

IR Day 2023 Part 2: Questions and Answers

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[Presenters]	Takayuki Seishima	Representative Director, Senior Managing Executive Officer, Chief Administration Officer
	Yoshiko Nakazawa	Executive Officer, Assistant CAO, Human Resources
	Kimie Iwata	Outside Director
	Yoshinori Takayama	Corporate Officer, General Manager, Investor Relations Dept.

<Questioner 1>

To secure excellent people, is there anything you are focusing on at the hiring stage?

<Hyodo>

Willingness is a very important factor. A process is important: providing many opportunities for in-depth actual communication, seeing into people's personalities and the qualities that individuals possess, and understanding each other. In the hiring of new graduates, we provide as many opportunities as possible for students to gain a broad understanding of our company's work style and philosophy through visits to alumni, internships, where we are not to tie them to employment. In both new graduate and career hires, we value the process of mutual understanding. We are very focused on building on these efforts to promote personnel recruitment.

<Questioner 1>

I would like to ask how you are differentiating yourself from other companies in order to have truly outstanding students choose Sumitomo Corporation.

<Hyodo>

In addition to PR in the form of job placement, we make efforts to express our business activities as naturally as possible in our PR strategy. This, in turn, will deepen our applicants' understanding of us in their job hunting. I think this is very valuable.

We also believe that enhancing PR activities is a very important aspect of branding.

<Questioner 1>

From the previous explanation, I understood that Sumitomo Corporation seeks people who are up to the challenge and the company evaluates employees who actually take on challenges and achieve results with rewards and other benefits. On the other hand, is there a system that allows employees to try again who have tried and failed? I believe that kind of system is important where employees can challenge and re-challenge themselves so that their willingness to take on challenges is not diminished.

<Hyodo>

What is essential is for the company to communicate strongly to each employee the importance of making use of what they have learned from their failures to their next new roles, as well as the importance of trying again after failure and continuing until success is achieved. As president myself, I try to provide as many opportunities as possible to communicate directly with employees. For example, in the "0 to 1 Challenge" program, where more applicants fail than succeed, there have been cases where applicants have tried again and actually gone on to start their own businesses. They are sharing their thoughts and what they have learned from their experiences with others in the company through exchanges of opinions like panel discussions. We believe it is very important to continuously practice these steady efforts.

<Questioner 2>

What investors expect is for the company to develop a HR system that will allow it to create a conglomerate premium as a general trading company. I think it is important to demonstrate your

comprehensive strength as a general trading company in order to have an advantage over other companies in the industry.

I would like to ask about the current system and prospects for the HR system, whether there is a mechanism that will drive the creation of added value through the cross-organizational development of businesses and functions, such as developing examples across business domains where the investment cost of introducing automation is lower than the labor cost of the business process.

<Hyodo>

How to effectively operate in the business fields is really important for the HR system. In our company, since the introduction of the departmental system in the 1970s, the siloization of departments has been an issue to be solved. And we have been working for many years to break out of silos, to collaborate, and to demonstrate our integrated strength. Currently, we are beginning to revitalize our organization so that we can convert our comprehensive strengths into value at the SBU sites where we generate business.

In this regard, the basic concept is three-pillars growth strategy. We will drive the general trading company function through our own staff of more than 7,000 people, including personnel at each of our bases around the world. Then, we will maximize the earning power of each of our nearly 900 group companies. The entire group will then work together to maximize and optimize group strength.

We would like to ensure that each of the 54 SBUs incorporates the strengthening of organizational capabilities from these three perspectives into its strategy, and that the corporate units support them on a global basis.

Based on this concept, we believe that if our people promote DE&I in their own positions, it will demonstrate its comprehensive strength, which in turn will lead to a conglomerate premium.

<Seishima>

Our company has relatively low sectional barriers, and consequently, the hurdles to cross-organizational collaboration are relatively low. On the other hand, for our company to grow, each SBU must earn money as well as the collaboration. Our budgeting process is based on the premise that we do consider how to develop earning power and link it to the company's growth, and quantitative evaluation will be made for those in positions of responsibility. Moreover, the cross-organizational collaboration is ensured because those who do not or intentionally do not collaborate will be negatively evaluated in the qualitative evaluation.

