



Part 4

# Governance

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# Corporate governance

## Corporate governance principles

Sumitomo Corporation established the Sumitomo Corporation Corporate Governance Principles while keeping in mind that the backbone of our corporate ethics is in Sumitomo's Business Philosophy and Management Principles. The Sumitomo Corporation Corporate Governance Principles were established based on our view that the essence of corporate governance is improving management efficiency and maintaining sound

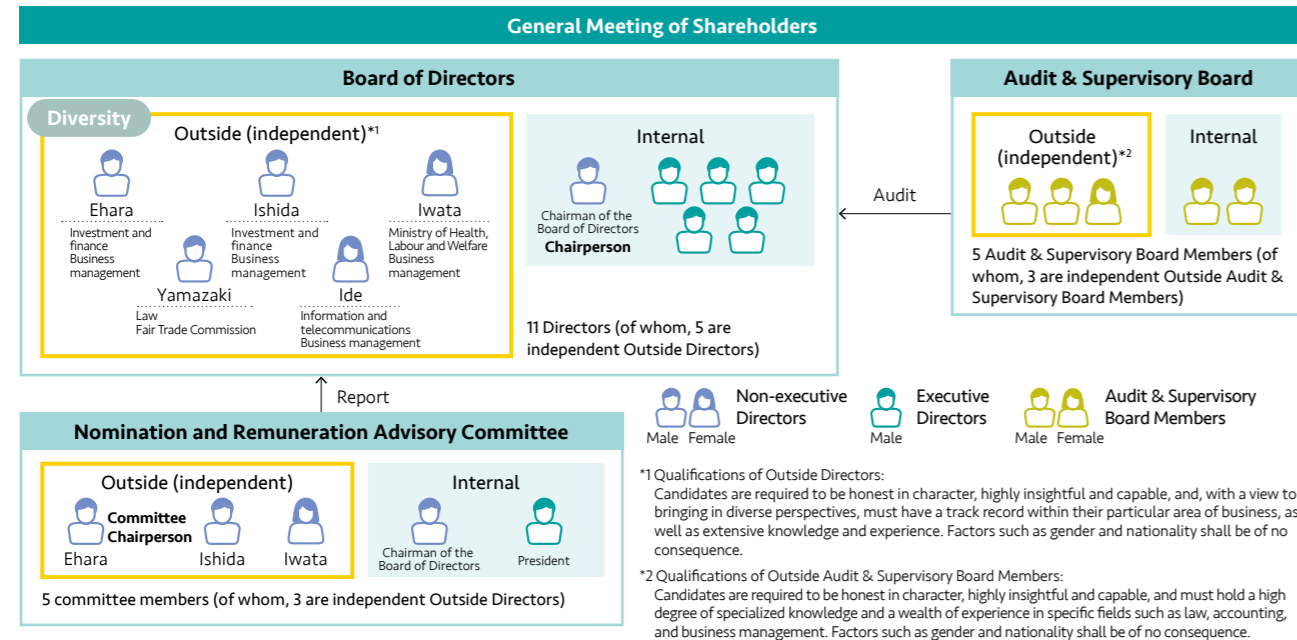
management, as well as ensuring management transparency to secure the first two. In line with the Principles, we seek constantly to establish the most appropriate managerial system for the Company and work to continuously improve our corporate governance to realize management that serves the interests of all stakeholders including shareholders.

## System and features of corporate governance

Sumitomo Corporation, which has adopted an Audit & Supervisory Board system, seeks to ensure the effective supervision and monitoring of management through the appointment of Outside Directors and Outside Audit & Supervisory Board Members, who have an independent stance, and through the establishment of a Nomination and Remuneration Advisory Committee composed, in the majority,

of independent Outside Directors. Meanwhile, the introduction of an executive officer system and the establishment of the Management Council are among the measures designed to promote speedier and more efficient decision-making and execution of business as part of the effective corporate governance system we have worked to put in place.

### Corporate governance system (Company with Audit & Supervisory Board)



### Overview of corporate governance system (As of June 18, 2021)

Form of organizational structure	Company with Audit & Supervisory Board
Number of Directors	11 (of whom, 5 are Outside Directors); 1-year term
Term of Chairman of the Board of Directors, President and Chief Executive Officer, and Outside Directors	No more than 6 years, in principle
Number of Audit & Supervisory Board Members	5 (of whom, 3 are Outside Audit & Supervisory Board Members); 4-year term
Executive officers	Executive officer system adopted
Voluntarily established bodies as advisory bodies to the Board of Directors	Nomination and Remuneration Advisory Committee

## Structures to enhance management efficiency and maintain sound management

### Directors and the Board of Directors

#### Composition of the Board of Directors and appointment of Outside Directors

The membership of the Board of Directors is appropriate in numerical terms to facilitate adequate discussion and speedy and rational decision-making, and provides diversity in terms of experience, knowledge, specialism, gender, and other characteristics. Moreover, of the 11 Directors appointed, five must be Outside Directors to ensure appropriate decision-making from diverse perspectives and to further strengthen the

supervisory functions of the Board of Directors. Each Outside Director meets the independence criteria of Tokyo Stock Exchange, Inc. or other relevant body and the in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members.

Each Outside Director possesses the experience below and is qualified to ensure that the Board of Directors makes appropriate decisions and further strengthen the supervisory function.

### Reasons for appointing Outside Directors

Name/Reason for appointment	Term of office as Director	Expertise and experience					
		Business management	Investment	Finance	Legal affairs	Government body	Information and telecommunications
<b>Nobuyoshi Ehara:</b> Wide-ranging knowledge and a wealth of experience in finance and business management accumulated during many years of engagement in a major U.S. investment bank and the management of a private-equity firm.	5 years	●	●	●	—	—	—
<b>Koji Ishida:</b> Wide-ranging knowledge and a wealth of experience in finance and business management accumulated during many years of engagement in a major financial institution and past position as a member of the Policy Board at the Bank of Japan.	4 years	●	●	●	—	●	—
<b>Kimie Iwata:</b> Wide-ranging knowledge and a wealth of experience in business management, corporate governance, corporate social responsibility, and diversity accumulated in managerial and outside director positions for private companies, before which she served in a succession of key positions in the Ministry of Labour (currently the Ministry of Health, Labour and Welfare) over the course of many years.	3 years	●	—	—	—	●	—
<b>Hisashi Yamazaki:</b> Highly specialized knowledge and a wealth of experience in law accumulated over the course of many years as a judge and an attorney at law.	3 years	—	—	—	●	●	—
<b>Akiko Ide:</b> Wide-ranging knowledge and a wealth of experience in information and telecommunications, business management, and corporate governance accumulated during many years of engagement in a major telecommunications carrier, the management of a group company and a full-time audit & supervisory board member of the parent (holding) company.	1 year	●	—	—	—	—	●

#### Separation of roles between the Chairman of the Board of Directors and the President and Chief Executive Officer and limitation of their terms of office

To allow mutual checks and balances, the posts of Chairman of the Board of Directors and President and Chief Executive Officer are in principle separate and not to be held jointly by the same individual. The Chairman of the Board of Directors convenes meetings of the Board of Directors and presides over them as

Chairperson, and engages in external relations activities. Furthermore, the Chairman supervises management but does not engage in routine operations and has no representative powers. Additionally, the terms of office of the Chairman of the Board of Directors and of the President and Chief Executive Officer are in principle set at six years in each case. This is to exclude the potential negative influence on governance of long-term absence of turnover in senior management.

## Corporate governance

### — Improvement of deliberation and enhancement of monitoring function at the Board of Directors

Agenda items for the Board of Directors are carefully selected to promote more focused discussion of management policy and plans and other important matters of relevance to companywide management. In May 2020 the Board discussed which items should be taken up for more intensive discussion at meetings of the Board of Directors in FY2020 and reflected them in the subsequent selection of agenda items. To further strengthen its business execution monitoring functions, the Board receives reports from each business unit on the state of progress of its strategy and any associated issues, as well as its response to the issues, with the report followed by a discussion focusing on the relevant issues. The Board also periodically

### Main discussion themes of FY2020 Board of Directors' meetings and its off-site sessions (important management topics and activities of committees)

<b>Management plans</b>
<ul style="list-style-type: none"> <li>• Progress review and revision of Medium-Term Management Plan 2020</li> <li>• Establishment of the new medium-term management plan "SHIFT 2023"</li> <li>• Regular reporting by business units (progress on strategy and the associated issues and response)</li> </ul>
<b>Human resources-related</b>
<ul style="list-style-type: none"> <li>• Revision of HR management system and promotion of women's participation and advancement in the workplace</li> </ul>
<b>ESG-related</b>
<ul style="list-style-type: none"> <li>• Enhancement of sustainability management</li> <li>• Policies on climate change issues and policies on related disclosures</li> <li>• Sumitomo Corporation Group's Human Rights Policy</li> <li>• Fulfillment of role by Outside Directors</li> <li>• Evaluation of the effectiveness of the Board of Directors: reports on results, improvement measures</li> </ul>
<b>Reports on committee activities</b>
Compliance Committee, IR Committee, Corporate Sustainability Committee, etc.

monitors the state of business execution companywide, for instance by receiving reports on the activities of the main corporate committees and portfolio reports covering market fluctuation risk, country risk, and other concentration risks. Moreover, to further enhance the quality of its discussion, the Board of Directors holds off-site sessions for free and frank discussion of important management topics, including management policy and plans and issues in the ESG field.

