

ESG Briefing

Enhancement of Sustainability Management and Sustainable Value Creation

**Hideki Yamano, Representative Director,
Senior Managing Executive Officer,
Chief Strategy Officer and Chief Information Officer**

7th, Oct. 2021

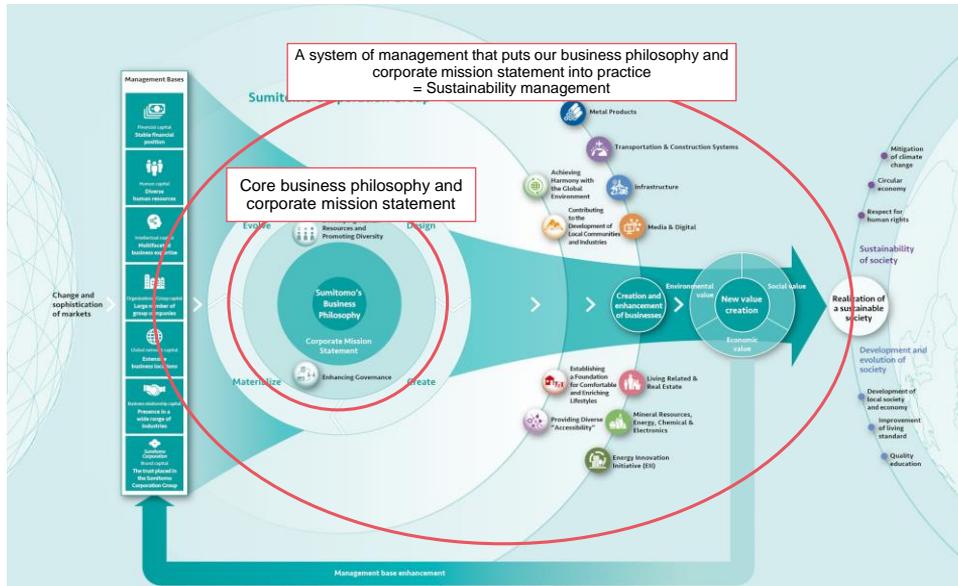
Thank you all for taking time out of your busy schedules to join this briefing today. I am Yamano, as I was just introduced. I would like to give my explanation in line with the materials. Thank you for your cooperation.

Contents

1.	Sumitomo Corporation Group Sustainability Management (1) Sustainability Management and the Value Creation Process (2) Enhancing Sustainability Management (3) Addressing Climate Change Issues (4) Initiatives for Human Rights Issues	P3
2.	Information Disclosure Initiatives (1) Information Disclosure Overview (2) Integrated Report 2021 (3) Disclosure of Non-financial Information	P12
3.	Conclusion	P18
4.	Appendix	P19~

The contents of today's presentation are as shown on the table of contents page. First, I would like to talk about our company's sustainability management, including our efforts in the areas of climate change, which are of great interest to many of you, and human rights. Then I would like to talk about information disclosure, including non-financial information, as mentioned in the second part of the agenda. In this section, I would like to focus on the Integrated Report 2021, which was released on our website last week.

Position of Sustainability Management in the Value Creation Model

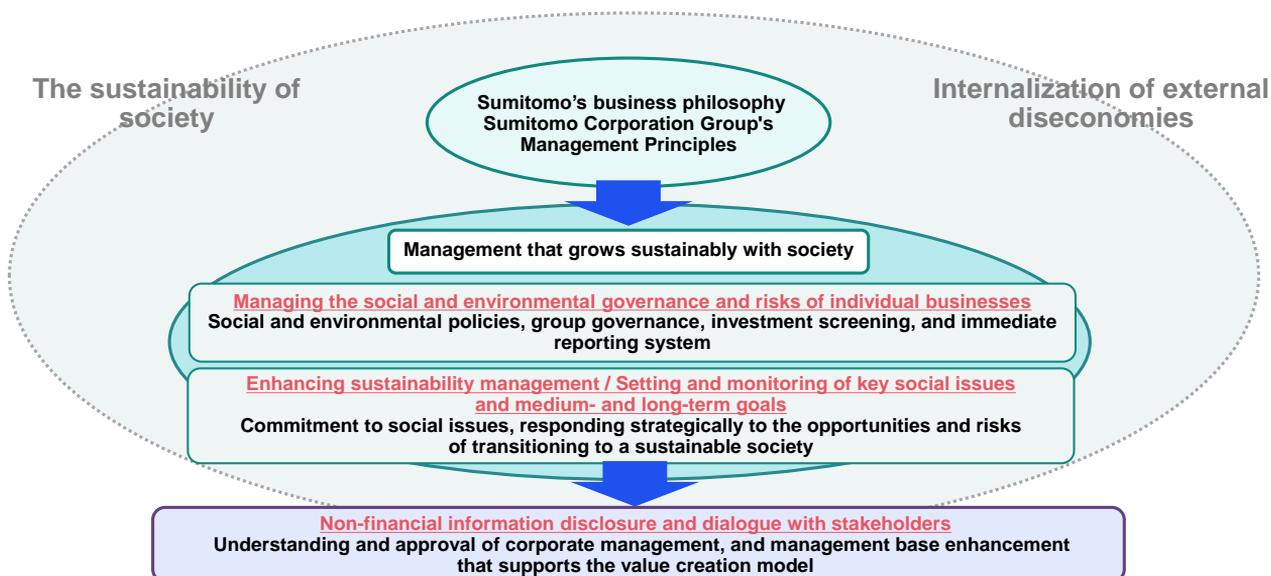


First, I would like to explain the positioning of sustainability in the Group’s value creation framework. The Value Creation Model you see here is included in our Integrated Report and in our ESG Communication Book as well.

In our value creation model, on the left side of the diagram, lined up vertically, are the various management base of the Sumitomo Corporation Group. In the round section next to that is Sumitomo’s business philosophy and the Group’s mission statement, which we make full use of in our daily management, to create, as the arrow leads to on the right, social value, environmental value, and economic value.

Sustainability initiatives are a very important component of this management structure.

Structure of Sustainability Management



Sumitomo's business philosophy and the Group's Management Principles emphasize management that values the public interest.

At a time when the scale of corporate economic activities is expanding globally and the sustainability of society is under threat, we believe that the most important public interest we should protect is the realization of a sustainable society. There is probably no more important public interest than this.