However, at this point, I personally believe that priority should be given to developing the earning power of each SBU over the cross-organizational cooperation.

<Questioner 2>

You have set a target for FY2030 in terms of DE&I and the promotion of women's advancement. How are you promoting understanding within the company regarding the purpose and significance of the promotion of women's advancement? In order to avoid the negative aspect of simply achieving numerical targets becoming an objective, how you are creating a mechanism to generate empathy within the company.

<Hyodo>

The ultimate goal of DE&I is to empower organizations. I have been speaking at town halls and other such events to local employees at all of our bases around the world, including Japan, about the great importance of taking all possible measures to achieve this goal and having all employees implement these measures. On top of that, we will practice our DE&I.

Naturally, each location has different social/economic conditions and cultures, so the operation of HR policies and the practice of DE&I must be implemented at each location. The important thing is to share the ideals, actual on-site situations, and surveys with all members of the organization, and to formulate and implement concrete plans for what to do by when in order to fill the gap between the ideals to be aimed for and the reality.

It is also extremely important to nurture the new HR system, the ideas behind it, and the concept of talent development together through on-site communication, which is exactly what we are in the process of implementing on our global basis.

<Seishima>

When introducing quantitative targets, there were discussions at each of the following stages: HR organization, management council, and board of directors. In light of our current situation, we concluded that it would be better to set quantitative targets in order to drive the promotion of women's advancement. As Hyodo mentioned, it is important to share what we are aiming for and have it permeated through each organization.

At the same time, we also provide care for women. There is an executive mentor system for the director candidate class, where several executives serve as mentors and meet regularly with the candidate women to exchange various opinions. In each organization, we try to have regular conversations with younger female candidates.

<Hyodo>

Now, as we are promoting women and young people, there are naturally some people who say that they may be too inexperienced and too young, but I myself think that is fine. Making mistakes creates opportunities to learn. For example, a person who is a little too young to be a department head is appointed as the roll in order to encourage him or her to grow up and fail a lot. I think it is very important to have the idea that the company fully supports the effort by giving the employees the opportunity to correct their mistakes, on the basic premise that they themselves make the effort. I believe this would lead to a vibrant, seniority-free organization that offers as many opportunities as possible.

<Nakazawa>

The men probably passed down many of lessons and learns at drinking parties and, in the old days, in tobacco rooms, etc. While there are still not many opportunities for women to learn such knowledge, one of the things I am preparing to do now is to identify the development needs of each of the women who will be the next candidates and to accelerate the development of these people. Taking into account that all women in leadership roles including myself are struggling with less opportunity to get knowledge, by providing versatile knowledges and experiences of outside the company, I am following up with women to expand their options, encourage them to take on challenges, and help them feel more secure in their work. For example, we are preparing to create an environment where everyone can share knowledge and support each other, such as communication styles unique to women, including the fact that it is acceptable for men to say such things, but unfortunately it may not be acceptable for women to say the same things.

<Question 3>

I would like to ask you about the performance of the ratio of female managers. Since last year's annual financial report, each trading company has disclosed the percentage of female managers in accordance with the Law for the Promotion of Women's Advancement: 12% for Mitsubishi Corporation, 8.5-8.6% for Mitsui & Co, 8.5-8.6% for ITOCHU Corporation, and 8.3% for Marubeni Corporation, Sumitomo Corporation accounted for 8.4%. Although I evaluate your qualitative efforts and the Company is actively promoting women's advancement, as shown in this presentation, the company's quantitative performance is not high. Please let me know how you analyze this gap.

<Seishima>

I believe that each company has a varied history regarding the advancement of women and their promotion to management positions. We look at the numbers and the differences from other companies as facts, but there is probably no secret plan for our company to make any jump against them. It is essential that we take steady steps and continue our efforts every year to achieve the goals we have set for the Company.

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