

IR Day 2023

SC Group's Non-financial Capital and Human Capital Management

Sumitomo Corporation

September 12, 2023



Sumitomo Corporation

Enriching lives and the world

IR Day 2023 –SC Group's Non-financial Capital and Human Capital Management-

Time	Program	Speakers	Contents
Part1 Increasing SC Group's Corporate Value			
1:05~1:15	Presentation by CEO	Representative Director, President and Chief Executive Officer, Masayuki Hyodo	• Increasing Corporate Value over medium- to long-term
1:15~1:35	Presentation by CSO	Representative Director, Senior Managing Executive Officer, Chief Strategy Officer, Hirokazu Higashino	• SC Group's Value Creation -From non-financial capital perspective-
1:35~2:15	Q&A		
Part2 SC Group's Human Capital Management			
2:20~2:35	Presentation by CAO	Representative Director, Executive Vice President, Chief Administration Officer, Takayuki Seishima	• SC Group's Human Capital Management
(5mins)	Case introduction movie		• Telecommunications business in Ethiopia
2:40~3:10	Panel Discussion	Representative Director, Executive Vice President, Chief Administration Officer, Takayuki Seishima Executive Officer, Assistant CAO, Human Resources, Yoshiko Nakazawa Outside Director, Kimie Iwata	• Our talent & capability supporting various business • Achievement of HR Management Reforms and challenges, potential
3:10~3:50	Q&A		
Closing session			
3:50~4:00	Closing	Representative Director, President and Chief Executive Officer, Masayuki Hyodo	• Summary

Part 1

Increasing SC Group's Corporate Value



01

Increasing SC Group's Corporate Value over medium- to long-term

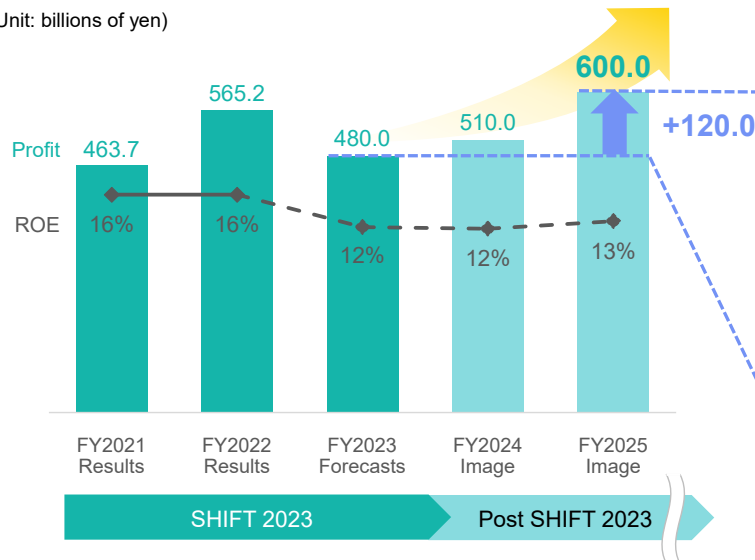
Representative Director, President and Chief Executive Officer, Masayuki Hyodo

Looking ahead to 2025

- By completing SHIFT 2023, we will establish an earnings base that ensures an ROE of 12 to 15% regardless of the external environment. By Linking this to further growth, we aim to achieve a profit of ¥600.0 bil. in FY2025.

Annual profit and ROE

(Unit: billions of yen)



Profit driver from FY2023 to FY2025

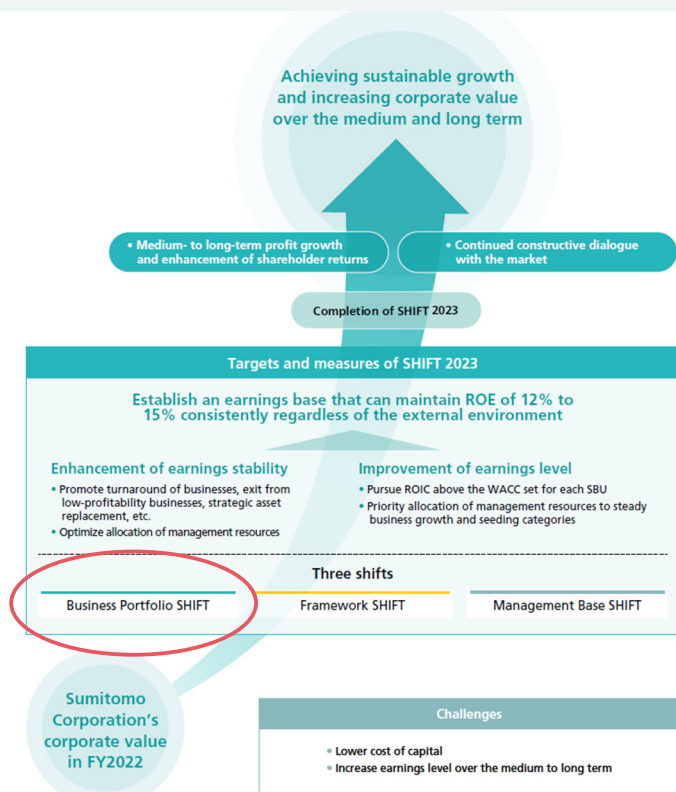
Non-mineral resources: +105.0

- Automotive sales & marketing business: strengthen sales in priority markets
- Construction equipment-related business: geographic/customer base/products expansion
- Overseas IPP/IWPP business: increasing earnings from existing businesses
- Overseas telecommunications business: generating revenue from an expansion of telecommunications areas
- Retail business: Improving profitability through shop refurbishment and DX, and expansion of revenue base
- Healthcare business: expanding the revenue base
- Agribusiness: area expansion, functional enhancement

Mineral Resources: +15.0

- Nickel mining and refining business in Madagascar
- Copper mining business in Chile

Achieving sustainable growth and increasing corporate value over the medium- and long-term



Pursuit of Economic Value and Expanding Non-financial Capital to realize Economic Value

- Maintain ROE of 12-15%, Improve profit "Stability" and "Growth"

