

## Q&A of Panel Discussion by External Directors (March 4, 2026)

Moderator	: Akiyo Inaba (Executive Manager of Sumitomo Mitsui Trust Group)
External Directors	: Kaoru Kashima / Hirokazu Fujita

### **Panel discussion**

#### **1. Introduction**

Q. To help the attendees gain a deeper understanding, could you share the key points you are mindful of regarding your role on the Board of Directors, as well as your impressions of our Group's business and corporate governance?

**A. Kashima:** I spent 38 years working at an audit firm as a certified public accountant, where I was involved in a wide range of engagements, including statutory audits, IPO support, financial due diligence, and J-SOX compliance support. In addition, I have experience in various corporate functions such as human resources, DE&I, public relations, corporate culture, and knowledge management.

The fundamental purpose of a company is the continuous enhancement of corporate value, and the Board of Directors supervises management's execution toward achieving that objective. As a director and a member of the Audit Committee, my mandate is to oversee whether our Group executes corporate activities that lead to long-term growth. Each day, I receive information from multiple perspectives and work to fulfill this supervisory duty with rigor.

**A. Fujita:** In my previous role, I served on the executive side as well as an internal director and internal audit & supervisory board member at an insurance holding company, giving me experience in the management of a financial holding company in a broad sense. Business models differ between insurers and trust banks, and the perspectives required of internal directors and internal audit differs from those expected of external directors and external audit committee members.

I therefore intend to speak up actively, maximizing both the advantages of what these roles and businesses have in common, and the benefits that arise from their differences.

When I was appointed as director of our Group, I had two main impressions. First, although our Group has adopted a holding company structure, Sumitomo Mitsui Trust Bank accounts for the majority of our Group's balance sheet and earnings. I believe this indicates significant room to transform the business portfolio toward our Group's ideal structure, thereby improving capital efficiency and expanding the scale of earnings.

Second, our Group is required to comply with stringent regulatory requirements, such as the CET1 ratio and the Net Stable Funding Ratio (NSFR), which can constrain efforts to enhance capital efficiency. Even so, I believe that through transformation of the business portfolio, it is fully possible to meet regulatory requirements while simultaneously improving capital efficiency and expanding earnings, and that our Group has substantial potential to achieve this.

**A. Kashima:** I would like to add a few observations regarding my impression of our Group's business. When I first assumed my position, I was struck by our Group's long history of sincerely supporting Japan's capital markets and economy.

In addition to banking operations, our Group conducts business across a wide range of areas, including trust services, real estate, and asset management, and serves a diverse client base. While each of these businesses is interrelated—creating a level of complexity that takes time to fully understand from an external perspective—I view this very complexity as one of our Group's greatest strengths.

Furthermore, I feel that our Group possesses a high degree of diversity in its human resources and expertise, providing strengths that are not easily replicated by other companies. From a governance standpoint, I am impressed by the seriousness with which the Board of Directors engages in discussions about its aspiration, taking a careful and deliberate approach over time. While it may be difficult to achieve perfection immediately, I highly value our Group's attitude of steadily accumulating incremental improvements step by step.

## **2. Changes to the Management Structure**

Q. Our Group will transition to a new management structure in April. Given the high level of interest from investors, could you share your views on the achievements and challenges under the current structure (FY2021–FY2025), as well as your expectations for the new structure?

**A. Kashima:** With respect to the current management structure, I view the declaration made in May 2021 to achieve “zero strategic shareholdings”—the first such declaration among major Japanese financial institutions—as an extremely significant turning point. This announcement marked an important milestone toward a new approach to capital utilization. Since then, business performance has progressed steadily, and these initiatives are beginning to translate into tangible results.

From a governance perspective, I believe it is a major achievement that our Group has clarified the aspiration of the Board of Directors and has made steady progress toward that goal step by step. Yet not every 2021 strategy has reached completion. In particular, enhancing the Asset Management Business, addressing the digital assets area, and expanding global operations will require more full-scale efforts going forward. Operational efficiency and cost control also remain areas with unresolved challenges. Addressing these issues will largely be entrusted to the new management structure.

