Business Strategy Plan	

*The external directors of Sumitomo Mitsui Trust Bank also participate in discussions on "Management Themes" as Board meeting observers, not for the purpose of reaching conclusions, but rather to discuss important management issues and themes from a medium- to long-term perspective freely and openly, so that their viewpoints and opinions can be capitalized on for management. In addition, the agenda on important management issues of the Board of Directors of Sumitomo Mitsui Trust Bank, which are deliberated together with SuMi TRUST Group's external directors, is set as "TB Management Themes".

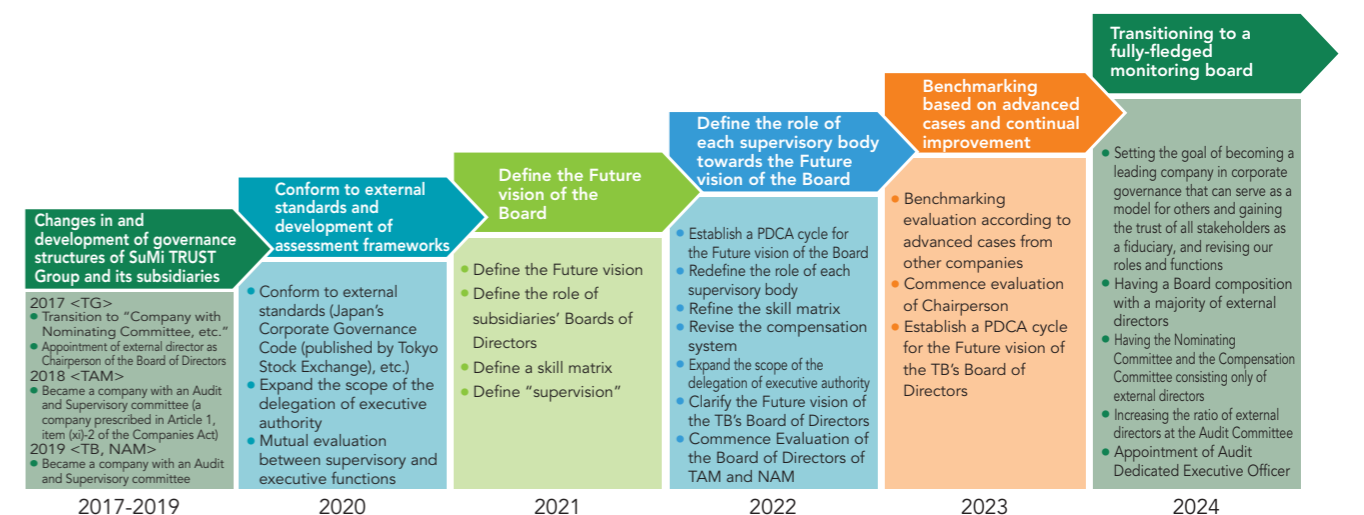
The Board of Directors of Stakeholderism



Effective Board of Directors
= "Board of Directors that strives for sustainable improvement to realize its vision"