The sustainability management that we are currently working on to achieve sustainable growth together with society is, we believe, the very essence of our business philosophy and Management Principles.

In our management structure, we have established risk management and governance systems to ensure that our individual businesses do not interfere with the sustainability of society and the environment. In addition, we are advancing the enhancement of our sustainability management where we link our business activities even more with the resolution of social issues and reflect that in the strategical allocation of management resources to create value that society desires.

Furthermore, we believe that communicating our management style and achievements to our stakeholders and gaining their understanding and support will strengthen the management base of our group and further solidify our Value Creation Model.

Enhancing Sustainability Management

- Incorporating organizations' growth strategies and business management goals and turning our business portfolio into one that is compatible with a sustainable society

e.g. Mitigation of climate change

Long-term goal :

- Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle

Medium-term goals :

- Reduce the Group's CO2 emissions 50% or more by 2035 (compared to 2019)
- Establish businesses that will form the foundation for a sustainable energy cycle in society

- Visualization of CO2 emissions
- Shifting to low-carbonized and decarbonized products and changing business model
- Investment in low-carbonization and decarbonization technologies
- Participation in proof-of-concept experiments
- Reduction of CO2 emissions at major Group companies, etc.

Key social issues (mitigation of climate change, circular economy, respect for human rights, development of local society and economy, improvement of living standard, quality education) and setting of long- and medium-term goals

- Disclosing initiatives and progress made
- Communicating with stakeholders

Business units set medium-term goals and short-term action plans based on opportunities and risks

- Progress monitoring and PDCA cycle
- Reviewing goals as required based on global trends that affect each issue

Respond at the portfolio level or business strategy level depending on the situation

In promoting the enhancement of our sustainability management, we have defined the key social issues we will address and our medium- and long-term goals. In order to achieve these goals, they are incorporated into the mid-term goals of individual organizations within each business unit and action plans for each single fiscal year, which are then reflected in the management and business strategies of individual businesses.

For example, as shown on the right-hand side of this slide, with regard to the issue of climate change, with the major long-term and medium-term goals set by the Company, such as becoming carbon neutral by 2050, each business organization will individually set goals, such as shifting to low-carbon and decarbonized products, changing business models, and participating in demonstration tests of new technologies. We will continue to work on these goals.

Nevertheless, we naturally anticipate that we may need to revise the goals due to changes in the surrounding environment, such as the growing seriousness of social issues and the speed of technological innovation. We will monitor the progress of our efforts and continuously review the targets.

Response to Climate Change Issues: Response Policy and Setting Goals for Mitigation of Climate Change

- Conducting continuous review of climate change mitigation in response to future changes in the business environment

◀Policies on Climate Change Issues

Medium-term goals for “Mitigation of climate change”

Carbon-neutralize the Sumitomo Corporation Group’s business activities by 2050.
Develop technologies and business models that achieve sustainable energy cycles.

- Reduce CO2 emissions 50% or more by 2035 (compared to 2019)

[Power generation business]

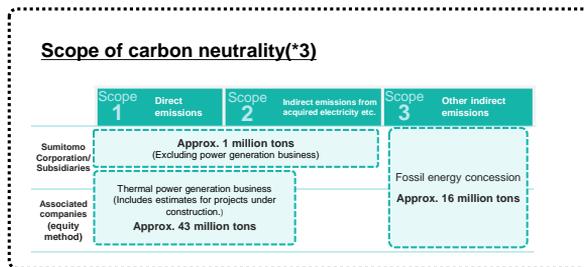
CO2 emissions: Reduce 40% or more (of which 60% reduction or more from coal-fired power generation business)

Net ownership generation capacity: coal 20%, gas 50% renewables 30%

[Fossil fuel upstream business]

CO2 emissions (*1): Reduce 90% or more

- Regarding coal-fired power generation business, no further involvement in IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction) business(*2) and will end all the coal-fired power generation business in the late 2040s. As for thermal coal mine interest, no additional investment and aim to achieve zero equity production from thermal coal mines by 2030.
- Increase supply of renewable energy (3GW or more by 2030)



(*1) Indirect CO2 emissions by others associated with the use of energy resources produced.

(*2) As the only exception, we acknowledge the project of Unit 3 and 4 of Matarbari plant in Bangladesh, which is under discussion between the Bangladesh and Japanese governments, as a potential expansion project of the Unit 1 and 2 project which we participate as a contractor. We will judge the possibility of participating in the Unit 3 and 4 project based on dialogue with our various stakeholders and also after we confirm the project’s consistency with the Paris Agreement (this will be the last project of coal-fired power generation business that we may have a possibility to consider).

(*3) As of 2019

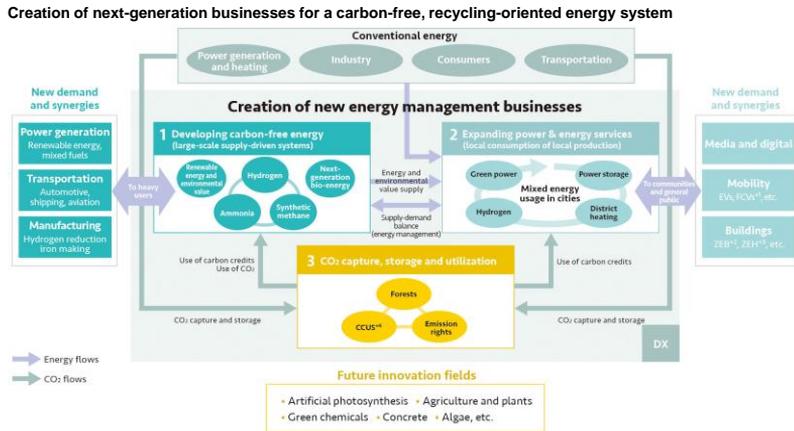
Now, I would like to talk about climate change and human rights as examples of our initiatives to address specific important social issues.

First, with respect to the issue of climate change, in May of this year, we announced policies for our power generation and fossil fuel upstream businesses, including medium-term goal that will serve as a milestone for our business to become carbon neutral. The specific targets are described on the above chart.

As social movements to achieve or encourage the early achievement of carbon neutrality accelerate, I am sure there are people who have various opinions and concerns about our policies. Today, I would like to hear your straightforward opinions on the goals and policies that we have set for ourselves.

