1. Trend of ESG Investment and SC’s Sustainability Management
2. Sumitomo’s Business Philosophy, SC group’s Management Principles and Material Issues
3. SC group’s Value Creation Model
4. Initiatives for Medium-Term Management Plan
5. Initiatives for Social and Environmental Issues
6. Dialogue with Shareholders/Stakeholders
Our business is spreading globally and across the industries. We have the responsibilities to contribute to the realization of sustainable society.

We address social issues through our business activities and work to achieve sustainable growth with society.
2. Sumitomo’s Business Philosophy, SC group’s Management Principles and Material Issues

**Corporate Vision**
We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

**Management Principles**

**Corporate Mission:**
To achieve prosperity and realize dream through sound business activities

**Management Style:**
To place prime importance on integrity and sound management with utmost respect for the individual

**Corporate Culture:**
To foster a corporate culture full of vitality and conducive to innovation

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**Sumitomo’s Business Philosophy**

“Maintain integrity and sound management”
“Avoid easy gains”
“Enterprising spirit to stay a step ahead”
“Benefit to self and others, private and public interests are one and the same”

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**Six Material Issues to Achieve Sustainable Growth with Society**

We contribute to realize sustainable society by addressing variety of social issues through our business activities
## 2. Sumitomo’s Business Philosophy, SC group’s Management Principles and Material Issues

**Important factor on decision-making process**

- making decisions on strategies and individual investments based on the trend of long-term social issues and attitude towards provision of value required by society

<table>
<thead>
<tr>
<th>Practice on Management Principles through each business</th>
<th>Control of Impacts to Social / Environmental Issues on Business</th>
<th>Strategic Development of Business for Solving Social Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of Value, Governance, and Risk Control respond to long-term social trend</td>
<td>Social/environmental risk management on our group and supply chain</td>
<td>Allocation of resources to emerging fields / Creation of next-generation business</td>
</tr>
</tbody>
</table>

**Increase in stability and growth potential on management and corporate value in the long-term**

**Better recognition from shareholders and stakeholders**

**Increase in employees’ motivation**
3. SC group’s Value Creation Model

The core of our value creation model is Sumitomo’s Business Philosophy and SC group’s management principles.

- We constantly stay ahead in dealing with change. We provide new value to society leveraging business relationship/partnership, global network, etc.

- We utilize HR and enhance governance of entire group

Change and sophistication of markets
Change and sophistication of markets
Management Bases
Management Bases
- Commercial capital
  - Stable financial position

- Human capital
  - Diverse human resources

- Intellectual capital
  - Multifaceted knowledge of business operations

- Organization and Group capital
  - Large number of Group companies

- Global network capital
  - Extensive business locations

- Business relationship capital
  - Presence in a wide range of industries

- Sumitomo Corporation
  - Brand capital
  - The trust placed in the Sumitomo Corporation Group

Value Creation Model
Value Creation Model
Sumitomo Corporation Group
Sumitomo Corporation Group
- Metal Products
- Transportation & Construction Systems
- Infrastructure
- Media & Digital
- Achieving Harmony with the Global Environment
- Contributing to the Development of Local Communities and Industries
- Environmental value
- New value creation
- Social value
- Economic value

Evolving
Evolving
- Design
- Create
- Materialize

Developing Human Resources and Promoting Diversity
Developing Human Resources and Promoting Diversity
- Corporate Mission Statement
- Enhancing Governance

Realization of a sustainable society
Realization of a sustainable society

Management base enhancement
Management base enhancement
4. Initiatives for Medium-Term Management Plan

**Medium-Term Management Plan 2020**
- Unceasing Challenge for New Value Creation

**Promotion of growth strategies**
- Growth Strategy 1: Increasing the value of existing businesses
- Growth Strategy 2: Creating the next-generation businesses
- Growth Strategy 3: Leveraging cross-business platform

**Expanding business support functions**

**Reinforcement of management bases**
- Enhancement of governance
- Enhancement of human resources strategy
- Enhancement of financial soundness

**Maintain and Strengthen of Value Creation Model / Sustainable Growth and Increase in Corporate Value in the Long-Term**
- Allocation of management resources and next-generation business development and R&D base on current mega-trend
- Value creation by leveraging our platform which has contacts with customers in a variety of regions and business fields
- Pursuit of full-potential of existing group companies, respond to changes in environment

**- Strengthen group’s governance**
  - Increase in operational excellence and corporate value of group companies
  - Enhancement of monitoring function of BOD and Management Council

**- Promoting “Diversity & Inclusion” for promoting our growth strategies to make diversity a source of competitiveness**
4. Initiatives for Medium-Term Management Plan

