Outside Directors Panel Discussion

[Value Creation as Discussed by Outside Directors]
Future-Oriented Dialogue with Investors through a Panel Discussion

The Ideal State of Management and Board Initiatives to Support the Sustainable Enhancement of Corporate Value

Location

On March 4, 2026, a "Panel Discussion with Outside Directors" was held at the head office of Sumitomo Mitsui Trust Group, to which approximately 60 institutional investors were invited. Two Outside Directors took the stage to discuss the new management system, enhancing corporate value, corporate governance, and questions raised by investors.

Introduction

——— Please tell us your role on the Board of Directors, the key issues and priorities you focus on, and your impression of the Group's business and corporate governance.

Kashima: The continuous enhancement of corporate value is the purpose of a company, and the Board of Directors is responsible for overseeing management's execution to achieve that goal. As a Director and member of the Audit Committee, I believe one of my most important responsibilities is to oversee whether the Group is appropriately pursuing initiatives that will lead to long-term growth. Drawing on information from a wide range of sources, I strive to enhance the effectiveness of this supervisory function.

My impression of the Group's business is that it has a long track record of steadily supporting Japan's capital markets and economy. One of the distinguishing features of the Group is its broad range of businesses, including trust, real estate, and asset management in addition to banking, as well as its diverse client base. These businesses are organically interconnected, and the Group's comprehensive capabilities and broad business portfolio are among its key strengths. In addition, the Group has diverse talent and expertise, which I believe have the potential to create a competitive advantage that sets it apart from other companies. In terms of governance, the Board of Directors has been engaged in earnest discussions regarding its ideal role and effectiveness, and I appreciate that steady improvements are being made.

Fujita: I previously served as an Executive Officer, an Internal Director, and Internal Corporate Auditor at the holding company of an insurance company, and have broad experience in the management of financial institutions. However, insurance companies and trust banks have different business models, just as the perspectives required of internal directors and internal corporate auditors differ from those expected of outside directors and outside audit committee members. I would like to actively contribute to discussions by leveraging both the commonalities and the differences in our experiences and perspectives.

One of my impressions when I was appointed as a Director of the Group was that, although it is a holding company, SuMi TRUST Bank accounts for the majority of both the balance sheet and the income statement. I believe this suggests significant potential to improve capital efficiency and expand the earnings base through business portfolio transformation. Another factor is that compliance with international capital and liquidity regulations, such as the CET1 ratio and the NSFR, constrains efforts to improve capital efficiency. In this regard, I believe that the Group has the potential to enhance both capital efficiency and earnings while remaining compliant with these regulations through continued business portfolio transformation.

Changes to the Management Structure

——— Please tell us about the achievements and challenges of the current management structure (FY2021 to FY2025), as well as your expectations for the new management structure in FY2026.

Kashima: The declaration made in May 2021 to achieve "zero strategic shareholdings" ahead of other major financial institutions was a significant turning point. This was an important milestone for the Group as it embarked on a new approach to capital allocation, which has subsequently contributed to the improved business performance. On the other hand, when reviewing the progress of the strategies set out at the time, some challenges remain to be fully addressed. In particular, more substantial efforts will be required in areas such as enhancing the asset management business, responding to developments in the digital asset field, and expanding global operations. In addition, business streamlining and expense control are areas where challenges remain. I strongly expect concrete progress in addressing these challenges under the new structure. Mr. Oyama, the new President & CEO, has played a central role in driving the business under the current management structure, and I believe he is well positioned to build on the achievements to date and address the remaining challenges. I expect the new management structure to successfully execute the new Medium-Term Management Plan and deliver clear results to investors.

Fujita: Drawing on my previous experience, I believe that the announcement to achieve "zero strategic shareholdings" was a very significant decision. Since then, the Group has strengthened its capital-light fee business, including asset management and asset administration, and has achieved a level at which an ROE of 10% is within sight. I consider this a significant achievement. On the other hand, the Group is still only halfway toward achieving its aspirations, and it needs to improve capital efficiency while simultaneously expanding its earnings base. To that end, it will be essential for the Group to elevate its core competence in asset management to a globally competitive level. In addition to organic measures, the Group should also proactively pursue inorganic strategies, including M&A. Sound risk-taking will be essential in building the business portfolio the Group aims to achieve. As stated in the Corporate Governance Code, the Board of Directors plays an important role in supporting sound risk-taking. I believe that the Board should appropriately supervise management's initiatives while carefully assessing the balance between risk and return.