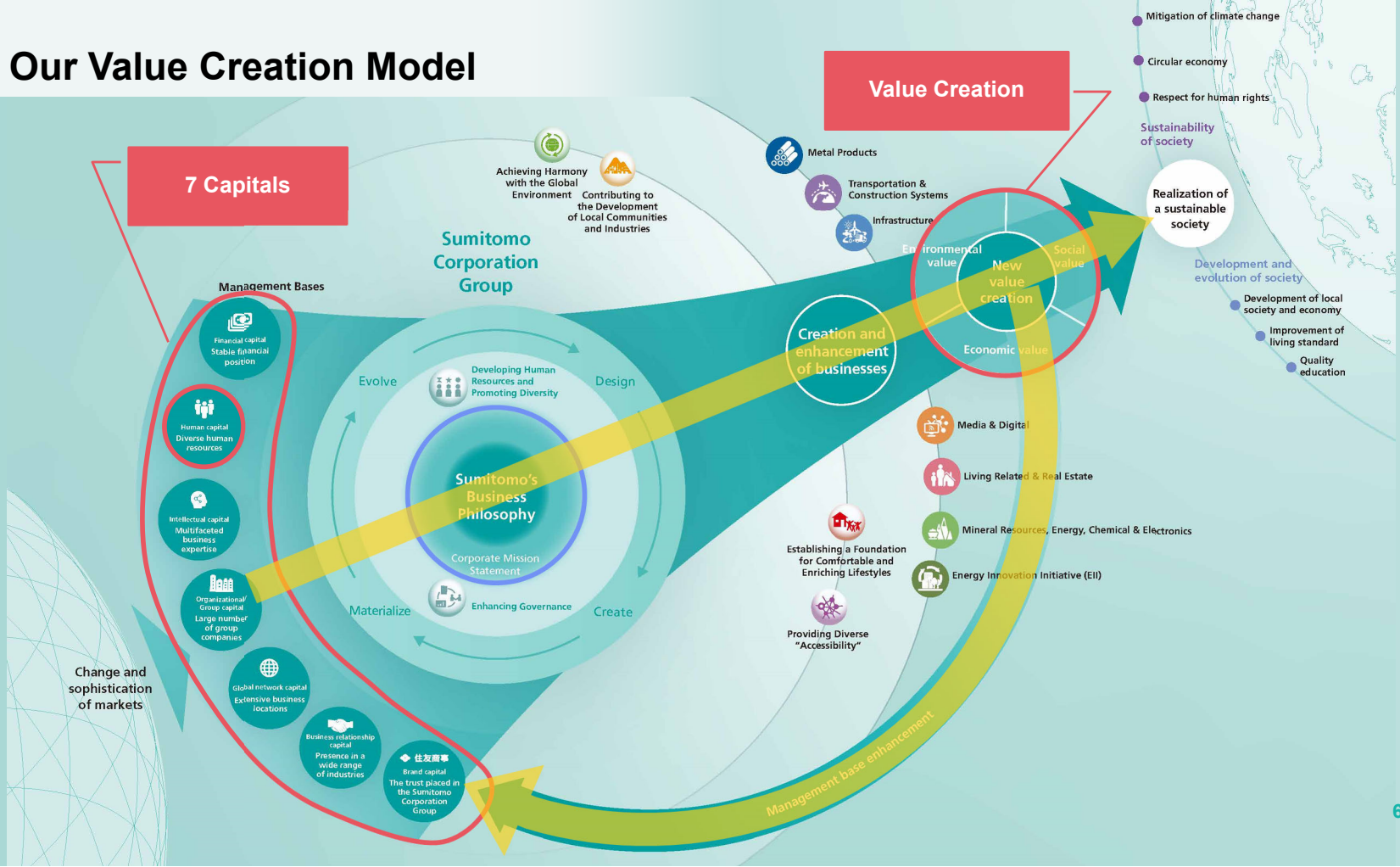


- Businesses that sustainably generate Economic Value are those generate high social and environmental value



- Importance of expanding non-financial capital, that are source of social and environmental value creation getting higher than ever

