

IR Day 2025 : Part 1 Panel Discussion

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[Panelists]	Shingo Ueno Nana Otsuki Yukiko Nagashima	Representative Director, President, and CEO Outside Director Outside Director, Audit & Supervisory Committee Member
[Moderator]	Yoshinori Takayama	Executive Officer, Head of Investor Relations Dept.

<Takayama>

First, I would like to begin with the changes to our governance structure, which were just explained by CAO Yoshida.

As of June this year, the Company has transitioned to a company with an Audit and Supervisory Committee. In the integrated report, both Ms. Nagashima and Ms. Otsuki touched on this topic during the roundtable discussion section.

Once again, I would like to ask for your views on this transition and how you perceive the change. Let me start with you, Mr. Ueno.

<Ueno>

What I feel about the change in our governance structure is that it has provided an opportunity to further enhance the effectiveness of the Board of Directors compared with the past. Through this transition and the advancement of the Board agenda, the respective roles of oversight and execution have become clearer than ever. As a result, the Board's monitoring function has been strengthened, allowing us to focus more effectively on the deliberation of important matters.

On the executive side as well, we are proceeding with timely and appropriate decision-making, always mindful of the need to accelerate the execution of our growth strategies. With the clarification of roles, I feel that both the Board and the executive management are increasingly able to concentrate on fulfilling their respective responsibilities.

In addition, as Mr. Yoshida explained earlier, outside directors now account for a majority of the Board. At the Board level, we are making a concerted effort to engage in discussions that will earn greater understanding and confidence from our shareholders. At the same time, this has heightened the sense of discipline on the executive side, where stronger execution capabilities and more autonomous actions and decision-making are required.

Overall, from both perspectives—as a director and as a member of the executive management—I personally feel that this has led to a greater sense of substance and fulfillment in our governance and execution.

<Takayama>

With the change in the governance structure—essentially a change in the framework itself—we have come to recognize that how it is actually operated is even more important.

From the perspective of outside directors, how do you view this point? I would like to hear from both of you.

<Otsuki>

From the perspective of oversight, we recognize that the governance structure itself is only one of the means. In that sense, the enhancement of the Board agenda is one of the key factors, particularly in terms of enabling greater focus in deliberations.

Even prior to the change in the governance structure, I had the impression that the level of focus had already been increasing. For example, as shown on page 56 of the integrated report, the proportion of time devoted to key agenda items rose from 40% in fiscal year 2023 to a majority level of 52%. While this is a quantitative indicator based solely on time allocation, my own sense is that the degree

of focus has increased even more significantly than these figures suggest, with a noticeable shift in the substance and level of discussions.

Previously, because the level of detail entrusted to the executive side varied, a considerable amount of time at each Board meeting was spent discussing specific matters. Today, however, we are able to engage in discussions at a higher level—looking at the overall picture, such as the business portfolio and the time horizon—while considering aspects such as diversification of earnings and the timing at which cash flows can be enhanced. As a result, I feel that we are now able to conduct longer and deeper discussions from a more holistic perspective.

〈Nagashima〉

With this change in the governance structure, I moved from the position of Audit & Supervisory Board Member to that of a member of the Audit and Supervisory Committee, which, in formal terms, represented the most significant change in position among us. However, rather than the formal change in voting rights at the Board, I believe the more substantial difference lies in the timing of my involvement.

Previously, as an Audit & Supervisory Board Member, my role was largely *ex post* in nature—reviewing management's decision-making from the perspective of legality and appropriateness after the fact. With this transition, I am now involved in the decision-making process itself, and ensuring the appropriateness of those decisions has become something I must commit to as part of my own role and mission.

In making this transition, I—and others who had previously served as Audit & Supervisory Board Members—became keenly aware of the need to re-examine not only our formal position, but also our mindset and the way we engage, and to elevate both to a higher level.

That said, this cannot be accomplished in a short period of time. A change in governance structure or style does not, in and of itself, immediately lead to improvements such as a higher share price. As also described in the integrated report, we engaged in extensive and candid discussions over the course of a full year about the significance and necessity of undertaking this change, despite the considerable effort involved.

Through these discussions, together with the enhancement of the Board agenda, we thoroughly examined what issues the Board must address going forward. As a result, I believe this has become a governance transformation in which not only those who transitioned from Audit & Supervisory Board Members to Audit and Supervisory Committee Members, but each individual involved, has elevated their sense of ownership over their respective missions to a higher level.

