

PART  
03

Governance

Strengthening governance to  
support demonstration of the true value of  
the Sumitomo Corporation Group

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# Corporate Reform—Where We Are Now

In FY2020, Sumitomo Corporation recorded a large one-off loss. The Company is currently moving forward with the aim of completing structural reforms and achieving further growth through the medium-term management plan SHIFT 2023.

Outside Directors talked about where Sumitomo Corporation is with corporate reform—or how much progress has been made—from their standpoint. They also shared the challenges that Sumitomo Corporation needs to address to continue creating new value to realize a sustainable society.



## Hisashi Yamazaki, Outside Director

**Profile** He was appointed an Outside Director of Sumitomo Corporation in June 2018. In the past, he served in such key positions as judge and attorney-at-law. He also served as former President of the Sapporo High Court and former Commissioner of the Japan Fair Trade Commission. Throughout his career, he has acquired wide-ranging knowledge related to corporate governance from a legal standpoint.

## Akiko Ide, Outside Director

**Profile** She was appointed an Outside Director of Sumitomo Corporation in June 2020. She served in several key positions for many years at a major telecommunications carrier. Through these and other roles, she has accumulated wide-ranging knowledge related to information and communications, business management, and corporate governance, etc.

## Progress and challenges of the medium-term management plan SHIFT 2023

### —What is the status on the three “shifts”— Business Portfolio SHIFT, Framework SHIFT, and Management Base SHIFT—and what progress has been achieved?

**Yamazaki** The Company posted record-high profit in the fiscal year ended March 31, 2022. Despite uncertainties in the external environment, including the Russia-Ukraine situation, my opinion is that steady progress is being made on the three shifts of SHIFT 2023.

In regard to the Business Portfolio SHIFT, I have seen steady progress on rebuilding in both qualitative and quantitative terms through exiting of low-profitability businesses and review of businesses with an emphasis on what direction we should take in the future. In the Framework SHIFT, we are focusing on strengthening of individual business strategy management in SBUs, and “Initiatives,” a new business framework that has been progressing speedily. In April 2021, a job grading system was introduced as part of the Management Base SHIFT. Based on the concept of “Pay for Job, Pay for Performance,” the Company is linking performance to evaluations and remuneration more than ever, and I think that is a significant result. At the same time, steady implementation is important, so I will keep an eye on the developments.

**Ide** I also feel that steady progress has been made on addressing management challenges. As Mr. Yamazaki pointed out, because of significant changes in the external environment, the results of strategy executions need to be analyzed after excluding external environmental factors. Since its shift into “emergency mode” in FY2020, I believe the Company has achieved steady results by promoting management with a strong sense of urgency.

Specifically, the Business Portfolio SHIFT is being implemented in accordance with the plan through identification of low-profitability businesses and acceleration of value creation measures, and progress is being adequately managed. On the other hand, investment in the Seeding category as a new earning pillar for medium- to long-term growth in anticipation of structural changes in society is something that is still to come, so I am looking forward to it.

No matter what the category, investment judgment and post-investment follow-up are key. In that respect, the results of analysis based on the newly adopted Investment Selection Guidelines are shared at meetings of the Board of Directors and I feel the high level of commitment from the Company in its introduction of an investment performance-linked compensation plan.

### —What do you view as important to effectively promote SHIFT 2023?

**Yamazaki** Careful selection of investments is an important mechanism for supporting the Business Portfolio SHIFT. Recently, the Board of Directors conducted a thorough analysis and review of a particular business, in light of the Investment Selection Guidelines, that we had to exit. It is essential that we utilize the lessons from those results in our future investments. It is also important to establish a system that facilitates an agile and flexible response according to the situation or changes arising at any given time in post-investment operations and for the Board of Directors to request reports when necessary and monitor the operations.

**Ide** I believe there is a history among integrated trading companies of being compartmentalized and having management capital cycles at the business segment level. However, with rapid changes in the external environment, it is increasingly important to utilize management resources more efficiently from a companywide perspective. I feel that SHIFT 2023 reflects a strong intent to utilize companywide investment funds and optimally allocate human resources in conjunction with rebuilding of the business portfolio, and I believe that is an extremely important point. From that standpoint, I hope that the Global Innovation Promotion Committee, which is an advisory body to the Management Council, will take on this mission and execute its functions from the perspective of companywide optimization.

In addition, organizations such as the Energy Innovation Initiative (EII) are being formed as a framework for business development that transcends business domains to specialize in specific themes and seek to create profit at the business segment level. I am keen to see more of these organizations in the near future.

Moreover, the Group Management Policy, which sets out how Sumitomo Corporation manages group companies, was established in FY2021. I think the Board of Directors should engage in deeper discussions concerning the ideal form of group governance from the perspective of companywide optimization based on this policy.

### —What is your assessment of the progress made in FY2021 on promoting DX? Also, what kinds of challenges does the Company face?

**Ide** Companywide DX projects are visualized and the progress managed according to the following four stages: digitization, advancement of existing businesses, industry reform, and social implementation and reform. All of these can now be tracked by the Board of Directors, and I commend this progress.

Among these, there are projects with scale and social impact for which the DX Center functions as an enabler, and the Board of Directors needs to focus on monitoring those projects going forward. Although it is sometimes difficult to calculate the quantitative effect of DX projects, we need to do so as much as possible in order to prioritize projects based on verification of cost performance. Furthermore, to effectively promote DX, development of human resources is vital. In particular, the development of project managers to coordinate between the front lines of business and engineers should be accelerated.

I am convinced that the promotion of DX by an integrated trading company has the potential to transform business. Because we are an integrated trading company with a network that connects to business sites in various industries and the knowledge we have accumulated there, I believe that DX can be rolled out not only within individual industries that are vertically integrated but also across industries. Based on my experience, I am deeply aware of the advantages of having the perspective of an integrated trading company when it comes to promoting customer DX in the information and communications industry. I have very high expectations for DX promotion unique to Sumitomo.

### Improving the effectiveness of the Board of Directors and key issues

—What kinds of changes do you sense in FY2021 and beyond with respect to improving the effectiveness of the Board of Directors? Also, please tell us about specific initiatives.

**Yamazaki** During the COVID-19 pandemic, meetings of the Board of Directors were first held online, but later a hybrid format was introduced with most attending in person. This has brought home to me the importance of discussing things face to face. The opinions and questions of other directors submitted



during the pre-meeting briefing have always been introduced as necessary when presenting the agenda items for meetings of the Board of Directors, but this has been taken a step further so that Board members can now share this information in advance. This has proven extremely useful, and I think discussions at meetings of the Board of Directors have become deeper as a result. In addition, a considerable amount of time is spent for discussing matters at off-site meetings, and this provides the foundation leading to better discussions at meetings of the Board of Directors.