Mr. Oyama, who will assume the role of President & CEO of the Group, has been a central figure in leading the business under the current structure, and I believe he is the most suitable candidate to carry forward the achievements to date, and address the remaining challenges. With the new executive team coalescing, the foundation is set to craft the next Medium-Term Management Plan and to deliver tangible results to investors.

**A. Fujita:** From my own experience in my previous role, where I was also involved in reducing strategic shareholdings, the 2021 declaration to achieve “zero strategic shareholdings” was an extremely significant decision and a major step forward. Since then, our Group has enhanced capital-light, fee businesses such as asset management, asset administration,

real estate, and inheritance-related services, and reaching a position where ROE of 10% is within sight can be regarded as a substantial achievement.

However, when compared with our Group's aspiration state, it is fair to say that progress remains incomplete. In addition to improving capital efficiency, further expansion of earnings is also required, and I believe it is essential to achieve both simultaneously. It will be necessary to elevate our Group's core competence in asset management to a global level, making active use not only of organic initiatives but also of inorganic measures.

Building an optimal business portfolio requires sound risk-taking. As indicated by Japan's Corporate Governance Code, the Board of Directors has a role to play in supporting management's sound risk-taking, and I believe it is necessary for the Board to appropriately assess risks and returns while overseeing management's initiatives.

Q. Regarding the recent change in the management structure, was the process followed by the Nomination Committee appropriate? Since this fiscal year, the Nomination Committee has been composed entirely of external directors. From what perspectives were discussions conducted regarding this management transition, and what factors were emphasized in considering the succession plan?

**A. Kashima:** I have served as a member of the Nomination Committee since June 2024, for a period of approximately two years. I understand that a long list of candidates had already been prepared and discussions had begun in the first year of President Takakura's tenure. By the time I joined the Committee, the list had been narrowed to a short list and discussions were already well advanced.

With respect to the candidates, we received explanations from CEO Takakura regarding the reasons for their selection, after which the Committee engaged in extensive questioning and discussion. We were provided with multifaceted information, including the results of 360-degree evaluations, assessments by external third parties covering personal attributes, and interview feedback. Opportunities were also arranged to engage directly with the candidates through informal gatherings. In addition, individual interviews with the candidates themselves were conducted, followed by further deliberations within the Nomination Committee. I assess the overall process as having been conducted with a high level of transparency.

In selecting the candidates, the Committee placed particular emphasis on the ability to drive new initiatives in a rapidly changing environment. We also considered resilience and perseverance in the face of challenging situations, as well as the degree of trust the individuals command from those around them as essential qualities for enabling the organization to perform effectively.

Since this fiscal year, the Nomination Committee has been composed entirely of external directors, and I believe this has created an environment conducive to open and candid discussion. At the same time, an all-external composition may make it difficult to fully grasp internal realities. To enhance the effectiveness, we must strengthen information provision on candidates and increase points of contact; we will remain attentive to this.

### 3. Enhancing Corporate Value

Q. The global economy faces heightened geopolitical risks, making the outlook extremely uncertain. Against this backdrop, our Group will launch a new Medium-Term Management Plan under a new management structure starting next fiscal year. You have engaged in extensive discussions on our Group's medium- to long-term business direction and the optimal business portfolio. Could you share your views on the potential and growth prospects of our Group's business, as well as your understanding of the key challenges?

**A. Fujita:** I believe that our Group should further develop its global-level asset management capabilities as its core competence. The direction we should pursue is to leverage our specialized expertise in asset management, both in Japan and overseas, to provide products and services that best meet the needs of clients domestically and globally.