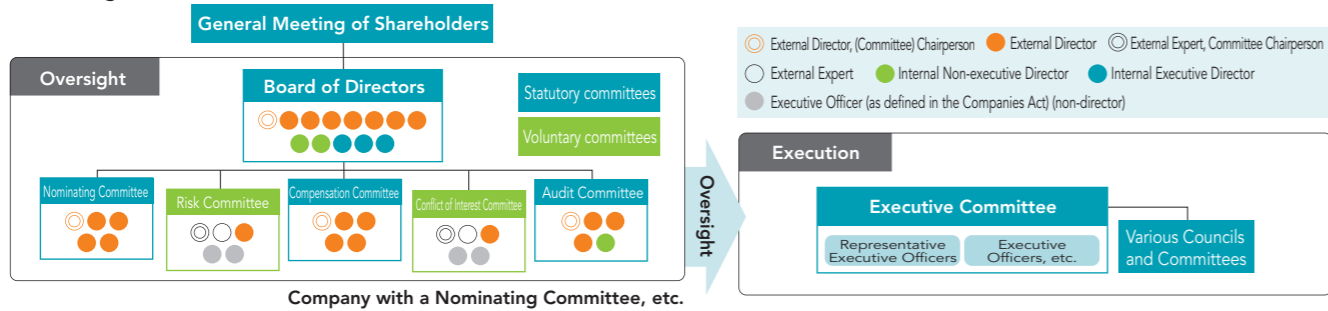
Category	Future vision of SuMi Trust Group's Board of Directors "the Board of Directors of Stakeholderism"
(1) Goals	<ul style="list-style-type: none"> Realizing "Purpose" Contributing to enhancing the well-being of all stakeholders Sustainability and growth as a corporation ⇒ Becoming a leading company in corporate governance that can serve as a model for others and gaining the trust of all stakeholders as a fiduciary
(2) Output	<ul style="list-style-type: none"> Improving the quality of important decision-making Supervision of execution that has a significant impact on the Group evaluation by stakeholders and shareholder value Stakeholders accountability <p>Important decision-making (determining basic management policies)</p> <ul style="list-style-type: none"> Mission, management strategy and capital allocation Financial goals, shareholder value, and stakeholder evaluation Policy on establishing relationships with stakeholders Business portfolio and allocation of management resources Risk appetite Development of internal control systems Talent development Maintenance of ethics and integrity Fostering a corporate culture
(3) System	<ul style="list-style-type: none"> Organizational structure to enhance the quality of important decision-making and monitoring function Stakeholder-oriented mindset and skills for addressing issues of materiality Establishing board succession
(4) Input (Executive departments)	<ul style="list-style-type: none"> Autonomous management Accountability for the Board <p>Accountability</p> <ul style="list-style-type: none"> Status of business activities and value creation Status of business portfolios and capital distribution Status of internal control Status of the establishment of desirable stakeholder relationships

Progress in improving the effectiveness of the Board of Directors



1. Composition and Roles of the Board of Directors and Committees

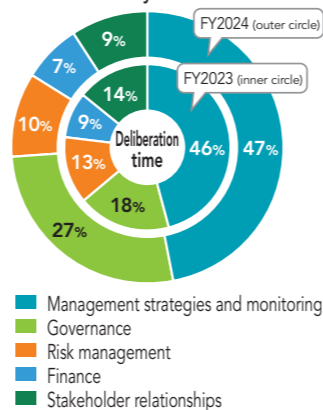
■ Oversight structure (as of June 30, 2025)



■ Main themes for deliberations and topics of the Board of Directors during FY2024 (met 15 times)

Theme category	Main topics
Purpose/materiality/value creation process	Pervasion of Purpose throughout the Group
Policy on establishing desirable stakeholder relationships	Evaluation by stakeholders and Dialogue policy with stakeholder (clients, shareholders, employees, etc.), Strategic shareholdings, Promotion of sustainability
Medium- to long-term management strategies	Management plans, business portfolio, group asset management business
Discipline in capital allocation	Capital policy, human capital, and IT investments
Basic policy on internal controls	Group governance, internal control systems, risk management, cybersecurity, and compliance

■ Deliberations by the Board of Directors



■ Overview of the committees

	FY2024 main matters for deliberation, etc.*
Nominating Committee (16 meetings)	<ul style="list-style-type: none"> Election and dismissal of Executive Officers including the President Determine the content of proposals regarding the election and dismissal of directors to be submitted to a shareholders meeting Further refinement of Succession plans Appointment and dismissal of directors at Sumitomo Mitsui Trust Bank, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd., etc.
Compensation Committee (13 meetings)	<ul style="list-style-type: none"> Policy for determining the compensation of directors and executive officers and the amount of compensation for each individual Policy for determining the details of individual compensation of directors at Sumitomo Mitsui Trust Bank, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd., etc.
Audit Committee (21 meetings)	<ul style="list-style-type: none"> Status of measures realizing business model reforms Status of measures for enhancing the Group's internal control system Status of control over appropriate and accurate financial reporting and disclosure Status of measures for fostering a healthy corporate culture, etc.
Risk Committee (7 meetings)	<ul style="list-style-type: none"> Appropriateness of the Group's risk management initiatives Development and instillation of risk culture Status of risk management initiatives in light of the recent external environment Status of initiatives related to sustainability and cyber security, etc.
Conflict of Interest Committee (7 meetings)	<ul style="list-style-type: none"> The best interests of clients as a trust group Strengthening the Group's conflict of interest management framework and risk control in its trust business (including concurrent operations), etc.

*July 2024 to June 2025
Please refer to (Q.P.83) for details on each committee's composition, etc.