### Sustainability governance

The Board of Directors discusses and makes decisions on important policies and measures related to sustainability after they are discussed by the Management Council. It also receives regular reports on the activities of the Corporate Sustainability Committee, and engages in lively discussions and exchanges of opinions on important matters related to sustainability in off-site sessions. (▶ Refer to p. 61)

In regard to the issue of human rights, for example, in May 2020 the Board of Directors passed a resolution on the Sumitomo Corporation Group's Human Rights Policy. In addition, based on the United Kingdom's Modern Slavery Act 2015, the Board of Directors discusses and releases an annual statement on efforts to prevent slave labor and human trafficking within the Group and its supply chain. Furthermore, in regard to the issue of climate change, the Group announced its Policies on Climate Change Issues in 2019. In light of the increasing urgency of resolving the issue, the Group also revised these policies in June 2020 and May 2021 to accelerate its efforts. Moreover, the Group set medium-term goals for realizing the long-term goal of achieving carbon neutrality in its business activities by 2050. The Board of Directors discusses changes in society and swiftly change policies in response. The Board of Directors will also monitor progress on these medium-term goals at its meetings and in off-site sessions.

### Evaluation of the effectiveness of the Board of Directors

To maintain and heighten the effectiveness of the Board of Directors, each year Directors and Audit & Supervisory Board Members analyze and evaluate its effectiveness through the use of self-evaluations and other means. We disclosed a summary of the results.

The evaluation of effectiveness of the Board of Directors and its results for FY2020 is summarized in the figure to the right.

### Initiatives to further improve effectiveness of the Board of Directors (PDCA cycle)

Plan	Do	Check	Act
<b>Main issues in FY2019</b> <ul style="list-style-type: none"> <li>Further diversity in the composition of the Board of Directors</li> <li>More appropriate selection of agenda items</li> <li>Role and function of Outside Directors</li> </ul>	<b>Main initiatives in FY2020</b> <ul style="list-style-type: none"> <li>Discuss a skill matrix for members of the Board of Directors and its utilization</li> <li>Discuss agenda setting for the Board of Directors in FY2020</li> <li>Discuss the role and function of Outside Directors</li> </ul>	<b>Evaluation of effectiveness in FY2020</b> <ol style="list-style-type: none"> <li><b>Evaluation method*</b> Questionnaire (anonymous) to Directors and Audit &amp; Supervisory Board Members, and interview with third-party consultant</li> <li><b>Evaluation process</b> Report to the Board of Directors the results of the third-party consultant's analysis of the aggregated responses (May 2021)</li> </ol>	<b>FY2020 evaluation results and action</b> <p><b>Evaluation results</b></p> <ul style="list-style-type: none"> <li>• The Board of Directors was found to generally function effectively.</li> <li>• The majority had a positive opinion, such as that they were able to spend enough time on topics that should be discussed more intensively as a result of setting the agenda based on the FY2019 evaluation of effectiveness.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>• In FY2021, we will continue striving to further enhance discussion on important management strategies and policies and work on items such as review of progress on the new medium-term management plan (including monitoring of allocation of management resources, business portfolio strategy, and measures related to sustainability management).</li> </ul>

\* Main evaluation items: (1) Appropriateness of agenda setting, (2) method of consensus building, (3) discussions based on changes in the business environment, (4) provision of information in advance, (5) fulfillment of roles by Chairperson, Outside Directors, and other Directors, and (6) overall evaluation, etc. Space provided for free comment.

### Message from an Outside Director

#### Ongoing discussions in response to diversifying human rights issues

Hisashi Yamazaki, Outside Director



Today, the phrase "business and human rights" has become firmly established, and there are growing international requirements for companies to respect human rights. The Government of Japan formulated the National Action Plan on Business and Human Rights in October 2020. It did so in response to such initiatives as the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the International Labour Organization's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

In advance of the Japanese action plan, we formulated the Sumitomo Corporation Group's Human Rights Policy in May 2020. Respect for human rights is a universal issue. The evident differences in various countries and regions led to difficulties in

formulating a human rights policy for our Group, which deploys businesses globally and has wide-spanning supply chains. The results of discussions at forums such as the Board of Directors are presented on page 69.

The risks related to human rights issues, which include work environments, discrimination, and harassment, are high, and they are subject to constant change. It is therefore necessary to steadily implement human rights due diligence as stated in our Human Rights Policy. At the same time, we need to heighten our sensitivity to risk and respond appropriately. We hope to continue discussions under SHIFT 2023 so that we can properly fulfill our corporate social responsibility regarding human rights issues.

## Corporate governance

### Training and information provision for Directors and Audit & Supervisory Board Members

On taking office, Outside Directors and Outside Audit & Supervisory Board Members have the opportunity to receive a briefing on areas including the Sumitomo Corporation Group's Management Principles, management policy, business activities, finances, organization, medium-term management plan, and risk management system. Additionally, Directors and Audit & Supervisory Board Members are provided with the opportunity to



Online observation in FY2021  
In July 2021, Outside Directors and Outside Audit & Supervisory Board Members used VR equipment (360-degree camera and head-mounted display) to perform a remote visit to a retail operator and commercial facility business in the Group.

receive training from specialist outside organizations.

To deepen their understanding of Sumitomo's Business Philosophy, Outside Directors and Outside Audit & Supervisory Board Members, in principle, visit a Sumitomo-related facility during the first fiscal year of their term of office. In FY2020, there were no opportunities to perform observation overseas due to COVID-19, but in Japan we observed a real estate development area in the Kanda area of Tokyo.

Prior to every meeting of the Board of Directors, we give a briefing to Outside Directors and Outside Audit & Supervisory Board Members on the agenda items due for discussion.

### Establishment of an advisory body to the Board of Directors

The Nomination and Remuneration Advisory Committee, which is composed, in the majority, of Outside Directors and chaired by an Outside Director, operates as an advisory body to the Board of Directors. The committee is charged with the following items and reports the results thereof to the Board of Directors: (1) Policy and procedure for the appointment and dismissal of the President and Chief Executive Officer; (2) Policy and procedure for the appointment and dismissal of the Chairman of the Board of Directors; (3) Nomination criteria for Directors and Audit & Supervisory Board Members; (4) Appointment and dismissal of the President and Chief Executive Officer (including nomination of successor); (5) Nomination of candidates for Director and Audit & Supervisory Board Member (including deciding Representative and Executive Directors); (6) Appointment of Management Council members; (7) System and level of remuneration and bonus payments for Directors and Executive Officers and remuneration range for Audit & Supervisory Board Members; and (8) Consultation on the advisor system. An overview of the activities of the Nomination and Remuneration Advisory Committee in FY2020 is provided below.

### Overview of Nomination and Remuneration Advisory Committee activities

Composition of the Nomination and Remuneration Advisory Committee		Number of meetings/ Attendance rate	Main discussion items
Outside Directors	Nobuyoshi Ehara (Chairperson)	11/11 (100%)	<ul style="list-style-type: none"> <li>FY2021 Director/Audit &amp; Supervisory Board Member/Executive Officer HR management (Selection of Management Council members and allocation of human resources based on successor plan)</li> <li>FY2020 evaluations of individual Executive Officers</li> <li>Director/Audit &amp; Supervisory Board Member/Executive Officer remuneration (Review of pay level/composition, performance-linked bonuses, stock-based remuneration)</li> <li>Handling of officer bonuses/remuneration based on forecast for FY2020 results</li> </ul>
	Koji Ishida	11/11 (100%)	
	Kimie Iwata	10/11 (91%)	
Internal Directors	Kuniharu Nakamura	11/11 (100%)	
	Masayuki Hyodo	11/11 (100%)	

### Management Council

#### Highest executive-level decision-making body

The Management Council is the highest executive-level decision-making body that takes into account diverse opinions and multifaceted discussions in regard to specific key matters related to management, within the scope of the

mandate conferred by the Board of Directors. The Management Council, which meets in principle once a week, consists of the President and Chief Executive Officer, all chief officers of the corporate group, and the general managers of each of the business units.