**Ide** I have similar thoughts on the operations of the Board of Directors, including the pre-meeting briefings. These have been very helpful for me personally to understand the agenda items. In addition, as a result of preparing this environment, the Board of Directors is able to focus on its true role, including monitoring progress on business strategies and management plans, in the sense that its monitoring function has been enhanced. This is also noteworthy in my opinion.

**Yamazaki** In terms of further stimulation of the discussions, supplementary principles of Japan's revised Corporate Governance Code indicate that independent Outside Directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent Outside Directors (executive sessions) would be one way of achieving this. Such meetings could be newly established, but the Company already has regular meetings attended by the Chairman, President, Outside Directors, and Outside Audit & Supervisory Board Members. These meetings could be used as an opportunity for independent Outside Directors to have regular conversations.

**Ide** In regard to evaluation of the effectiveness of the Board of Directors, the Company implements a thorough PDCA cycle in which it provides feedback every year to the Board of Directors on the results of questionnaires and interviews to make improvements. One of the issues that was pointed out was the further enhancement of discussions with an awareness of the perspectives and opinion of stakeholders; not only of shareholders and investors but also customers, employees, and local communities, as they are also important stakeholders. I think the Board of Directors should have a deep recognition and understanding of how the Company is viewed, evaluated, and expected to play a role in bringing various stakeholders' views together. For that reason, I believe that having the Board of Directors comprised of members with diverse knowledge, experience, skills, and backgrounds who bring various perspectives will improve its effectiveness.

### Enhancing sustainability management and non-financial capital

—Sustainability management and enhancement of non-financial capital have gained attention as growth strategies. What are the priority issues at Sumitomo Corporation?

**Ide** The most important management resource of an integrated trading company is its human resources. To secure and retain the human resources that take part in the Company's value creation, I think it is important that the Company proactively creates engagement based on understanding of the Management Principles and the purpose of the Company's existence.

Following the establishment of the Global HR Management Policy, a new human resources system was launched in April 2021, bringing great changes to human resources management, including the acceleration of diversity and inclusion. In October, the Company conducted an employee survey regarding the new human resources system. The Board of Directors then discussed the identified issues and looked into improvement measures. Going forward, it will be necessary to regularly ascertain whether the measures established by the Company related to human resources are being properly implemented in each organization as intended through engagement surveys and other such means.

Ensuring diversity of managers was one of the key points of Japan's revised Corporate Governance Code. The targets at the Company are to have women account for at least 20% of management positions, 10% of general managers, and 30% of the Board of Directors and Audit & Supervisory Board by FY2030.

In the future, the Board of Directors should monitor not only the numbers but also progress on the action plans for development and allocation. In addition, the unification of job positions, which eliminates conventional position-based management, is a major milestone that will lead to the further advancement of women's empowerment. I look forward to seeing the system operate smoothly.

**Yamazaki** Human resources are truly essential to an integrated trading company. I am paying close attention to how the new human resources system operates. It will be necessary to have regular dialogue with employees, gather opinions through engagement surveys and other means, and verify and review the results at the Board of Directors.

In particular, my assessment is that much progress has been made in discussions on promoting women's empowerment. It will take some time to see results, but it is necessary to accelerate these efforts with a sense of urgency. The Board



of Directors is also discussing the expansion of mid-career recruitment, which is also incorporated in the medium-term management plan. It will be necessary to prepare opportunities and to combine the capabilities of human resources recruited and developed as new graduates with mid-career recruitment, as human resources who can immediately support the Company going forward. It is important to set appealing job content, authority, and benefits to attract people and expand mid-career recruitment.

—Climate change has been recognized as an important issue for sustainability management. What are your thoughts on that?

**Yamazaki** Many discussions are taking place at Board of Directors' meetings according to the ever-changing situation with respect to climate change, and policies aiming for decarbonization are being enhanced at an accelerated pace. I can also commend the Company for its review of its Policies on Climate Change Issues announced in FY2021, but this, too, is only a waypoint. The Company will set its sights not only on a shift in its power generation portfolio of coal, gas, and renewable energy but also on transitioning to hydrogen, ammonia, synthetic methane, and other such fuels as well as evolution and development of effective technologies such as energy storage, CO<sub>2</sub> absorption, and Carbon dioxide Capture, Utilization and Storage (CCUS). I firmly believe that creating and seizing further business opportunities through participation and investment in businesses and research related to these initiatives will contribute to the Company's growth.

If the wrong direction is taken in response to climate change, the very foundation of the Company could be shaken. Some around the world have voiced concerns of a global delay in action on climate change arising from the issue of energy security, but I hope to engage in discussion at meetings of the



Board of Directors so that the Company can achieve the targets it has announced with respect to climate change and make steady progress toward that end.

**Ide** In its Policies on Climate Change Issues, the Company has set forth clear numerical targets and timelines for its shift to renewable energy and a power generation portfolio with a lower environmental impact, its withdrawal from the coal-fired power generation business, and other initiatives. Furthermore, I think it is significant that both companywide and SBU-level targets have been incorporated and that three- to five-year medium-term targets and a short-term action plan for mitigating climate change have been established and reported on at meetings of the Board of Directors. Going forward, it is necessary to verify consistency and feasibility by comparing these to the companywide goals during the PDCA cycle.

**—For an integrated trading company engaged in a wide range of businesses worldwide, human rights issues within the value chains of each business are another important focal point. How do you plan to perform the monitoring function at the Board of Directors?**

**Yamazaki** As a global corporate group, the Company has announced the Sumitomo Corporation Group's Human Rights Policy and issues a declaration based on the U.K.'s Modern Slavery Act almost every year, which has been heavily discussed at meetings of the Board of Directors. I am paying particularly close attention to the human rights of workers in the value chains of our businesses. It is important to identify any latent risks through human rights due diligence activities and further address them by conducting inspections on the working environment and conditions according to the laws of each region. The Company must always keep an eye on this to ensure that it adheres to global norms and international standards. As a Japanese company, it should also consider the perspective of Japanese stakeholders.

Moreover, it is important to establish a system for quickly addressing issues at group companies, including conducting internal educational activities related to respect for human rights, establishing a whistleblowing hotline, and conducting audits without prior notice in the event that there is a suspicion of risk.

## In conclusion

**—How do you hope to contribute to improving the corporate value of Sumitomo Corporation as an Outside Director?**

**Ide** In part, because I am a woman myself I want to support the empowerment of women in particular through advice based on experience and other means. I believe the other female Outside Directors and Outside Audit & Supervisory Board Members feel the same way. I also want to interact with employees and contribute to the development of human resources, which are the biggest management resource, especially the development of female employees.

