

Initiatives for mid- to long-term increase in Corporate Value



June 26th, 2020

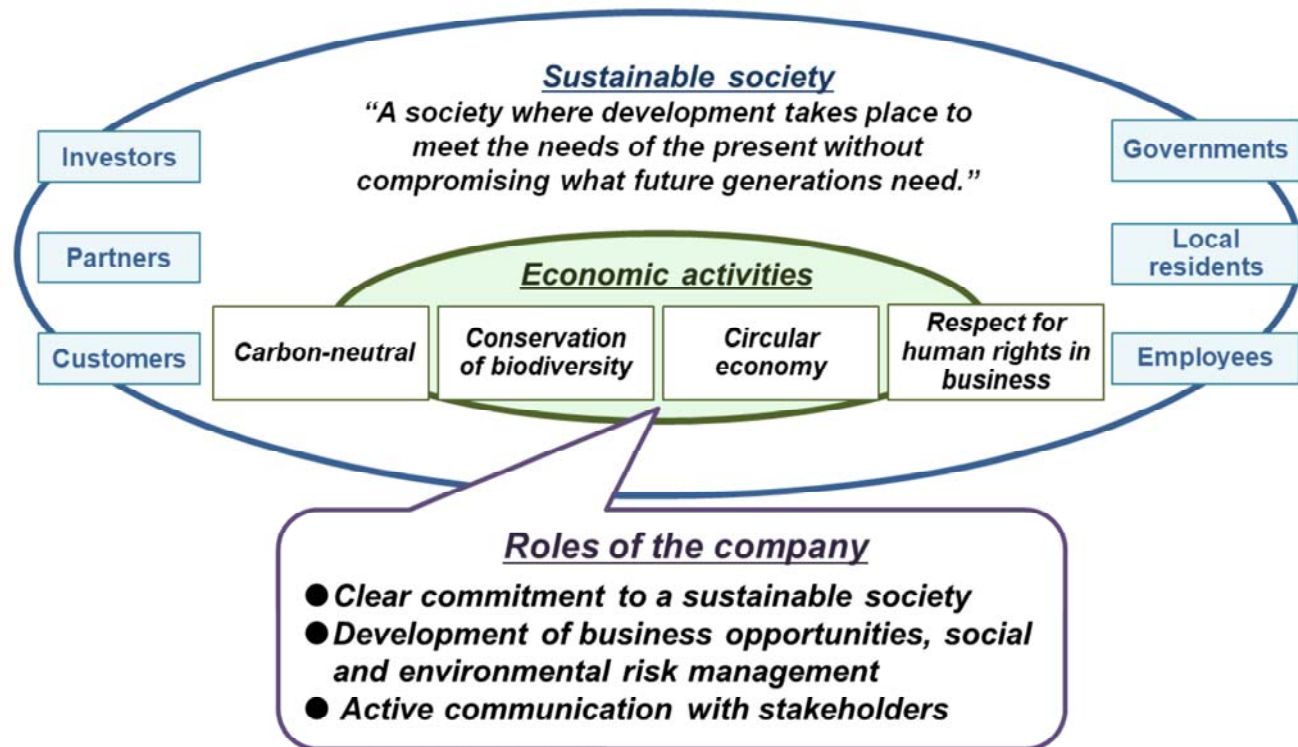
Sumitomo Corporation

AGENDA

- 1 . Enhancing Sustainability Management
- 2 . Initiatives on Climate Change Issues
- 3 . Initiatives on Human Rights
- 4 . Social and Environmental Risk Management
- 5 . Corporate Governance
- 6 . HR Strategy

1. Enhancing Sustainability Management

■ Roles of the company in a sustainable society



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○ The background and aim of our initiatives to enhance sustainability management.

- We issued a press release on this on the 18th June.

- We understand the growing demand for companies to contribute to realizing a sustainable society and environment reflects the concerning fact that climate change and other issues threatening society’s survival are becoming more serious.

- Sumitomo has a business philosophy passed down for 400 years that says, “benefit for self and others, private and public interests are one and the same.” We take pride in having continued to manage the business for the public interest and public good from before.

- We are pushing to enhance sustainability management based on our renewed belief that pursuing an ideal society from a medium-term perspective—right now, when the sustainability of society and the environment are threatened—would result in greater business opportunities down the road and contribute to enhancing our corporate value.

- We commit to the sustainable development of society, and we will strive to contribute to society through sound business while growing the Company sustainably. In so doing, we’ll disseminate information on our initiatives to gain the understanding and support of stakeholders.

1. Enhancing Sustainability Management

■ Key social issues and long-term goals for the Sumitomo Corporation Group

- ✓ Mid-term goals and KPI's will be set and progress will be monitored.



* Priority issues identified for SC Group to pursue sustainable growth with the society

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○ Six key social issues set forth to enhance sustainability management, along with long-term goals associated with those issues.

• The heart of our corporate activities has always been Sumitomo's business philosophy and Sumitomo Corporation Group's management principles and activities guidelines, and this central pillar will never sway. This forms the basis of management decisions on material issues formulated in 2017.

• Based on our core values, we illustrated the social aims we intend to achieve by leveraging our strengths described on the bottom, along with the key social issues and long-term goals regarding our role in society.

• Realizing a sustainable society would require personnel who want to improve society to play a larger role. These people will need to possess new solutions and a quality education brought about by the development and evolution of society. We think social development and evolution go hand-in-hand, and both are important themes that support each other. Pursuing these two themes in parallel with each other is reflective of the Company's beliefs, and this is one of the characteristics of our goal-setting.

• In the future, we plan to set specific medium-term goals, including quantitative targets, toward achieving these long-term goals. We will establish KPIs to track progress toward the goals while implementing initiatives, and we intend to disclose the progress to stakeholders.

• Although we'll work to mitigate or solve six key issues through business activities, the issue concerning quality education, will mainly be tackled through social contribution activities. Social contribution activities have been conducted at Sumitomo Corporation since the past, and one of the priority measures has been the training of next-generation personnel. Looking ahead, we aim to enhance the details and scale of these measures while executing our plan.

1. Enhancing Sustainability Management

■ Initiatives to take a step forward for Sustainability Management

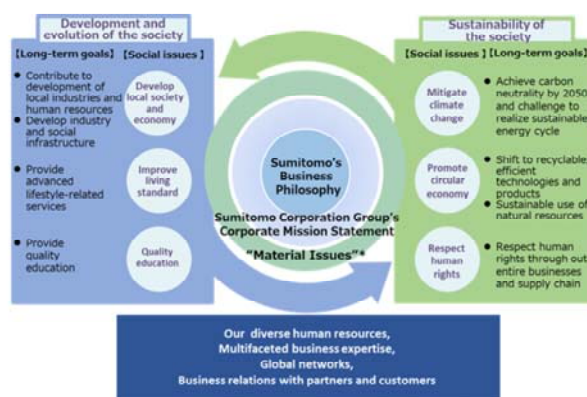


Sumitomo Corporation group Key social issues and Long- term goals

- Key social issues particularly relevant to the company's business activities.
- Commitment on its role to play in achieving a sustainable society.
- Medium-term goals and KPI will be determined and the progress will be monitored.