Our Value Creation Model



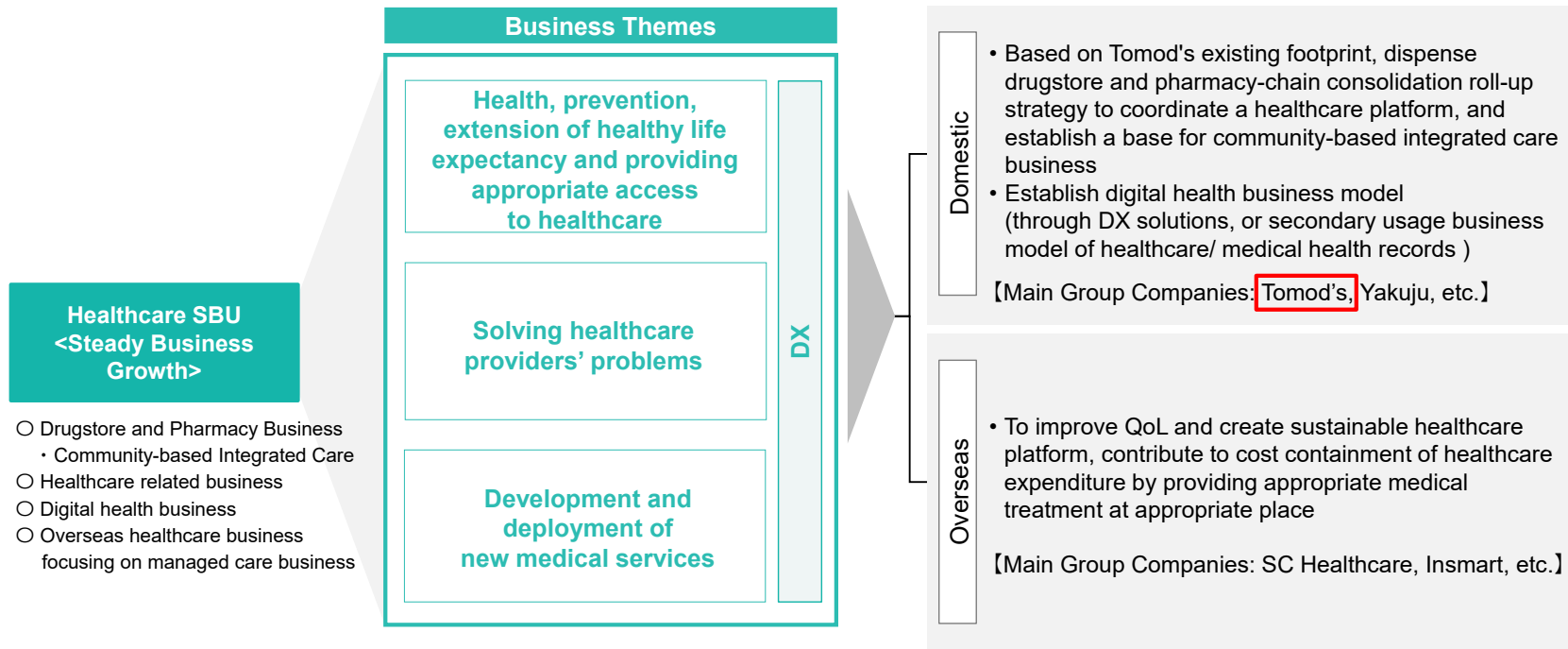
02

SC Group's Value Creation

-From non-financial capital perspective-

Representative Director, Senior Managing Executive Officer, Chief Strategy Officer, Hirokazu Higashino

Overview of Healthcare Business Strategy



Business environment and social value

1990s

**Established Tomod's predecessor
(Sep. 1993)**

* First internal venture company

<Business environment/societal conditions>

- Before the separation of prescription and dispensation, which was common in the West
- Early days of awareness of importance of self-medication and self-care



<Social issues>

Lack of separation of prescription and dispensation:

- Hampered training of expert personnel
- Led to inappropriate prescription and over-prescription
- Drove medicine prices up

The falling population and aging of society:

- Produced soaring healthcare costs
- Created a lack of hospital beds and medical personnel

Solved social issues, aiming to achieve drugstore/dispensing pharmacy ideals in the midst of a difficult environment

[Management Principles]

As a retailer supporting medical treatment, Tomod's aims to be its customers' "personal pharmacy," helping them live rich and healthy lives

[Personnel development]

- Enhance expertise
- Maintain thorough focus on patients' perspectives

[Transformation in the roles played by drugstores/dispensing pharmacies]

- Provide full range of products needed in daily life
- Enrich product selection
- Optimally balance product sales and dispensation
- Open stores in various places trafficked by customers in their daily lives
- Create stores customers will want to visit

Today

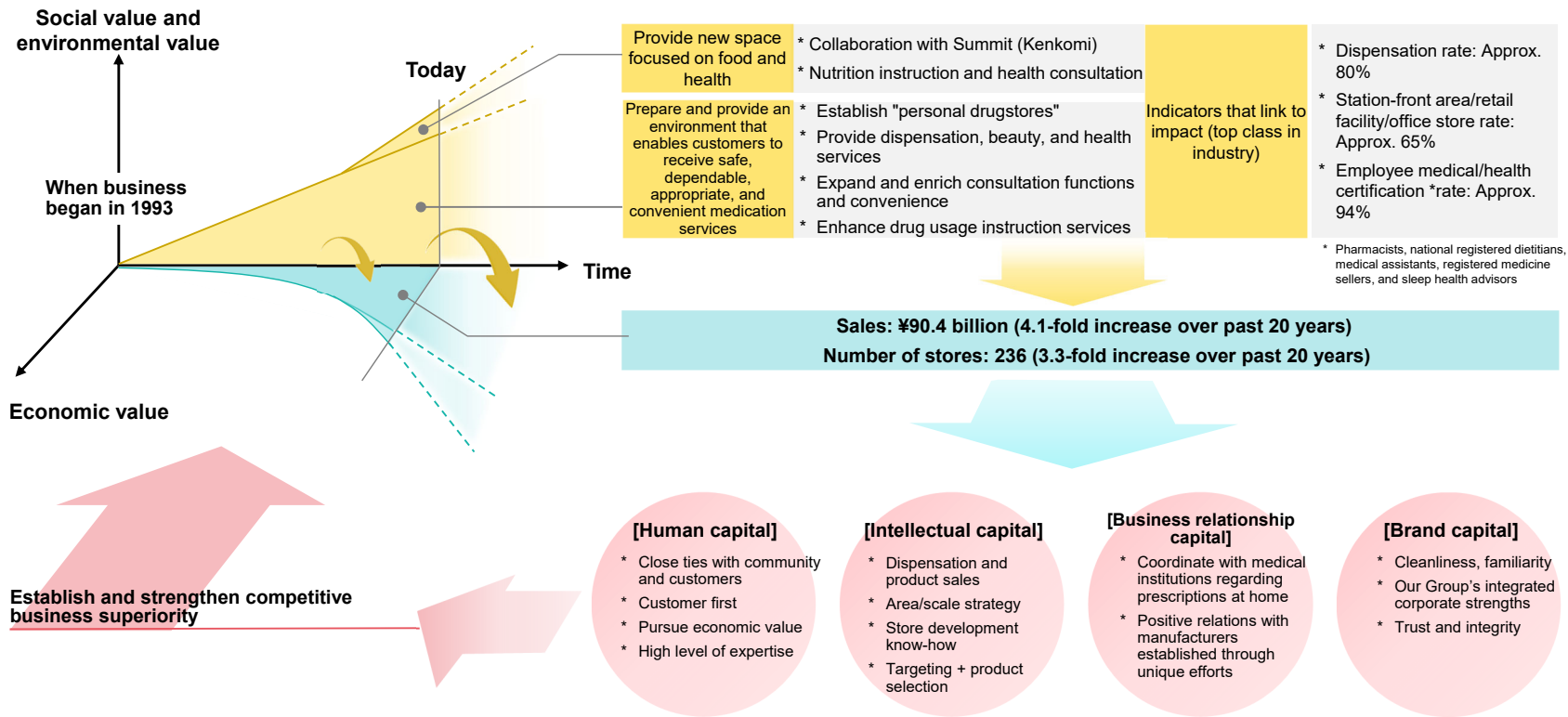
236 stores in the Tokyo metropolitan area