Addressing Climate Change Issues: Developing Business Opportunities

- Developing business opportunities that satisfy the social needs that change along with shifts in technologies and business models associated with decarbonization



*1 FCV: Fuel cell vehicle
 *2 ZEB: Net zero energy building
 A building that aims to reduce the net annual primary energy consumption to zero
 *3 ZEH: Net Zero Energy House
 A house that aims to reduce the net annual primary energy consumption to zero
 *4 CCUS: Carbon dioxide Capture, Utilization and Storage
 Technology for capturing, effectively utilizing, and storing CO₂

In terms of the business opportunities brought about by changes in social structure in creating a decarbonized society, as a representative example, which we also introduced on IR Day and at other events, in April we established a new organization called the Energy Innovation Initiative, or EII, which aims to create next-generation businesses that will contribute to the realization of a carbon-neutral society. We have committed to utilize our companywide resources to it.

We believe that the launch of this new organization, which will pursue a wide range of business opportunities related to climate change, will reverberate with other business units and lead to an acceleration of our efforts.

Addressing Climate Change Issues: Responding to Risks (TCFD Scenario Analysis)

- **Transition risks: Analyzing sectors with significant CO2 emissions and anticipated changes in the business environment associated with low-carbonization and decarbonization**

Scenarios	<ul style="list-style-type: none"> • NZE/Net Zero Emission Scenario : A scenario that backcasts global accomplishment of net zero by 2050 / 1.5°C increase by 2100 (50% probability) • SDS/Sustainable Development Scenario : scenario that achieves carbon neutrality by 2070 / Less than 1.65°C increase by 2100 (50% probability) • STEPS/Stated Policies Scenario : A public policy scenario in line with policies already announced / Less than 2.7°C increase by 2100 (50% probability)
Business sectors selected for scenario analysis	<ul style="list-style-type: none"> • Electric power: Power generation (Coal and gas), Renewable energy • Resources: Thermal coal and coking coal, Natural gas and LNG, Metals and rare metals (Nickel, copper, and iron ore) • Transportation: Vehicles (Manufacture and sales of automobile parts/sales of finished vehicles), Shipping (Shipbuilding/ship ownership and operation), Aviation(Lease business) • Material industry sector: Steel (Steel sheets & tubular products manufacturing & sales), Cement (Distribution business), • Chemicals (manufacturing/trading), Aluminium (Smelting and refining business) • Real estate sector: Office buildings/residential building sales business

Low-carbonization and decarbonization of technologies and products associated with society becoming carbon neutral (e.g. renewable energy, EVs, fuel switching, decarbonized manufacturing technologies), changes in demand (e.g. changes in customer preferences, carbon footprint management, increase in carbon management services), introducing regulations (e.g. carbon border adjustment measures, carbon pricing and sustainability financing, etc.), and other impacts

- ⇒
- Shift to businesses with low environmental impact
 - Introduction of alternate technologies, utilization of CCUS, replacing parts of product portfolio
 - Shift in business model, creation of new businesses

Next, let me explain the risk aspect.

Regarding the risks associated with climate change issues, the ESG Communication Book, which was published last month, contains the results of our analysis of climate change-related transition risk and physical risk scenarios, in line with the TCFD recommendations.

With regards to transition risks, in order to comprehensively ascertain the impact of the transition to a decarbonized society, we analyzed sectors where changes in the business environment associated with low-carbonization or decarbonization can be expected, regardless of the size of our exposure.

Although we are not currently engaged in any business other than power generation that directly emits a large amount of CO2, we may be affected by various factors in the fields of transportation, materials, and housing, such as changes due to the low-carbonization and decarbonization of technologies and products, our client companies' management of their carbon footprints, and carbon pricing systems. We believe that we will be able to respond to these challenges in the medium and long term by shifting to businesses with a lower environmental impact, introducing alternative technologies, and replacing our business portfolio as necessary.

Addressing Climate Change Issues: Responding to Risks (TCFD Scenario Analysis)

- **Physical risks: Overviewing physical risks in our business portfolio, focusing on businesses that are comparatively more seriously affected by climate change**

Scenario	<ul style="list-style-type: none"> ● RCP (Representative Concentration Pathway) 8.5: Scenario that corresponds to the maximum emissions mentioned in the IPCC Fifth Report: 4°C increase by 2100
Target Sectors	<ul style="list-style-type: none"> ● Power generation, resource & interests, raw materials, transport systems, real estate, agriculture

- Survey the physical risks in our business portfolio.
- Analyze the impact of physical risks on areas that are considered sensitive to physical risks, such as those with large outdoor business bases or those that require significant natural resources, primarily from the standpoint of water stress and continuously rising temperatures.
 - ⇒ Confirm the impact of weather and geographic factors, and so force on the project at the time of investment, continue to perform assessments after investing in the project, and manage risks by clarifying the scope of contractual obligations, signing nonlife insurance contracts, etc.
(Since physical risks have various impacts on a wide range of sectors, we will consider continuing to refine our analysis, expanding coverage, and so on)

Next, I would like to explain about the physical risks from the assumed intensification of climate change. This is the first time we have done this analysis.

Physical risks are expected to have diverse effects on a wide range of business fields. In this analysis, in addition to providing an overview of the Company’s overall risk profile, we have analyzed the impact of some of these risks from 2 specific perspectives: stress related mainly to water, and the continued rise in temperature.

In general, we confirm the impact of weather and geographical factors on its business before making investment decisions, and even after participating in a business, we manages risk through measures such as continuous assessment, clarification of the scope of contractual responsibility, and provision of damage insurance. We believe that currently there are no serious physical risks.

Initiatives on Respect for Human Right: Establishment of "Sumitomo Corporation Group's Human Rights Policy"

- Established "Sumitomo Corporation Group's Human Rights Policy" in May 2020

0. Preface

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 endeavor to ensure that all executives and employees within its group fulfill their responsibility to respect human rights.