**Yamazaki** I come from a legal background, so I hope to provide opinions on matters from the perspective of fairness, equality, freedom, respect for human rights, and social justice, focusing on legal governance and compliance-related issues in particular. I believe that ties in to Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement, which impressed me when I first joined the Company.

Considering respect for human rights is more important than ever today, I hope to do my best to ensure that the Company remains one that engages in business activities while contributing to society—embracing the spirits of "Benefit for self and others, private and public interests are one and the same" and "place prime importance on integrity and sound management."



## Messages from Outside Directors (New and Retiring)

**I would like for the Board of Directors to continue upgrading by actively pursuing new ideas and initiatives.**

**Nobuyoshi Ehara, Former Outside Director (2016–2022)**



I am grateful to Sumitomo Corporation for the precious learning opportunity it provided me with dozens of years ago, when I was just starting out as an investment banker. I also came in contact with the company culture of sincerity and openness, and since then I have been a big fan of the Company. In 2016, I accepted a position as Outside Director out of a desire to repay the kindness.

To my delight, over the past six years I have been able to see various changes in the Board of Directors. The biggest change is the evolution of the Board of Directors itself. More than ever before, there is a strong awareness among the Board of Directors of being the highest decision-making body representing the interests of shareholders. An environment has been established that allows the open sharing of opinions and lively discussion. This is largely due to the efforts of management along with the active involvement of Outside Directors taking place naturally. Today, it is a matter of course that Outside Directors will be actively encouraged to participate in setting the agenda at meetings of the Board of Directors and in discussions taking place at other venues. One prime example is the discussions on sustainability, and the

significant advances made in that area.

Serving as chair of the Nomination and Remuneration Advisory Committee was also a very memorable experience. I am proud that by promoting constructive opinion sharing throughout the committee, we were able to develop the first process for the fair selection of successors.

Going forward, I hope to see further discussion on promoting women's career advancement and its steady implementation through a stronger commitment not only on the part of management but of all employees. I would also like the Company to pursue new ideas and initiatives when it comes to the topic of corporate governance, which requires endless evolution. Finally, more than anything, I would like for you to continue upgrading the Board of Directors.

I truly want to express my sincere gratitude to management and staff who have shown a deep understanding even when my comments have been harsh. Although I am just a fan again, I will continue to cheer for the unending development of Sumitomo Corporation from the sidelines.

**Contributing to the practice of management adapted to the times, looking at the significant changes in circumstances as opportunities for growth.**

**Takashi Mitachi, Outside Director (2022–)**



I believe my responsibility as an Outside Director is to preserve and enhance the corporate value of Sumitomo Corporation.

Up to now, I have engaged in consulting work for clients in various industries at a consulting firm with global operations, and as the Co-Chairman of the Japan office and a member of the Worldwide Executive Committee, I have also been involved in the firm's management.

In that process, I have come up against and faced major changes, including geopolitical risks, climate change, a pandemic, population decline, which is a common challenge among developed countries, and obsolescence of value creation

patterns in this era of industrialization. All of these changes are important issues that require urgent measures on the part of Sumitomo Corporation as well. At the same time, they can be considered phenomena that create opportunities for growth.

Sumitomo Corporation has so far steadily taken new and innovative steps, including a proactive review of its business portfolio. Putting the knowledge and experience I have acquired to use, I will make every effort to contribute to Sumitomo Corporation's further efforts to practice management that is adapted to the times.

I look forward to your support.

### Corporate governance principles

Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Management Principles form the backbone of the corporate ethics and represent the foundation underpinning our corporate governance. Based on this, we established the Sumitomo Corporation Corporate Governance Principles, recognizing that the essence of corporate governance is enhancing management efficiency and maintaining sound management, as well as ensuring management transparency

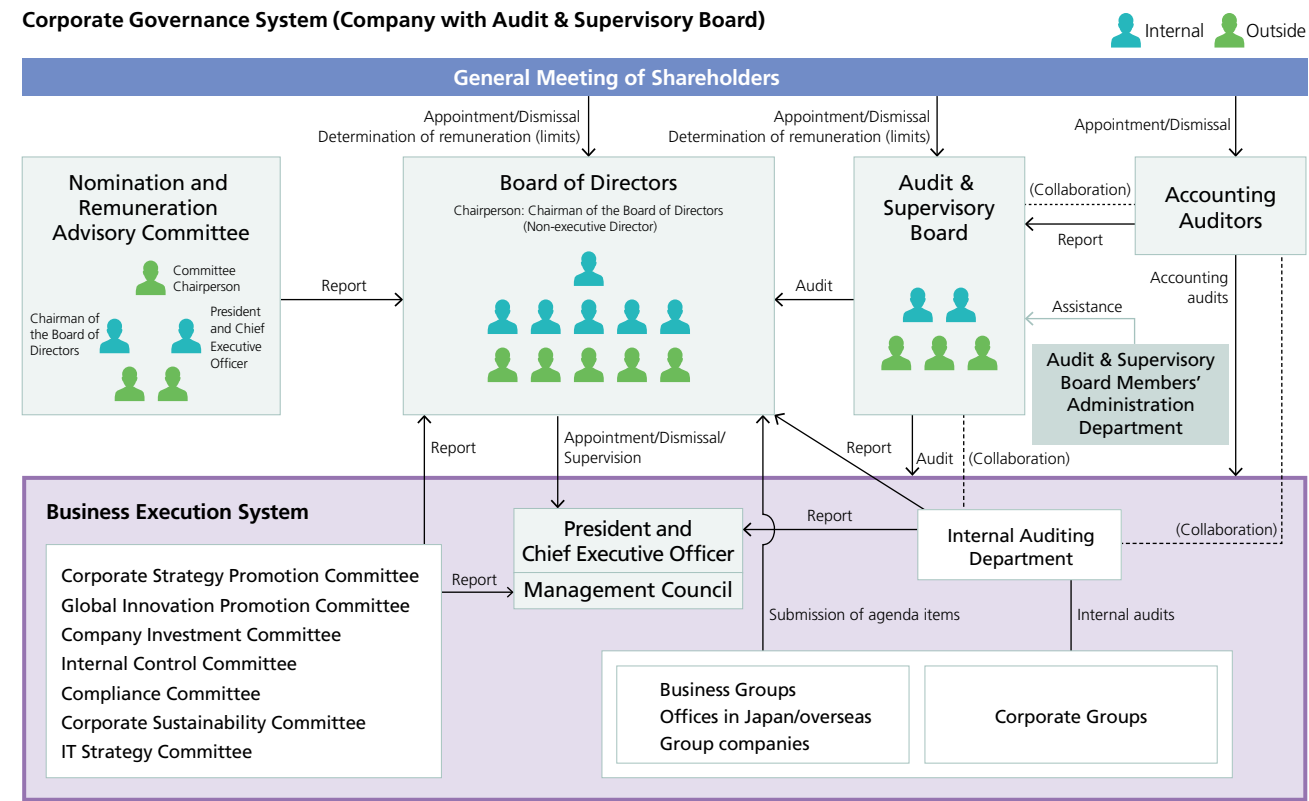
to secure the first two. Efforts to build a better corporate governance system and carry out business activities following these principles help the Company to achieve sustainable growth, enhance corporate value over the medium to long term, and fulfill its mission as a good corporate citizen, as well as benefits the interests of shareholders and all other stakeholders. For this reason, we continuously work to further enhance and improve our corporate governance.