<Business environment/societal conditions>

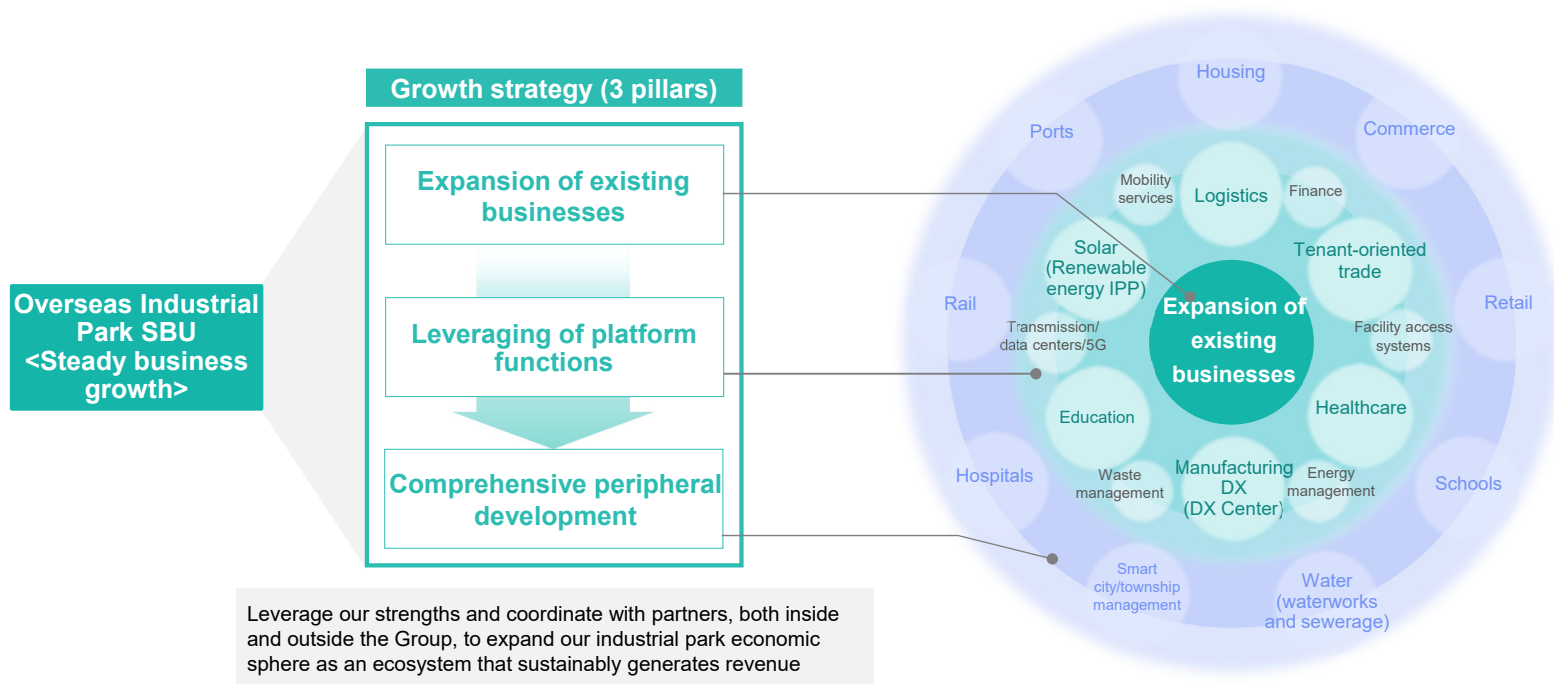
- Separation of prescription and dispensation became well-established
- Ongoing shift from "pharmacy nearest clinic" to "personal pharmacy"
- Rising importance of self-medication and self-care
→ Rising expectations for societal role of drugstores



Non-financial capital supporting value creation



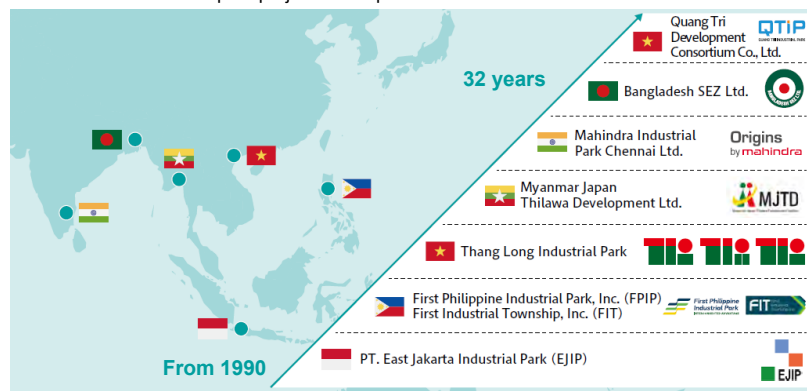
Overseas industrial park business strategy