——— Please tell us about the perspectives adopted by the Nominating Committee in discussing the changes to the management structure, and the key points it focused on in considering the succession plan.

Kashima: I was appointed as a member of the Nominating Committee in FY2024 and have served on the Committee for two years. Before then, the Nominating Committee had been carefully considering the selection of a successor, including drawing up a long list of candidates and narrowing it down to a short list. After management explained the rationale for the selection of the shortlisted candidates, we held extensive discussions based on a variety of information, including 360-degree evaluations, assessments by external experts that covered personal attributes, and interview results. We further deepened our discussions through direct interviews with the candidates themselves. I believe that the process as a whole was highly transparent. As for the key points we focused on in selecting the successor, we placed particular emphasis on the ability to drive new initiatives in a rapidly changing environment, the determination and resilience to see initiatives through even in challenging circumstances, and the ability to earn the trust of those around them and bring out the strengths of the organization. Since FY2025, the Nominating Committee has been composed solely of Outside Directors, enabling frank discussions from an independent standpoint. On the other hand, I believe that obtaining more comprehensive information on candidates and increasing opportunities to interact with them are important for gaining a deeper understanding of their capabilities and suitability. With this in mind, I would like to continue working to enhance the effectiveness of the Committee's discussions.

Enhancing Corporate Value

——— A new Medium-Term Management Plan will begin in FY2026. As the Group continues to discuss its medium- to long-term business strategy and the direction of its business portfolio, what are your expectations for the Group's business, and what do you see as the key challenges ahead?

Fujita: I believe that the Group should develop globally competitive asset management capabilities as its core competence. Leveraging its specialized expertise in asset management across both domestic and international markets, the Group should aim to provide products and services that meet client needs both in Japan and overseas. This, in my view, represents the ideal direction for the Group. The Group has that potential, but inorganic growth will be essential to bridge the gap. In addition, while improving ROE and PBR is important, it is also necessary to recognize that these indicators may improve temporarily due to favorable macroeconomic conditions. I believe that the Board of Directors should pay close attention to whether the Group's underlying capabilities and resilience to achieve sustainable growth are being enhanced.

Kashima: Consideration of the new Medium-Term Management Plan began with discussions about the kind of company we aspire to be over the long term. In addition to economic value, it is important to clarify the Group's long-term vision, including its social impact, and deepen discussions on how to realize its purpose. Furthermore, it is necessary to assess, from both qualitative and quantitative perspectives, which materialities are prioritized and whether the business activities undertaken to address those issues are delivering tangible results. In addition, achieving growth through initiatives such as M&A will also be essential. To this end, the Group should clearly define the business fields, geographic markets, and capabilities it needs to enhance and invest accordingly. While ROE is improving faster than planned at present, PBR and PER remain relatively low, suggesting that market expectations for the Group's future growth are not necessarily sufficiently high. Therefore, in the new Medium-Term Management Plan, it will be important to present specific strategies that can have a meaningful impact on the market and build a track record of delivering results. The Board of Directors also believes that enhancing the Group's underlying capabilities and improving profitability will lead to sustainable improvements in ROE and PBR, and we will continue to monitor the Group's progress from that perspective.

——— Please share your views on management strategies, including business portfolio transformation and inorganic investments, and the key areas that the Board of Directors prioritizes in its oversight.

Fujita: When reviewing the business portfolio, we first need to clearly define the purpose of the review. I believe that improving capital efficiency, expanding the earnings base, and diversifying profit sources are the three primary objectives. Our Group has both balance sheet business and fee business. If the Group were to focus solely on capital efficiency, it could specialize in capital-light fee business. However, doing so would limit its ability to expand the earnings base and benefit from diversification. The two businesses are strongly interconnected, and this very structure is one of the Group's core strengths. Therefore, it is important to grow the fee business while also expanding the balance sheet business in line with that growth. With respect to inorganic investment as well, defining the investment objective and establishing a concrete and transparent roadmap for achieving it will be essential to enhance the feasibility of the strategy. In any case, the fundamental principle is that the return on investment exceeds the capital cost.

Corporate Governance

——— Please share your views on the Audit Committee's structure, areas for improvement, and initiatives to enhance its effectiveness.