〈Takayama〉

Next, looking ahead, could you please share any challenges or key issues you perceive with respect to enhancing the Company's medium- to long-term corporate value?

〈Nagashima〉

We recognize that the Board of Directors itself must continue to evolve. As the pace of change in our business portfolio accelerates, there are perspectives and capabilities that the Board as a whole must possess, in addition to those required on the executive side. It is essential that each director maintains a mindset of continuously updating and strengthening their expertise throughout their term of office. At the same time, it is important to look beyond the skills matrix that is typically disclosed, for example at shareholders' meetings, and to place greater emphasis on the depth of each director's skills. Going forward, we intend to pursue this sincerely and with a sense of urgency when considering the composition of the Board.

〈Otsuki〉

One issue I am particularly mindful of as an outside director is the limited opportunity to hear directly from shareholders and other stakeholders. That is precisely why I had been very much looking forward to today's discussion with all of you here.

As mentioned at the outset, we as outside directors serve as agents for shareholders and other

stakeholders. In order to fulfill our role at the Board—engaging in discussions and exercising effective oversight as their representatives—it is essential that we are directly exposed to the voices of our stakeholders. Now that the foundations of the governance structure have been put in place, I hope that opportunities for such direct engagement will gradually be further enhanced.

Another point that gives me a sense of responsibility and healthy tension is the fact that outside directors now constitute a majority of the Board. Conversely, this means that the number of internal directors with deep, firsthand knowledge of on-the-ground operations has fallen below half.

Against this backdrop, we must continue to recognize the importance of ensuring that discussions at the Board are sufficiently deep and substantive before decisions are made. This remains an ongoing challenge, and one that we intend to address with a strong sense of responsibility and discipline.

<Takayama>

So far, we have discussed the way our governance framework functions in practice at a relatively high level. From here, I would like to move the discussion one step further and, to the extent possible, ask you to share some more concrete insights into the discussions that take place at the Board.

The full acquisition of SCSK was an extremely significant decision that will have a major impact on the Company's future. From your respective perspectives, Ms. Otsuki and Ms. Nagashima, could you share what you were particularly mindful of in considering this decision?

<Otsuki>

Given the scale of the investment—exceeding JPY 880 billion—I believe it is large enough to have surprised many. As a director, I approached the discussions surrounding this decision with a strong sense of responsibility and resolve. I also understand that the executive team had engaged in even more extensive and in-depth discussions over a longer period of time.

While this is not the place to go into the details of those discussions, I see the development of our “No.1” growth businesses as a critical turning point for Sumitomo Corporation. The full acquisition of SCSK represents an investment that can immediately strengthen our capabilities. At the same time, we carefully identified and examined a wide range of risk factors, engaging in active discussions by drawing on the diverse experience and expertise of outside directors with varied backgrounds, including those with investment company experience.

Beyond the specifics of this specific transaction, we also had substantial discussions on broader issues, such as how the Company should advance its digital and AI strategy, the fact that this investment would utilize a significant portion of the investment capacity under our Medium-Term Management Plan 2026, and the time horizon for realizing returns.

<Nagashima>

Ms. Otsuki has already shared how there were very candid and rigorous discussions from Sumitomo Corporation's perspective. At the same time, I would like to highlight that the Board also discussed this decision from another important angle—namely, whether this milestone process might undermine SCSK's autonomy or diminish the energy that drives its business.

It is easy to say that SCSK will grow together with Sumitomo Corporation. However, we must never sacrifice SCSK's agility, uniqueness, or the autonomy that underpins its core business. While I will refrain from going into specific details, I carefully confirmed that, following SCSK's full transition to a wholly owned subsidiary, there has been a thorough and in-depth process of discussion with SCSK's management regarding the governance framework for building the future together.

This was not an approach that emphasized capital-based governance simply because Sumitomo Corporation is the parent company. Rather, the discussions were grounded in how SCSK's on-the-ground business expertise and Sumitomo Corporation's deep and wide-ranging knowledge across multiple industries can be combined—particularly in the era of AI agents—to create an overwhelmingly broad and dynamic business field. Based on this understanding, I am confident that SCSK's autonomy, which is of critical importance, will continue to be respected going forward.

<Takayama>

Building on the points raised by both of you, I would now like to turn to you, Mr. Ueno. From the perspective of the Company's growth after the completion of this transaction, could you share what you were particularly focused on in making this decision, as well as any thoughts you have at this stage?