### Audit & Supervisory Board Members and the Audit & Supervisory Board

#### Enhancement of auditing capabilities

The Audit & Supervisory Board consists of five members: two internal full-time members and three outside part-time members. It makes decisions on matters related to audit policy, methods of investigating company operations and the status of assets, and the execution of other duties of Audit & Supervisory Board Members. Each Audit & Supervisory Board Member audits the execution of duties by the Board of Directors as a Member of the Board of Directors and an Executive Officer (Representative Director) in accordance with various laws such as the Companies Act, the Articles of Incorporation, and in-house rules.

Candidates for Full-time Audit & Supervisory Board Member are required to be honest in character, highly insightful and capable, and must hold a high degree of specialized knowledge and a wide range of experience related to operations. Factors such as gender and nationality shall be of no consequence. Candidates for Outside Audit & Supervisory Board Member are required to be honest in character, highly insightful and capable, and must hold a high degree of specialized knowledge and a wealth of experience in specific fields such as law, accounting, and business management. Factors such as gender and nationality shall be of no consequence.

execution of their duties, asks them for explanations as necessary, inspects important internal authorization documents and examines the status of operations and the financial status regarding the head office and important operating locations. As for subsidiaries, each Audit & Supervisory Board Member promotes communication and exchanges of information with directors and audit & supervisory board members, etc. of subsidiaries, and receives reports on the subsidiaries' business as necessary.

The Audit & Supervisory Board Members' Administration Department has been established as a specialized organization to support the work of the Audit & Supervisory Board Members. The Audit & Supervisory Board Members participate in personnel evaluations and transfers and so on regarding these employees to ensure their independence from the Board of Directors.

#### Collaboration between the Internal Auditing Department and accounting auditors

To ensure audit efficiency, Audit & Supervisory Board Members interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner.

In addition, Audit & Supervisory Board Members exchange information with and monitor the auditing activities of the accounting auditors through regular meetings. By attending audit review meetings and observing inventory audits by the accounting auditors, the Audit & Supervisory Board Members constantly work to improve audit efficiency and quality.

#### Ensuring audit effectiveness

Each Audit & Supervisory Board Member attends important meetings such as the Board of Directors Meeting, receives reports from Directors and employees, etc. regarding the

## Corporate governance

### Remuneration of Directors and Audit & Supervisory Board Members

#### Executive remuneration system

Type of remuneration, etc.	Eligibility			
	Executive Directors/ Executive Officers*1	Chairman of the Board of Directors*2	Outside Directors*3	Audit & Supervisory Board Members*4
Fixed	Monthly remuneration	●	●	●
Variable	Performance-linked bonuses	●	—	—
	Restricted performance share unit-based remuneration	●	●	—

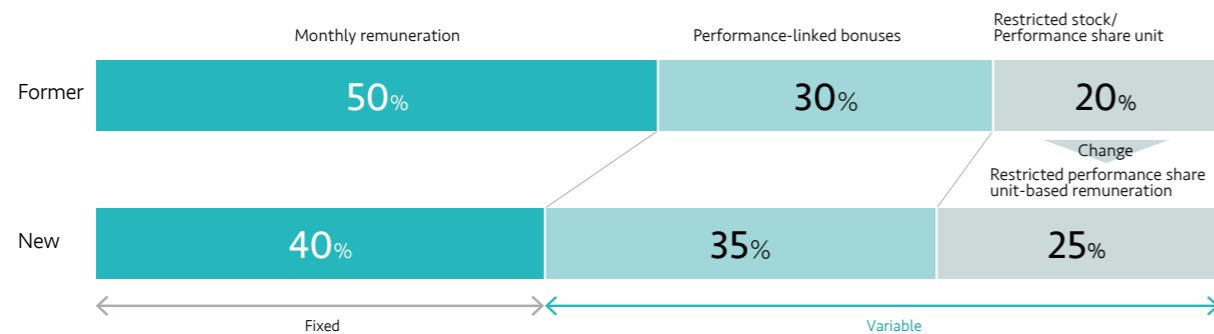
\*1 The remuneration of Executive Directors and Executive Officers consists of "monthly remuneration," "performance-linked bonuses," and "restricted performance share unit-based remuneration."  
 \*2 The remuneration of the Chairman of the Board of Directors, whose main role is management supervision and engaging in external relations activities as stipulated in the Sumitomo Corporation Corporate Governance Principles, consists of "restricted performance share unit-based remuneration," which contributes to improving shareholder value, in addition to "monthly remuneration."  
 \*3 The remuneration of Outside Directors, who are in a position to supervise management with a high degree of objectivity and independence, consists solely of fixed remuneration ("monthly remuneration"), which is provided on a monthly basis.  
 \*4 The remuneration of Audit & Supervisory Board Members, who are in a position to audit and supervise management with a high degree of objectivity and independence, consists solely of fixed remuneration ("monthly remuneration"), which is provided on a monthly basis. The remuneration of each Audit & Supervisory Board Member is decided through discussions between the Members within the maximum amount approved by shareholder resolutions.

#### Revision of executive remuneration system

In order to further enhance the effectiveness of the Company's executive remuneration system, which is linked to the Company's management strategy and encourages sustainable enhancement of corporate value, the executive remuneration system has been partially revised in FY2021, the first year of the new medium-term management plan "SHIFT 2023," with the aim of strengthening the Group's governance and increasing its corporate value over the medium to long term.

Specifically, the ratio of the fixed-amount portion of total remuneration has been reduced, while that of the variable portion, consisting of performance-linked bonuses and stock-based remuneration, has been increased. Furthermore, the details of performance-linked bonuses and stock-based remuneration have been revised. In addition, the non-financial metrics for individual evaluations have been revised to conform to the efforts set forth in SHIFT 2023.

#### Composition of Representative Director, President and Chief Executive Officer remuneration



Note: The above is an illustration at a certain level of the Company's performance and stock rate. In reality, the actual composition will differ depending on the actual performance and stock rate.

For further details on executive remuneration, please visit our corporate website.  
<https://www.sumitomocorp.com/en/jp/about/governance/detail/remuneration>



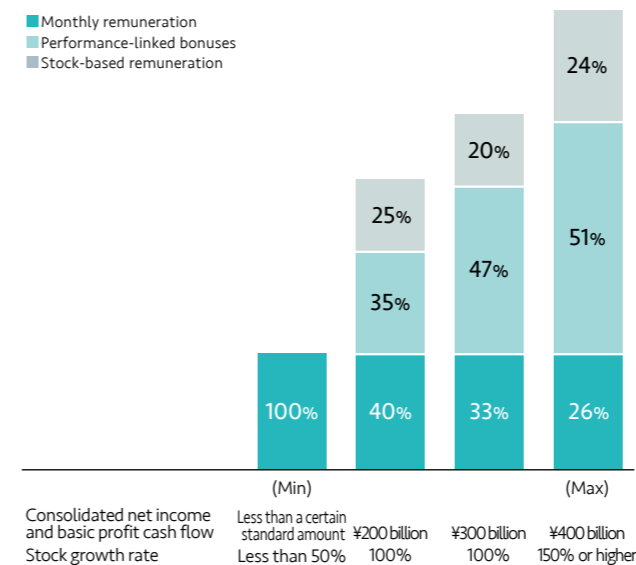
#### Remuneration standards and remuneration composition ratios

- The Company has established appropriate remuneration standards and remuneration composition ratios based on its business environment, management strategy, and human resources strategy, with reference to objective remuneration market research data, etc., provided by external specialized agencies such as the Willis Towers Watson "Executive Compensation Database."
- The remuneration composition ratio for Executive Directors is set so that when consolidated net income\*1 and basic profit cash flow\*2 are ¥200.0 billion and the stock growth rate\*3 reaches 100%, monthly remuneration, performance-linked bonus and stock-based remuneration are as follows.

	Representative Director, President and CEO	Other Executive Directors
Monthly remuneration	40.0%	47.5%
Performance-linked bonuses	35.0%	32.5%
Stock-based remuneration	25.0%	20.0%

\*1 Consolidated net income is equivalent to profit attributable to owners of the parent set out in International Financial Reporting Standards (IFRS).  
 \*2 Basic profit cash flow = Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × (1-Tax rate) + Dividend from investments accounted for using the equity method  
 \*3 Stock growth rate = {(Average price of Company's common shares in the month of termination of Evaluation Period + Total amount of dividends during Evaluation Period) ÷ (Average price of Company's common shares in the month of commencement of Evaluation Period)} ÷ {(Average of TOPIX in the month of termination of Evaluation Period) ÷ (Average of TOPIX in the month of commencement of Evaluation Period)}

#### Representative Director, President and CEO remuneration by various given levels of business performance



#### Performance-linked bonuses

From the perspective of reinforcing the relationship with the Group's management strategy, the total amount to be paid is determined in accordance with the performance management index to be focused on in SHIFT 2023, and the amount to be paid to individual officers is distributed according to their position and personal evaluation and paid after the end of the fiscal year. In addition, each officer is evaluated on the basis of both financial indicators (status of achievement of the business plans, etc., in the respective areas of responsibility) and non-financial indicators (business reform through digital transformation (DX), enhancement of sustainability management, promotion of Diversity & Inclusion, etc.) so that they can become more aware in regard to their commitment to management strategies and results. In principle, the ratio of financial indicators to non-financial indicators in personal evaluation is 50:50.