Six Material Issues to achieve sustainable growth with society

- Material issues that we should address with the priority by leveraging our strengths.
- Describe specifically how the company contributes to society.
- The basis of mid- to long-term business strategy and individual business activities.
- Confirm all the strategy and business are adapted to the Material Issues.



* Priority issues identified for SC Group to pursue sustainable growth with the society

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○ The difference between key social issues and material issues

• In devising the material issues, we drew on the Group's management principles, organized how each business will contribute to society, summarized how the Company contributes to society in four phrases, and announced them along with two management issues.

For instance, when investing in a new business, we follow the rules to confirm that our business strategy aligns with the materiality principles. The material issues currently serve as a measuring stick for our values, and they have firmly taken root inside the Company.

• Since we manage a diverse business portfolio, it is no easy task to drill down these material issues to specific KPIs. Figuring out how to reflect the material issues into the management plan has been a challenging issue.

• This time, we've taken our sustainability management a step further by delineating the key social issues and setting forth medium-and-long-term goals. By doing so, we intend to address questions such as what role we'll play, what we'll achieve, and by when to realize a sustainable society. We've described these points in detail, and management resources will be allocated strategically towards this end.

1. Enhancing Sustainability Management

■ Sustainability management at Sumitomo Corporation Group

Pursue sustainable growth with the society



○ Relationship among value creation at Sumitomo Corporation Group, sustainable growth, and sustainable society.

- In addition to realize a sustainable society, importantly, our initiatives are also about anticipating changes in the business environment, creating value that's crucial to society, and increasing our corporate value.

- Group's value creation, sustainable growth, and sustainable society are all firmly interlinked. And that is the ideal state of the Company to be achieved through its sustainable management.

- At Sumitomo Corporation, we aim to carry out initiatives to capture the bird that represents social issues, as well as the bird indicating business opportunities and enhanced corporate value, in one fell swoop. We believe these two birds are flying in the same direction.

2. Initiatives on Climate Change Issues

■ Review of Policy on Climate Change issues

Basic Policy

- Aim to make the Sumitomo Corporation Group carbon neutral in 2050*.
Develop technologies and business models for creating a sustainable energy cycle by reducing CO2 emissions and achieving negative emissions** for society as a whole.
- In addition to reducing and absorbing CO2 emissions from our business, we will contribute to the carbon neutralization of society through cooperative initiatives and recommendations made with business partners and public institutions.

Policy on Business Activities

- Promote renewable energy, efficient energy utilization and fuel conversion that contributes to reducing CO2 emissions throughout society. We will also work to offer new energy management and mobility services utilizing renewable energy and also to materialize hydrogen technologies and applications.
- In the power generation business, we provide a stable supply of the energy, essential for the economic and industrial development of local communities. At the same time, we continuously shift management resources to renewables and other energy sources with low environmental burden in the power generation portfolio.
(By the target year of 2035, we aim to shift the composition of the portfolio in terms of net ownership generation capacity as follows: coal 50% to 30%; gas 30% to 40%; and renewables 20% to 30%)
- Regarding the development of thermal power generation and fossil energy concession, we will work on the premise of carbon neutralization in 2050.

* The scope of business targeted for carbon neutralization is as follows

[Scope1・2] Direct CO2 emissions from Sumitomo Corporation and its subsidiaries, as well as indirect CO2 emissions from the generation of energy used by each company (however, for power generation businesses, emissions from those affiliated companies under the equity method are also included)

[Scope3] Indirect CO2 emissions associated with the use of energy resources produced by fossil energy concession of Sumitomo Corporation Group, its subsidiaries, and affiliated companies under the equity method.

Carbon neutrality means net-zero CO2 emissions that combine CO2 emissions from our business and our contributions to CO2 emission reduction.

** Negative emission refers to the absorption, capturing, and removal of CO2 emitted in the past and accumulated in the atmosphere.

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○ Policy to respond to climate change issues

• The slide shows the detail of the revised policy. We aim to achieve carbon neutrality in Sumitomo Corporation Group's business activities by 2050. We intend to help reduce the carbon emissions of society as a whole, by using carbon capture technologies to realize a sustainable energy cycle.

• Our business is maintained jointly with various stakeholders. Thus, we will not only promote the initiatives on our own, but we will push ahead in cooperation with business partners and public institutions.

• As for the business policy, we'll work to reduce the overall carbon emissions of society from multiple angles, and we'll revise the existing portfolio concept of our energy business. In particular, we plan to premise the development of thermal power generation and fossil energy interests on achieving carbon neutrality by 2050.

• The previous policy was limited to coal-fired power in the power generation business, and to thermal coal in terms of mineral resources. Under the revised policy, we set out clearly that this also applies to our business interests such as in gas-fired power generation, crude oil, and natural gas.

2. Initiatives on Climate Change Issues

Additional notes:

In 2019, the Company has established the following policies regarding coal-fired power generation business and thermal coal mining business. In addition, the revised policy sets carbon neutrality by 2050 and the development of coal-fired power generation and fossil energy concession will be operated to meet the goal.

- We will not have new development in the coal-fired power generation business. However, we make a decision individually about new development in cases where the project is essential to the economic and industrial development of the local community and where the project is complying with the policies of the Japanese and host country governments based on the international initiatives to mitigate climate change issues.
- In the thermal coal mining business, we limit our equity share coal production to our current levels, and desist from new mine development projects.