The Group has the potential; where capabilities fall short, inorganic reinforcement is essential. Naturally, improving ROE and PBR is necessary; however, it is also important to recognize that there may be phases in which these indicators improve as a result of favorable macroeconomic conditions, such as inflation or interest rate trends. What the Board of Directors should closely monitor is whether our Group's true underlying strength and resilience—capable of supporting sustainable growth—are genuinely being enhanced. As I mentioned earlier, monitoring sound risk-taking is also one of the Board of Director's important responsibilities.

**A. Kashima:** Discussions on the next Medium-Term Management Plan began with the fundamental question of what kind of company we aspire to be over the long term. I believe it is essential to engage in purpose-driven discussions, considering not only economic value but also social impact, and determining the position our Group seeks to occupy in that broader context.

Based on this, we must clearly identify the material issues to be prioritized and then verify—both qualitatively and quantitatively—whether business activities aligned with those materialities are truly being executed. Achieving non-linear, discontinuous growth is also indispensable. To realize our aspiration, it is necessary to clearly define which fields and regions we should cover, as well as which capabilities we should acquire, and to strategically utilize inorganic investments accordingly.

At present, I believe that the overall picture of where we should invest has not yet been fully articulated. Therefore, it is important to organize the linkage between materiality and strategy, draw a compelling overarching vision that leads to the realization of our purpose, and make our strategy more concrete.

Although ROE has been improving at a pace faster than initially planned, the fact that PBR and PER remain relatively low indicates that market expectations for our Group's future are still limited. Accordingly, through the new Medium-Term Management Plan, it will be necessary to present concrete initiatives that have a meaningful impact on the market and to steadily accumulate tangible achievements.

I believe that enhancing our Group's fundamental capabilities and improving its earnings power are precisely what will lead to a sustainable increase in ROE and PBR. From that perspective, the Board of Directors will continue to closely monitor progress.

Q. Investors have high expectations regarding the review of the business portfolio, particularly with respect to inorganic investments. Drawing on your experience in your previous role, you are likely to have many insights from the perspective of dialogue with and oversight of management. Could you please explain your thinking in more concrete terms?

**A. Fujita:** When reviewing the business portfolio, it is first necessary to clearly define the purpose—namely, “why are we undertaking this review?” I believe there are three primary objectives. The first is to improve capital efficiency; the second is to grow earnings; and the third is to diversify our sources of revenue.

Within our Group, there are businesses that utilize the balance sheet, as well as fee-based businesses. If one were to focus solely on capital efficiency, it would be sufficient to concentrate on capital-light, fee-related businesses. However, that would constrain earnings expansion and weaken the diversification of revenue sources. These two types of businesses are not independent; rather, they are strongly interconnected, and it is precisely this interlinked structure that constitutes one of our Group’s strengths. Therefore, I believe it is important to grow fee-based businesses while also expanding balance-sheet-based businesses in a manner commensurate with that growth.

The same applies when undertaking inorganic investments. It is essential to first clearly define the purpose of such investments and then to concretely set out the steps required to achieve that purpose. As Director Kashima has pointed out, clarifying and visualizing the process toward realization is indispensable to enhancing the executability of strategy.

In all cases, I believe it is a fundamental prerequisite that investment returns exceed the capital cost.

#### **4. Corporate Governance**

Q. At the 2025 Ordinary General Meeting of Shareholders, our Group made external directors a majority of the Board of Directors and structured both the Nomination Committee and the Compensation Committee to be composed entirely of external directors. The ratio of female directors has also exceeded 20%, and as Director Kashima mentioned earlier, the governance framework has been steadily evolving through extensive discussion. From this perspective, could you share your assessment of the current structure of the Audit Committee, areas for improvement, and initiatives to enhance its effectiveness?

**A. Kashima:** With respect to the Audit Committee, although an all-external composition was also an option, we decided to include one internal director in order to ensure audit effectiveness. This fiscal year, the number of internal Audit Committee members was reduced from two to one, and to complement this change, we newly established an audit dedicated executive officer. Our objective was not merely to maintain effectiveness, but to further enhance it by expanding both the scope and activities of audits.