Kashima: To enhance audit effectiveness, the Audit Committee was reorganized in FY2025 to include an Internal Director, and the position for an Audit Dedicated Executive Officer was newly established to support and complement the audit process. As a result, the Audit Committee has enhanced its effectiveness, enabling us to further broaden the scope of our audits and strengthen our audit activities. Specifically, we have established a system in which the Audit Dedicated Executive Officer participates as an observer in meetings of the Audit Committee and Boards of Directors of major subsidiaries to gain a direct understanding of the discussions taking place. I believe that information sharing and issue identification have become more timely, and that the effectiveness of the audit function has improved.

With regard to reporting from the Audit Committee to the Board of Directors, in addition to our regular reports, we have also introduced a process to promptly report matters identified at the Audit Committee's monthly meeting that are deemed necessary to be shared with the Board of Directors. As the issues identified by the Audit Committee can be shared with the Board of Directors in a timely and flexible manner, this also helps to further stimulate discussions at the Board level. On the other hand, we recognize the need for further discussion on enhancing our audit methods, and we will continue to pursue improvements through ongoing deliberations at both the Audit Committee and the Board of Directors. As the audit function becomes more sophisticated, including through the appointment of the Audit Dedicated Executive Officer, I believe that having an Audit Committee composed entirely of Outside Directors could become a viable option in the future.

——— Please tell us your assessment of the Group's corporate culture and initiatives for cultural change.

Fujita: I have two points to make. The first is risk culture. Risks include those that should be avoided and those that should be taken. My impression is that the Group's discussion on risk culture has primarily focused on risks that should be avoided, such as cyber risk. Of course, as a financial institution, thoroughly managing risks that should be avoided is essential, and it is important for all employees and officers to remain constantly aware of risks. On the other hand, we should also deepen discussions on the risks that need to be taken to advance business portfolio transformation. I expect management to appropriately assess the balance between risk and return and take on challenges boldly. The second is cultural diversity. The current culture of the Group is essentially based on that of SuMi TRUST Bank. The positive culture that has been cultivated throughout SuMi TRUST Bank's history should be valued and preserved over the long term, but embracing new culture and diverse perspectives is also important. In that sense, the Group should embrace a more global mindset. I believe that actively recruiting and promoting international talent, including to managers and executive positions, can generate positive synergies within the organization and help enhance the Group's future competitiveness.

Kashima: The culture of valuing clients and prioritizing sound administrative processes, rooted in the "fiduciary spirit" that has been cultivated throughout the Group's long history, is an important foundation of the Group's business. On the other hand, I feel that this strength can sometimes become a weakness, as excessively stringent rules may undermine operational efficiency and slow the pace of change. The same also applies to risk culture. There tends to be an excessive focus on risks that should be avoided, while awareness of the risks that should be taken can become relatively weak. However, management is well aware of this issue. As part of the Group's 100th anniversary project, workshops and other measures are being implemented to foster a "culture of taking on challenges", demonstrating a clear commitment to driving change within the organization. Changing corporate culture cannot be achieved overnight, but I believe there is great value in continuing to work patiently and persistently through a process of trial and error. Going forward, I will continue to assess the direction and effectiveness of the Group's cultural transformation through ongoing discussions at meetings of the Audit Committee and Board of Directors.

The Relationship Between the Capital Markets and the Board of Directors

Message

I believe that it is extremely important for Outside Directors to engage in dialogue with investors from the perspective of strengthening the connection between the capital markets and the Board of Directors. Investors are likely to be interested in how the Board of Directors oversees the execution of business, and Outside Directors look to investors for input on how the market evaluates the company, what its expectations and concerns are, and how it compares with its peers. I believe that the mutual exchange of information and opinions through dialogue will contribute significantly to enhancing the Group's corporate value. At this panel discussion, we have introduced several perspectives that we, as Outside Directors, are mindful of when overseeing the management's execution of strategy. In addition, we received valuable feedback from investors through their questions, including insights into market expectations. I understand that continuing to receive feedback from investors and further enhancing the effectiveness of the Board's oversight will be essential for fulfilling our supervisory responsibilities as the Group pursues its medium- to long-term aspirations.

Hirokazu Fujita
Outside Director
Audit Committee Member,
Conflict of Interest Committee
Member