Please see below for details of the roles, overview and objectives of each committee.
Basic Policy on Corporate Governance
https://www.smtg.jp/english/-/media/tg/english/about_us/management/governance/policy.pdf

[Reference] External Directors' Meeting: Voluntary meetings organized by external directors.

The External Directors' Meeting is a meeting body intended to foster trust among external directors through frank exchanges of opinions and shared recognition from an independent and objective standpoint and to utilize the opinions expressed at the meeting to fulfill their roles as external directors by channeling them to the executive level as necessary. Two meetings were held during FY2024 and the following themes were discussed:

- Future vision of the Board of Directors to serve as a monitoring board composed of a majority of External Directors, and the composition of the Board of Directors to achieve the goals
- Subjects that should be deliberated by the Board of Directors

2. Evaluation of the Effectiveness of the Board of Directors in FY2024

Every year we conduct an evaluation of the Board of Directors in an effort to enhance its effectiveness by putting the PDCA cycle into action to implement improvement measures for issues recognized in the assessment.

(i) Initiatives to address issues identified through the evaluation of the Board of Directors in FY2023

■ Issues and initiatives recognized

Issue-1	Initiatives
Expand initiatives and deliberations to improve accountability to stakeholders	As part of the dialogue between our External Directors and stakeholders, we have expanded opportunities to listen directly to the voices of stakeholders, including roundtable discussions with investors on IR Day, on-site visits and employee dialogues at Sumitomo Mitsui Trust Bank branches, and dialogues with female employees held through the Executive support program. In addition, the Board of Directors held deliberations concerning each stakeholder on efforts to secure clients' best interests, customer satisfaction, IR/SR activity reports, employee awareness surveys, and ESG evaluations, etc. We further expanded the perspective of deliberations, covering topics such as how to reach the appropriate balance in corporate communications in a way that takes a bird's-eye view of all stakeholders.
Issue-2	Enhance deliberations on business portfolio, management strategy, resource allocation, etc.
Initiatives	In deliberations on the business portfolio, we examined the status of the Group's capital creation and investment from the perspective of medium- to long-term ROE from a bird's-eye perspective. We also furthered deliberations on the impact and appropriateness of the Group's medium- to long-term direction amid significant changes in our business environment, which now has positive interest rates. With regard to management strategy, our Group is expected to achieve the profit target in the current Medium-Term Management Plan one year ahead of schedule. Accordingly, the Board of Directors has deepened discussions on strategies to ensure growth toward the Future vision in 2030, as well as the topic of resource allocation to support such growth.
Issue-3	Enhance deliberations on the composition of the Board of Directors
Initiatives	In light of the steady progress in establishing a framework for the governance system of the Board of Directors as parts of its efforts to realize their Future vision, the Board of Directors and the Nominating Committee cooperated on further deliberations on the appropriate size and ideal composition of the Board of Directors and committees. As a result, SuMi TRUST Group reduced the size of the Board of Directors, introduced a majority of External Directors, and reviewed the composition of our statutory committees. This helped us to establish composition and selection of candidates at the Board of Directors and statutory committees to ensure greater effectiveness.

(ii) Results of the evaluation of the Board of Directors in FY2024 and initiatives going forward

In FY2024, the Board of Directors confirmed steady improvements in its effectiveness through a series of initiatives and deliberations to realize the Future vision of the Board of Directors. These included efforts to enhance accountability to a diverse range of stakeholders – such as expanding opportunities for dialogue –, and deeper deliberations on the business portfolio with a focus on medium- to long-term ROE and other performance indicators, and furthermore discussions on the optimal composition of the Board of Directors and each committee. The results of the FY2024 Evaluation of the Board of Directors indicated that the Board and each committee are aware of their respective objectives and are endeavoring to invigorate discussions and improve their supervisory functions.

As a result, we believe that an adequate degree of effectiveness is sustained. At the same time, we also identified the issues to be improved and enhanced as below, which will strive to work on in order to realize the Board's Future vision.

According to the recognition of the following issues, in FY2025 we will deepen our deliberations on themes that will have a significant impact on the formulation of the new Medium-Term Management Plan and on strengthening our business portfolio. At the same time, we will select themes and conduct repeated deliberations in order to focus on topics that are appropriate for a Board of Directors as a monitoring board with a majority of External Directors.