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

4. Stakeholder engagement

5. Education

6. Reporting

- Initiated human rights due diligence to identify, prevent, and mitigate human rights risks posed by the Group's business activities

<Process of Identification of Salient Human Rights Issues>

Identification and Assessment of Human Rights Risks and Impacts

- Desktop survey
 - Interviews of experts on business and human rights
 - Internal interviews
- Identification of salient human rights issues

In FY2020, as the first step in this process, we identified salient human rights issues to be addressed in order of priority to assess the impact and risk to human rights across the Group (see next slide p11).

Prevention and Mitigation of Human Rights Risks

- Incorporation in risk management systems

Disclosure

Periodic disclosure of initiatives concerning human rights and their effects

Follow-Up and Monitoring

- Assessment of initiatives concerning human rights

Remediation

In cases where an adverse impact on human rights is identified, an appropriate remedial measure is investigated in cooperation with the responsible departments

Next, as a response to another social issue, I would like to explain the Group's efforts regarding human rights.

In May last year, we established the Sumitomo Corporation Group's Human Rights Policy. We have long been committed to respecting human rights as a fundamental management principle and CSR action guidelines, and this time, we have clarified the standards of conduct that we should follow by establishing a human rights policy in line with global standards.

In line with the Human Rights Policy, last year we started human rights due diligence, and as a first step, we have identified salient human rights issues that need to be addressed on a priority basis in order to assess the human rights impact and risks of the entire Group.

Initiatives for Human Right: Establishment of "Sumitomo Corporation Group's Human Rights Policy"

● Identifying Salient Human Rights

Through desktop surveys, internal interviews, and consultations with outside experts, we identified and announced the following eight human rights issues as ones that should be prioritized and addressed by the Group.

- Labor conditions (wages and working hours)
- Freedom of association and the right to collective bargaining
- Forced labor and child labor
- Occupational health and safety
- Health and safety of local residents
- Land rights
- Discrimination and harassment
- Personal information and privacy

cf. Examples of Potential Human Rights Risks Associated with Our Businesses

Business Unit	Sector	Labor conditions	Freedom of association Right to collective bargaining	Forced labor Child labor	Occupational health and safety	Health and safety of local residents	Land rights	Discrimination/ Harassment	Personal information Privacy	Risk	
										High ←	→ Low
Metal Products	Steel Products Processing										
Transportation & Construction Systems	Automobile Parts Manufacturing										
Infrastructure	Power, Industrial Parks										
Media & Digital	Tel-communications, e-commerce										
Living Related & Real Estate	Food, Textile										
Mineral Resources, Energy, Chemical & Electronics	Mining										

<Future Initiatives>

We will strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including supply chains, and implement risk mitigation measures by 2025.

We will establish a more effective grievance mechanism(*) based on assessment results.

→ **Work on this as one of the mid-term goals that is a part of our key social issues (respect for human rights)**

(*) Grievance mechanism: A mechanism for handling and resolving complaints

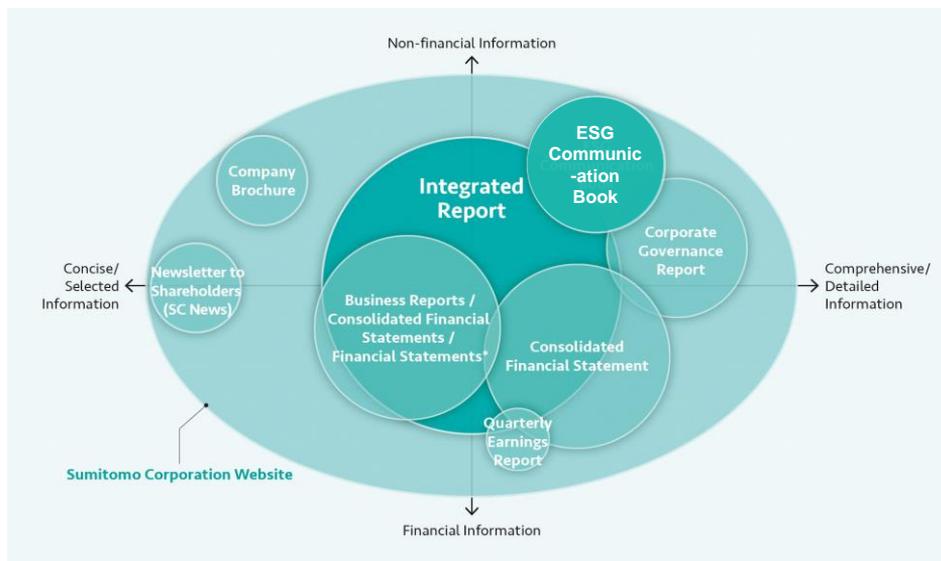
In this box, are 8 salient human rights issues that we have identified.

In identifying these issues, we conducted desktop research based on international human rights indicators and benchmarks, as well as examples of human rights risks that have emerged globally including at other companies. Also based on internal interviews carried out by external specialists and discussion with experts, we have identified and disclosed the following 8 issues.

In the future, for each of these human rights issues, prioritizing high risk areas, the Group will consider and implement action plans to prevent or mitigate risks.

In addition, based on the results of the human rights risk assessment, we will establish a more effective grievance mechanism.

Information Disclosure Overview including Non-financial information



That concludes my explanation of our sustainability management initiatives. From here, I would like to talk about our company’s information disclosure, including non-financial aspects.

The figure on the slide shows a list of our information disclosure tools. In order to respond to the interests of a wide range of stakeholders, we are striving to expand our information disclosure by utilizing various tools.

The ESG Communication Book, located in the upper right corner of the green oval, provides detailed information on our activities related to sustainability. In addition to the scenario analysis in line with the TCFD’s recommendations, and our efforts to respect human rights, the ESG Communication Book this year also includes non-financial information based on the Stakeholder Capitalism Metrics developed by the International Business Council (IBC), an organization of the World Economic Forum (WEF), which is the host organization of the Davos Forum.