○ Supplementary notes to existing policy

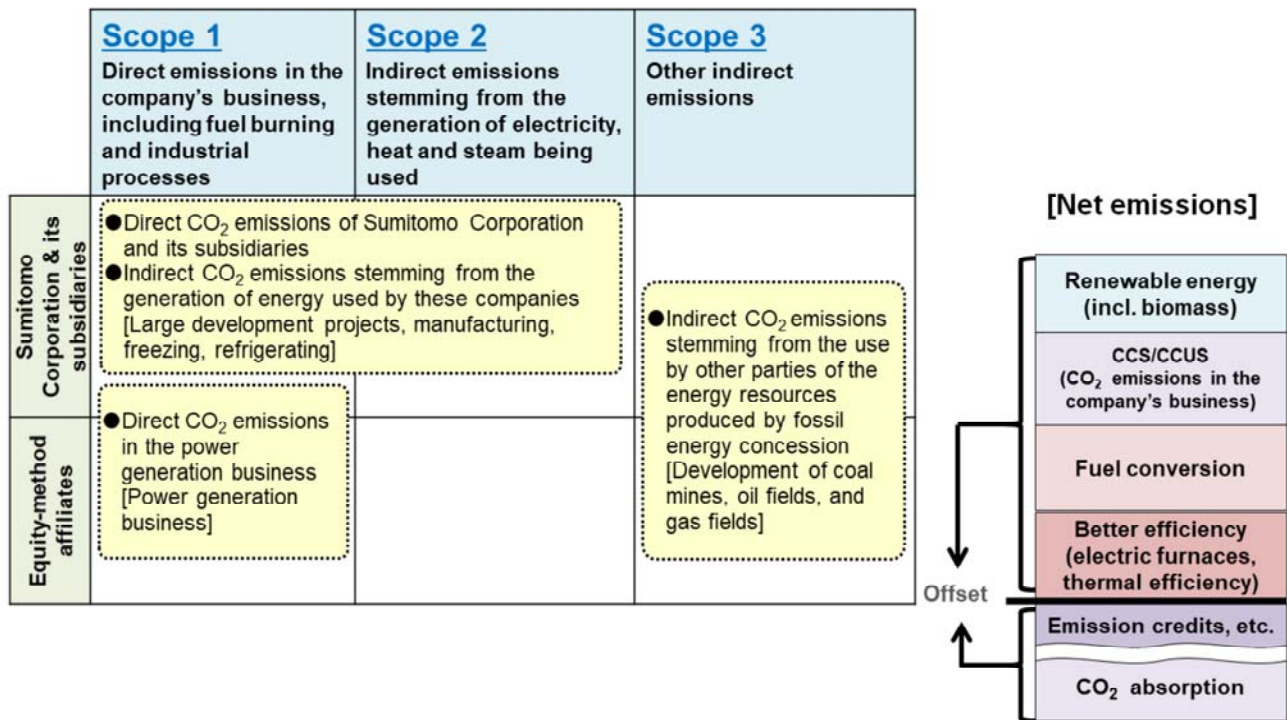
• We won't carry out new development for coal-fired power generation, except for those essential to regional economic and industrial development. As for development projects of thermal coal mines, we've set forth the policy to cap the production volume of equity interests at the current level and to refrain from any new development projects. This policy remains valid today.

• Under the revised policy, we'll enhance the existing policy by premising the development of energy interests in thermal power and fossil energy on achieving carbon neutrality by 2050.

2. Initiatives on Climate Change Issues

■ Views on the achievement of carbon neutrality

[Scope of carbon neutralization efforts]



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○ The concept of our aim to achieve carbon neutrality

• Our aim isn't to achieve carbon neutrality at the parent and operating companies in terms of gross carbon emissions. The yellow rectangles shown in the figure represent the scope of our responsibility in securing carbon neutrality through ongoing efforts.

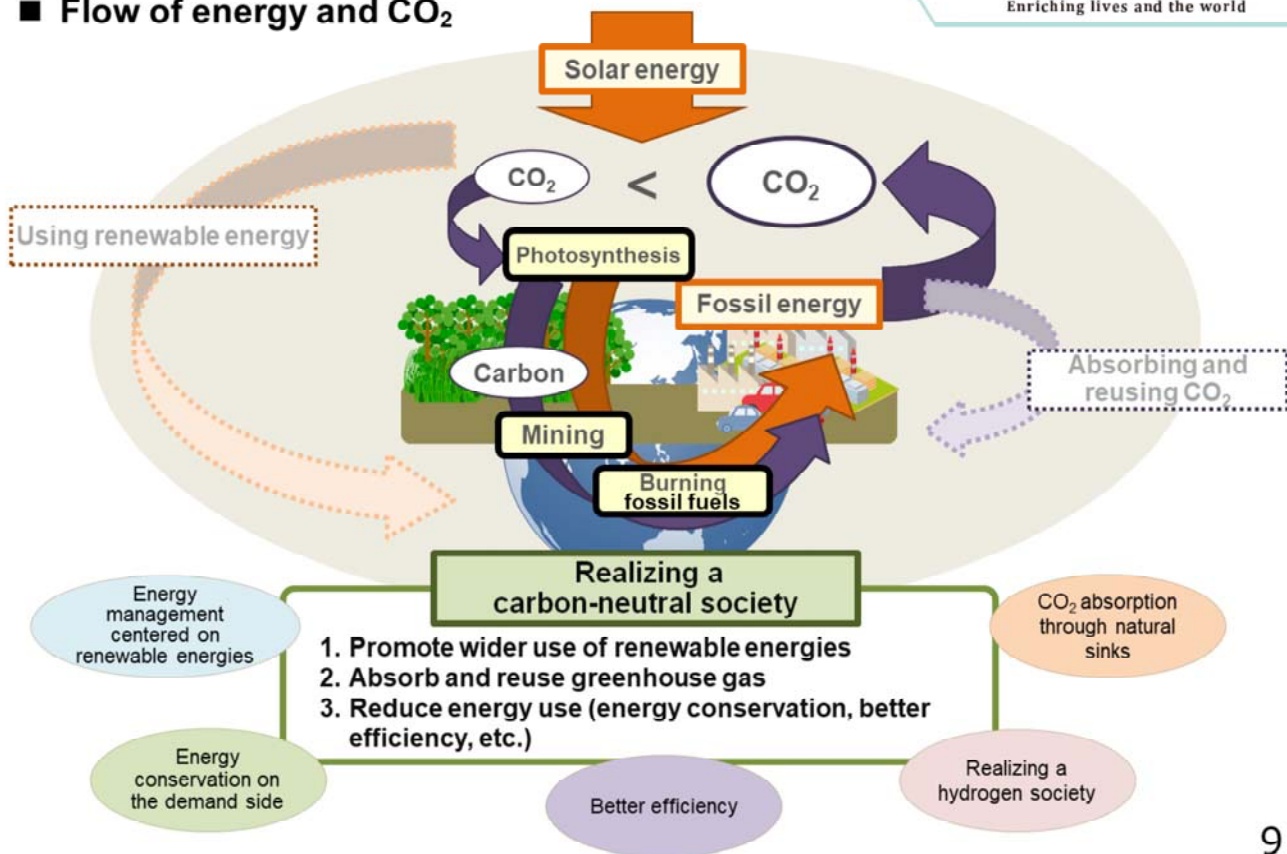
• The yellow rectangle on the upper left covers Scope 1 and Scope 2 emissions of the parent and subsidiaries. Considering the importance of the energy domain, we include the emissions of equity-method affiliates in the power generation business. As to Scope 3 emissions, we include indirect carbon emissions generated when other companies use the energy produced at our fossil energy interests.

• The carbon neutrality we aim for points to net-zero emissions, which is the result of offsetting gross emissions from the business with other contributions to carbon reduction. The amount of carbon reduction deducted from gross emissions is determined by factors such as the purchase of emission rights and carbon capture through CCUS. While referencing global standards on specific calculation methods, we plan to flesh out the details.