### System of corporate governance

Sumitomo Corporation, which has adopted an Audit & Supervisory Board system, seeks to ensure the effective supervision and monitoring of management. This is achieved through the appointment of Outside Directors and Outside Audit & Supervisory Board Members, who have an independent stance, to incorporate more diverse perspectives in our decision-making and management supervision, and through the establishment of a Nomination and Remuneration Advisory Committee composed, in the majority, of Outside Directors, to increase the independence, objectivity, and transparency of the Board of Directors related to the nomination and remuneration of executive-level management. Furthermore, the introduction of the executive officer system that clarifies the responsibilities

and authority of business execution 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 put into place. 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. It meets in principle weekly, and its members include the President and Chief Executive Officer, Officers in charge of each Corporate Group, Officers responsible for each Business Group, and General Managers of each Business Unit.

Corporate Governance System (Company with Audit & Supervisory Board)



Overview of Corporate Governance System (As of June 24, 2022)

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 officer system	System adopted
Voluntarily established committees as advisory bodies to the Board of Directors	Nomination and Remuneration Advisory Committee (Chairperson: Outside Director)

### Strengthening corporate governance

Sumitomo Corporation has worked continuously to strengthen governance. This has included introducing the Audit & Supervisory Board system, increasing the number of Outside Audit & Supervisory Board Members and Outside Directors, and evaluating the effectiveness of the Board of Directors.

Looking ahead, we will make further efforts toward enhancing the effectiveness of governance by strengthening group governance and reinforcing the functions of the Board of Directors as outlined in medium-term management plan SHIFT 2023.

History of Strengthening Corporate Governance

1993	Appointed first Outside Audit & Supervisory Board Member	
1998	Established the Sumitomo Corporation Group's Corporate Mission Statement	
2003	Established the Sumitomo Corporation Corporate Governance Principles Reduced the number of Directors (from 24 to 12) Introduced the executive officer system Specified the term of office of Chairman and President (limited to six years) in the Sumitomo Corporation Corporate Governance Principles Increased the number of Outside Audit & Supervisory Board Members by 1 to 3 (for a total of 5 Audit & Supervisory Board Members)	2016 Began evaluation of the effectiveness of the Board of Directors (Evaluation covers 2015–2016) (continues each year) Complied with all principles of Japan's Corporate Governance Code (continues each year) Revised the Board of Directors' agenda criteria Increased the number of Outside Directors by 1 to 4
2005	Shortened term of office of Directors and Executive Officers to 1 year	2017 Reduced the number of Internal Directors from 10 to 6 (Chairman, President, 3 Officers in charge of Corporate Groups, 1 General Manager of a Business Unit)
2007	Established the Remuneration Committee as an advisory body to the Board of Directors, the majority of whose members are Outside Directors	2018 Increased the number of Outside Directors to 5
2013	Appointed first two Outside Directors	2019 Revised the counselor and honorary advisor system Set the policy and procedure for appointment and dismissal of the President and Chief Executive Officer Determined the policy and procedure for appointment and dismissal of the Chairman of the Board of Directors
2015	Reviewed governance and decision-making processes Management Council became the highest executive-level decision-making body Enhancement of monitoring function by the Board of Directors Reorganized the Remuneration Committee as the Nomination and Remuneration Advisory Committee, the majority of whose members are Outside Directors Increased the number of Outside Directors by 1 to 3	2020 Began agenda setting for the Board of Directors Refer to p. 92

### Board of Directors

















#### Composition of the Board of 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, out of the 11 Directors appointed, five are independent Outside Directors with differing experiences and specializations to ensure appropriate decision-making from more diverse perspectives and to further strengthen the supervisory functions of the Board of Directors. The Chairman of the Board of Directors convenes meetings of the Board of

Directors and presides over them as Chairperson. The Chairman of the Board of Directors supervises management but does not engage in routine operations and has no authority to represent the Company. Furthermore, 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 concurrently by the same individual.

The knowledge, experience, and skills which the Board of Directors is required to possess and the skills of each Director or Audit & Supervisory Board Member are listed on the next page.

Skills of Directors and Audit & Supervisory Board Members

	Name	Position	Knowledge, experience, competencies, etc. (Skills)						
			Corporate management	Investment/M&A	ICT/DX/Technology	ESG/Sustainability	Finance/Accounting	Legal/Risk management	HR management & development
Internal	 Kuniharu Nakamura	Director, Chairman	●	●	—	●	●	●	●
	 Masayuki Hyodo	Representative Director President and Chief Executive Officer	●	●	—	●	●	●	●
	 Toshikazu Nambu	Representative Director Executive Vice President	●	●	●	—	●	—	●
	 Takayuki Seishima	Representative Director Senior Managing Executive Officer	●	—	—	—	●	●	●
	 Reiji Morooka	Representative Director Senior Managing Executive Officer	●	—	—	—	●	●	—
	 Hirokazu Higashino	Representative Director Managing Executive Officer	●	●	●	●	—	—	—
Outside	 Koji Ishida	Outside Director	●	●	—	—	●	●	—
	 Kimie Iwata	Outside Director	●	—	—	●	—	—	●
	 Hisashi Yamazaki	Outside Director	—	—	—	—	—	●	●
	 Akiko Ide	Outside Director	●	—	●	●	—	—	—
	 Takashi Mitachi	Outside Director	●	●	—	●	—	●	●
Internal	 Michihiko Hosono	Senior Audit & Supervisory Board Member (Full-Time)	●	—	—	—	—	●	—
	 Kazunari Sakata	Audit & Supervisory Board Member (Full-Time)	●	●	—	—	—	—	—
Outside	 Toshio Nagai	Outside Audit & Supervisory Board Member	—	—	—	—	—	●	—
	 Yoshitaka Kato	Outside Audit & Supervisory Board Member	●	—	—	—	●	—	—
	 Yukiko Nagashima	Outside Audit & Supervisory Board Member	●	●	—	—	—	—	●

Notes: 1 This table identifies the types of knowledge experience and competencies, etc. (individually, "Skill" and collectively, "Skills") that the Board of Directors is required to possess for fulfilling its roles, and indicates which Directors or Audit & Supervisory Members currently in office possesses such Skills. In our view, it is important that the Board of Directors as a whole possesses these Skills.