Specifically, we have begun an initiative whereby the audit dedicated executive officer participates as an observer in the Audit committees and the boards of directors of major subsidiaries, enabling direct understanding of the substance of discussions. While this has increased the overall workload and there are currently some resource constraints for the audit dedicated executive officer, the initiative has delivered significant benefits in terms of

timeliness of information and faster sharing of issues.

In addition, separate from the regular Audit Committee reports provided two to three times per year, we have introduced a practice whereby matters deemed appropriate to be shared with the Board of Directors are promptly reported through the monthly Audit Committee meetings. This has enabled more agile communication of the Audit Committee's perspectives to the Board of Directors, and we have also observed a positive effect in invigorating Board discussions.

That said, challenges remain. These include the fact that the number of audit dedicated executive officer is insufficient relative to the current workload, as well as the need for further discussion on the advancement and sophistication of audit methodologies. With regard to personnel allocation, we plan to work closely with the internal human resources function and the Nomination Committee, while improvements to audit practices will be pursued through continued deliberation within the Audit Committee and the Board of Directors.

Looking ahead, once the structure of audit dedicated executive officer is fully established and well recognized internally, I believe that transitioning to an Audit Committee composed entirely of external directors could also become a viable option.

Q. Finally, I would like to ask about corporate culture. One of our Group's key audit focus areas is the "status of initiatives to foster a sound corporate culture," and corporate culture is also evaluated from an audit perspective. How do you perceive our Group's corporate culture, and how do you assess its efforts toward cultural transformation?

**A. Fujita:** With respect to culture, there are two main aspects that stand out to me. The first is risk culture. There are risks that should be avoided and risks that should be taken, and my impression is that discussions around risk culture within our Group tend to focus primarily on "risks to be avoided," such as cyber risk.

Of course, as a financial institution, it is essential to thoroughly manage risks that should be avoided, and it is necessary for everyone—from frontline employees to senior management—to remain constantly aware of risk in their daily operations. At the same time, as our Group works to transform its business portfolio going forward, I believe it is important to deepen discussions around "risks that should be taken" and for management to pursue challenges with greater boldness.

The second aspect is cultural diversity. In practice, our Group's culture largely reflects that of Sumitomo Mitsui Trust Bank. While the positive aspects of the culture cultivated over its long history should be cherished and preserved, it is also important to incorporate new cultural elements and embrace a broader range of values. In this context, I see significant value in enhancing "globality." By actively appointing overseas talent to both employee and executive roles, our Group can create positive cultural synergies within the organization, which I believe will also contribute to strengthening its future competitiveness.

**A. Kashima:** I regard the culture of valuing clients, grounded in the "fiduciary spirit" cultivated through the history of a trust bank, as well as the emphasis on accurate and reliable operational execution, as fundamental and important values of our Group. At the same time, I also feel that these strengths can, at times, have a downside—namely, that overly rigid rules may

undermine efficiency and slow the pace of transformation.

This applies to risk culture as well. There is a tendency to place too little focus on risks that should be taken, due to excessive emphasis on managing risks to be avoided. However, on the execution side, I sense a genuine commitment to change. Marking our Group's 100th anniversary, various initiatives such as workshops are being implemented to instill a "culture of challenge," and I do see signs that the organization is striving to evolve.

Transforming corporate culture is inherently challenging, and results can only be achieved through sustained effort. Observing other companies, I am keenly aware that cultural reform is never easy, and there are aspects where one cannot know what will succeed without actually trying. For this reason, I believe there is real value in persevering through trial and error. Going forward, I would like the Audit Committee and the Board of Directors to continue engaging in dialogue, while continuously assessing the direction and effectiveness of cultural transformation initiatives.