#### Restricted performance share unit-based remuneration

With the aim of offering incentives to seek sustainable improvement of the Company's corporate value as well as promoting efforts to increase our corporate value over the medium to long term, the Company's common shares (restricted) in a number determined according to the Company's stock growth rate (ratio of the Company's stock growth including dividends to the growth rate of TOPIX (Tokyo Stock Price Index)) during the three-year evaluation period are granted each year in principle. The restriction period will be from the day the shares are granted until the day the recipient resigns or retires from all their positions as Director or Executive Officer or any other positions determined by the Board of Directors.

#### Performance-linked bonuses in FY2020

The results of performance metrics selected as the basis for calculating performance-linked remuneration (in the FY2020 results) are as shown below. Based on the results in FY2020, performance-linked bonuses were not paid for FY2020 (portion to be paid in June 2021).

	Results
Consolidated net income	-¥153.1 billion
Basic profit cash flow	¥130.8 billion

## Corporate governance

### Cross-shareholdings

The Company takes various considerations into account when making decisions about whether to hold shares in other listed companies for purposes other than pure investment. It fully considers issues such as whether the shareholding will lead to medium- to long-term growth in profits as a result of maintaining and strengthening the business relationship with the investee company, from the perspective of investment profit, such as a comparison with the capital cost of individual stocks. Based on the above, the Company reviews the significance of its shareholdings and reports the results thereof to the Board of Directors each year. Where the significance of its shareholdings cannot be confirmed, the Company has a policy of reducing the holding.

The Company also takes various considerations into account under the internal guidelines when making decisions in

exercising its voting rights. Having fully considered issues from both quantitative and qualitative standpoints, it adequately exercises voting rights for each agenda based on whether exercising voting rights will lead to enhanced medium- to long-term corporate value at the investee company and the Company and to enhanced value for its own shareholders.

When a company holding the Company's stock for purposes other than pure investment indicates to dispose of its holdings, the Company respects the decision in principle and ensures that their business relationship will not be influenced.

In FY2020, under an emergency mode, sale of shares in cross-shareholdings companies was actively implemented companywide as a means of generating cash through a reduction of assets to more strictly manage companywide cash flows.

### Initiatives to ensure transparency of business management

#### Establishment of disclosure policy

To ensure that all stakeholders correctly understand its business management policy and business activities, the Company not only discloses statutorily required information but also actively discloses information on a voluntary basis. Moreover, the Company established the Corporate Disclosure Policy in July 2016.

For details on the Corporate Disclosure Policy, please visit our corporate website.  
<https://www.sumitomocorp.com/en/jp/about/governance/detail/disclosurepolicy>



#### Measures relating to the General Meeting of Shareholders

The Company sends out a Notice of Convocation to shareholders approximately three weeks prior to each regularly scheduled General Meeting of Shareholders. For the convenience of overseas shareholders, the Company also provides an English-language translation of the notice on our corporate website in advance of sending a Notice of Convocation. This early sending and posting of the Notice of Convocation gives shareholders and institutional investors adequate time to study the content of the agenda items. In addition, we live stream to shareholders who cannot attend the General Meeting of Shareholders and provide a video of the meeting on our corporate website for viewing for a certain period following the meeting.

Please visit our corporate website for the Corporate Governance Report.  
<https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/cgr.pdf?la=en>



## Directors, Audit & Supervisory Board Members, and Executive Officers

(As of June 18, 2021, Executive Officers: As of July 1, 2021)

■ Shares owned in the Company (As of March 31, 2021)  
 ■ Attendance at Meetings of the Board of Directors in FY2020

### Directors



**Kuniharu Nakamura**  
Chairman

■ 155,600 shares  
 ■ 21/21

Apr. 1974  
Entered the Company  
Jun. 2012  
Representative Director, President and CEO  
Jun. 2017  
Representative Director, President and Chief Executive Officer  
Jun. 2018  
Chairman of the Board of Directors (present position)



**Masayuki Hyodo**  
Representative Director

■ 80,200 shares  
 ■ 21/21

Apr. 1984  
Entered the Company  
Jun. 2018  
Representative Director, President and Chief Executive Officer (present position)



**Toshikazu Nambu**  
Representative Director

■ 67,800 shares  
 ■ 21/21

Apr. 1982  
Entered the Company  
Apr. 2020  
Representative Director, Executive Vice President, General Manager, Media & Digital Business Unit, Chief Digital Officer (present position)



**Hideki Yamano**  
Representative Director

■ 29,152 shares  
 ■ 21/21

Apr. 1983  
Entered the Company  
Apr. 2020  
Representative Director, Senior Managing Executive Officer, Chief Strategy Officer and Chief Information Officer (present position)



**Takayuki Seishima**  
Representative Director

■ 31,100 shares  
 ■ 21/21

Apr. 1984  
Entered the Company  
Apr. 2021  
Representative Director, Senior Managing Executive Officer, Chief Administration Officer and Chief Compliance Officer (present position)



**Masaru Shiomi**  
Representative Director






■ 22,300 shares  
 ■ 18/18

Apr. 1985  
Entered the Company  
Jun. 2020  
Representative Director, Managing Executive Officer, Chief Financial Officer (present position)






# Directors, Audit & Supervisory Board Members, and Executive Officers

- Shares owned in the Company (As of March 31, 2021)
- Attendance at Meetings of the Board of Directors in FY2020
- Attendance at Meetings of the Audit & Supervisory Board in FY2020

## Outside Directors

 <p><b>Nobuyoshi Ehara</b> <i>Independent</i> Outside Director ■ 0 shares ■ 21/21 Sep. 1978 Entered Morgan Guaranty Trust Company Nov. 1996 Limited Partner, Goldman Sachs &amp; Co. (retired in March 1998) Jan. 1999 Representative Director, Unison Capital, Inc. (retired in January 2020) Jun. 2016 Outside Director, Sumitomo Corporation (present position) Feb. 2020 Partner, Unison Capital, Inc. (retired in June 2020)</p>	 <p><b>Koji Ishida</b> <i>Independent</i> Outside Director ■ 0 shares ■ 21/21 May 1970 Entered The Sumitomo Bank, Limited Apr. 2004 Representative Director, Senior Managing Director, Sumitomo Mitsui Financial Group, Inc. (SMFG) (retired in June 2005) Jun. 2005 Standing Corporate Auditor, SMFG (retired in June 2006) Corporate Auditor, Sumitomo Mitsui Banking Corporation (retired in June 2006) Oct. 2007 President, Sumitomo Mitsui Finance and Leasing Co., Ltd. (retired in June 2011) Jun. 2011 Member of the Policy Board, the Bank of Japan (retired in June 2016) Jun. 2017 Outside Director, Sumitomo Corporation (present position) Jul. 2017 Member of the Public Interest Oversight Committee, KPMG AZSA LLC (present position)</p>	 <p><b>Kimie Iwata</b> <i>Independent</i> Outside Director ■ 0 shares ■ 19/21 Apr. 1971 Entered the Ministry of Labour (currently Ministry of Health, Labour and Welfare) Jan. 2001 Director-General of Equal Employment, Children and Families Bureau (retired in August 2003) Jun. 2008 Representative Director, Executive Vice President, Shiseido Company, Limited (retired as Executive Vice President in March 2012; retired as Representative Director in June 2012) Jul. 2012 Outside Director, Japan Airlines Co., Ltd. (retired in June 2018) Oct. 2015 Audit and Inspection Commissioner, the Tokyo Metropolitan Government (present position) Mar. 2016 Outside Director, Kirin Holdings Company, Limited (retired in March 2019) Jun. 2018 Outside Director, Sumitomo Corporation (present position) Jun. 2019 Outside Director, Resona Holdings, Inc. (present position) Outside Director, Ajinomoto Co., Inc. (present position)</p>	 <p><b>Hisashi Yamazaki</b> <i>Independent</i> Outside Director ■ 0 shares ■ 21/21 Apr. 1974 Assistant Judge Feb. 2011 President, Sapporo High Court (retired in March 2013) Mar. 2013 Commissioner, Japan Fair Trade Commission (retired in December 2015) Aug. 2016 Attorney at Law (present position) Jul. 2017 Supervisory Board Member, National Federation of Agricultural Cooperative Associations (present position) Jun. 2018 Outside Director, Sumitomo Corporation (present position) Outside Director, Tokyo Commodity Exchange, Inc. (retired in December 2019) Jun. 2020 Outside Director, JAPAN POST INSURANCE Co., Ltd. (present position)</p>	 <p><b>Akiko Ide</b> <i>Independent</i> Outside Director ■ 0 shares ■ 18/18 Entered Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) Jun. 2012 Executive Director, Director of Information Security, NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.) May 2013 President and Chief Executive Officer, Radishbo-ya Co., Ltd. (currently Oisix ra daichi Inc.) (retired in May 2014) Jun. 2013 Executive Director, Senior Manager in Charge of Commerce Business Promotion, NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.) (retired in June 2014) Jun. 2014 Full-time Audit &amp; Supervisory Board Member, Nippon Telegraph and Telephone Corporation (retired in June 2020) Aug. 2018 Audit &amp; Supervisory Board Member, NTT, Inc. (retired in June 2020) Jun. 2020 Outside Director, Sumitomo Corporation (present position)</p>
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## Audit & Supervisory Board Members