2 Since the Company is active in investing in various businesses, we consider "Corporate management" and "Investment/M&A" Skills to be particularly important. Under the ongoing medium-term management plan, "SHIFT 2023," we are promoting a business portfolio shift with a focus on DX (digital transformation) and the enhancement of sustainability management as two sweeping trends. To the end, we emphasize the Skill of "ICT/DX/Technology" for business reforms or business development through exploiting digital solutions or the mixture of technology and innovation solutions and the Skill of "ESG/Sustainability" for sophisticated sustainability management. In addition, the Skills of "Finance/Accounting," "Legal/Risk management," and "HR management & development" are important for supporting or administering the Company's business operations.

3 The key Skills for Audit & Supervisory Board Members on which a high priority is placed are "Corporate management," "Finance/Accounting," and "Legal/Risk management" since they are responsible for auditing Director's execution of duties.

4 Since the Company carries out business transactions and investments all over the world, respective Directors or Audit & Supervisory Board Members are required to have a keen insight from a global perspective. Knowledge concerning "governance" is another indispensable Skill for serving as a Director or Audit & Supervisory Board Member. Because we mandate that all Directors and Audit & Supervisory Board Members possess such two Skills, they are not included in the seven Skills that are indicated in the table and selected in note 2 above.

5 The Skills that the Board of Directors are required to possess may vary according to business strategies or changes in the external environment. This table will be updated from time to time based on the Board of Directors' review and discussions on required Skills.

Adequate deliberation and enhancement of monitoring function

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. Agenda setting is carried out where important management topics for the Board of Directors that should be taken up for more intensive discussion covering the next one-year period are set by all Board members through careful consideration and discussion. The following table contains the seven important management topics selected to be taken up for more intensive discussion between July 2021 and June 2022, the details of these topics, and the progress of discussions on each topic by the Board of Directors.

To further strengthen its business execution monitoring functions, the Board receives regular progress reports on each business unit/initiative strategy and on the activities of important committees\*1 throughout the year, with the reports followed by a discussion focusing on companywide issues. Moreover, to further enhance the quality of Board

member discussions, the Board of Directors holds off-site meetings\*2 after in-person Board meetings to more actively discuss important management topics, including management policy and plans as well as ESG issues.

In FY2021, off-site meetings were held 13 times, with a total of 9.4 hours spent on discussions.



\*1 Compliance Committee, Internal Control Committee, IR Committee, Corporate Sustainability Committee, IT Strategy Committee, etc.























































\*2 A venue involving all members of the Board of Directors that encourages free and frank discussions

Discussions on sustainability

As with FY2020, in FY2021 the Board discussed and approved important policies and measures on sustainability and held active discussions during off-site meetings. As a result, the Board clarified, for example, that the Group will aim for carbon neutrality by 2050 and that it will not engage in new coal-fired thermal power plant projects. Also, measures to support local communities were incorporated into the Sumitomo Corporation Group Forest Management Policy and the Sourcing Policy for Forest Products, in addition to provisions on consideration for the environment and human rights.

Seven Topics Selected Based on Agenda Setting

Number of agenda items:  Board of Directors  Off-site meetings

Topic	Examples of main agenda items	July–September 2021	October–December 2021	January–March 2022	April–June 2022	Total
① Progress review of SHIFT 2023	• Overall management review • Full Potential Plan • Investment Selection Guidelines		 		 	6
		 				4
② DX	• Current situation and issues concerning DX promotion					2
③ Monitoring of individual businesses	• Progress of large investments/loans and projects involving impairment • Review of projects exited		 	 		6
						2
④ Enhancement of governance	• Compliance with Japan's Corporate Governance Code • Evaluation of the effectiveness of the Board of Directors • Internal control • How advisory committee(s) should be	   	 	   	   	13
						5
⑤ Sustainability	• Key social issues and medium- to long-term targets • Group guidelines • Review of Policies on Climate Change Issues • Human rights due diligence • Social contribution activities	   		  		9
				 		3
⑥ Personnel strategy and D&I	• Follow-up on new personnel system • Status of D&I initiatives • Investment performance-linked compensation plan		 			4
						1
⑦ Shareholder return	• Review of dividend policy and establishment of policy on external disclosure					1
				 		2



Evaluation of the effectiveness of the Board of Directors

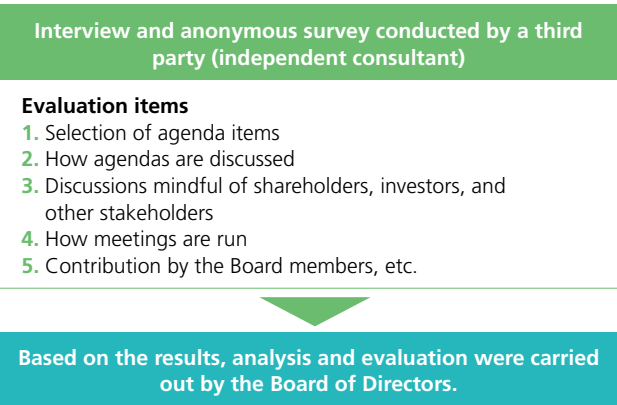
To maintain and heighten its effectiveness, each year we retain an independent third party to analyze and evaluate the effectiveness of the Board of Directors and proceed to disclose the outline of the results. As with previous years, we received generally positive results for FY2021.

An overview of the evaluation and future initiatives is presented below.

Overview

Subjects	All Directors (11) and Audit & Supervisory Board Members (5)
Timing	November–December 2021

Evaluation Process



Overview of Evaluation Results and Future Response

1. Positive points

Current situation	Evaluation results	Initiatives for FY2022
<ul style="list-style-type: none"><li>Regular overall management review (2 times per year)</li><li>Regular monitoring of Full Potential Plan (4 times per year)</li></ul>	Thorough monitoring mechanism for checking the progress of medium-term management plan SHIFT 2023	<ul style="list-style-type: none"><li>Continue monitoring of and strengthen the three “shifts” in SHIFT 2023 (Business Portfolio SHIFT, Framework SHIFT, and Management Base SHIFT)</li><li>Full-scale introduction of regular monitoring system for valuation of investment portfolio</li></ul>
<ul style="list-style-type: none"><li>Identified key topics through agenda setting<ul style="list-style-type: none"><li>▶ Refer to p. 92</li></ul></li></ul>	Sufficient discussions take place on important management issues	<ul style="list-style-type: none"><li>Continue the agenda setting process</li><li>As priority topics constantly change based on the social situation and business environment surrounding the Company, Board members will continue to carefully discuss key topics in the agenda setting process</li></ul>
<ul style="list-style-type: none"><li>Hold pre-briefings for Outside Directors and Audit &amp; Supervisory Board Members on generally all matters to be discussed by the Board</li><li>Provide a summary of the discussions and Q&amp;A of pre-briefings at Board meetings</li></ul>	Pre-meeting briefings for Board meetings are comprehensive and issues are easy to understand	<ul style="list-style-type: none"><li>To further enhance discussions at Board meetings, provide a summary of the discussions at pre-meeting briefings for Outside Directors to all Board members in advance</li></ul>