<Ueno>

As I mentioned at the press conference at the end of October, the world is on the verge of being fundamentally transformed by digital technologies and AI. With generative AI already permeating our daily lives, I feel a strong sense of urgency that unless we leverage these technologies to transform our business model, we risk falling behind our competitors. At the same time, I firmly believe that through such transformation, we have the opportunity to rapidly strengthen our competitive advantages and stay well ahead of others. Against this backdrop, I feel very strongly about the need to pursue our Digital and AI Strategy from both perspectives.

In this context, as many of you know, SCSK has continued to grow steadily, achieving record-high profits for 13 consecutive fiscal years. Even in its current strategy and medium-term management plan—which have not yet been publicly disclosed—SCSK envisions autonomous and significant growth. We share a common understanding with SCSK's management that there remains considerable scope for Sumitomo Corporation to support and further accelerate that growth. Following the full acquisition of SCSK, we confirmed that this structure will enable us to provide full support, allowing SCSK to achieve growth beyond even what it currently envisions for itself.

At the same time, it is critically important that Sumitomo Corporation and the Sumitomo Corporation Group execute their Digital and AI Strategy at a high level and continue to grow. One of our core strengths lies in our on-the-ground operations. By integrating SCSK's strengths with the digital and AI transformation of these frontline operations, I have gained strong conviction that Sumitomo Corporation, SCSK, and the entire Sumitomo Corporation Group can achieve significant growth together.

I hope you will look forward to the future growth story of the Sumitomo Corporation Group—or even transformation that goes beyond that story—and to the progress we will make along the way.

<Takayama>

We have discussed our governance framework and, as part of that discussion, examined SCSK as a specific case.

We will move on to the Q&A shortly, but before doing so, I would like to conclude this panel by asking both of our outside directors to briefly share your current perspectives—at this point in time—on the progress of our current Medium-Term Management Plan 2026, as well as your outlook looking ahead.

<Otsuki>

First, given the challenging global environment, I believe the progress of the current Medium-Term Management Plan can be regarded as satisfactory.

Second, I would like investors to have confidence in the Company's future growth. Japan has finally entered an inflationary phase, and in order to leverage this environment and accelerate growth, the Company made significant capital investments in the current fiscal year. Going forward, I would encourage close attention not only to growth initiatives but also to asset turnover, including capital recycling businesses. From our standpoint as outside directors, we intend to maintain rigorous oversight with these perspectives firmly in mind.

Third, I believe it is increasingly important to consider how we communicate these outcomes to the market and how we can ensure they are properly understood. From the perspective of outside directors, we would like to place even greater emphasis on this point. Compared with other general trading companies, I still sense that our Company is being assigned a relatively high risk premium. In order to address this, we must continue to deepen our dialogue with stakeholders and work together to change this perception.

<Nagashima>

As was explained earlier in CAO Yoshida's presentation, compared with several other companies I am familiar with, the use of AI at our Company has progressed to a considerable extent.

By leveraging AI, we have become better able to identify and evaluate multiple viable courses of action in a smarter and more timely manner. These represent options, and what ultimately matters is which option management chooses—and, having made that choice, the determination to see it through successfully. Going forward, it will be increasingly important to embed a clear management intent into these decisions.

I also believe that, including in terms of decision-making speed, the recent changes to our governance structure have helped put in place the foundation that enables the executive side to act with greater agility. As an outside director, I intend to ensure that this process is subject to appropriate and robust oversight.

<Takayama>

Finally, Mr. Ueno, would you like to share your closing thoughts?

<Ueno>

With regard to our future portfolio, we are operating in an environment of heightened uncertainty and rapid change, where both investment time horizons and the timing of asset rotation vary.

In this context, our approach is clear: to focus on areas where we can achieve sustainable growth and where our strengths can be fully leveraged, and to allocate our management resources accordingly. This is the core strategy of our Medium-Term Management Plan, and maximizing value creation through this approach remains our top priority.

Our recent large-scale investments—the full acquisition of SCSK and the acquisition of Air Lease Corporation—are precisely aligned with our approach to growth leveraged by strengths, further reinforcing those strengths.

By concentrating our management resources on areas where we have clear competitive advantages, we aim to build an optimal portfolio. At the same time, by continuously and nimbly transforming our portfolio in response to changing conditions, we intend to move ever closer to the most appropriate portfolio for each point in time.

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