 <p><b>Michihiko Hosono</b> Senior Audit &amp; Supervisory Board Member (Full-time) ■ 38,500 shares ■ 21/21 ○ 17/17 Apr. 1981 Entered the Company Apr. 2016 Managing Executive Officer Apr. 2019 Adviser Jun. 2019 Senior Audit &amp; Supervisory Board Member (present position)</p>	 <p><b>Toshiaki Murai</b> Audit &amp; Supervisory Board Member (Full-time) ■ 7,400 shares ■ 21/21 ○ 17/17 Apr. 1980 Entered the Company Apr. 2016 Executive Officer Apr. 2018 Adviser Jun. 2018 Audit &amp; Supervisory Board Member (present position)</p>	 <p><b>Toshio Nagai</b> <i>Independent</i> Outside Audit &amp; Supervisory Board Member (Lawyer) ■ 0 shares ■ 20/21 ○ 17/17 Apr. 1974 Assistant Judge Mar. 2013 President, Osaka High Court (retired in July 2014) Sep. 2014 Attorney at Law (present position) Jun. 2015 Outside Corporate Auditor, Toray Industries, Inc. (present position) Jun. 2016 Outside Audit &amp; Supervisory Board Member, Sumitomo Corporation (present position)</p>	 <p><b>Yoshitaka Kato</b> <i>Independent</i> Outside Audit &amp; Supervisory Board Member (Certified Public Accountant) ■ 0 shares ■ 21/21 ○ 17/17 Sep. 1978 Certified Public Accountant (present position) Aug. 2008 CEO, Ernst &amp; Young ShinNihon LLC (retired in June 2014) Jun. 2015 Outside Corporate Auditor, Sumitomo Chemical Company, Limited (present position) Outside Corporate Auditor, Mitsui Fudosan Co., Ltd. (present position) Auditor, the General Insurance Rating Organization of Japan (present position) Jun. 2016 Outside Audit &amp; Supervisory Board Member, Sumitomo Corporation (present position)</p>	 <p><b>Yukiko Nagashima</b> <i>Independent</i> Outside Audit &amp; Supervisory Board Member ■ 0 shares ■ -/- ○ -/- Apr. 1985 Entered Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) Apr. 2006 Corporate Executive Officer, Recruit Co., Ltd. Jan. 2008 President and Representative Director, Recruit Staffing Co., Ltd. (retired in April 2016) Oct. 2012 Corporate Executive Officer, Recruit Holdings Co., Ltd. Jun. 2016 Standing Audit &amp; Supervisory Board Member, Recruit Holdings Co., Ltd. (present position) Apr. 2018 Standing Audit and Supervisory Board Member, Recruit Co., Ltd. (present position) Mar. 2019 Outside Director, Japan Tobacco Inc. (present position) Jun. 2021 Outside Audit &amp; Supervisory Board Member, Sumitomo Corporation (present position)</p>
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## Executive Officers

### President and Chief Executive Officer

**Masayuki Hyodo**  
Chief Executive Officer

### Executive Vice Presidents

**Toshikazu Nambu**  
General Manager, Media & Digital Business Unit; Chief Digital Officer

**Shingo Ueno**  
General Manager, Metal Products Business Unit; General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit; Head of Energy Innovation Initiative

### Senior Managing Executive Officers

**Shoichiro Oka**  
General Manager, Transportation & Construction Systems Business Unit

**Tsutomu Akimoto**  
General Manager, Infrastructure Business Unit

**Hideki Yamano**  
Chief Strategy Officer and Chief Information Officer

**Takayuki Seishima**  
Chief Administration Officer and Chief Compliance Officer

**Masaki Nakajima**  
General Manager for the Americas; President and CEO of Sumitomo Corporation of Americas Group; Director and President of Sumitomo Corporation of Americas

### Managing Executive Officers

**Daisuke Mikogami**  
General Manager for East Asia; CEO of Sumitomo Corporation China Group; Sumitomo Corporation (Shanghai) Limited; General Manager, Sumitomo Corporation (China) Holding Ltd.

**Masato Ishida**  
Director, Executive Vice President, Chief Strategy Officer, T-Gaia Corporation

**Nobuki Ando**  
General Manager, Living Related & Real Estate Business Unit

**Keiji Tanaka**  
General Manager for Japan Region; General Manager, Kansai Office

**Keigo Shiomi**  
General Manager for Asia & Oceania; CEO of Sumitomo Corporation Asia & Oceania Group; President and CEO, Sumitomo Corporation Asia & Oceania Pte. Ltd.

**Reiji Morooka**  
Representative Director, Senior Managing Executive Officer, Sumitomo Mitsui Finance and Leasing Co., Ltd.

**Yoshiyuki Sakamoto**  
Deputy General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit

**Masaru Shiomi**  
Chief Financial Officer

**Iehisa Nakamura**  
General Manager for Europe, Middle East, Africa & CIS; Chairman of Sumitomo Corporation Europe Holding Limited

**Bin Haga**  
Assistant General Manager, Media & Digital Business Unit; General Manager, Digital Business Division

**Kei Sato**  
Assistant General Manager, Living Related & Real Estate Business Unit; General Manager, Food & Agriculture Business Division

**Norihiro Nonaka**  
Assistant General Manager, Infrastructure Business Unit; General Manager, Planning & Coordination Dept., Infrastructure Business Unit

**Shinji Nakano**  
Director, Executive Vice Secretary & Human Resources

**Mitsuhiro Takeda**  
Chief Financial Officer

**Hirokazu Higashino**  
Deputy General Manager, Living Related & Real Estate Business Unit; General Manager, Planning & Coordination Dept., Living Related & Real Estate Business Unit

**Katsuya Inubushi**  
Deputy General Manager, Metal Products Business Unit

## Executive Officers

**Shinichi Kato**  
Assistant General Manager for the Americas; Sumitomo Corporation of Americas; CAO, TBC Corporation

**Haruo Matsuzaki**  
General Manager, Mineral Resources Division No. 2

**Yoshinori Mukaida**  
Assistant CFO, Finance; General Manager, Finance Dept.

**Haruhiko Aritomo**  
General Manager, Mineral Resources Division No. 1

**Eiji Ishida**  
General Manager, Lease, Ship & Aerospace Business Division

**Nobuhiro Yoshida**  
Assistant General Manager for the Americas; General Manager for South America; President of Sumitomo Corporation do Brasil S.A.