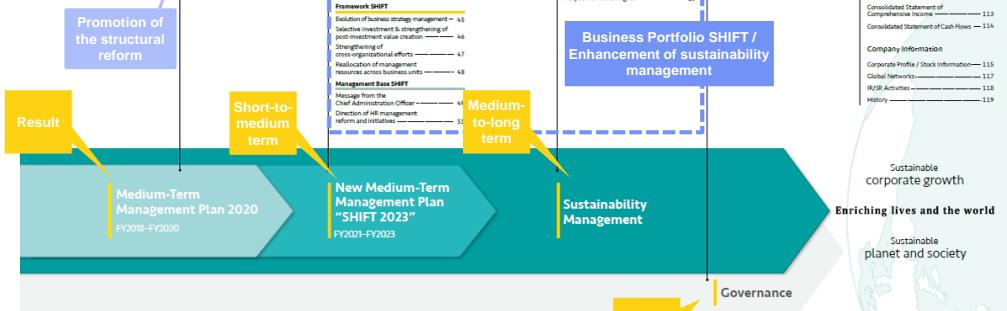
Next, I will explain the middle section of the oval, the Integrated Report. It is positioned as an annual report that integrates our financial and non-financial information to provide an overall understanding of the Group’s value creation and corporate value enhancement.

We just published the fiscal 2021 version of the Integrated Report on our website last week. I know many of you may not have seen it yet. I would like to highlight some of the key points from it, including the message that we would like to convey today.

Integrated Report 2021: Overview and Key Points

- Overall theme: structural reforms to quickly return to a growth trajectory and a roadmap for achieving sustainable growth.
- We intend to prove the sustainable growth of the company by explaining our initiatives in new medium-term management plan, SHIFT 2023. It is explained in short- to medium-term, medium- to long-term, and long-term perspective.

On the Release of Integrated Report 2021	1	Part 1 Analysis of Issues	23	Part 2 New Medium-Term Management Plan "SHIFT 2023"	33	Part 3 Sustainability Management	55	Part 4 Governance	71	Segment Overview	93
Sumitomo Corporation Group's Information Disclosure Tools	2	Review of Medium-Term Management Plan 2020	25	SHIFT 2023 overview	35	Message from the Chief Strategy Officer	57	Corporate governance	73	At a Glance	95
Valued Creation Model	5	Reflection and recognition of issues	28	Business Portfolio SHIFT	37	Sustainability management structure	61	Directors, Audit & Supervisory Board Members, and Executive Officers	82	Metal Products	95
Sumitomo's Business Philosophy	7	Commencement of structural reform	31	Setting mid-generation growth fields	39	Key social issues and medium- and long-term goals	63	Internal control	85	Transportation & Construction Systems	97
Sumitomo Corporation Group's Corporate Mission Statement	8			Dialogue between Outside Director and the Chief Digital Officer	41	Mitigation of climate change	65	Dialogue between Outside Directors	88	Infrastructure	99
Material Issues	9			Framework SHIFT	43	Respect for human rights	69			Media & Digital	103
Management Capital of the Sumitomo Corporation Group	11			Realization of business strategy management	45					Living Related & Real Estate	103
Business Overview of the Sumitomo Corporation Group	12			Selective investment & strengthening of post-investment value creation	46					Mineral Resources, Energy, Chemical & Electronics	105
Message from the President and Chief Executive Officer	13			Strengthening of cross-organizational efforts	47						
Message from the Chief Financial Officer	15			Reallocation of management resources across business units	48						
				Management Base SHIFT	48						
				Message from the Chief Administration Officer	49						
				Direction of HR management reform and initiatives	51						



This is the table of contents for this year's Integrated Report.

The overall theme of this fiscal year's report is to present a roadmap for structural reform and sustainable growth in order to quickly return to a growth trajectory, in light of the major losses we experienced in fiscal year 2020.

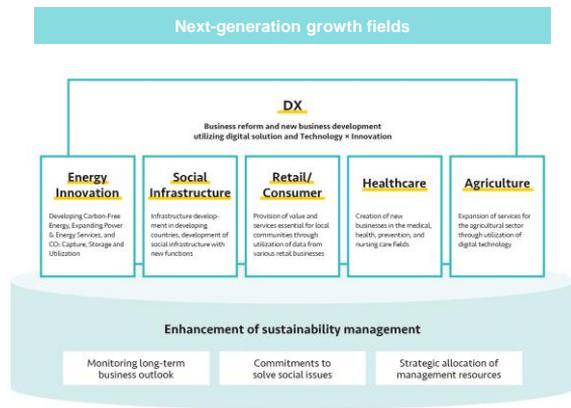
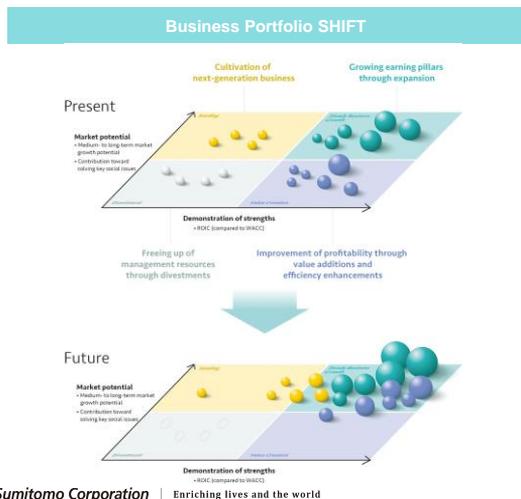
The story begins with an analysis of the issues described in Part 1. The true reason for our results last fiscal year was not just the COVID-19 pandemic, but issues that our company had been holding over time. Based on that reflection, we have formulated a new medium-term management plan, which we call SHIFT 2023. The plan is divided into short- to medium-term, medium- to long-term, and long-term, and specific initiatives are systematically introduced in each of these time frames.

In particular, in the center of this page, the section surrounded by the blue dotted line includes the promotion of structural reforms, the shift of our business portfolio, as set forth in SHIFT 2023, and the enhancement of sustainability management from a longer-term perspective. We have devoted many pages to explaining these topics.

SHIFT in Business Portfolio / Next-generation Growth Field

Part 2 explains key points in SHIFT in our business portfolio

- Shifting our portfolio to business areas where higher market potential can be expected and where we can fully leverage our strengths. This leads to increase profitability and to improve resiliency.
- Selecting Next-generation growth field based on social demand for sustainability.



(From Sumitomo Corporation integrated report 2021, P38-P39)

First, I would like to talk about the shifting of our business portfolio that we are aiming for in SHIFT 2023.

Please refer to the diagram on the left side of the slide. At the start of SHIFT 2023, we reclassified all of our businesses into strategic units and divided our businesses into 4 categories on two axes of “market potential” (on the vertical axis) and “demonstration of strengths” (on the horizontal axis).