Issues identified in FY2024 Evaluation of the Board of Directors

- Ongoing improvement in accountability to stakeholders
- Deepening deliberations toward the formulation of the Medium-Term Management Plan through a rallying process with the executives
- Sophisticating the management framework of the Board of Directors as a monitoring board and the statutory committees

For the Results (Outline) of the Evaluation of the Board of Directors in FY2024, please see the link below.
https://www.smtg.jp/english/-/media/tg/english/about_us/management/governance/pdf/e_evaluation.pdf

3. Foundations to Support the Board of Directors

(i) Basic principles regarding the composition of the board of directors

The Board of Directors at SuMi TRUST Group has appointed a sufficient number of directors considered necessary and appropriate for the Board to demonstrate an effective supervisory function as required of a financial holding company tasked with the corporate administration of SuMi TRUST Group. In determining the number of directors, due consideration is also given to ensuring diversity and expertise among directors. In light of the importance of the role

played by independent External Directors in corporate governance, we have established a principle that at least one-third of directors on the Board of Directors should be independent External Directors. Our Group has also established and disclosed the Independence Standards of Independent Directors. In principle, all statutory committees are to be chaired by independent External Directors.



Message from the Chairperson of the Nominating Committee

In FY2024, the Nominating Committee conducted ongoing deliberations in cooperation with the Board of Directors. Steady progress was made to increase the sophistication of governance and management and improving the effectiveness of operations by reducing the size of the Board of Directors, increasing the number of External Directors to a majority, appointing only External Directors as members of the Nominating Committee and the Compensation Committee, and ensuring diversity, all of which were the objectives of the previous fiscal year.

Having defined SuMi TRUST Group's Reason for Existence ("Purpose") and identified the high-priority issues (materiality), we also recognize that the mission of resolving social issues presents us with growth opportunities. This is why we have placed at the core of our management approach the notion of "balanced creation of both social and economic value".

Looking ahead to FY2026, SuMi TRUST Group will continue to make efforts to further increase sophistication of our governance structure. The Group will also continue to appoint candidates equipped with the expertise and experience (skills) needed to address the Group's materiality and who are capable of running an effective Board of Directors at the Group, which covers a wide range of business domains.

Isao Matsushita
External Director, Chairperson of the Board of Directors
Chairperson of the Nominating Committee

(ii) Succession plan

In order to achieve sustainable growth for the Group and enhance its corporate value, we have formulated a succession plan for the top management of SuMi TRUST Group, SuMi Trust Bank and Sumitomo Mitsui Trust Asset Management. We have also created a management personnel succession and development plan for those in charge of man-

aging each business and those engaged in corporate administration. We have defined the ideal qualities and requirements for the nominees to serve as directors or officers, and we have systematically managed and cultivated groups of candidates.

<Training and appointment process>

The Nominating Committee selects a pool of top management candidates each year based on the proposals and opinions presented by the executives. Based on the current and future business environment, the Nominating Committee deliberates on future development policies, assignments for candidates, and other matters based on performance, achievements, evaluations, expertise, and experience (skills). It reflects such matters when deciding placements at different departments from the next fiscal year onward, giving candidates an opportunity to develop and to overcome challenges. We also continue to track the

status of candidates' development. While continuing this cycle, when the Group actually appoints new top management members, the Nominating Committee deliberates on the candidates' performance, achievements, evaluations, expertise, and experience (skills) in a multifaceted manner, with a focus on candidates who have been trained during the cycle, and ultimately reports to the Board of Directors. Progress with succession plans and development plans are periodically reported to the Board of Directors.

(iii) Skills required of directors

With the theme of "Purpose" and "Fiduciary" as its starting points, the current Medium-Term Management Plan identifies and works to address high-priority issues (materiality) in areas of value creation, such as "The age of 100-year life," "ESG/sustainable management," and "Regional ecosystems and the global investment chain", with the objective of establishing the virtuous circulation of funds, assets and capital. After first holding discussions at the Nominating Committee, the Board of Directors identified skills used to address the materiality from the viewpoint of enabling effective supervision by the Board of Directors.