**Hiroyuki Koike**  
Assistant General Manager for the Americas; Executive Vice President and CFO of Sumitomo Corporation of Americas Group; Executive Vice President and CFO of Sumitomo Corporation of Americas

**Tomonori Wada**  
CEO, SUMMIT FRESH PRODUCE LIMITED

**Kazunari Sakata**  
President and CEO, Sumitomo Corporation Global Metals Co., Ltd.

**Tsutomu Ozaki**  
General Manager, Planning & Coordination Dept., Media & Digital Business Unit

**Takashi Yamana**  
Assistant General Manager for Europe, Middle East, Africa & CIS; General Manager for Europe & CIS; CEO of Sumitomo Corporation Europe & CIS Group; Managing Director, Sumitomo Corporation Europe Holding Limited; Chairman and Managing Director, Sumitomo Corporation Europe Limited

**Tatsuro Tamura**  
Assistant General Manager for Europe, Middle East, Africa & CIS; General Manager, Europe & CIS Corporate Management Unit in Sumitomo Corporation Europe & CIS Group; Sumitomo Corporation Europe Limited

**Kazumasa Watanabe**  
General Manager, Media Division

**Masahiko Yokohama**  
Assistant General Manager for East Asia; General Manager, China Metal Products Business Unit in Sumitomo Corporation China Group; General Manager, Sumitomo Corporation (Shanghai) Limited

**Hajime Mori**  
General Manager, Energy Division; Director of Energy Innovation Initiative

**Yukihito Honda**  
General Manager, Tubular Products Division

**Kotaro Tameda**  
General Manager, Corporate Planning & Coordination Dept.

**Takayuki Sumita**  
President and CEO, Sumitomo Corporation Global Research Co. Ltd.; Design & Strategy Dept., Energy Innovation Initiative

**Koji Aso**  
General Manager, Construction & Mining Systems Division

**Yusuke Ujimoto**  
Managing Corporate Officer, JCOM Co., Ltd.

**Hiroki Takeno**  
General Manager, Lifestyle & Retail Business Division

**Tadayuki Ueno**  
Assistant CFO, Risk Management

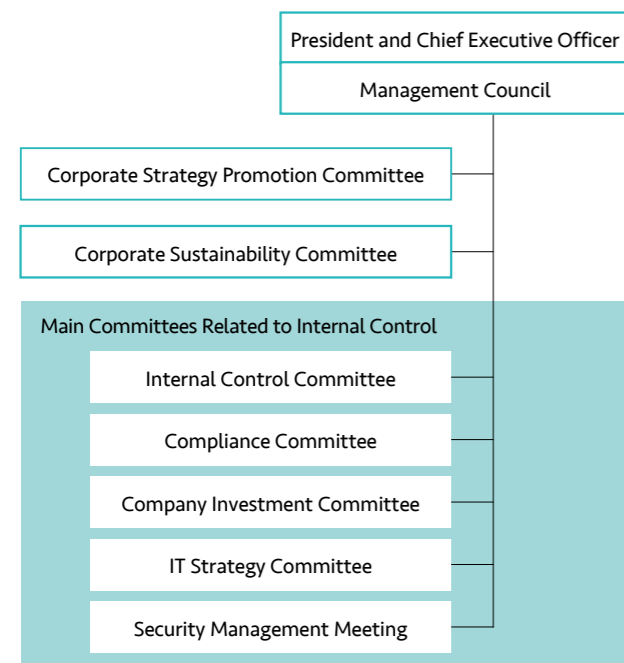
**Yasuhiro Yoshida**  
Assistant CFO, Accounting; General Manager, Accounting Controlling Dept.

# Internal control

## Internal control: Basic principles and system

In order to realize sustainable growth and development for the Sumitomo Corporation Group by enhancing the operational quality of each of the Group companies, we stipulate basic regulations for internal control, develop and conduct appropriate internal control, and access the effectiveness and take action to improve it. To rationally ensure compliance with laws and

regulations throughout the entire Group in relation to business activities, safeguarding assets against loss, effectiveness and efficiency of operations, and reliability of financial reporting, initiatives are being taken to improve group governance.



### Group Management Policy

Our approach to group management is to respect Jiritsu\* management of each group company, to contribute to important decision-making at Board and other meetings through active dialogue based on relationships of trust as a shareholder, and to create new value through collaboration among group companies including Sumitomo Corporation. For the purpose of sharing and implementing this approach within the group, we established the Group Management Policy (GMP) and have set Jiritsu, dialogue, and collaboration as the three principles of group management. In addition, we aim to achieve sustainable growth of the Company and each group company and to maximize the corporate value of the entire Sumitomo Corporation Group by sharing and putting into practice the values set out in the Sumitomo Corporation Group's Corporate Mission Statement and GMP groupwide.

\* Jiritsu is the Japanese term. In GMP, we define it to mean "following the rules necessary for the management of an Sumitomo Corporation Group company, such as the Sumitomo Corporation Group's management principles, strategies, and policies, to discipline oneself, to think, make decisions, act for oneself in order to achieve goals, and to be accountable to stakeholders."

## Compliance

### Basic policy

The basis for the Group's compliance is to win the trust of society by practicing the Activity Guideline that states "to comply with laws and regulations while maintaining the highest ethical standards."

Accordingly, we follow our principles of "Compliance as Top Priority," which means compliance takes priority over all activities of the Group and that we must never violate compliance as a result of giving priority to the pursuit of profit, and "Immediate Report," which means, in the event of a compliance problem, employees must report the situation without delay to their line manager and to the relevant department of the corporate group.

To provide a clear understanding of this basic policy, we established the Sumitomo Corporation Group Compliance Policy, and work for its acceptance and full application groupwide through ongoing education and awareness activities.

### Compliance system

#### — Compliance system

We have established the Compliance Committee chaired by the Chief Compliance Officer (CCO). The committee plans and proposes compliance measures based on the understanding of the situation within the Sumitomo Corporation Group.

In the event of a compliance issue emerging, we operate a Speak-Up System providing direct internal and external hotlines to the CCO in addition to the abovementioned regular organizational reporting lines ("Immediate Report").

Under this system, the fact and details of the report are maintained in the strictest confidence, and it is ensured that the whistleblower is not subject to disadvantageous treatment for making the report. We encourage the use of this system through internal seminars, internal notices, and other activities.

The group-based Speak-Up system, which enables officers and employees of group companies both in and outside Japan to report compliance-related issues, has also been developed and launched.

### — Appropriate responses to compliance violations and preventive measures

In the event of a compliance-related problem, we quickly ascertain the facts and investigate the cause. Based on their findings, corrective action is taken, disciplinary sanctions imposed, and measures to prevent recurrence are applied.

The Compliance Committee also analyzes compliance violations occurring within the Group, including the number of cases and the preventive measures taken, as reference for future policy measures. The results of the analysis are reported periodically to the Management Council and the Board of Directors. Through this process of repeatedly improving and enhancing such measures, we strive to further encourage thorough compliance throughout the Group.

### — Continuous education program initiatives

The Compliance Manual has been prepared to explain issues particularly important from a compliance perspective, such as antitrust, security trade control, and anti-bribery/corruption, and is communicated to all officers and employees of Sumitomo Corporation to familiarize them with those issues. In addition, we carry out workshops for all personnel levels as well as e-learning, harassment prevention seminars, and other activities for all officers and employees.

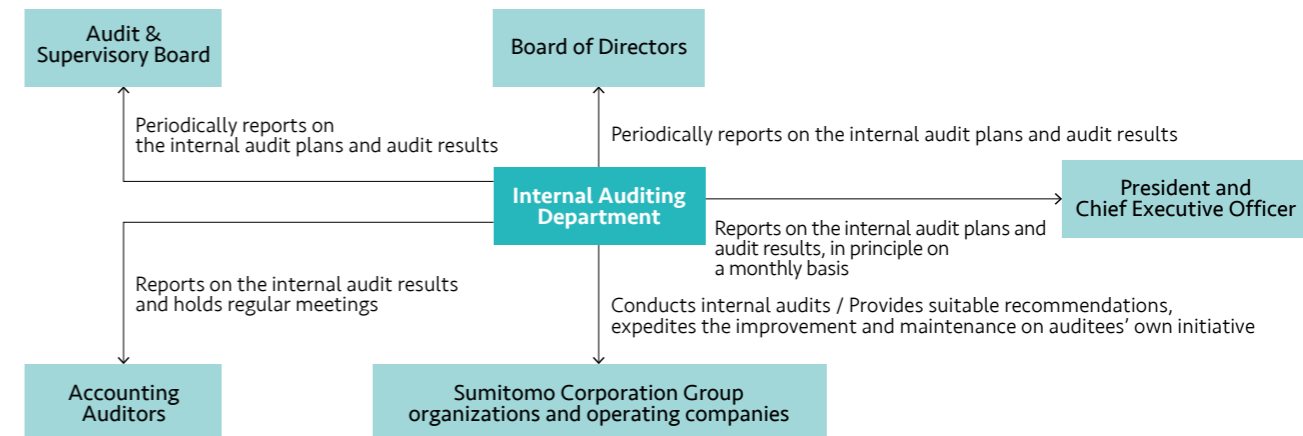
We also provide various support for strengthening the compliance system at each group company, including developing e-learning content related to the Sumitomo Corporation Group Compliance Policy.