### Questions and Answers

Q.1	<p>I would like to ask further about inorganic investments. While I understand the underlying approach, could you explain more concretely how the Board of Directors is involved in inorganic investments in practice? Specifically, from the perspective of oversight, how does the Board engage throughout the process—from the initial stage of identifying and selecting potential investment targets, to decision-making on execution, and through to post-investment PMI?</p> <p>While management is expected to present well-developed proposals, I believe that, from an oversight standpoint, it is necessary to conduct a multifaceted evaluation, including alignment with strategy, the appropriateness of the investment amount, and the feasibility of achieving the expected outcomes. Is it possible for the Board to decide to refrain from making an investment or request a reconsideration? If so, have there been any such instances in the past?</p>
A.1	<p><b>Fujita:</b></p> <p>Since joining our Group, there have been several investment opportunities; however, all of them have been so-called bolt-on investments, and I have not yet experienced M&amp;A transactions of a scale that could truly be described as inorganic.</p> <p>When full-scale inorganic investments arise in the future, the first point that should be emphasized from an oversight perspective is that the purpose—namely, "why the investment is being undertaken"—is clearly and explicitly defined. Investments with ambiguous objectives have a lower probability of success, and this is therefore the first aspect I would want to rigorously confirm.</p> <p>Second, it is essential to assess whether the investment target is structured to reliably generate profits over the long term, or at least possesses the capability to achieve this. Rather than relying on expectations that profitability will be realized at some point in the future, it is important that the target already has the ability to generate earnings at present.</p> <p>Third, it is critical that an appropriate governance framework for the investee company is established within our Group. If the governance structure is weak, it becomes difficult for the investment to achieve its intended objectives and deliver expected returns. Accordingly, it is necessary to verify whether adequate governance arrangements and the human capital to support them are firmly in</p>

	<p>place.</p> <p>Regardless of the investment's purpose, it is a fundamental prerequisite that investment returns exceed the capital cost. After comprehensively evaluating all of these factors, I believe it is entirely reasonable—and indeed part of the Board's responsibility from a supervisory standpoint—to request reconsideration of an investment if necessary.</p>
--	---

Q.2	<p>It has been noted that the Group's Nomination Committee is composed entirely of independent external directors, which is highly commendable because it enables nominations to be made from an objective perspective. At the same time, close communication with the executive side is indispensable. In companies with a committee-based governance structure, the Nomination Committee is vested with significant authority, and therefore the stance toward engagement and the quality of communication are regarded as critically important.</p> <p>From this perspective, the current Nomination Committee, which includes many members with management experience, is viewed as appropriately structured. However, I would like to ask whether there are any particular skills, attitudes, or other qualities that the Committee places emphasis on, especially with regard to the succession of external directors.</p>
A.2	<p><b>Kashima:</b></p> <p>I believe that the succession of external directors is an extremely challenging issue. In addition to the Board's perspective based on the skills and experience required, there is also the question of timing—specifically, when a candidate is able to become involved with our Group. As a result, even if a suitable candidate is identified, there are cases where immediate appointment is not feasible. Nevertheless, I consider it important to develop a long list from a long-term perspective and to continuously review potential candidates. External directors serving on the Nomination Committee are naturally expected to possess the ability to assess people and to make objective evaluations, and I believe that the current members fully demonstrate these capabilities.</p> <p>In appointing external directors, we place emphasis not only on experience but also on personal character, and the process incorporates interviews with the executive side as well as ongoing deliberation. For these reasons, I believe that appropriate individuals are currently being appointed, and I do not perceive any significant issues at this time.</p> <p>On the other hand, determining the appropriate timing for moving candidates from the long list to the short list, as well as deciding when to present the candidate list to the Nomination Committee, remains difficult and continues to be a challenge.</p>