Please see here for the reasons for the selection of each skill item.
Convocation Notice of Ordinary General Meeting of Shareholders for the Fourteenth Fiscal Period of SuMi TRUST Group
<https://www.smtg.jp/english/-/media/tg/english/stock/meeting/E250522-1.pdf>

Relationship between the skills required of directors and the high-priority issues (materiality) at SuMi TRUST Group

Required skills	Related main high-priority issues (materiality)
Corporate management	Corporate governance and human capital
Financial and accounting	Financial strength expected by stakeholders
Legal affairs, risk management, and compliance	Risk management and resilience, compliance and conduct, and security
Trust, asset management, and asset administration	Trust × DX, fiduciary spirit, ESG/sustainable management, age of 100-year life, and regional ecosystems and global investment chain
Digital, IT, and technology	Trust × DX
Environment	ESG/sustainable management, and regional ecosystems and global investment chain
Sustainability Society	ESG/sustainable management, age of 100-year life, and regional ecosystems and global investment chain
DE&I	ESG/sustainable management and human capital
Internationality	Regional ecosystems and global investment chain, and risk management and resilience

Effective supervisory framework - Skills matrix and composition of committees - (◎ = Chairperson)

Name	Expertise and experience (skills) of Directors	Gender	Statutory committees								Voluntary committees						
			Corporate management	Financial and accounting	Legal affairs, risk management, and compliance	Trust, asset management, and asset administration	Digital, IT, and technology	Sustainability			Internationality ²	Nominating	Compensation	Audit	Risk ³	Conflicts of Interest ⁴	
								Environment	Society	DE&I							
Isao Matsushita	Director (External) ¹ Chairperson of the Board of Directors	Male	●	●						●	●	●	◎	○			
Hiroko Kawamoto	Director (External) ¹	Female	●		●							●	○	◎			
Nobuaki Kato	Director (External) ¹	Male	●				●	●	●			●	○	○			○
Kaoru Kashima	Director (External) ¹	Female	●	●	●					●			○	○	◎		
Tomonori Ito	Director (External) ¹	Male				●				●				○			
Hajime Watanabe	Director (External) ¹	Male	●	●	●	●				●	●		○	○			○
Hirokazu Fujita	Director (External) ¹	Male	●	●	●	●				●				○			
Kazuo Sakakibara	Director (External) ¹	Male			●						●			○			
Toru Takakura	Director, President (Representative Executive Officer) (CEO)	Male	●		●	●				●	●	●					
Masakatsu Sato	Director, Senior Managing Executive Officer (Representative Executive Officer) (CFO)	Male	●	●	●	●											
Chikako Matsumoto	Director, Managing Executive Officer (CSuO)	Female	●	●	●	●				●	●	●					
Tetsuo Ohkubo	Director (Kaicho)	Male	●	●	●	●				●	●	●					
Kouichi Kato	Director (Member of Audit Committee)	Male	●			●								○			

¹ External Director as prescribed under Article 2, item 15 of the Companies Act. The overall balance, including the areas of expertise and experience (skills) listed above, is taken into consideration when External Directors are selected.
² Judged based on whether or not the person has overseas work experience, etc.
³ The Risk Committee is composed of two external experts, Mr. Kenji Fujii (former Managing Executive Officer of Mizuho Securities and former Managing Executive Officer of Mizuho Financial Group) and Mr. Haruyuki Toyama (former Head of International Department, Bank of Japan), as well as Ms. Yuki Takada (Managing Executive Officer (CCO) of SuMi TRUST Group) and Mr. Takahiro Yoshida (Managing Executive Officer (CRO) of SuMi TRUST Group). The Risk Committee is chaired by Mr. Fujii.
⁴ The Conflicts of Interest Committee is composed of two external experts, Mr. Hideki Kanda (Emeritus Professor of the University of Tokyo) and Ms. Akiko Hosokawa (Partner at Atsumi Sakai Law Office, Foreign Law Joint Enterprise), as well as Ms. Yuki Takada (Managing Executive Officer (CCO) of SuMi TRUST Group) and Mr. Takahiro Yoshida (Managing Executive Officer (CRO) of SuMi TRUST Group). The Conflicts of Interest Committee is chaired by Mr. Hideki Kanda. Mr. Kanda is an External Director of SuMi Trust Bank.

(Topics) Training for Directors

SuMi TRUST Group holds training sessions for directors throughout the year, inviting external lecturers to explain important topics that contribute to understanding of the business environment, including economic trends, as well as information about SuMi TRUST Group's business, as needed.