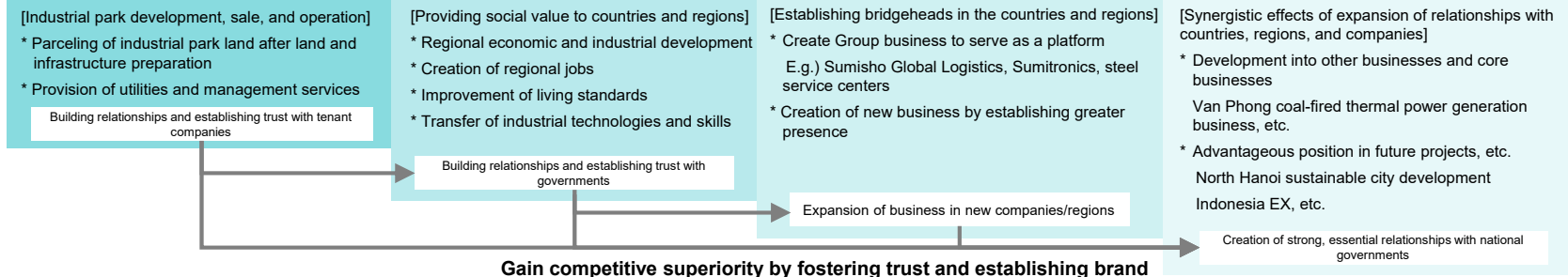
Business environment and social value



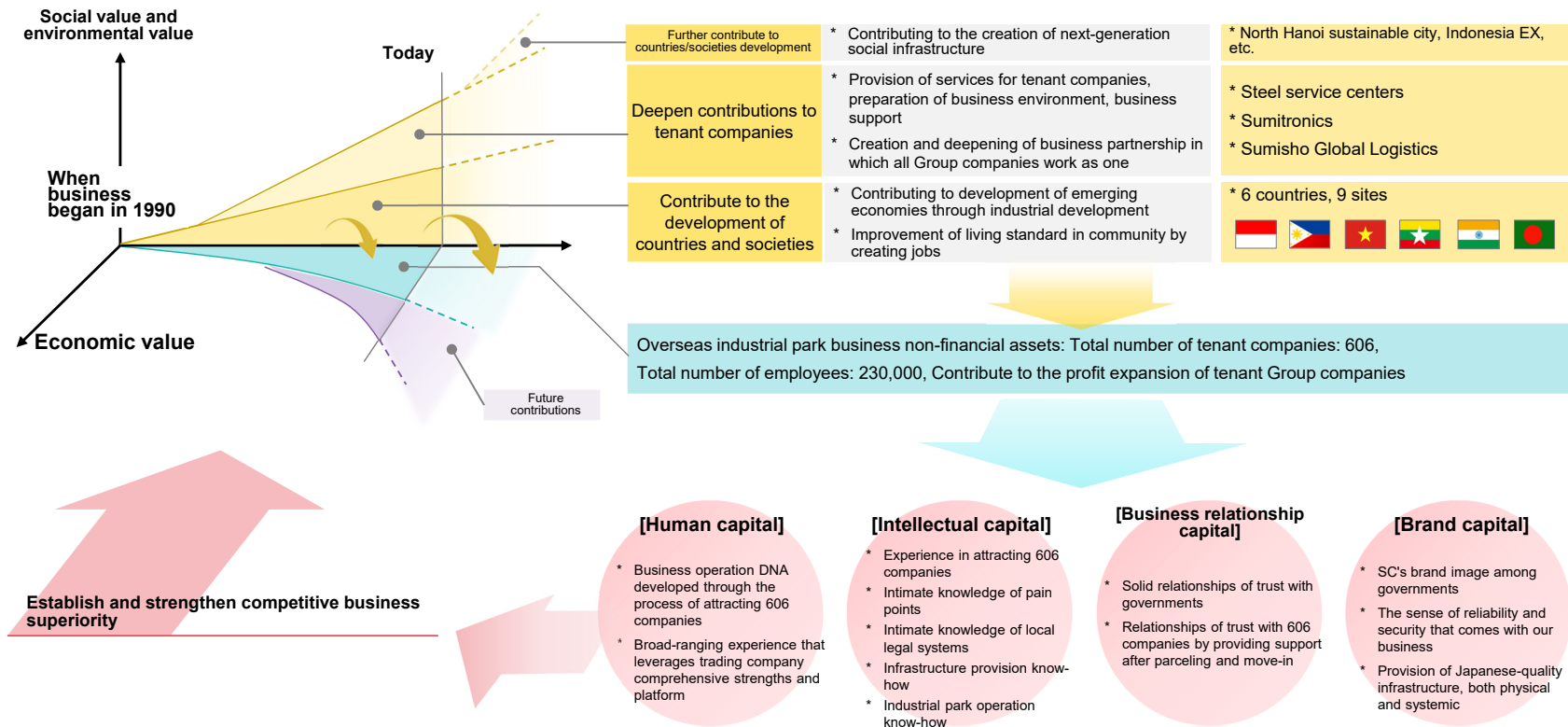
Past overseas industrial park project development



Broadening relations with stakeholders and business expansion in overseas industrial park business



Non-financial capital supporting value creation



The value creation of the Sumitomo Corporation Group

Value creation features shared throughout our Group

Integrity and sincerity

Place prime importance on integrity and sound management without pursuing easy gains

Collaborative creation

Benefit for self and others, private and public interests are one and the same

Long-term perspective

Grand Design

Stay a step ahead in dealing with change

Enterprising spirit

Human capital, the source of value creation

Recognize human resources as the most important asset

The Sumitomo's business philosophy that runs through the entire Group is passed on in the DNA of the Group's employees.

All of our business activities must produce social value, environmental value, and economic value.

Further enhance our ability to create economic value

Leverage underlying features and strengths of 54 SBUs to maximize social value, environmental value, and economic value
(plan to generate 600 billion yen profit in FY2025)

Expand non-financial capital to increase medium- and long-term corporate value beyond FY2025