• Achieving carbon neutrality is not an easy target. Not only will it require efforts premised on our current technologies and business model, but it will also require innovation, such as the commercialization of new technologies in the future. But understanding fully that carbon neutrality is indispensable to a sustainable society, we've set a high target, and we're declaring our intention to work toward achieving it.

2. Initiatives on Climate Change Issues

■ Flow of energy and CO₂

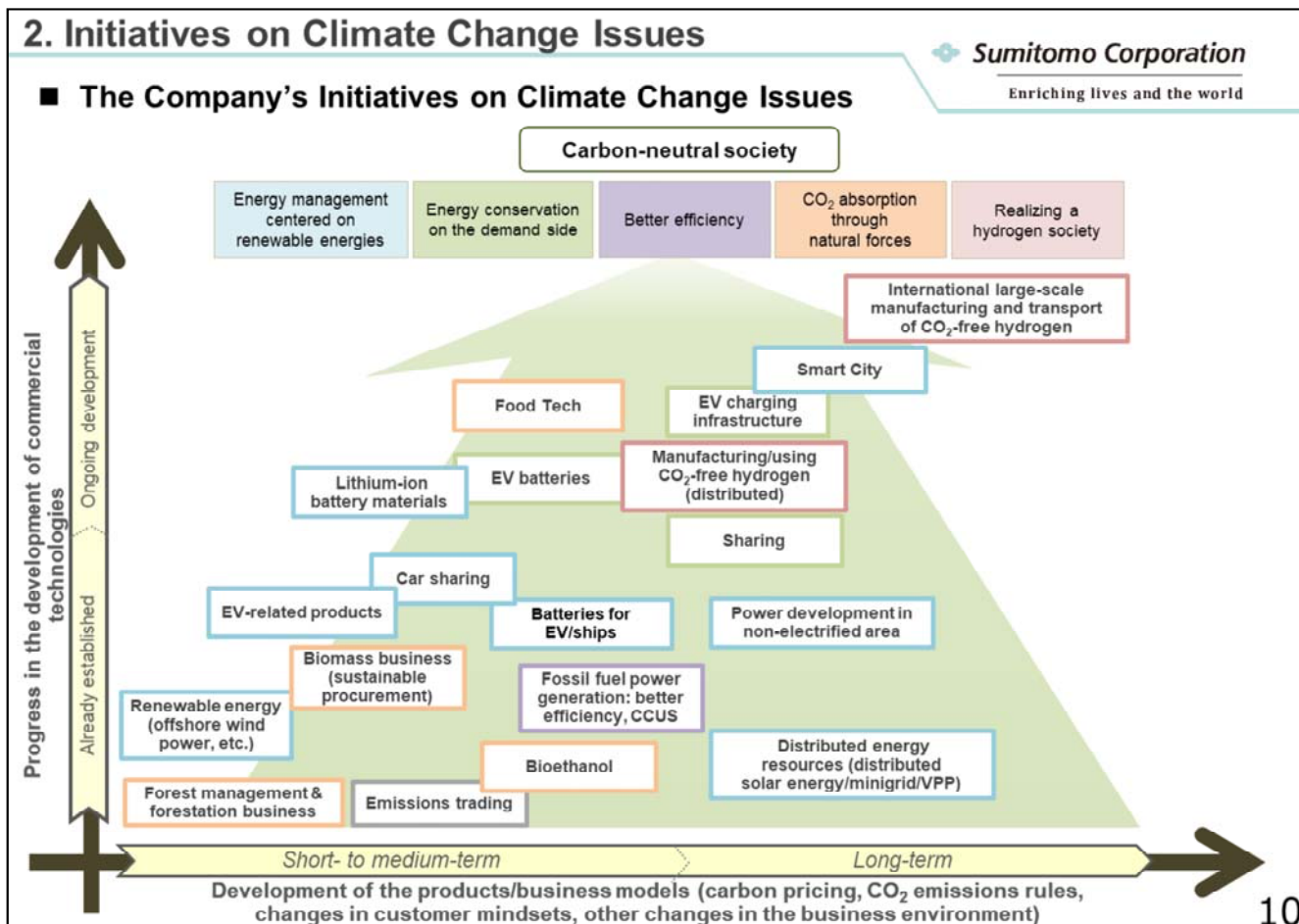


○ Carbon reductions on overall emission volume in society.

• In fleshing out our policy for climate change, we started discussions from the basic level of understanding the world's energy and carbon emissions structure and evaluating the key to preventing global warming.

• Red-brown arrow shows energy cycle, and dark blue arrow shows carbon cycle. Considering the current energy and industrial systems of the world, the Earth has absorbed and accumulated carbon dioxide through photosynthesis over hundreds of millions of years. But humanity is emitting the stored carbon dioxide through energy extraction over a short period. This situation clearly lacks balance and the system is unsustainable.

• Transitioning to a sustainable system will require the use of renewable energy that doesn't depend on the combustion of fossil energy. Carbon must be captured and reused to keep emissions at a level that can be absorbed by the global environment, to reduce energy consumption and realize a carbon-neutral society.



○ Our initiatives on climate change issues

• Comprehensive measures will need to be taken, combining both supply and demand of energy, such as the following: a more efficient energy management centered on renewable energy; the reduction of energy consumption on the industrial side comprising business operators; sustainable forest projects that contribute to carbon capture and fixation; CCUS; and the manufacturing of carbon-free hydrogen.

• At Sumitomo Corporation, we intend to carry out various measures to contribute to a carbon-neutral society together with many partners, such as through investment in new business areas and participation in field trials. However, time will be needed until implementing many of these measures, until technological hurdles are cleared, the market scale expands, and commercialization moves forward in earnest.

Grasping the overall picture of global efforts to mitigate climate change and social trends toward carbon neutrality, we will steadily push ahead in cultivating business opportunities.

2. Initiatives on Climate Change Issues

■ Disclosure in line with the final recommendations of TCFD (governance, strategy, risk management, metrics/targets)

<Governance>

- Supervision by Board of Directors, decision-making by Management Council



<Strategy (scenario analysis)>

- Scenarios
 - IEA "World Energy Outlook 2019"
 - STEPS, SDS
- Target sectors
 - Energy (coal-/gas-fired power generation, renewable energy, etc.)
 - Resources (coal, gas, nickel, copper, iron ore, etc.)
 - Transportation equipment (internal combustion engine parts)
 - Materials industry (aluminum smelting, iron manufacture)

<Risk management>

- Individual case management, monitoring of the corporate-wide portfolio
- Comprehensive management system on environmental and social risks

<Metrics/targets>

- 2050: Achieve carbon neutrality in the company's business
- 2035: Portfolio based on net generation capacity
- Power usage of Sumitomo Corporation

○ Information disclosure in line with TCFD recommendation

• In March 2019, we expressed our support for the TCFD's Final Report. We are preparing for information disclosure in line with the TCFD recommendation, and we plan to release an ESG Communication Book in July of this year. The content of the disclosed information will follow the TCFD recommendation, including the following: supervisory and managerial level governance systems by the board of directors; explanation of our strategy's resilience including scenario analyses; as well as risk management indicators and targets related to society and the environment.