Further information on the Sumitomo Corporation Group Compliance Policy, Compliance Management System, Speak-Up System, and Sumitomo Corporation Group Anti-Corruption Policy is available on our corporate website. <https://www.sumitomocorp.com/en/jp/about/governance/compliance>

## Internal audits

The Internal Auditing Department, which reports directly to the President and Chief Executive Officer, is an independent organization that monitors the operations of the Group, and audits organizations and operating companies of the Group. As well as reporting the outcome of internal audits directly to the President and Chief Executive Officer, in principle on a monthly basis, periodic reports are also made to the Board of Directors and the Audit & Supervisory Board. The department conducts audits on all aspects of internal control, comprising asset and risk management, compliance and business

operations. Also, by comprehensively examining and identifying the risks inherent in the organization being audited, it provides suitable recommendations based on an evaluation of the effectiveness and adequacy of the internal controls of the organization, thus it expedites improvement and maintenance on auditees' own initiative. The department will continue contributing to the improvement of internal control at the Sumitomo Corporation Group based on the Group Management Policy.





## Internal control

### Risk management

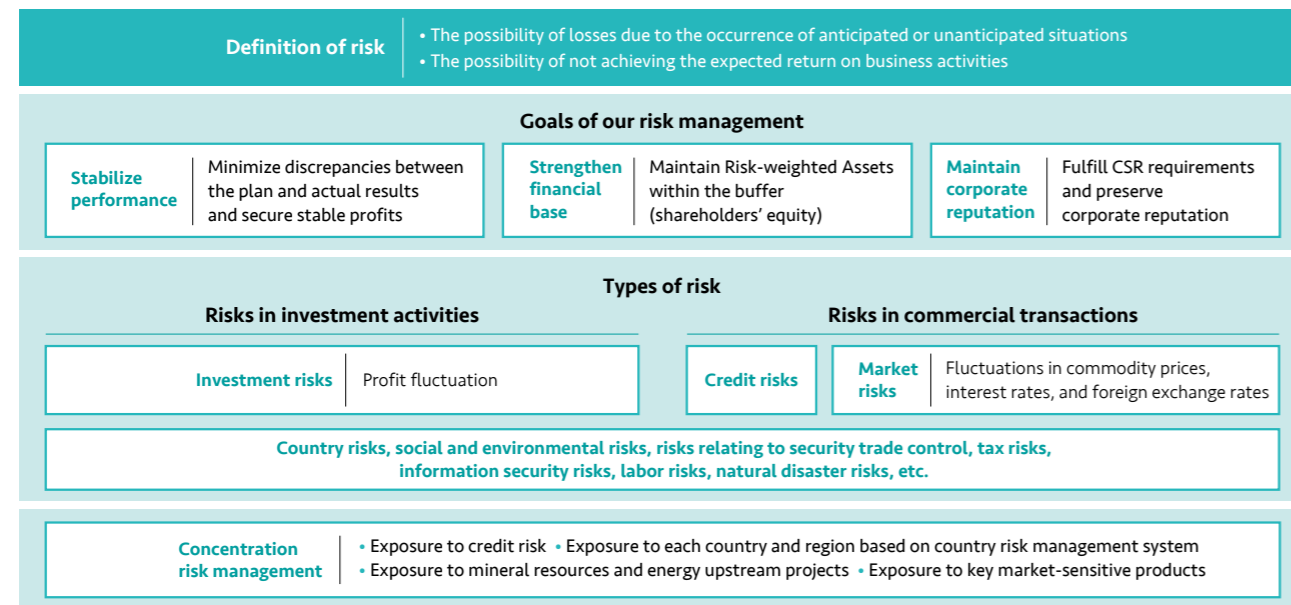
#### Basic policy and framework

We define "risk" as "the possibility of losses due to the occurrence of anticipated or unanticipated situations," and also as "the possibility of not achieving the expected return on business activities." We have set the following three items as the goals of our risk management activities.

1. Stabilize performance
2. Strengthen financial base
3. Maintain corporate reputation

We categorize our business activities into investments and

commercial transactions and manage risk after identifying both common and category-specific risk factors. We, by studying advanced methods and processes, have created an effective risk management framework that anticipates changes in the external environment. Our goal is to implement the best practice in risk management while maintaining the flexibility to adapt to changes in the business environment. The business environment is continually altering, and new business models that we could never have imagined are emerging on a daily basis. To respond to such situations in a timely and effective manner, we continue to evolve our risk management activities under the leadership of senior management.



### Information security

#### Basic policy and system

Sumitomo Corporation appoints a Chief Information Officer (CIO), who has ultimate responsibility for information security. This officer works to ensure information security and the appropriate management of information assets by formulating the Information Security Policy and other relevant regulations. For personal information, we operate a Privacy Policy and have put in place relevant regulations and organizational structures

to ensure appropriate protection.

We also take steps to minimize the risk from unexpected situations involving information security, such as external attacks aimed for instance at theft or destruction of corporate information. In addition to system-based safeguards, these include continuous training and drills for officers and employees and system monitoring and upgrades covering our major subsidiaries and other group entities.

For further details on internal control, please visit our corporate website.  
<https://www.sumitomocorp.com/en/jp/about/governance/scic>



## Dialogue between Outside Directors

# Early return to a growth trajectory

Shareholders and investors were invited to attend Investor Day 2021, which was held online in June that year. On the day, a panel discussion took place with Outside Director Nobuyoshi Ehara and Outside Director Koji Ishida. During the event, honest opinions from their positions as outside directors were exchanged on the subject of an early return to a growth trajectory. The two also addressed such matters as how discussions are held at Board of Directors.



**Nobuyoshi Ehara**  
 Outside Director

Nobuyoshi Ehara entered Morgan Guaranty Trust Company in 1978. After joining Goldman Sachs & Co. in 1980, he took on key positions, such as limited partner, before becoming representative director at Unison Capital, Inc. in 1999. He was appointed an outside director of Sumitomo Corporation in 2016. He has wide-ranging knowledge and rich experience related to finance and corporate management, including pioneering the establishment of a private equity fund in Japan.



**Koji Ishida**  
 Outside Director

Koji Ishida joined The Sumitomo Bank, Limited in 1970 and took on key positions within Sumitomo Mitsui Financial Group, Inc., including appointment as representative director. Besides serving as President of Sumitomo Mitsui Finance and Leasing Co., Ltd. between 2007 and 2011, he was a member of the Policy Board of the Bank of Japan from 2011 to 2016. In 2017, he was appointed an outside director of Sumitomo Corporation. Having served in key positions within major financial institutions over many years, he has wide-ranging knowledge and rich experience related to finance and corporate management.



**Yoshiko Sato**  
 Facilitator

Japan Investor Relations Association (JIRA)  
 Executive Managing Director

### Theme 1

#### Reflecting on management of the Sumitomo Corporation Group

— Looking back at the management of the Sumitomo Corporation Group in recent years, besides major one-off losses posted in FY2020 there were such losses in FY2014. It looks like a repeat of the past. What do you think is the root cause for the recurrence of such one-off losses?

**Ehara** The root cause is not one or two matters. We recognize that the issues lie in our Group's low-profitability

businesses over many years as well as a management system that cannot exit from those businesses. In FY2020, those issues coincided with the spread of COVID-19 and were prominently exposed.

To solve the issues our Group faces, we need to fundamentally review our systems regarding investments. Generally, when making investments, importance is placed on appropriately handling the three aspects of "buy well," "manage well," and "sell well." When we looked back at how our Group handled those aspects, the points to reflect became quite obvious.

First, under "buy well," which is the start for investments, the point is whether we established thorough investment themes and whether setting the investment

## Dialogue between Outside Directors Early return to a growth trajectory

price was appropriate. Next, under “manage well,” the focus is on whether projects were managed properly. At Board of Directors’ meetings, we hear opinions that the Sumitomo Corporation Group has pretty good capabilities in value creation. However, we need to seriously acknowledge the fact where problematic projects have not been able to realize the intended value creation. Third, regarding “sell well,” this has been incorporated as a key point in SHIFT 2023. And so I believe it has become extremely important to break away from the conventional stance of holding onto investments long term and think about rebuilding our portfolio.

**Ishida** I think Director Ehara has indicated a very significant perspective. I would like to supplement that from a slightly different viewpoint. In the first place, an integrated trading company tends to subdivide management into units by business department. I believe we will be further required to leverage our total capability as an integrated trading company and think about how to realize this at the whole Group level. We have already started to move in this direction under SHIFT 2023. I consider it important to thoroughly implement this policy no matter how the environment changes in the future.

### Theme 2

#### Outlook on SHIFT 2023

— You have identified issues concerning management of the Sumitomo Corporation Group through reflecting on the past. How should the measures of SHIFT 2023 be advanced for an early return to a

**growth trajectory? What especially are your thoughts about how reforms should be conducted regarding the decision-making process for investments and subsequent project management?**

**Ishida** A major theme of SHIFT 2023 is Business Portfolio SHIFT, particularly asset recycling. This refers to exiting underperforming businesses and replacing them with promising businesses with future prospects. Through this, we can make the management decisions to exit underperforming businesses, but it is not easy to find promising businesses with future prospects, incorporate them into our portfolio, and develop them into highly profitable businesses. Still, that is exactly what is expected now in our Group.