2. Points needing improvement

Current situation	Evaluation results	Initiatives for FY2022
<ul style="list-style-type: none"><li>Discussions on share value analysis and shareholder return policy</li><li>Regular feedback on investor relations (IR)/shareholder relations (SR) activities</li></ul>	Further increase discussions mindful of the perspectives and evaluations of shareholders, institutional investors, and various other stakeholders	<ul style="list-style-type: none"><li>Grasp various views and recommendations in a timely and more detailed manner through ongoing dialogue with stakeholders</li><li>Further increase feedback provided to executive management</li></ul>
<ul style="list-style-type: none"><li>Tendency for prolonged Board meetings</li><li>Increase volume of Board meeting documents and persistent use of internal terminology</li></ul>	Aim to further improve approaches to discussions and how Board meetings are run through the improvements noted on the left	<ul style="list-style-type: none"><li>Revise agenda criteria and review discussion methods</li><li>Reconsider how the off-site meetings should be</li><li>Further optimize quality and quantity of Board meeting documents</li><li>Further enhance discussions and run Board meetings in a well-balanced manner using written resolutions and reporting</li></ul>
<ul style="list-style-type: none"><li>Outside Directors’ participation in Investor Day</li></ul>	Additional functions and roles for Outside Directors separate from Board meetings	<ul style="list-style-type: none"><li>Outside Directors’ participation in shareholder engagement (IR activities)</li><li>Take part in internal seminars and roundtable sessions with officers and employees (D&amp;I, promotion of women’s participation, advancement, etc.)</li></ul>

Support system for Outside Officers

On taking office, Outside Directors and Outside Audit & Supervisory Board Members receive a briefing on areas including the Sumitomo Corporation Group’s Management Principles, management policy, business operations, finances, organization, medium-term management plan, and risk management system.

To deepen their understanding of Sumitomo’s Business Philosophy, Outside Directors and Outside Audit & Supervisory Board Members visit facilities related to the Sumitomo Group\* generally during the first fiscal year of their term of office. Additionally, since the latter half of FY2021, visits by Outside Officers were made to Jupiter Shop Channel Co., Ltd. (runs Japan’s largest TV shopping channels; Sumitomo Corporation owns a 45% equity stake), the head office’s Commodity Business Department (engages in spot metal business focused on rare metals and commodity/derivative business spanning products), and Summit Sakata Power Corporation (one of eastern Japan’s largest biomass power generation plants; wholly owned by Sumitomo Corporation).

In addition, we provide information on various in-house seminars, offer supplementary information related to IR and



Site visit to the Besshi Copper Mine (July 2022)

earnings announcements (IR Committee materials, financial results analysis materials comparing peers, etc.), and actively share agenda items discussed by the Management Council.

\* Besshi Copper Mine (Ehime), Sumitomo Yuhoen (Kyoto), Sumitomo Kakkien (Shiga)

Pre-meeting briefings for the Board of Directors

To maximize the monitoring and supervisory functions of management by Outside Officers, prior to each Board of Directors’ meeting, explanatory sessions are provided to Outside Directors and Audit & Supervisory Board Members outlining each project and important points. Pre-meeting briefings for Outside Directors were held 13 times in FY2021 lasting a total of 33 hours.

Playing an active role outside of the Board of Directors

Outside Officers play an active role outside of the Board of Directors by maximizing their diverse career histories and skills. Since FY2021, Outside Officers have made presentations to officers and employees on their specialist fields (i.e., investment or portfolio management), and led in-house seminars on D&I, in addition to IR activities.



Site visit to the Sakata Biomass Power Plant (August 2022)

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 FY2021 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)	7/7 (100%)	<ul style="list-style-type: none"><li>FY2022 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>Selection of candidates for Outside Director</li><li>FY2021 evaluations of individual Executive Officers</li><li>Review of Internal Director/Executive Officer remuneration (Review of pay level/composition ratio and performance-linked bonuses)</li><li>Review of remuneration levels of Outside Directors and Outside Audit &amp; Supervisory Board Members</li></ul>
	Koji Ishida	7/7 (100%)	
	Kimie Iwata	7/7 (100%)	
Internal Directors	Kuniharu Nakamura	7/7 (100%)	
	Masayuki Hyodo	7/7 (100%)	

Audit & Supervisory Board Members and the Audit & Supervisory Board

Enhancement of auditing capabilities

We are enhancing the audit structure so that Audit & Supervisory Board Members are able to audit the execution of duties by Directors as a Member of the Board of Directors or an Executive Officer (Representative Director). The Audit & Supervisory Board comprises five members, including three Outside Audit & Supervisory Board Members. Full-time Audit & Supervisory Board Members utilize their specialized knowledge of the Company's operations and wide-ranging experience to perform audits, while Outside Audit & Supervisory Board Members utilize their advanced specialized knowledge and abundant experience in the fields of legal affairs, accounting, or corporate management. In addition to resolving statutory matters, the Audit & Supervisory Board shares the status of activities of Audit & Supervisory Board Members and receives prior explanations on matters to be discussed by the Board of Directors in an effort to improve the efficiency and quality of the auditing activities of Audit & Supervisory Board Members.

Ensuring audit effectiveness

To obtain sufficient information vital to their audits, Audit & Supervisory Board Members attend important meetings such as Board of Directors' meetings, receive reports from Directors, employees, and other relevant parties regarding the execution of their duties, ask them for explanations as necessary, inspect important internal authorization documents, and examine the status of operations and the financial status regarding the Head

Office and important operating locations. Audit & Supervisory Board Members also promote communication and exchanges of information with directors, audit & supervisory board members, and other relevant parties of subsidiaries, receive reports on the subsidiaries' business as necessary, and make visit and observe principal subsidiaries.

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 with the Internal Auditing Department and accounting auditors

Audit & Supervisory Board Members periodically receive reports from the Internal Auditing Department on internal audit plans and their results in order to ensure the effectiveness of their auditing duties. In addition, Audit & Supervisory Board Members exchange information with the accounting auditors through regular meetings and are aware of auditing activities of the accounting auditors by attending audit review meetings and observing inventory audits by the accounting auditors. In this manner, Audit & Supervisory Board Members interact closely with the Internal Auditing Department and accounting auditors.