• We monitor the status of climate change risks regularly.

• The business portfolio of our trading Company is far-reaching, and we strategically allocate management resources to businesses with low overall environmental impact. Moreover, we make contractual agreements with each business to hedge risks. As such, we believe our current exposure does not present critical risks related to climate change that would impact the Company.

3. Initiatives on Human Rights

■ May, 2020 “Sumitomo Corporation Group’s Human Rights Policy”

0. Introduction

*We respect the international norms.
“Ten Principles of the United Nations Global Compact”,
“International Bill of Human Rights”, “Declaration on
Fundamental Principles and Rights at Work”, “United
Nations Guiding Principles on Business and Human Rights”*

1. Scope of application

*We strive to ensure human rights be respected in the entire
Sumitomo Corporation Group.*

2. Human rights due diligence

*We strive to identify and to prevent or mitigate any adverse
impact on human rights through the application of human
rights due diligence processes.*

3. Compliance with relevant laws

*We will follow national and regional laws and respect
international norms.*

4. Stakeholder engagement

We will engage and dialogue with relevant stakeholders.

5. Education

6. Reporting

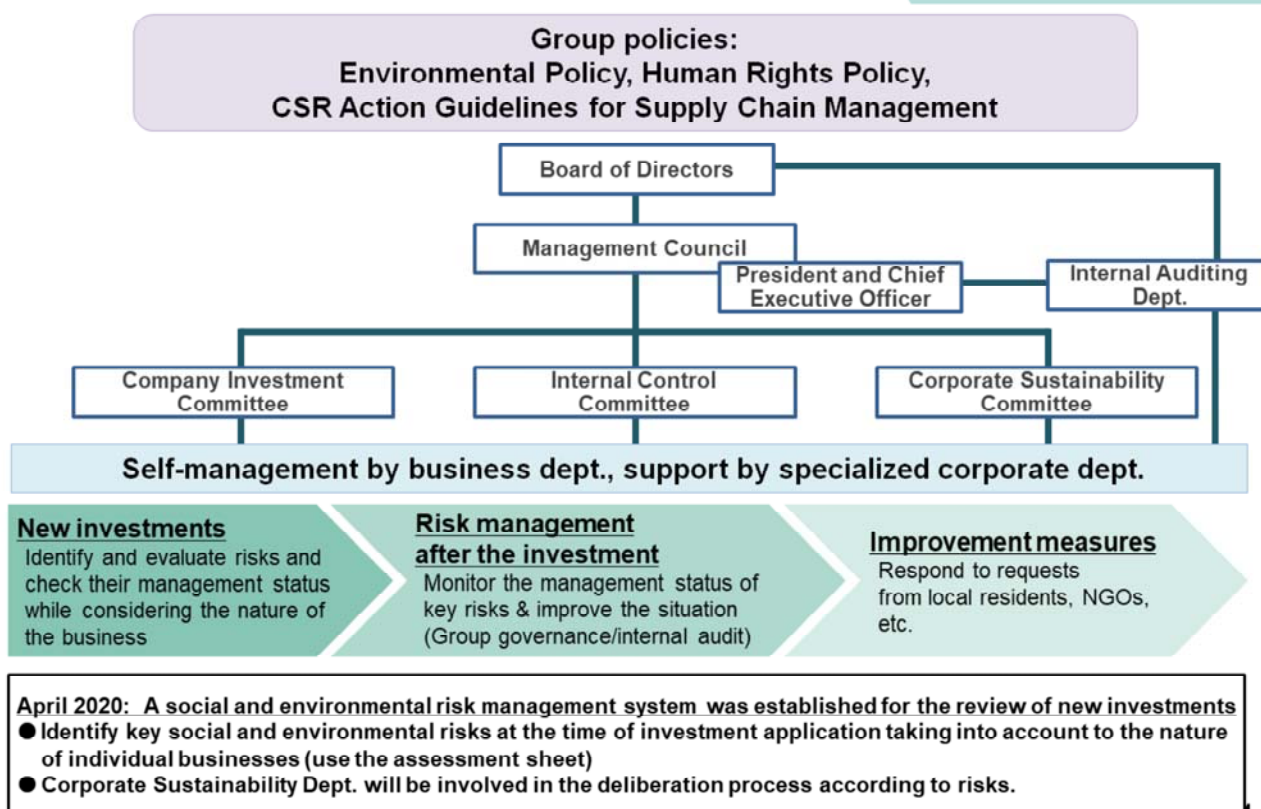


○ Our initiatives on vital issue from a social perspective: respect for human rights.

• In May of this year, we newly established and disclosed the Sumitomo Corporation Group’s human rights policy. As you know, respect for human rights is currently a global issue in business. The six key social issues we put forth this time include respect for human rights. In our management principles and the CSR Action Guidelines for Supply Chain Management, we have long stated that respect for human rights must be the basis for management. By newly establishing a human rights policy in line with global standards, we’ve clarified our rules for expected conduct.

• Under this policy, we set forth that we will implement human rights due diligence to specify, prevent, and reduce our business’s negative impact on human rights. We’re making preparations to create a cycle—in which we continuously identify human rights issues in Group businesses, evaluate risks, conduct risk management, and strive for improvement.

4. Social and Environmental Risk Management



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○ Reinforcing our social and environmental risk management system.

• Since the Group's business is spread out across various industrial areas, a major issue for us is to respond to diverse risks and social issues that vary from one business to another, to manage operations so that each business does not hurt society's sustainability.

• By clarifying our stance through the newly-established human rights policy and other policies, we're managing social and environmental risks as per a broad framework. Not only are we ensuring thorough and rigorous adherence to Group standards, but we are managing risks at the early investment stages, regularly monitoring firms after investment, and responding to issues raised by local residents and people from NGOs.

• Starting in April of this year, we created an evaluation sheet of social and environmental risks aimed at enhancing the effectiveness of risk management. When applying for investments, we first confirm the social and environmental aspects we deem to be important based on the details of each business and its operating location. We introduced a step in the investment process in which we, for example, check if the business employs a large number of non-skilled workers or need to relocate residents, if the business's prospect of sustainably procuring natural resources is questionable, or if there are risks related to climate change issues.

• We also established a system in which, at each stage of investments and loans, the Corporate Sustainability Department participates in deliberations depending on project risks.

• Since Sumitomo Corporation's supply chain extends from upstream to downstream, examining every corner of the supply chain at each of our businesses around the world is difficult. But recognizing that this is what's required of a responsible Company, we intend to carry out measures aimed at improving the precision of our social and environmental risk management.