Our Group introduced the Strategic Business Unit (SBU) to enhance our business strategy management. Through that introduction, we can refine growth strategies aimed at developing businesses and maximizing value. I have very high expectations for this initiative.

At the same time, I feel it is important to be even more thorough than before in conducting feasibility studies for managing individual projects from a neutral position. As long as the business group manage individual projects, I think their spirits will become mixed in with the projects and lead to ambitious business plans. Therefore, it is essential to have a system that thoroughly and objectively checks the evaluation and post merger integration of individual projects. Our Group has business groups and divisions, which are involved in various businesses and experience both success and failure, as well as excellent human resources. Thus, I think companywide management that fully utilizes such management capital will become even more important.

**Ehara** Currently, our Group is facing a time of the structural reform. There are two aspects in this structural reform we should address. One is an early return to a growth trajectory seen from a short-term perspective. That is a relatively simple, clear issue that we can work on, and the first step is achieving the quantitative plan stated in SHIFT 2023. We began the structural reform in FY2020, and I feel we are steadily giving shape to momentum toward a V-shaped recovery.

The other aspect is improving investment capability from a medium- to long-term standpoint. Even more multifaceted, ongoing measures are needed because this involves various factors, including organizations, structures, human resources development, and remuneration systems. It is probably not something where results can emerge in a single fiscal year. However, the current management places a very strong emphasis on this issue, and I feel we are making a good start with appropriate measures being undertaken in SHIFT 2023. So, I do not have any major concerns. I look forward to management accomplishing this structural reform with great determination.

### Theme 3

#### Enhancement of monitoring function by the Board of Directors

— How do you think the Board of Directors should fulfill accountability toward stakeholders?

**Ishida** To accomplish the structural reform specified in SHIFT 2023, it is necessary for the Board of Directors to receive detailed reports about the state of progress, follow up regularly, and conduct thorough monitoring. Given the significant losses recorded in the previous fiscal year, I think we must achieve this fiscal year’s earnings plan.

**Ehara** To make the company better, it is necessary for directors and executive officers to unite as one and hold discussions in the same direction. But it is the executives who are responsible for execution. I do not think it is the outside directors’ role to offer opinions about day-to-day operations.

There are exceptions, however. We outside directors have a role to provide opinions regarding issues related to urgent projects—especially such as with large-scale investments. It is essential to provide those from an objective position, which is different from that of executive officers as we give an outsider’s perspective. There are times

when it is difficult to be objective when people in executive positions are involved in projects. In such situations, I think outside directors are important in being able to ask questions and offer opinions, such as whether there is an exit option and the merits of considering a contingency plan. I believe there is significance there to give comments from a slightly detached position.

Of course, I recognize that one of our important roles is to act as catalysts to stimulate discussions at Board of Directors. We act as such not only with respect to such urgent projects but also during normal times.

**Ishida** SHIFT 2023 incorporates various measures. The Board of Directors has to listen to what affiliates in the capital market are saying, such as enquiring about overall progress. I think the Board of Directors should conduct proper monitoring and provide transparent reports to external parties.

I believe it would yield good results if we raised the discussion and checked regularly at the Board of Directors more than ever about the state of progress, such as for individual measures, pending large-scale projects, medium-term goals for key social issues in sustainability management, and such measures as the new human resources system.

**Ehara** Further to what Director Ishida said, I think it is important for outside directors to become actively involved with the Board of Directors. It has been around five years since I was appointed as an outside director. When participating in the Board of Directors of Sumitomo Corporation, I strongly feel that the Board always conducts candid, lively discussions. That is one point I wish to note to everyone. The Board of Directors discusses submitted proposals and also deliberates matters that have to be addressed at least once a year. In addition, at every opportunity the Board actively generates discussion on important subjects requiring thorough examination. So, I believe the discussions take place appropriately in terms of both quality and quantity.

I have served as director for many companies, and I think Sumitomo Corporation’s Board of Directors functions extremely well, such as with monitoring. Of course, there are areas for improvement, and I have my own personal hopes for changes in the future. But put simply, no outside director adopts a passive stance when engaging with the Board of Directors.

— Thank you for your time today.



## Dialogue between Outside Directors

### Early return to a growth trajectory

## Q&A

Here are some of the main questions received from shareholders and investors following the panel discussion together with the responses.

### **Q** In the new medium-term management plan, what is the key point for improving the effectiveness of accelerating asset recycling, ensuring profitability of investments, and seeding?

**Ishida** I see it as establishing the SBU. Through execution centered on SBUs as the new structure, I think decisions will be made based on companywide strategic discussions instead of remaining within business groups. For the Sumitomo Corporation Group to secure competitive

market positions in each business and increase earnings, it is necessary for the entire Company's integrated functions to be applied. That is the reason for being an integrated trading company. SHIFT 2023 is aimed in that direction, and I am expecting for good results to come.

### **Q** As outside directors, how do you see the level of understanding and penetration of SHIFT 2023 within the Sumitomo Corporation Group?

**Ishida** CEO Hyodo announced SHIFT 2023 internally via video conferencing, and a Q&A session was held online. Specifically, during the Q&A, there were vibrant discussions with employees, including questions that were a bit difficult for the CEO to answer. I regard such communication as very positive. I believe that the intentions and aims embedded in SHIFT 2023 have adequately penetrated within the Company.

**Ehara** Fortunately, I have many opportunities to be in contact with various employees within the Company. The

other day, I engaged in dialogue through an online meeting with division general managers. Through such opportunities, I acutely felt that the sense of urgency has been thoroughly shared. People within the Company have started to recognize the root cause behind the large losses this time. From the sense of taking on the challenge of overcoming this major crisis, every employee has certainly taken a fighting pose and is facing the right direction.

### **Q** There are concerns that large one-off losses will be repeated in the future. What are your thoughts about the checks and balances function of the Board of Directors?

**Ehara** The one-off losses in FY2014 were related to the mineral resources business. I do not think there were any major mistakes made when analyzing the reasons for the losses back then or with the measures taken based on that analysis.

However, it cannot be denied that the subsequent good performance masked latent issues within our Group. In that sense, the biggest difference between SHIFT 2023 and previous measures is that it goes right to the root cause as it

takes measures to change from our Group's constitution.

We are not abolishing business groups as organizations. In discussions with the Board of Directors, I strongly felt the stance of correcting problems by adopting a different framework. The conventional business groups are also focusing and working on the right issues. This desire to change was something that would have been unimaginable at our Group several years ago. In this regard, I can sense pretty strong determination.

But as outside directors, we must be careful about not being satisfied just because we achieve a V-shaped recovery in our performance. It is necessary to overcome fundamental issues and bring about sustainable growth, and I believe this will be accomplished by completing the structural reform.

**Ishida** From the business group's perspective, if the businesses do not perform well, the groups tend to put in full effort for improving the performance. Business groups operate in that way, therefore, their behavior is sound and not wrong at all.

Such decisions may produce good results at times, but there are also cases when the situation deteriorates. I think a more effective framework is necessary for assessing and making "nay" decision from a companywide perspective before such a situation arises.

As a Board of Directors with third-party perspectives, we will apply considerable effort to enhance our checks and balances function. At the same time, we will keep monitoring so that this function is reflected in management.

### **Q** What improvements to its constitution is the Sumitomo Corporation Group aiming for in the future? What discussions are being held to achieve that?

**Ehara** I always think about how employees feel about the Sumitomo Corporation Group as well as the expectations that shareholders and investors have of the Group. When considering the vision for the Company based on these two aspects, I believe there is a large gap between the image held by employees and the expectations of shareholders and investors. As to the nature of this gap, expressing my opinion simply, it is being professional. Most of an integrated trading company's earnings come from business investments, so being professional as an investor is especially required. It is also necessary to develop this within the organization. If I think about whether we are achieving that within our Group, I have to be honest and say that we are only halfway there.

The investment function in integrated trading companies will become increasingly important in the future. As well as the mindset as an investor, it is essential

to learn the knowledge and skills necessary for continuously generating adequate earnings. This is not to say that our Group does not have investment capability now, but it is still insufficient from the perspective of being a true professional. At the Nomination and Remuneration Advisory Committee, we are using this time of slightly more than a year to repeatedly discuss what evaluation frameworks and remuneration systems are necessary to strengthen this area.

To improve our Group's constitution, I think the priority is to advance toward being professional. The management recognizes that there are major issues and obstacles in this effort, and we are starting to take the appropriate measures. Because of the large size of our organization, I think it will be some time before we can achieve this endeavor. But we are steadily proceeding in the right direction.