▶ Expanded in Part 2

Part 2

SC Group's Human Capital Management

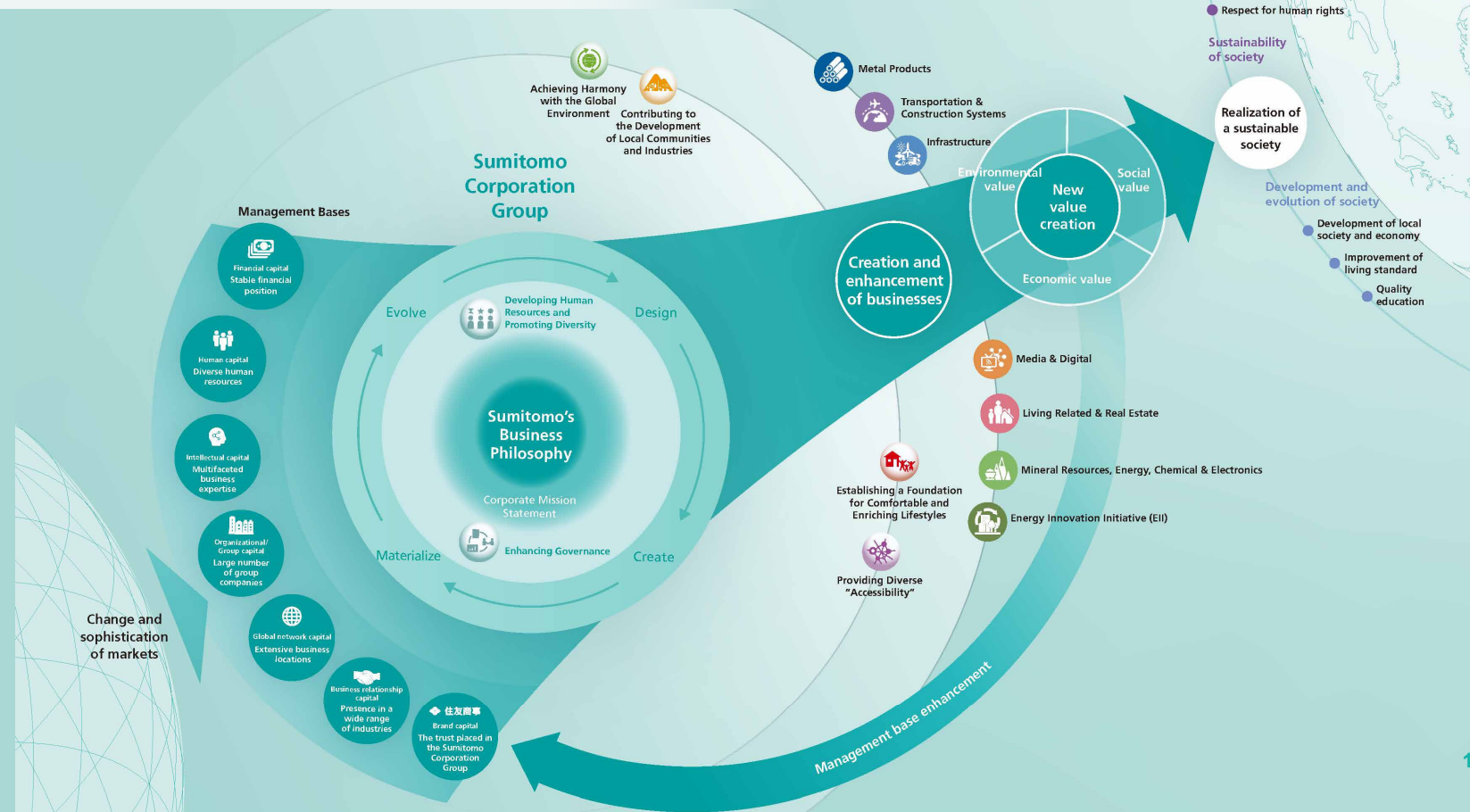


01

SC Group's Human Capital Management

Representative Director, Executive Vice President, Chief Administration Officer, Takayuki Seishima

Our Value Creation Model



Sumitomo's Business Philosophy

Integrity and sound management

In order to maintain integrity, the most important aspect of business -- its very foundation -- each and every person must perform work that contributes to this foundation. One must never betray others, but instead always live up to one's words.

Benefit for self and others, private and public interests are one and the same

It is not enough for Sumitomo's business to aim to enrich itself only, it must have the grander goal of serving the interests of the nation and society. Work should thus always be well-planned and conducted with a spirit of gratitude and a sense of mission.

An enterprising spirit

Facing change positively and staying one step ahead of it, letting go of out-of-date businesses and starting new ones to meet contemporary needs instead.

Grand Design

In business, one must always look to the interests of the nation and society, maintaining a long-term outlook. "Planning projects for the next century of our nation"