So that, in the future, the position of each business shifts to the upper right quadrant of the graph, i.e., a position where we can demonstrate our strength in a highly attractive market (as shown in the lower figure), we aim to evolve each business by strengthening our efforts, allocating management resources, or, depending on the business, withdrawing from or replacing them.

Next, please look at the next-generation growth fields, on the right. We see society’s demand for sustainability as an opportunity, and have identified 6 next-generation growth fields, based on new business opportunities envisioned by back casting our vision of a future sustainable society.

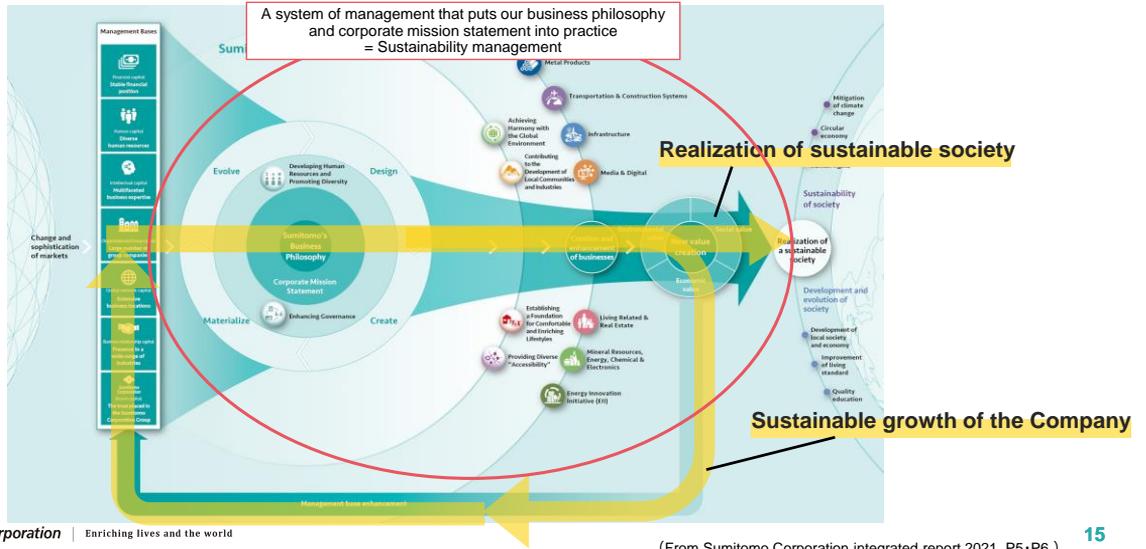
In order to restructure our business portfolio in these areas, we will develop the next generation of core businesses from a medium- to long-term perspective.

In the Integrated Report, we provide details of our initiatives to ensure the effectiveness of measures to promote a shift of our business portfolio, which we call SHIFT of the framework, and details about the strengthening of our management base.

In addition, later, CAO Seishima will explain the content related to human resource management and governance, which are included in the strengthening of our management base.

SHIFT 2023 and the Value Creation Model

- This shows how we achieve sustainable growth by enhancing our business portfolio through SHIFT 2023 and continuing to create value to achieve a sustainable society.



Now, I would like to mention what role SHIFT 2023 will play in value creation.

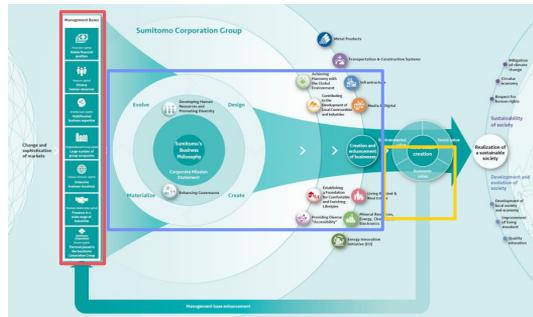
This is our Value Creation Model, which I mentioned at the beginning. As highlighted by the yellow arrows, this Value Creation Model indicates that the Group will simultaneously work to achieve sustainable growth and realize a sustainable society, and SHIFT 2023 establishes the strategy and the direction of future resource allocation for this purpose.

By steadily implementing the various measures set forth in SHIFT 2023, we will be able to achieve sustainable growth for ourselves, and at the same time, we hope that you will be able to see in the Integrated Report how we will continue to create value that is truly needed by society.

Implementing the Value Creation Model in Our Businesses

- In segment overview, it shows how the value creation model is implemented in each business (in six segments).

Value Creation Model



the SBUs introduced the Integrated Report 2021

Metal Products	the Steel Products SBU	Media & Digital	the J-COM SBU
Transportation & Construction Systems	the Construction Equipment Rental SBU	Living Related & Real Estate	the Domestic Real Estate SBU
Infrastructure	the Smart City SBU	Mineral Resources, Energy, Chemical & Electronics	the Upstream of Metal Resources SBU

Sumitomo Corporation | Enriching lives and the world

Ex. Living Related & Real Estate Business Unit / the Domestic Real Estate SBU

Implementing a Value Creation Model in the Domestic Real Estate SBU

Optimizing asset efficiency and building an adequate portfolio

Demand for real estate investment remains high due to the effects of large-scale monetary easing around the world. Meanwhile, the environment surrounding the real estate business is also undergoing significant change, including a drop in demand from inbound tourism due to the COVID-19 pandemic and the spread of telework.



Investing Management Capital

- Intellectual capital**
Know-how passed down over many years of hands-on management of real estate business, which is the founding heritage of Sumitomo Corporation.
- Human capital**
Experiences of business leaders who reflect the know-how developed in hands-on work and steadily put it into practice.

- Organizational/Group capital**
Business relationship capital
A platform that enables collaboration with stakeholders outside the Group in all areas of business, including financing, tenant leasing, and building materials network.

Investing in seven types of management capital

Growth Strategy

Under SHAFT 2023, we will promote the utilization of external funding and grow the development and sales and the asset management businesses into more efficient businesses. Our policy is to aggressively undertake development of office buildings, residential facilities, daily-use retail facilities, logistics facilities, and other facilities. In addition, in order to adapt to the surrounding environment, which is changing due to the COVID-19 pandemic, we will build an adequate portfolio in terms of asset type and area to create a risk-resilient business foundation. We will also focus on improving the environmental performance of our portfolio assets from an ESG standpoint and enhancing our real estate management via DX.