5. Corporate Governance

I. Measures Implemented to Enhance Corporate Governance

	Pre-Jun. 2014	Jun. 2015	Jun. 2016	Jun. 2017	Jun. 2018	Jun. 2019	Jun. 2020
The Board Directors	<p>2003</p> <ul style="list-style-type: none"> Decreased the number of Directors (24→12) Prohibited Chairman of the Board from simultaneously serving as President & CEO Limited term of office for Chairman of the Board and President & CEO (up to 6 yrs in principle) Announcement of SC Corporate Governance Principles <p>2005</p> <ul style="list-style-type: none"> Shortened term of office for Directors (2yrs→1yr) 		<p>Implemented Evaluation of the Effectiveness of the Board (※ Third party nominated/first 3 years questionnaire only, started interview from 2018)</p>				
Outside Directors	<p>2013 : 2 (out of 12 /17%)</p> <p>2014 : 2 (out of 12 /17%)</p>	<p>3 (out of 13 /23%) (incl. 1woman)</p>	<p>4 (out of 14 /29%) (incl. 1woman)</p> <p>※1 passed away and resigned</p>	<p>3 (out of 9 /33%) (incl. 1woman)</p>	<p>5 (out of 11 /45%) (incl. 2 women)</p>	<p>4 (out of 10 /40%) (incl. 1woman)</p>	<p>5 (out of 11 /45%) (incl. 2women)</p>
Nomination and Remuneration Committee	<p>2007: established Compensation Committee</p>	<p>Nomination and Remuneration Advisory Committee (NRAC) (* est. 2015; Outside Directors comprise majority and the Chairman is Outside Director)</p>					

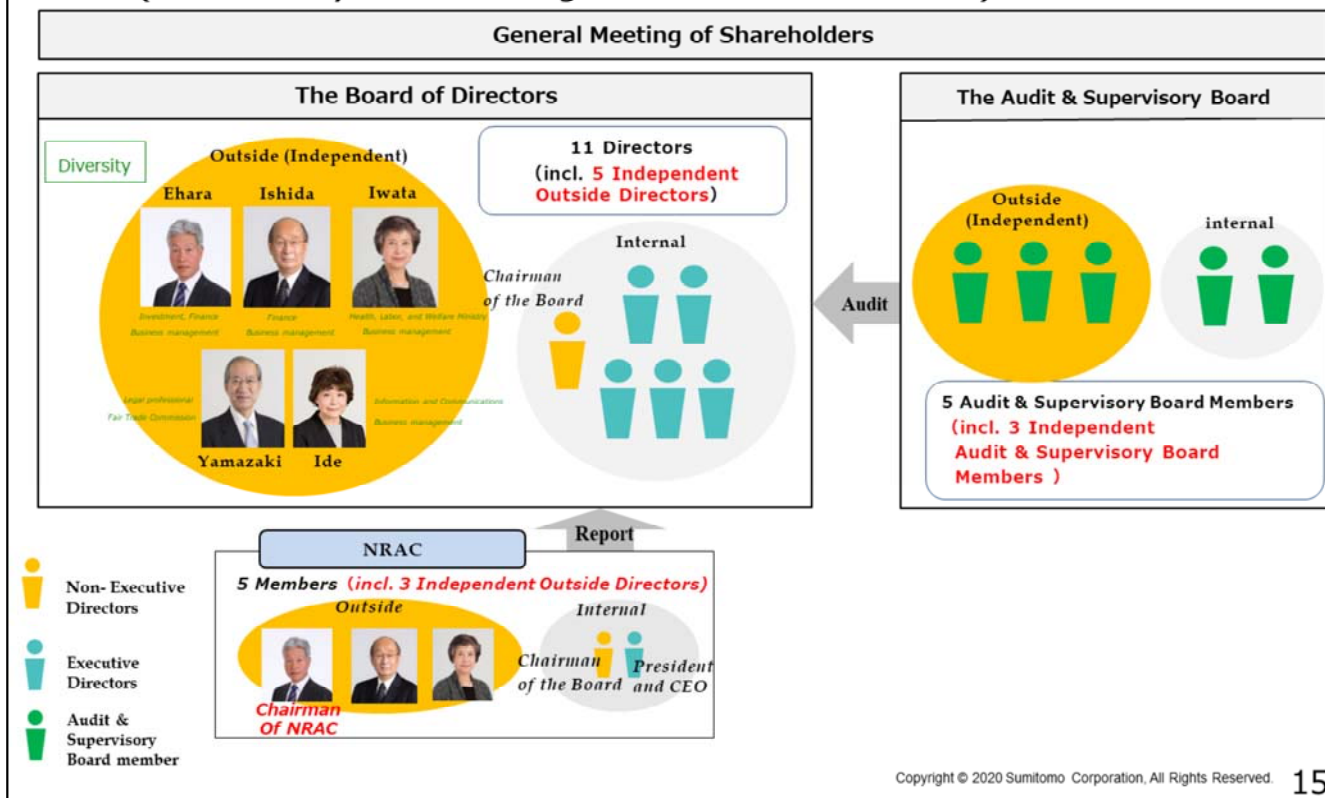
○ Measures implemented to enhance corporate governance

- We have steadily enhanced our corporate governance every year.

5. Corporate Governance

II. Corporate Governance Framework

(After Ordinary General Meeting of Shareholders in June 2020)



○ Structure related to institutional design

• We are a Company with a Board of Auditors, and our board comprises 11 directors, of which six internal directors, and five independent outside directors. The Board of Auditors consisting of two internal auditors and three independent outside auditors.

• A unique feature of our Company is that the Chairman, who is part of the board of directors, does not partake in business execution. Moreover, the Chairman doesn't have representative rights.






Also, as per the corporate governance principles, the Chairman and President's term of office can be no longer than six years.

• The Nomination and Remuneration Advisory Committee comprises three outside members and two internal members, namely, the Chairman and President. Mr. Ehara, an outside director, has been appointed as Committee Chair. Established at the end of 2015, the committee has since carried out a wide range of items, such as follows: the selection process of Mr. Hyodo as the new President appointed in April 2018; the review of the compensation system for directors including the introduction of a stock-based remuneration system at the end of FY2017; and the establishment of the process for selecting and dismissing the President and Chairman in FY2018.