**Creation of Next-Generation Business**

**Technology x Innovation**

Strengthen of Business Development System on IoT・AI related Fields (Silicon Valley, US)
- 1998: Establishment of Presidio Ventures (CVC)
- 2017: Opening of Silicon Valley Office in US

<Actual Investments>
- "Humatics" High accuracy 3D positioning system
- "Afero" IoT solution for electronics by providing specialized chips
- "Arevo" Manufacturer of 3D printed carbon fiber composite parts

<Investments>
- Participation to US Generic Pharmaceutical Business (Nov 17)
  - Investment to USL which is owned by Sawai’s US group company

<Current Initiatives>
- Water Concession Business in Brazil
  - water supply, sewerage and industrial water treatment system provided to 17 million people in approx. 100 cities in 12 states.

Utilizing Re-use Batteries for Electric Vehicles
- world’s first large-scale power storage system which utilizes used batteries (Yumeshima Island, Osaka)
- Power storage facilities in Koshiki Islands (Satsumasendai, Kagoshima Pref.)

**Healthcare**

<Investments>
- Participation to US Generic Pharmaceutical Business (Nov 17)
  - Investment to USL which is owned by Sawai’s US group company

**Social Infrastructure**

<Current Initiatives>
- Water Concession Business in Brazil
  - water supply, sewerage and industrial water treatment system provided to 17 million people in approx. 100 cities in 12 states.

Utilizing Re-use Batteries for Electric Vehicles
- world’s first large-scale power storage system which utilizes used batteries (Yumeshima Island, Osaka)
- Power storage facilities in Koshiki Islands (Satsumasendai, Kagoshima Pref.)
5. Initiatives for Social and Environmental Issues

**Our Direction towards Climate Change Issues**

We simultaneously tackling the two issues of controlling greenhouse gas emissions and ensuring a stable energy supply, we will work to achieve sustainable growth with society.

For power generation business, we will shift emphasis in the power generation asset portfolio to gas and renewable energy over mid- to long-term, by around 2035, with aim of (both figures based on generation capacity):

- reducing share of coal (50% -> 30%)
- increasing share of renewables (20% -> 30%)

In other businesses, we will strengthen our initiatives on new technologies and business models in areas such as energy management, storage battery business, hydrogen related business:

- Offshore wind farm project (Belgium)
- Biomass power plant (Sakata, Yamagata)
- Smartscooters and swappable battery recharging station (Ishigaki Island, Okinawa)
- Koshiki Island Battery Storage Facilities (Satsumasendai, Kagoshima)
5. Initiatives for Social and Environmental Issues

【ESG Risk Management】

Define Direction of Entire Company

Environmental/Social Due Diligence on New Investments
In addition to legal DD, we hire specialized consultant to implement human rights/environmental DD for large-scale projects

Monitoring System for Group Companies
Monitor situation on environment, human rights, labor issues and supply chain management
Respond accordance with international standards

Monitor by management/directors
Apply/Report by multiple committees (Investment Committee, Internal Control Committee, Corporate Sustainability Committee, etc.)

Support by Corporate
Setting direction, F/S, monitoring, advice on improvement, etc.

Respond to the input from outside / improvement on management
Respond jointly by business and corporate groups
5. Initiatives for Social and Environmental Issues

【ESG Risk Management】
Monitoring of Group Companies including ESG risks

【Our Focuses】
・Capturing of our entire business portfolio’s risk profile and selection of prioritized risks
・Management of Supply Chain’s Risk mainly for human rights issues
6. Dialogue with Shareholders/Stakeholders

Integrated Report
Introduction of Value Creation Model

ESG Small Meeting for Investors/Analysts

ESG Communication Book
Disclose on our philosophy for sustainability and initiatives towards social/environmental issues

[Contents (tentative)]

1. SC group’s sustainability
   ○ Management Principles, Sustainability
   ○ Material Issues
   ○ Value Creation Model
   ○ Medium-Term Management Plan
   ○ Structure for promoting our sustainability
   ○ Define ESG risks and opportunities

2. Addressing Environmental Issues (Policy/Cases)
   [Environmental Management / Climate Change / Water Resources / biodiversity / Pollution / Resource Utilization ]

3. Addressing Social Issues (Policy/Cases)
   [Human Rights / HSE / HR Training / Supply Chain / Industrial Technological Innovation / Healthcare / Enriching Lifestyle, Social Contribution Activities]

4. Governance
   ○ Corporate Governance
   ○ Compliance
   ○ Risk Management
   ○ Information Security
   ○ Engagement with Stakeholders

5. ESG Quantitative Data
   ○ Environmental
   ○ Social
   ○ Governance

6. External Recognition
   ○ ESG Indices, etc.