<Examples of training topics in FY2024 (★: Internal officers at the level of managing director and above also participated)>

- ▶ **Technology**
 - Cybersecurity trends (★)
- ▶ **ESG**
 - Recent trends in corporate governance
 - Crisis management and public relations (★)
 - Guidelines for Mergers and Acquisitions (★)
- ▶ **Finance and economy**
 - Global trends in the asset management business
 - Financial and macroeconomic trends
- ▶ **Human rights • Compliance**
 - Human rights awareness raising and compliance (★)
- ▶ **Other matters related to SuMi TRUST Group business**
 - Business strategies for each Group company and business, etc.

(iv) Compensation system for directors and executive officers

Compensation for directors and executive officers is intended to function effectively as an incentive to improve corporate performance and increase corporate value. Rather than focusing excessively on a single-year performance evaluation, which emphasizes short-term revenue contributions, we are building a compensation system with a balance of short-term incentives and medium- to long-term incentives. In principle, the compensation system consists of a combination of a basic salary as fixed compensation, and

performance-linked compensation in the form of bonuses and stock compensation (RS Trust). For performance-linked bonuses and stock compensation (RS Trust), we have established a system in which the items shown in the table below are set as indicators (KPIs) and reflected in the amount of compensation. The compensation system for directors and executive officers was reviewed in FY2025. For details, please see "Message from the Chairperson of the Compensation Committee".



Hiroko Kawamoto
External Director
Chairperson of the Compensation Committee

Message from the Chairperson of the Compensation Committee

The Compensation Committee has held a series of discussions on "ESG Overall Assessment" for stock compensation and decided to make the following revisions.

Under the ESG Overall Assessment, activities were previously evaluated in terms of both quantitative and qualitative aspects for the five key items selected based on the materiality. Under this revision, KPIs have been clarified for each item, and assessment is now centered on quantitative assessment. The name of this assessment has also been changed to "Sustainability Activity Assessment".

With the aim of realizing our aspiration, with regard to KPIs we have selected "four indicators of risk culture in the employee awareness survey", which indicate the state of our fiduciary spirit, upon which a foundation of long-term relationships of trust is built with clients, and the "ratio of female employees in management positions", which is one of the indicators of diversity essential to building innovation.

We will continue to examine the Group's compensation system in light of changes in the external environment and management strategies.

Indicator type	Indicators (KPIs) for performance-linked compensation	Weighting	Calculation method
■ Bonuses for directors and executive officers (short-term incentive)			
Short-term performance indicator	(1) Consolidated net business profit	66.7%	Calculated based on a 2:1 weighting of the achievement levels for (1) and (2), respectively
	(2) Net income attributable to owners of the parent	33.3%	
■ Stock compensation (medium- to long-term incentive)			
Performance indicator	(1) Consolidated net business profit	30%	(1) and (2) are calculated based on a 1:1 weighting of the target achievement rate for the fiscal year and a comparison of the actual results with the final year of the previous Medium-Term Management Plan period, respectively.
	(2) Net income attributable to owners of the parent	20%	
Stock price indicator	(3) Relative Total Shareholder Return (TSR) ^{*1}	10%	Calculated based on the relative evaluation of SuMi TRUST Group's TSR for the period covered by the Medium-Term Management Plan. However, if the Group's TSR is less than 100%, the maximum shall be 100%.
	(4) Consolidated shareholders' equity and ROE	10%	
Financial indicators	(5) Consolidated CET1 ratio (common equity tier 1 capital ratio)	30%	Assessment score calculated based on qualitative assessment of progress with achieving Medium-Term Management Plan targets
	(6) Consolidated overhead ratio (OHR)	10%	
Non-financial indicators	(7) Sustainability Activity Assessment (categories: climate change, FD&CS, employee engagement, diversity (promotion of women's active participation, etc.), assessments by external assessment organizations) ^{*2}	30%	Assessment score calculated based on overall assessment comprising both quantitative and qualitative evaluations of activities in each assessment category

^{*1} The comparative index for relative TSR is the average relative TSR calculated using the rate of change of the TOPIX Industry (Banking) (inclusive of dividends) and the rate of change of the JPX Nikkei Index 400 (inclusive of dividends).

^{*2} The five key items and KPIs for the Sustainability Activity Assessment are as follows.