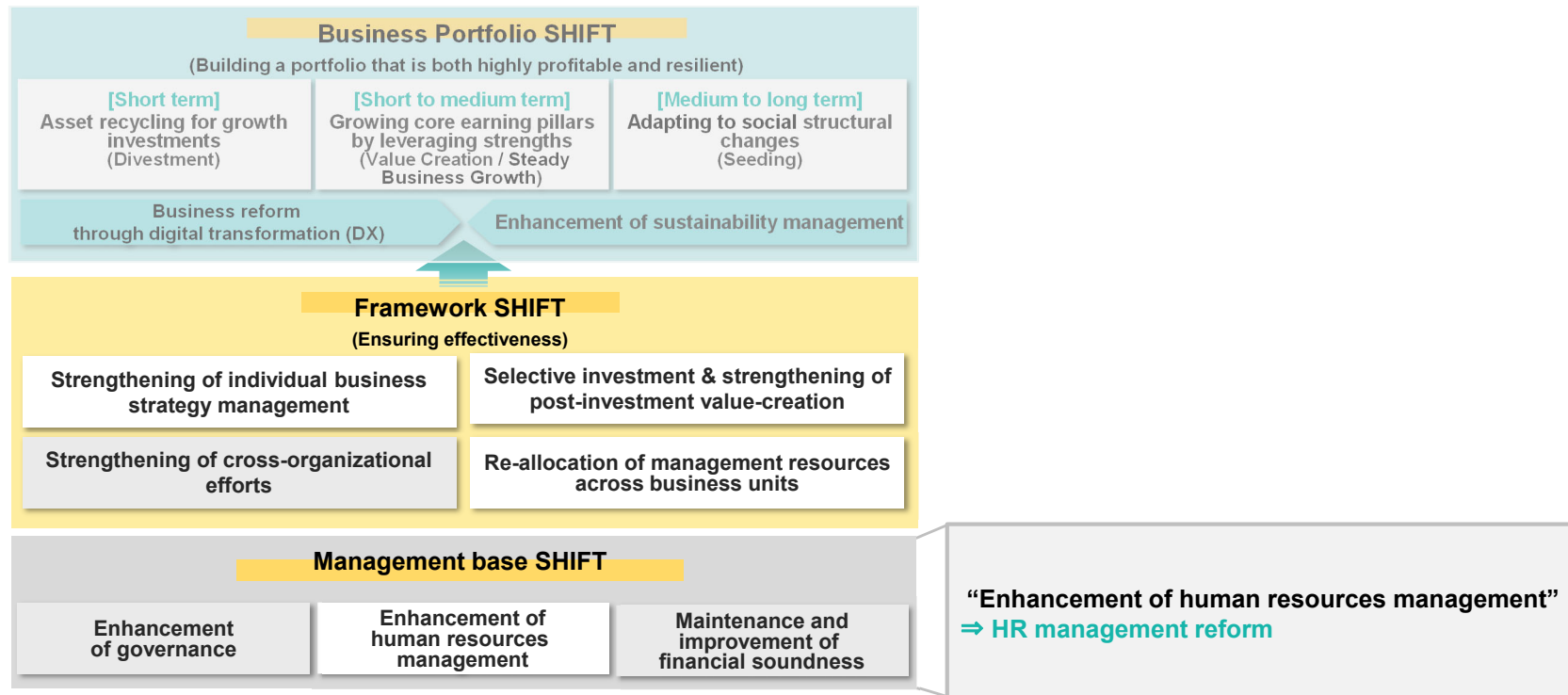
Don't pursue easy gains

Never allow yourself to be swayed by short-term profit that creates no value. Draw on your knowledge, dedicate yourself fully, and provide value to business partners and the market, engaging in business where you can reap the rewards of your work with your head held high.

Recognize human resources as the most important asset

Companies are rallied by their people. Throughout the Group's history, discovering and cultivating talented personnel has been management's highest priority.

Medium-Term Management Plan SHIFT 2023



Overview of our HR management reform



Concepts behind our HR management reform

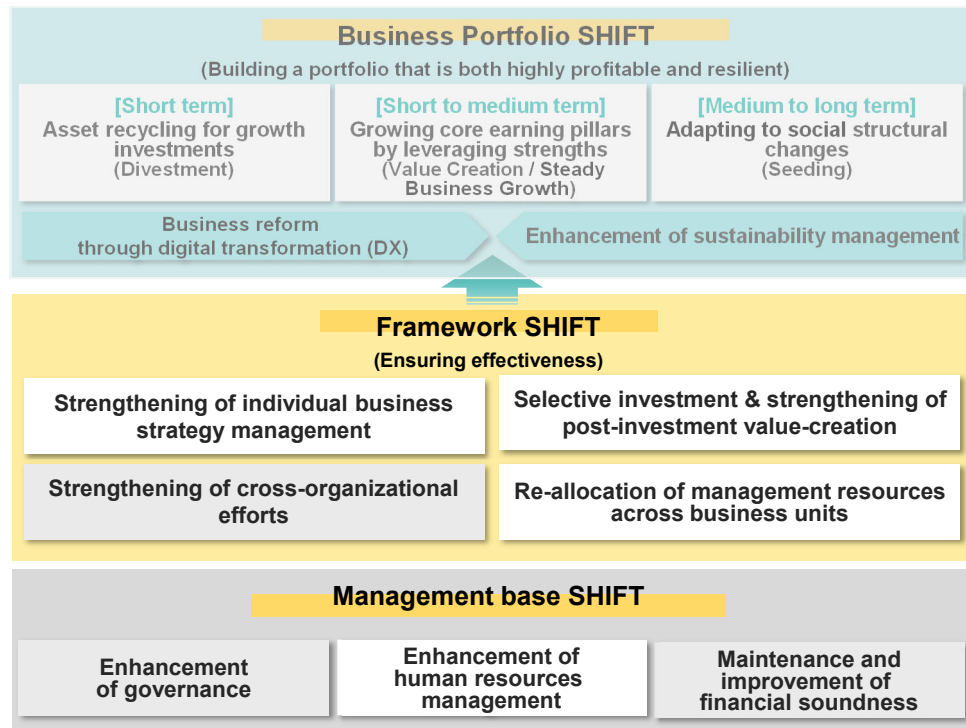
Breaking free from seniority-based thinking and
Pay for Job, Pay for Performance

Expanding the pool of top-tier professionals
in diverse fields

Enhancing people management skills that
support the **autonomous growth** of individuals

Promoting diversity, equity and inclusion

Medium-Term Management Plan SHIFT 2023



Personnel-related measures that further support our Framework SHIFT

- **Strengthen business strategy management**
Introduce "evaluation of progress of strategy execution"
Reflect strategy execution evaluations of SBUs, etc., in compensation
- **Carefully select investments and increase value creation after investment**
Introduce "Investment performance-linked compensation plan"
Reflect investment performance of new large-scale projects in compensation
- **Strengthen allocation of management resources, optimized for the entire Group**
Shift human resources in conjunction with rebuilding of the business portfolio
Complete planned shifting of 100 employees through individual matching and open application process, etc.

Revising the HR Management System

HR System revision at Head Quarter

In April 2021, introduced to remove obstacles from the old system and to embody our Global HR Management Policy

Introduction of Job Grading System

Abolish seniority-based management. Maximize organization performance by energizing people of every generation

- ✓ Promote the “Right person in right assignment” with emphasis on expertise and skills
- ✓ Appoint **younger** managers and general managers **than ever before**
- ✓ Appoint **management personnel in their 20s**

Reformation of Evaluation System

Fair “Pay for Performance”. An evaluation system that contributes to human resource development

- ✓ Shift from comparative evaluation to **absolute evaluation**
- ✓ Introduction of **360-degree evaluation** to enhance fairness
- ✓ Promotion of extensive dialogue

Use HR management system surveys as fixed-point observation of the penetration of the personnel system and the status of its operation. Continue with efforts aimed at improving effectiveness

FY2023 survey results
(percentage of respondents answering neutrally or affirmatively)

“Do you think the elimination of the seniority system is progressing?”
68% (9 points up than last year)