Creation and enhancement of businesses

Value Created		
Social value	Environmental value	Economic value
<ul style="list-style-type: none"> Providing social infrastructure to support people and facilities through various assets Development of assets to serve as disaster prevention facilities or disaster for temporary evacuation and revitalization of abandoned areas and emergency shelters in the disaster Contributing to the development of local communities and industries by meeting various needs 	<ul style="list-style-type: none"> Reducing CO₂ emissions and energy consumption by improving the environmental performance of portfolio properties Supplying real estate assets that have received environmental certification such as LEED, Green Building Assessment System for Real Estate (GreenRE), and CASBEE Contributing to "Building for Living Energy Office" (B4LE) and "Building for Living Energy Office" (B4LE) Contributing to "Building for Living Energy Office" (B4LE) Contributing to "Building for Living Energy Office" (B4LE) 	<ul style="list-style-type: none"> Engaging in more efficient business development utilizing external funds and creating added value by leveraging our real estate development know-how Providing investors with excellent investment opportunities through our know-how Management portfolio assets: 33 office buildings, 31 retail facilities Total amount of assets: 30,000 condominium units, 100,000 sqm of office buildings, 100,000 sqm of retail

Examples of value creation

In the Integrated Report, we also introduce the way we create value through specific individual businesses.

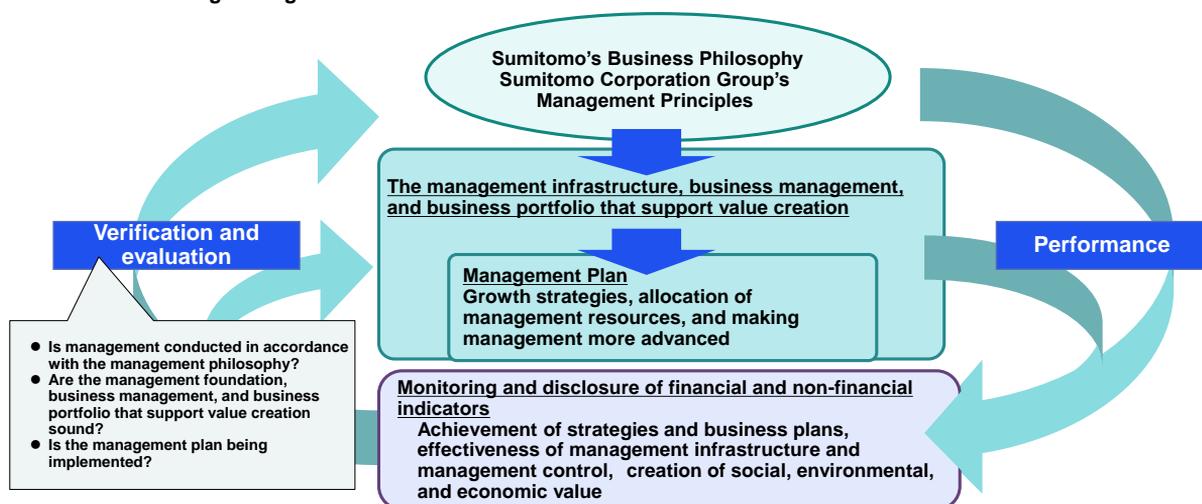
Last year, we introduced representative case studies, but this year, we have selected one business from each business unit based on the framework of the Value Creation Model to introduce a total of 6 practical examples of value creation.

This slide shows an example of a domestic real estate business. As shown here, what kind of management capital is being invested and utilized, and what kinds of strategies are being used to create and upgrade the business. In addition, the value created as a result is explained in detail from the 3 perspectives of society, the environment, and the economy.

We hope that our readers will gain a better understanding of specific value creation within our group.

Strategic Disclosure of Non-financial Information Based on the Value Creation Process

- Disclosure and verification of the value creation model and performance that support long-term sustainable growth, and continuous strengthening of the value creation model.



Lastly, I would like to explain our policy on disclosure of non-financial information. As you are aware, various organizations have recently been actively working to establish disclosure standards for non-financial information. Our company is disclosing climate change-related information based on the TCFD proposal, and other information based on IBC's recommended Stakeholder Capitalism Metrics.

We will continue to monitor global trends in information disclosure and strive to provide our stakeholders with information that is useful, comparable to other companies.

In addition to this, we will work on more strategic information disclosure and enhance the quality and quantity of disclosure so that people can understand our management approach and our view of how we should be, and to determine what are the important indicators for sustainable growth together with society.

Conclusion

Timely and appropriate disclosure of highly transparent information

Management Principle and growth strategies, opportunities and risks, and the positive and negative social impacts of our business activities

Engagement with various stakeholders

Communication that provides a deeper understanding of the Group's business activities

This is the final message of my presentation today.

We now recognize that our corporate activities and the management of our group have an impact on the lives of people and society around the world.

In addition to the Group's Management Principles and growth strategy, it is of utmost importance to provide timely and highly transparent information on the opportunities and risks we face, as well as the positive and negative impacts of our business activities on society, and to build a relationship of trust through dialogue with our stakeholders.

I would like to hear your frank opinions today.

That ends the explanation from me. Thank you very much for your attention.