Five key items	KPI
1. Climate change	Cumulative amount of sustainable finance initiatives ^{*3}
2. Fiduciary Duties (FD) and Customer Satisfaction (CS)	Employee awareness survey "Four indicators of risk culture" ^{*3} Customer Satisfaction Rating ^{*3}
3. Employee engagement	Employee awareness survey "Vitality level" ^{*3}
4. Diversity (promotion of women's active participation, etc.)	Ratio of female employees in management positions ^{*4} Number of paid leave days taken ^{*3}
5. Assessments by external assessment organizations	Relative evaluations in assessments by external assessment organizations ^{*5}

^{*3} Evaluated based on SuMi TRUST Bank's internal target achievement rate, etc.

^{*4} Evaluated based on the Group's internal target achievement rate, etc.

^{*5} Evaluated based on the relative rankings compared with competitors' scores from three external assessment organizations: MSCI, Sustainalytics, and FTSE.

(v) The Audit Committee

(1) Basic policy on auditing by the Audit Committee

The Audit Committee, which plays a part in the supervisory function of the Board of Directors, audits the status of the Group's business execution with the aim of resolving management issues, with an emphasis on ensuring optimal conditions across the Group as a whole. The basic policy taken

by the Audit Committee in its audit activities is to verify the efficiency and effectiveness of business execution, and to develop and improve sound and fair values and corporate culture through the examination of internal controls throughout the Group.



Kaoru Kashima
External Director
Chairperson of the Audit Committee

Message from the Chairperson of the Audit Committee

In the previous audit year, the Audit Committee conducted audits focusing on priority audit items based on audit instructions* from the Board of Directors and the issues recognized by the Audit Committee.

Against this backdrop, an incident of insider trading involving a former employee of SuMi TRUST Bank was identified, resulting in a regrettable loss of public trust. The Audit Committee takes this matter with the utmost seriousness. In addition to the implemented and planned recurrence prevention measures that have already taken or are planned, we will audit and verify the implementation of new measures based on the recommendations of the Investigation Committee, as well as the ongoing enhancement of the internal control systems.

Furthermore, from the current audit year, the number of internal audit committee members decreased by one through a reduction in the number of internal directors. Taking this opportunity, we newly appointed an Audit Dedicated Executive Officer to assist with the duties of the Audit Committee. Through this organizational change, in addition to activities listed under "Major audit activities in the previous audit year", we aim to strengthen our information gathering and issue identification capabilities by expanding attendance at key meetings of major Group companies

and enhancing collaboration with their respective Audit and Supervisory Committees. Furthermore, we are reviewing the operations of the Audit Committee to facilitate deeper deliberations and provide more effective recommendations.

In the current audit year, we will contribute to enhancing corporate value of the Group by conducting more effective auditing activities under the new system.

*"Audits on the status of measures to address new risks in business model reforms" and "Audits on the status of measures for enhancing the Group's internal control system"

(2) Major activities in the previous audit year

In the previous audit year, the Audit Committee focused on the priority audit items: (1) Status of measures realizing business model reforms, (2) Status of measures for enhancing the Group's internal control system, (3) Status of control over appropriate and accurate financial reporting and disclosure, and (4) Status of measures for fostering a healthy corporate culture. The committee

exchanged opinions with executive officers and others, cooperated with the Internal Audit Department and the Accounting Auditor, exchanged opinions with the representatives and audit and supervisory committees of major Group companies, visited their domestic and overseas offices and overseas subsidiaries, and inspected important internal documents, etc.

(3) Composition of the Audit Committee

The Audit Committee consists of five members, four of whom are external directors and one of whom is an internal director, thereby ensuring the independence of the Audit Committee.

From this fiscal year, to further improve the effectiveness of the Board of Directors, the Group reduced the size of the Board of Directors by reducing the number of internal directors, had a majority of external directors on the Board, and increased the ratio of external directors at the statutory committees. As part of efforts to maintain and improve the effectiveness of audit activities by the Audit Committee while transitioning to a system that will allow the full demonstration of the supervisory function, the number of Audit Committee members was reduced from six (four external and two internal) to five (four external and one internal), and one additional Audit Dedicated

Executive Officer was appointed to assist the Audit Committee.

In order to assist our duties, the Audit Committee established an Audit Committee Office that conducts operations under the direction of the Audit Committee.

■ Old and New images of the organization structure