Q.3	<p>In evaluating the new President, Mr. Oyama, three qualities were cited: decisiveness, perseverance, and trust. While perseverance and trust can be readily understood based on his track record and the assessments of those around him, decisiveness appears to be closely linked to the point raised by Director Fujita regarding "judgment in determining which risks to take."</p> <p>Historically, our Group has focused primarily on equity-method investments, with relatively limited experience in bold acquisitions or large-scale investments. It is also recognized that achieving significant growth following acquisitions conducted at fair value has been challenging. On the other</p>
-----	--

	<p>hand, there are companies—such as insurance companies—that demonstrate strong capabilities in PMI to drive growth after acquisitions, and it is believed that situations requiring a similar mindset may arise for the new President, Mr. Oyama.</p> <p>Against this backdrop, we would like to ask for views on the circumstances in which Mr. Oyama’s decisiveness is expected to be demonstrated, and on the direction in which such decisiveness should be exercised.</p>
A.3	<p><b>Kashima:</b></p> <p>Based on the past track record of the new President, Mr. Oyama, I understand that concrete examples demonstrating his decisiveness already exist. His focus on the private asset domain and his proactive approach to investments involving higher levels of risk are good signs of this quality. For example, the decision to make a large-scale investment in the alternative asset portfolio managed by the Apollo Group represented a bold judgment involving substantial scale and significant risk, and is understood to be a clear example of Mr. Oyama’s willingness to undertake decisive risk-taking.</p> <p>With respect to new inorganic investments, no specific proposals have been presented to the Board at this time; however, it has been communicated that the total amount under consideration is expected to be of a meaningful scale. Through his past achievements, Mr. Oyama has demonstrated the ability to make timely and bold decisions when required, and it is therefore considered highly likely that his decisiveness will continue to be exercised under the new management structure.</p>

Q.4	<p>In global ESG evaluations, there is an assessment criterion under which a higher proportion of independent external directors on committees results in a more favorable rating. On the other hand, in the course of dialogue with companies, some have expressed the view that having one internal director participate in the Nomination and Compensation Committees can lead to better-informed decision-making, given their deep understanding of internal circumstances.</p> <p>Against this backdrop, please share your views on whether having a Nomination Committee composed entirely of external directors is optimal, or whether there is value in including an internal director in the Committee.</p>
A.4	<p><b>Kashima:</b></p> <p>I recognize that there are various ways to think about this issue. When discussions are conducted solely among external directors, there is a drawback in that internal circumstances may not be fully understood. On the other hand, there is also concern that if an internal director participates as a committee member, internal logic may inadvertently influence the committee’s deliberations.</p> <p>While the selection of candidates itself is carried out based on internal discussions, the relevant information is shared with the Nomination Committee. Against that backdrop, I currently believe that there is value in having decisions made solely by external directors, while maintaining a certain distance from internal logic. The disadvantages of a committee composed only of external directors need to be addressed through supplementary measures, such as providing adequate information and ensuring appropriate points of contact, and I believe that continued efforts and creativity will be required in this regard.</p>

**Fujita:**

As Director Kashima has noted, from the perspective of who ultimately holds voting rights, I believe there is a rational basis for having the committee composed solely of external directors. That said, the collection and sharing of internal information that forms the basis for such decisions is indispensable.

In the Audit Committee, full-time audit officers maintain ongoing communication with the executive side, including the internal audit department, and feed that information back to the Audit Committee. This mechanism enhances the quality of decision-making. Similarly, even if the Nomination Committee is composed solely of external directors, I believe it is fully feasible to operate it effectively, provided that appropriate access to information is ensured.

**Forward-Looking Statements**

This document includes notes on future earnings.

Such descriptions are not in any way guaranteeing future earnings and are inclusive of risks and uncertainties.

Please be mindful that future earnings may differ against targets due to changes in the business environment and others.

Further, information relating to companies etc. other than the Group are citations from publicly available information etc. and have not undergone any verification on our part in its accuracy / appropriateness etc. and does not guarantee such factors.

Information carried in this material is solely for the purpose of providing information and is not for solicitation of securities.