Improvement of People Management Skills and Autonomous Growth

Shift in dealings between supervisors and subordinates

Promote bidirectional, one-on-one communication between supervisors and subordinates

Measures that help improve people management skills

Introduce absolute evaluations

Introduce 360-degree evaluations

Career assessment

Expand training programs

FY2023 survey results
(percentage of respondents
answering neutrally or
affirmatively)

"Have you discussed and coordinated your future career plan with your supervisor?"
84% (2 points up than last year)

Measures that support autonomous growth

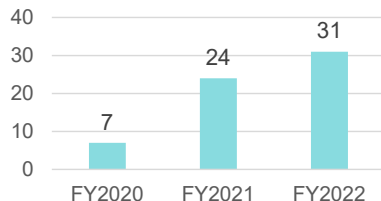
Internal recruitment system

Side/Second job system

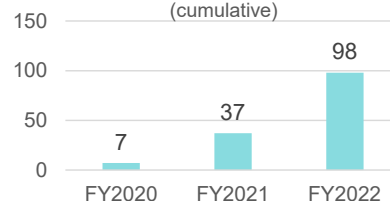
0⇒1 Challenge

MIRAI LAB PALETTE

Internal recruitment system
No. of accepted applications



Internal recruitment system
No. of applicants
(cumulative)



DE&I

"Global HR Management Policy"

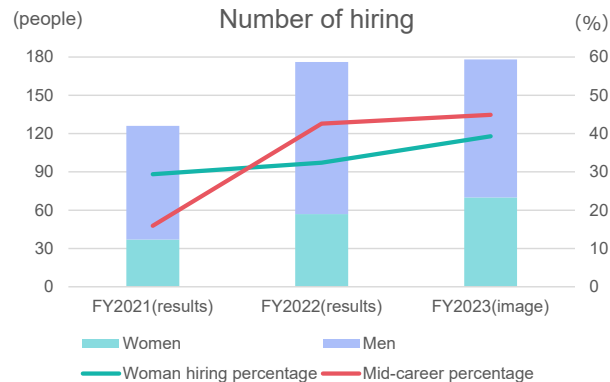
| Diversity, Equity & Inclusion | The source of our competitiveness

Positioning DE&I as the source of our value creation, innovation, and competitiveness, and **eliminating all barriers to DE&I**, strive to implement our vision by leveraging a mix of knowledge

Explicitly added the concept of **"Equity"** to declare out dedication to promoting behavioral changes to our organizations and people

Implement measures responding to each country's situation

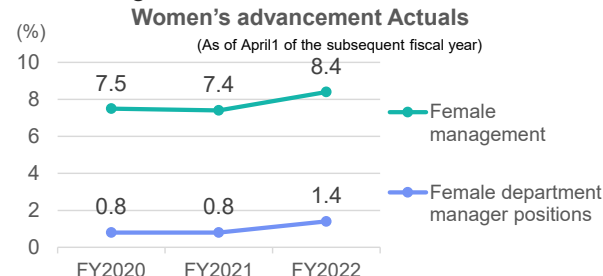
- ✓ **Expand reach** to various candidates, from junior-level employees to management-level candidates, through means such as year-round hiring and open mid-career hiring focused on potential
- ✓ Enhance **mid-career hiring** focused on expertise and **appoint executive officers from outside the company**
- ✓ Enhance succession planning and personnel development and **actively promote junior-level personnel**
- ✓ Measures to Promote women's empowerment (details in the next page)
- ✓ Promote "Right talents to the Right Places" on a global basis, including **promoting locally-hired employees to management positions** in overseas locations
- ✓ Hold **Diversity Weeks** (3-week intensive programs) on a global basis and continue with efforts to transform mindset



DE&I (Promoting the women's advancement)

Position as a highest priority issue in Japan (stand-alone), set targets, and work to achieve targets

Target for promotion of women's advancement	FY2030 (Target)
Female directors and audit & supervisory board members	30%+
Female management	20%+
Female department manager positions	10%+



Specific measures to achieve Target

- ✓ Introduce indicator of promotion of women's advancement to executive evaluations and compensation decisions
- ✓ Introduce **executive mentor system** for female candidates for general manager-level positions
- ✓ **Unify job positions**, appoint members of former clerical positions to management positions
- ✓ Review and revise hiring methods and processes, **strengthen hiring** by actively sharing success cases
- ✓ Continue improving environment and reforming mentalities (panel discussions by women executives, sessions for consulting with senior female executives etc.)

Establish PDCA cycle for monitoring progress toward targets and implementing specific actions

Measures to support balancing work with life event and improve environment

- More extensive childcare leave and reduced working hours than required by law
- System for retirement and reemployment to match a spouse's work transfer
- Support system for expatriates who move abroad with only their children
- Remote working and super-flex systems
- Childcare consulting service
- Partnership with childcare facilities
- Childcare leave taken by men

	FY2020	FY2021	FY2022
Average number of days acquired	33.7	46.9	60.4
Acquisition rate*	54.5%	56.9%	67.3%

*including spouse maternity leave

Engagement

Started Engagement Survey from FY2022

Feature and tendency of FY2022 and FY2023 survey results

Added engagement indicators as evaluation of executive remuneration

02

Panel Discussion

Representative Director, Executive Vice President, Chief Administration Officer, Takayuki Seishima

Executive Officer, Assistant CAO, Human Resources, Yoshiko Nakazawa

Outside Director, Kimie Iwata

Brief profiles of the panelists



Takayuki Seishima

Representative Director, Executive Vice President, Chief Administration Officer



Yoshiko Nakazawa

Executive Officer, Assistant CAO, Human Resources



Kimie Iwata

June 2018 - Outside Director, Sumitomo Corporation

She has wide-ranging knowledge and a wealth of experience in business management, corporate governance, corporate social responsibility, and diversity, etc. accumulated through her many years serving in several key positions at the Ministry of Labor (currently the Ministry of Health, Labor and Welfare), and after retiring from the ministry working in various executive and outside director positions for private companies, among other roles.



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