5. Corporate Governance

III. Diversity of Outside Directors

5 out of 11 Directors are Outside Directors (After Ordinary General Meeting of Shareholders in June 2020)

	Name, Brief History	Term (years)	Areas of Expertise and Experience					
			Business Management	Investment	Finance	Law	Governmental agency	Information and Communications
	Mr. Nobuyoshi Ehara Independent Outside Director/Chairman of NRAC/ Ex-partner of US Investment Bank, Senior executive at private equity firm	4	●	●	●	—	—	—
	Mr. Koji Ishida Independent Outside Director/Member of NRAC/ Former senior executive at major financial firms/ Former member of the Policy Board, the Bank of Japan	3	●	—	●	—	●	—
	Ms. Kimie Iwata Independent Outside Director/Member of NRAC/ Worked at the Ministry of Health, Labor and Welfare/ Former Director and Executive Corporate Officer at a major cosmetics manufacturer	2	●	—	—	—	●	—
	Mr. Hisashi Yamazaki Independent Outside Director/ Former Chief Judge of the Sapporo High Court, Attorney/ Former member of the Fair Trade Commission	2	—	—	—	●	●	—
	Ms. Akiko Ide (Newly Elected) Independent Outside Director / Former Executive Director of major telecommunications company / Former president and CEO of the same group company / Former full time audit and advisory board member of the same parent (holding) company.	—	●	—	—	—	—	●

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○ The background and skillsets of outside directors

• In June 2019, at the general meeting of shareholders, the number of outside directors were reduced from five to four and the number of female directors reduced from two to one. But at the general meeting of shareholders held last week in June 2020, we restored the system of five outside directors, including two female directors.

IV. Measures to Further Improve the Effectiveness of the Board of Directors

Issues in FY2018	Main initiatives in FY2019	Evaluation of the effectiveness* in FY2019	Evaluation & main issues in FY2019
<ul style="list-style-type: none"> ■ Reports by business units on strategy and progress 	Explanation and discussion with a focus on issues in implementing the Medium-term Management Plan 2020 and policies to address the issues	Methods: Questionnaire + interviews Evaluation process: (1) Analyzed the data compiled by the external consultant (2) Reported to the Board of Directors (March 2020)	<div> <div>Evaluation</div> <ul style="list-style-type: none"> ◆ The Board of Directors has generally been functioning effectively. ◆ The initiatives in FY2019 are leading to improvement. </div> <div> <div>Main issues</div> <ol style="list-style-type: none"> 1. Composition of the Board of Directors <ul style="list-style-type: none"> ● Further diversity 2. Enhancing deliberation on key items to discuss <ul style="list-style-type: none"> ● More appropriate agenda setting ● Better handling of key agenda items: prioritizing, balancing (duration of discussion), etc. 3. Further enhancement of the monitoring function <ul style="list-style-type: none"> ● Roles and functions of Outside Directors </div>
<ul style="list-style-type: none"> ■ Reviewing the duration of discussions 	Limiting discussions to important points in order to enhance deliberation		
<ul style="list-style-type: none"> ■ Improving meeting materials 	<ul style="list-style-type: none"> ✓ Clarifying key points of discussions ✓ Explaining technical terms with footnotes, etc. 		

* Items evaluated: (1) Composition of the Board of Directors, (2) Administration of the Board of Directors, (3) Improvement of deliberation and enhancement of monitoring function at the Board of Directors, (4) Evaluation of improvement measures in the previous fiscal year, etc. Also includes a section for any additional comments.

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○ Our initiatives to improve the effectiveness of the board of directors' meetings.

• One change we made in 2019 is to enhance deliberations by focusing on key points for discussion. In order to do so, we broadened the scope of explanations provided to outside directors a few days in advance, and enable us to omit most of the explanation on the day of the board meeting and move straight into discussions.

• Every year, we evaluate the effectiveness of the board of directors' meeting. Since FY2018, we've also conducted interviews through an outside Company in addition to simple surveys.

• As the main issues for this fiscal year, we're planning to discuss issues like board composition, the role and functions of outside directors which involve considerations of institutional design.

• As important topics, we want to spend more time with board members directors to discuss about the next medium-term policy starting in the next fiscal year and the HR strategy currently under review.

**V. Enhancing the items for deliberation
at the Board of Directors**
(Main discussion themes at Board meetings and off-site in FY2019)

Management plan

- Progress review of the Medium-term Management Plan 2020
- Issues and directions for the post Medium-term Management Plan 2020
- Medium-term Management Plan 2020: revision of quantitative plans
- Regular reporting by business units (progress report on the unit strategy, issues, and policies to address these issues)

ESG-related items

- Enhancing sustainability management
- Policies on climate change issues
- Sumitomo Corporation Group's Human Rights Policy
- The UK Modern Slavery Act 2015
- Evaluation of the effectiveness of the Board of Directors: reports on results, improvement measures

Activity reports by committees

Compliance Committee*, IR Committee, Corporate Sustainability Committee, etc.

* It is usually provided in March. The activity report for FY2019 was provided in May 2020.

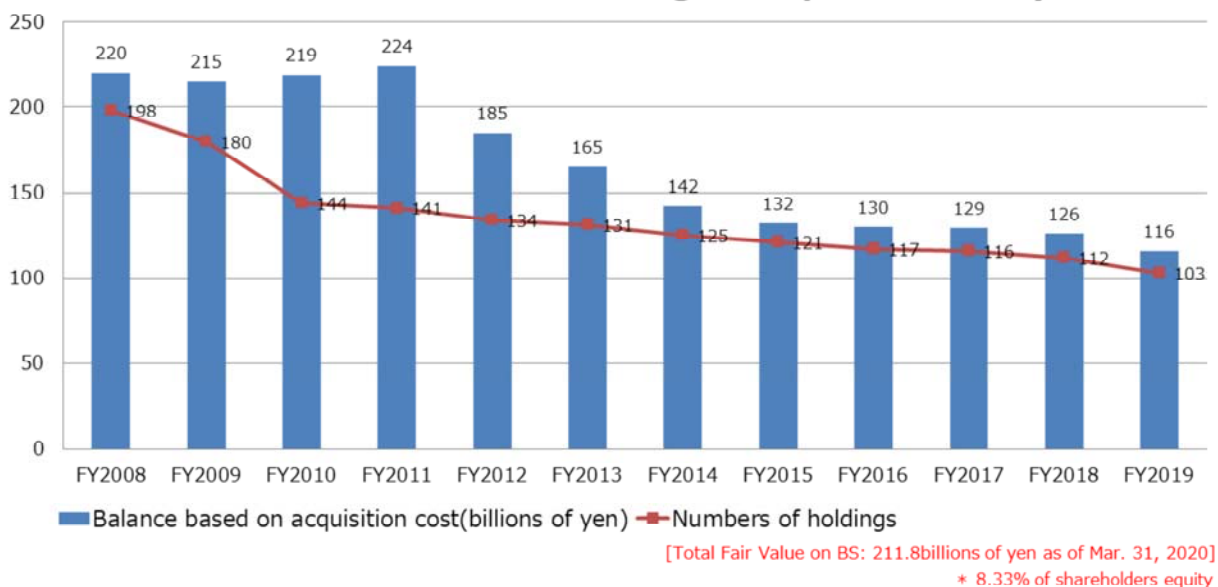
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○ Main discussion themes at Board meetings in FY2019

5. Corporate Governance

VI. Cross-shareholdings

Balance of cross-shareholdings (acquisition cost)



Note: Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

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○ The trends for the of balance of cross-shareholdings (acquisition cost base)

- Since FY2011, we've steadily decreased these shareholdings. Given the impact of COVID-19 in the current fiscal year, we've also moved to strengthen our cash flow management. And, in this context, we plan to review our cross-shareholdings once again.