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	●	●	●	●
	Performance-linked bonuses	●	—	—	—
Variable	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") and 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.

Revisions to executive remuneration

We have partially revised the remuneration plan to ensure that it is based on our business environment, our management strategy, and human resources strategy, with the aim of reinforcing our group's governance, increasing the corporate value over the medium to long term, and achieving its business objectives. In specific terms, we have amended the details of our remuneration standards, remuneration composition ratios, and performance-linked bonus. The key points of revision are presented on the right.

Key Points of Revision

- 1. Review of target range of business results
- 2. Change to remuneration composition ratios
- 3. Reflection of stock price growth rate in performance-linked bonuses

► For details, please see the next page.

Message from the New Chairperson of the Nomination and Remuneration Advisory Committee

We changed executive remuneration after thorough discussion by the committee.



Kimie Iwata, Outside Director

I was appointed as the new Chairperson of the Nomination and Remuneration Advisory Committee in June of this year. As Chairperson, I will work on increasing the effectiveness of supervision of management by the Board of Directors through executive training and promotion and decisions on the executive remuneration plan and the level of remuneration. By doing this, I hope to contribute to improving the corporate value of the Sumitomo Corporation Group.

The biggest theme of the committee in FY2021 was reviewing executive remuneration. That is because it did not properly reflect the current management environment and profitability, and the target level of performance. In the past, funds for bonuses were determined solely by

quantitative indicators (net income and basic profit cash flow). During the process of review, however, we discussed such matters as how to reflect the qualitative initiatives of the medium-term management plan, such as the Business Portfolio SHIFT, in remuneration, to what extent we should consider a comparison with competitors, and how to convincingly explain the aim of the revision to executives. As a result of those discussions, the level of remuneration, remuneration composition ratios, bonus calculation formula, and other elements were revised.

In FY2022, I will continue looking into the remaining issues pertaining to executive remuneration and to devote plenty of time to the training and promotion of executives, including future successors to the Company President.



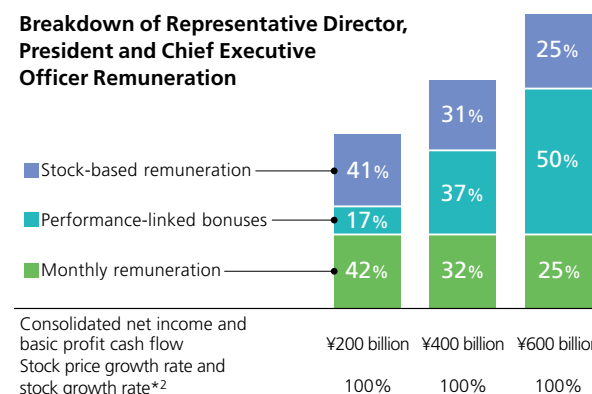
## Remuneration standards and remuneration composition ratios

Key points of revision 1 and 2

Taking into account recent performance and the business environment, we will increase performance-level hurdles for remuneration to provide appropriate motivation to Executive Directors and Executive Officers for increasing performance. Additionally, remuneration standards and remuneration composition ratios have been set at the appropriate level to increase the acquisition, retention, and motivation of management, and their performance-linked nature increased, referencing objective remuneration market data\*1 from an external specialized agency.

\*1 WTW's Executive Compensation Database

### Breakdown of Representative Director, President and Chief Executive Officer Remuneration



Note: Stock price growth rate is reflected in performance-linked bonuses and stock growth rate in stock-based remuneration.

\*2 Stock price growth rate =  $\frac{\text{(Average price of Company's common shares in relevant fiscal year)} \div \text{(Average price of Company's common shares in the previous fiscal year)}}{\text{(Average of TOPIX in relevant fiscal year)} \div \text{(Average of TOPIX in the previous fiscal year)}}$   
Stock growth rate =  $\frac{\text{(Average price of Company's common shares in the month of termination of Evaluation Period)} + \text{(Total amount of dividends during Evaluation Period)} \div \text{(Average price of Company's common shares in the month of commencement of Evaluation Period)}}{\text{(Average of TOPIX in the month of termination of Evaluation Period)} \div \text{(Average of TOPIX in the month of commencement of Evaluation Period)}}$

## Performance-linked bonuses

Key points of revision 1 and 3

The potential range of business results has been changed from the viewpoint of establishing appropriate remuneration levels based on target performance levels. From the perspective of reinforcing the relationship with management strategy, the total amount to be paid is determined in accordance with the performance management index in medium-term management plan SHIFT 2023, as well as the newly adopted stock price growth rate. Bonuses paid to individual officers is distributed according to their position and personal evaluation and paid after the end of the fiscal year.

### Calculation formula for total amount of performance-linked bonuses

Amount calculated from consolidated net income and basic profit cash flow  $\times$  The Company's stock price growth rate: 80% to 120% range

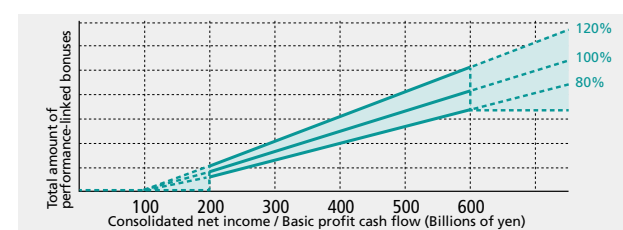
## Change of potential range of business results

The potential range of business results in terms of consolidated net income and basic profit cash flow has been changed to ¥200 billion to ¥600 billion. If business results fall outside this range, the total amount of performance-linked bonuses to be paid will be decided separately by the Board of Directors based on the report from the Nomination and Remuneration Advisory Committee.

## Introduction of stock price growth rate

The Company added stock price growth rate as a new indicator for determining the total amount of performance-linked bonuses. The aim of this change is to show the results of medium-term management plan SHIFT 2023 and have officers display a greater commitment to stock price growth. The range of total performance-linked bonuses reflecting stock price growth rate is presented below.