Appendix

Sumitomo Corporation Group’s key social issues and medium- and long -term goals

Key social issues	Long-term goals	Medium-term goals (newly set)
Sustainability of society	Mitigation of climate change	<ul style="list-style-type: none"> ■ Reduce the Group’s CO₂ emissions 50% or more by 2035 (compared to 2019) <ul style="list-style-type: none"> - Reduce CO₂ emissions of the power generation business by 40% or more by 2035 (of which reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise 20% coal-fired, 50% gas-fired and 30% renewables (*1) in terms of net ownership generation capacity. - Reduce indirect CO₂ emissions (*2) associated with the fossil fuel upstream business by 90% or more by 2035. - Reduce CO₂ emissions in all other businesses (*3). ■ Establish businesses that will form the foundation for a sustainable energy cycle in society <ul style="list-style-type: none"> - Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (3GW or more by 2030)(*4), and expand new power and energy services. - Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation. - Capture, store and utilize CO₂ via carbon recycling, forestry business, CCS, and emissions credit trading, etc.
	Circular economy	<ul style="list-style-type: none"> ■ Shift to recyclable, efficient technologies and products ■ Use renewable and recyclable raw materials, collect waste, and promote improved efficiency of product usage <ul style="list-style-type: none"> - Expand use of raw materials derived from recycled or renewable resources. - Improve efficiency of product usage and expand businesses that promote longer product life (sharing, sales of used items, leasing, rentals, etc.). ■ Sustainable use of natural resources ■ Reinforce the sustainable procurement system for major natural resources used by the Group <ul style="list-style-type: none"> - Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system.
	Respect for human rights	<ul style="list-style-type: none"> ■ Respect human rights through all of our businesses and supply chains ■ Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group’s Human Rights Policy <ul style="list-style-type: none"> - By 2023, achieve 100% participation rate in human rights education based on the Guiding Principles, and 100% implementation rate in regional organizations and subsidiaries. - Strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including the supply chain, and implement risk mitigation measures by 2025. Establish a more effective grievance mechanism(*5) based on assessment results. ■ Ensure a safe workplace environment <ul style="list-style-type: none"> - Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction. ■ Achieve a diverse organization grounded in mutual respect <ul style="list-style-type: none"> - Provide a safe working environment that is free from discrimination and harassment. - Promote human resource management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values.

Sumitomo Corporation Group’s key social issues and medium- and long -term goals

Key social issues		Long-term goals	Medium-term goals (newly set)
Development and evolution of society	Development of local society and economy	<ul style="list-style-type: none"> Contribute to development of local industries and human resources Develop industrial and social infrastructure 	<ul style="list-style-type: none"> Develop local industries, create jobs, and develop human resources through the Group’s global business operations <ul style="list-style-type: none"> Promote sustainable, highly productive and value-added industries, and coexist with local communities through business. Create employment and develop management and highly skilled human resources at the Group’s business sites. Establish industrial and social infrastructure that contributes to the sustainable development of society <ul style="list-style-type: none"> Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions.
	Improvement of living standard	<ul style="list-style-type: none"> Provide advanced lifestyle-related services 	<ul style="list-style-type: none"> Deliver advanced lifestyle services that help to solve social issues such as urbanization and aging populations <ul style="list-style-type: none"> Provide more advanced services and new functions that improve the standard of living, such as mobility, media and telecommunications, healthcare services, and smart city development, based on new technologies and concepts.
	Quality education	<ul style="list-style-type: none"> Contribute to quality education 	<ul style="list-style-type: none"> Provide quality and equal learning opportunities through 100SEED(*) activities <ul style="list-style-type: none"> Quantitatively expand the scope of learning opportunities. 100% satisfaction of beneficiaries. Continue to have at least 5% of all employees participate annually (scope is Sumitomo Corporation, regional organizations and Group companies).

(*) Social contribution projects with employee participation at Sumitomo Corporation Group

Sumitomo Corporation Group's Climate Change Initiatives

Basic Policy

- Aim to make the Sumitomo Corporation Group carbon neutral in 2050^(*1). Develop technologies and business models for creating a sustainable energy cycle by reducing CO2 emissions and achieving negative emissions^(*2) 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. (in 2035: 20% for coal-fired, 50% for gas-fired, and 30% for renewables in terms of net ownership generation capacity^(*3))
- Regarding the development of thermal power generation and fossil energy concession, we will work on the premise of carbon neutralization in 2050. We will not be involved in any new coal-fired power generation business neither IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction)^(*4). For IPP business, we aim to reduce CO2 emissions by 60% or more by 2035 (compared to 2019) and we will end all the coal-fired power generation business in the late 2040s. We will not make any further investment in the thermal coal mining interest and aim to achieve zero production from thermal coal mines by 2030.

^(*1) 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.

^(*2) Negative emission refers to the absorption, capturing, and removal of CO2 emitted in the past and accumulated in the atmosphere.

^(*3) As of 2020 : coal 50%, gas 30%, renewables 20%

^(*4) As the only exception, we acknowledge the project of Unit 3 and 4 of Matarbari plant in Bangladesh, which is under discussion between the Bangladesh and Japanese governments, as a potential expansion project of the Unit 1 and 2 project which we participate as a contractor.

We will judge the possibility of participating in the Unit 3 and 4 project based on dialogue with our various stakeholders and also after we confirm the project's consistency with the Paris Agreement (this will be the last project of coal-fired power generation business that we may have a possibility to consider).

Sumitomo Corporation Group's Human Rights Policy

Sumitomo Corporation Group's Human Rights Policy

Sumitomo Corporation declares in its management principles that it aims to be a global organization that contributes broadly to society and places prime importance on utmost respect for the individual. We will respect human rights to fulfill our corporate social responsibility, and pursue sustainable growth with society.

Sumitomo Corporation became a signatory in 2009 to the "Ten Principles of the United Nations Global Compact", which advocates for values common to its own management principles, including those regarding human rights and labor. We also respect the "International Bill of Human Rights" and the International Labor Organization's "Declaration on Fundamental Principles and Rights at Work", and we operate in accordance with the "United Nations Guiding Principles on Business and Human Rights".

1. Scope of application

Sumitomo Corporation endeavors to ensure that all executives and employees within its group fulfill their responsibility to respect human rights. In addition, we encourage our suppliers and business partners to accept, understand and practice this policy so that we can work together to fulfill our social responsibilities, including respect for human rights in the relevant value chain.

2. Human rights due diligence

Sumitomo Corporation strives to identify and to prevent or mitigate any adverse impact on human rights through the application of human rights due diligence processes. Where we identify that our group's practices have caused or contributed to an adverse impact on human rights, we will endeavor to take appropriate remedial measures.

3. Compliance with relevant laws

Sumitomo Corporation will comply with national and regional laws and regulations applicable to its group operations. When those laws and regulations are incompatible with internationally recognized human rights, we will seek to employ measures to respect international human rights norms.

4. Stakeholder engagement

Sumitomo Corporation will seek to improve and progress human rights measures through engagement and dialogue with relevant stakeholders.

5. Education

Sumitomo Corporation will appropriately educate its executives and employees within its group in order to ensure that this human rights policy is understood and implemented effectively.

6. Reporting

Sumitomo Corporation will disclose appropriate information regarding its efforts to respect human rights.