VII. Governance of a Listed Subsidiary (Corporate Governance Report)

Views and policies on group management

- Share a set of values to be respected throughout the Group*
- Aim to respect the autonomy of each group company and entrust to its top management
- Establish a business management system in each group company
- Share strategies and ensure business quality through dialogue



Achieve sustainable growth/development and maximize the corporate value of the Company and the Group

* Total number of subsidiaries and affiliates: over 900

Significance of having SCSK Corporation (SCSK) as a listed subsidiary

- Enhance motivation among the officers and employees, corporate credibility, and corporate presence; increase brand strengths in hiring employees
- Establish a solid financial basis including better financing capability
- Further develop trust with business partners as well as credibility of businesses and services

Measures to ensure the effectiveness of the governance system at SCSK

- Respect the autonomy of SCSK and entrust its management
- Ensure independence at SCSK (utilizes Outside Directors, who are independent also from the Company)
- Request SCSK for prior discussion or a report regarding the execution of important business of a certain size, etc., for the purpose of Group-wide internal control, etc.

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○ Governance of a listed subsidiary

• The governance items that need to be described in the Corporate Governance Report, which will be submitted after this year's general shareholders' meeting, if we own a listed subsidiary. Approaches and policies on the Group's management do not apply to listed subsidiaries alone.

• At Sumitomo Corporation, we have a listed subsidiary called SCSK. We thus explain the significance of owning this listed subsidiary and touch on securing the effectiveness of the governance structure at SCSK.

Initiatives

Creating an environment in which diverse individuals can demonstrate their capabilities to the fullest

- ✓ **Workstyle Transformation 2019**
 - expedite autonomous and flexible workstyle
- ✓ **Establishment of “Alumni Network”**
- ✓ **Enhancing mid-career hires**
- ✓ **Review of appropriate dress code**

Strategic HR management on a global consolidated basis

- ✓ **Strategical and cross organizational allocation of talents**
 - Abolish “jersey number”. Active use of interdivisional job rotation
 - Enhancement of DX center, Allocation of talents for cross organizational business development
- ✓ **Building the foundation for “allocating the right person in the right place at the right timing”**
 - Global Mobility Policy
 - Succession planning / Global HR Database / Global Grading System

○ HR strategy.

- In the current three-year medium-term management plan covering FY2018, FY2019, and FY2020, we adopt Diversity & Inclusion as our HR strategy’s basic concept, and we’re taking various concrete measures.
- The first theme is to foster diverse individuals. We’re working to create an environment that supports all kinds of people in displaying their full strengths.
- On the very top, as to Workstyle Transformation 2019, last year, from July to August, we made a Company-wide effort across the organization to actively utilize teleworking and super flex work hours in preparation for the 2020 Olympic Games in Tokyo, which has now been postponed. Thanks to this experience, we were able to transition our workers very smoothly to working from home under the current situation of the COVID-19 outbreak.
- The second item describes the establishment of an Alumni Network. Given the degree of complexity in today’s society, we want to fuel the Company’s innovation by leveraging all resources—including the networks of former employees now playing active roles outside of the Company, as well as their expertise. Last fiscal year, we established the Alumni Network based on this concept.
- As to mid-career hires, compared to 10 years ago, the number of mid-career hires in FY2018 and FY2019 jumped. Although the rising labor market fluidity in Japan has led to an uptick in employee turnover among our younger workers, it has also resulted in a sharp increase in mid-career hires.
- We’re also introducing revised dress codes starting this April, though we haven’t run a publicity campaign about it due to COVID-19’s spread. We’re asking each organization to consider a dress code that’s suitable for the time, place, and occasion, and we’ve had organizations implement new dress codes.

Initiatives

Creating an environment in which diverse individuals can demonstrate their capabilities to the fullest

- ✓ **Workstyle Transformation 2019**
 - expedite autonomous and flexible workstyle
- ✓ **Establishment of “Alumni Network”**
- ✓ **Enhancing mid-career hires**
- ✓ **Review of appropriate dress code**

Strategic HR management on a global consolidated basis

- ✓ **Strategical and cross organizational allocation of talents**
 - Abolish “jersey number”. Active use of interdivisional job rotation
 - Enhancement of DX center,
Allocation of talents for cross organizational business development
- ✓ **Building the foundation for “allocating the right person in the right place at the right timing”**
 - Global Mobility Policy
 - Succession planning / Global HR Database / Global Grading System

○ HR strategy (continued)

- On the bottom, we describe two initiatives for strategic personnel management.

One of it is to implement a strategic personnel allocation. We’ve poured our efforts into this initiative for the past two years or so.

Abolishing “jersey numbers.” At a trading Company, a person who is newly assigned to a product team typically remains in charge of that product for good.

Since the personnel is trained, allocated, and utilized under the responsibility of this organization, we call that organization the responsible organization or affiliated organization. This system stands in contrast to being affiliated to an organization temporarily. Even if the person is assigned to a different organization, his or her home ground is referred to as the jersey number organization. However, for those with qualifications exceeding a certain level, we abolished this jersey number system.

Just because we’ve abolished this system, it doesn’t mean the Company will hold greater sway over the organizational matters of each department, such as transferring personnel at its will. We changed the system to encourage each organization and individual to transform their mindset and cooperate in the strategic allocation of personnel on a Company-wide basis. As a result, we’re actively conducting inter-organizational rotations, reinforcing the digital transformation or DX center, and significantly strengthening the cross-functional business development organization.

Another initiative is to create an infrastructure that facilitates the allocation of the right personnel, to the right place, at the right time. Succession planning, HR database, and global grading system are initiatives we’ve been implementing since the past. This year, we plan to focus on Global Mobility Policy. We set forth the treatment policy of personnel who need to relocate between overseas countries due to business transfer, and we formulated common global rules regarding the welfare system. Through these efforts, we hope to further promote global job mobility.

To take a leap forward in the future

*~ Break through the traditional Japanese
HR system ~*

- The personnel system at Sumitomo Corporation entails two evaluation systems, one of which is the professional qualification system in the realm of HR, and the other is a role-based pay that compensates personnel as per his or her position. We thus employ a compensation system that is based on two systems: qualification and role. The concept behind these systems is to encourage both younger and senior workers to play active roles regardless of age and based on compensation according to one's role. But the reality is that we are still operating on a traditional Japanese system, such as promotions and evaluation based on seniority, which is characteristic of an outdated HR system that remains in many parts of the Company.
- As already implemented by some companies, we are working on revising our HR system by switching to a job-based HR system, while aiming to eliminate operations based on seniority altogether. This slide doesn't include the details, because we're not yet at the stage of explaining them. For today, I'd like to convey that we're advancing such initiatives.