

**Question & Answer at Investor Day 2022 Part 2
(Panel Discussion by outside directors)**

[Date] September 14th, 2022, 3:50pm - 4:10pm

[Speaker] Koji Ishida Outside Director

Kimie Iwata Outside Director

Yoshinori Takayama Corporate Officer, General Manager, Investor Relations Dept.

< Questioner 1 >

I will ask both of you a question. I am sure that both of you have already provided excellent advice to Sumitomo on how to improve its corporate value over the medium to long term based on your own knowledge and experience. Even so, if you are aware of points that should be further improved, I would like to know.

Secondly, as a relatively orthodox question, whether it is SHIFT 2023 or a longer time horizon, I would like to ask you, having actually served as an outside director, which parts of Sumitomo Corporation are very attractive and promising, and on the other hand, if there are any parts that should be changed as problematic points.

< Ishida >

From a medium- to long-term perspective, as I mentioned earlier, I am most interested in the Company's agility, or rather, its ability to respond to changes in the environment accurately and without time lag. The question is, is our system conducive to that or is it putting a brake on it? If we are putting on the brakes, our main concern is that we need to change that.

We are a very cautious company, and when we implement a major change in any aspect of our system, we take the time to think about it very precisely. Not that there is anything wrong with that in itself, but my personality suggests that we should do it a little faster. The world is moving, and I hope that its corporate culture and the way its staff moves around will change a little more.

One of the things I appreciate most in the current mid-term plan is the SBU, the basic concept of the SBU is to divide operations into horizontal units and give each of them a target, such as ROA, and then compete among them to capitalize and so on. I am told that this will be reviewed in general twice a year at the strategy meeting.

In that case, when I heard about it, I thought it would be redundancy with divisions, headquarters, departments, etc. However, the current situation is that they are successfully balancing the two, so I believe this will gradually change.

< Iwata >

What I like best about the good points is that Sumitomo's business spirit is strongly shared. I think it is a wonderful corporate culture that cannot be created overnight. The term "Sumitomo's Business Spirit" is used at board meetings, and the chairman and president also speak in light of the Sumitomo Business Spirit.

Another wonderful thing is the high quality of the employees. Many of them have high potential and are very smart. I think the issue is whether the employees are really being fully nurtured and whether they are playing an active role in the company. We have a new personnel system that was introduced last year, and we have made a commitment to abandoning the seniority factor. It is going with pay-for-job and pay-for-performance.

We are trying to train employees who have been trained as generalists to become professionals in their respective fields, so whether we can achieve this or not is an issue for the future.

The bad part is exactly the same as Mr. Ishida: lack of speed. I see them as taking a lot of time to make adjustments. It takes a long time to make policy decisions, because they are very meticulous and make adjustments in each direction and at each level of the company. The quality of board meeting materials is also very high compared to other companies. Because they are willing to pursue high quality, they spend a lot of time. The executive side is aware of this and is trying to overcome it.

< Questioner 1 >

Since the president is here, I would like to ask if there are any specific measures to address the lack of speed, which I am sure you are already aware of.

< Hyodo >

This is a habit that has developed over the years in our organization. It is troubling when important points are missed, but as long as the points to be discussed are covered, in extreme cases, there is no need for paper. It is not

impossible to make work decisions without over-quality documents. I would like to discuss this at management meetings and thoroughly change the way we work.

< Questioner 2 >

I would like to ask both of you one question each. First of all, I have a question addressed to Ms. Iwata. Recently, the Governance Code and METI guidelines have called for a robust discussion of business portfolios at board meetings. "The Shosha business" consists of individual businesses for each portfolio.

I would like to know if the board of directors is responsible for making policy decisions for the entire business portfolio, or if it is already considerably formulated at the management committee stage.

Since you also serve on the boards of other companies, we would like to know where you think the company-wide business portfolio should be judged, including from that perspective.

< Iwata >

I think there are two things (advising and monitoring) that can be discussed at board meetings, whether at Sumitomo Corporation or other companies. As for this portfolio, I think the executive side should be responsible for most of it. What the Board of Directors decides is the major direction. Thinking back to my comments at past board meetings, I have said, for example, that sustainability issues should be included in portfolio discussions and that portfolio discussions and sustainability issues should never be separated.

In addition, especially in the case of trading companies, business divisions are boldly focusing on business on a daily basis, and new areas that go beyond the boundaries of the business divisions need to be well structured.

In this aspect, for example, I remember that when we discussed the current mid-term plan, I said that the company-wide investment quota, which each division contributes to create, had been in place for some time, but that it should be boldly enlarged.

As a result, it became larger, and I feel that I was able to push back a little. In other words, I think it is the board's advice in the larger discussion, rather than individual projects.

The most important point is monitoring, whether or not the policy decisions are being implemented, and whether or not the policy itself is being appropriately changed in response to changes in the environment and other factors.

I think the board of directors is doing a good job in this regard.

< Questioner 2 >

Thank you very much. I would like to ask another question to Mr. Ishida. Earlier, you talked about monitoring the transparency of decisions. For this purpose, I think "eyes that see well" and "ears that hear well" are necessary. I would like to ask you about your thoughts on providing information to outside directors.

< Ishida >

They should honestly ask what they do not understand. However, as a prerequisite for this, transparency must be ensured. We have secured this point, and if you ask, they will tell you everything. In other words, if you don't know, it is because you don't ask. I believe that the channels through which information is received will continue to be enhanced.

For example, in the case of auditors, there is a board of auditors, where all auditors gather and exchange information. Among them, there are standing auditors who attend multiple internal meetings and share information on the content of those meetings. In contrast, outside directors do not have a similar system, so I think the direction will be to have such a system created. This is what I am thinking.

[END]