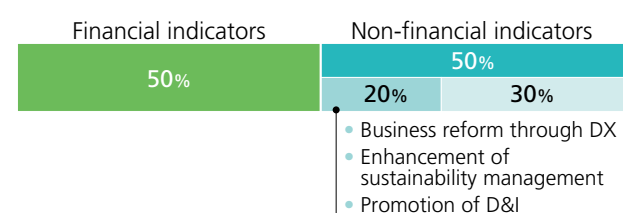
### Total Amount of Performance-Linked Bonuses (Reflecting Stock Price Growth Rate) (Image)



## Personal evaluations

Each Executive Director is evaluated on the basis of both financial and non-financial indicators so that they can become more aware in regard to their commitment to management strategy and results. Financial indicators mainly consider the status of achievement of the business plans in the respective areas of responsibility. Non-financial indicators take into account the status of achievement of strategies of each SBU measured by KPIs and KAls as well as the status of initiatives to address important companywide issues. The ratio of financial indicators to non-financial indicators in personal evaluation is 50:50. Of evaluation based on non-financial indicators, 20% relates to the important companywide issues of business reform through DX, enhancement of sustainability management, and promotion of D&I.

### Breakdown of Financial and Non-financial Indicators in Personal Evaluations



## Restricted performance share unit-based remuneration

No change

To further encourage management to focus on promoting efforts to increase the Group's corporate value over the medium to long term and sharing value with its shareholders, the Company's common shares (restricted) in an amount determined according to the Company's stock growth rate during the three-year evaluation period are provided to officers each year in principle. The restriction period will be from the day the shares are provided until the day the recipient resigns or retires from all their positions as Director or Executive Officer of the Company or any other position determined by the Board of Directors, in order to realize shareholder value over the medium to long term.

## Cross-shareholdings

As a general rule, the Company will neither acquire nor hold shares in other listed companies for purposes other than pure investment.

However, the Company may decide to hold shares in listed companies in some exceptional cases when the Company determines that it is appropriate. For such determination, the Company will comprehensively assess and verify the capital cost of individual stocks and economic rationality and significance of holding the stocks in light of the necessity of partnering or other business needs. Each year, the Board of Directors reviews whether or not the Company's holding of listed shares is appropriate. If such annual review concludes that specific shareholdings are of little significance, the Company will push ahead with the sale of the shares.

In FY2021, the Company sold shares of 39 listed stocks (either in whole or in part), amounting to ¥38 billion in total.

## Initiatives to ensure transparency of business management

### Establishment of disclosure policy

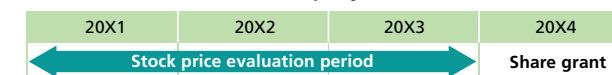
To ensure that all stakeholders correctly understand its business management policy and business activities, the Company not only discloses statutorily required information but also actively discloses information on a voluntary basis. Moreover, the Company established the Corporate Disclosure Policy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



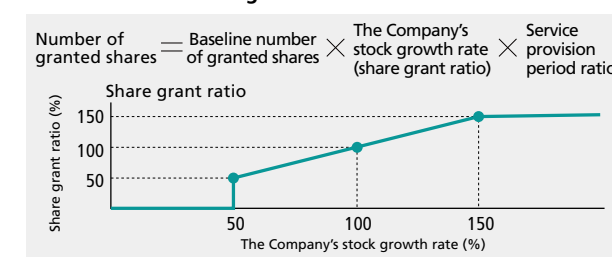
### Measures relating to the General Meeting of Shareholders

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

### Evaluation Period of the Company's Stock Growth Rate (Image)



### Method for Calculating the Number of Granted Shares

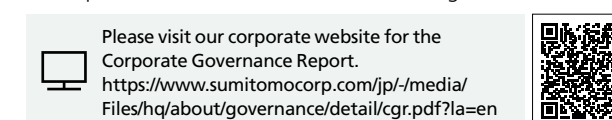


As of the end of March 2022, the Company's shareholdings in listed companies cover 64 stocks, with the total balance of ¥218.2 billion.

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 intent to dispose of its holdings, the Company respects the decision in principle and ensures that their business relationship will not be influenced.

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. In FY2022, we began accepting questions from shareholders online prior to the General Meeting of Shareholders held in June 2022. For questions received beforehand, we provide responses for matters of particular concern to shareholders and then post the responses on our corporate website at a later date along with other questions and comments from the meeting.



## Sustainability governance

### Structure for promoting sustainability management

The Corporate Sustainability Department plans and promotes the Group's sustainability-related initiatives. The department ensures that sustainability management is implemented groupwide by coordinating with business units, relevant corporate departments, and overseas regional organizations. Additionally, important initiatives are actively discussed at meetings of the Management Council and the Board of Directors in consultation with the Corporate Sustainability Committee, which is positioned as an advisory body.

Please see Structure for Promoting Our Sustainability on our corporate website.  
<https://www.sumitomocorp.com/en/jp/sustainability/system>

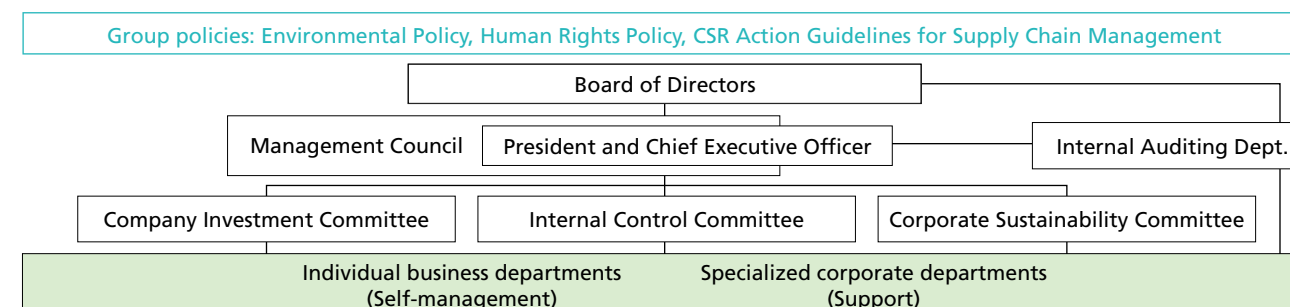


### Social and environmental risk management as part of sustainability management

The Sumitomo Corporation Group has established a companywide framework to perform appropriate monitoring of the social and environmental impact of the Group's entire business activities. We have prepared a self-assessment sheet on relevant social and environmental risks to be used at the time of investment application to identify anticipated risks and opportunities in terms of the nature and regional characteristics of each business. Decision-making is then carried out considering impacts on society and the environment. This includes having the Corporate Sustainability Department

participate in the Company Investment Committee as a specialist organization that addresses social issues. We also engage outside experts to check that the business is soundly managed and does not have serious impacts on stakeholders by using environmental assessment by an environmental consultant and assessment of human rights and labor issues by a law firm, considering the specifics of each business. As follow-up to the investment, the responsible business department and related corporate departments work together through dialogue with group companies to carry out regular monitoring from the viewpoint of the environment, human rights, labor management, the supply chain, and other aspects. If an issue arises, remedial action is taken in line with the specifics of the case. Internal audits that take into account special characteristics of the business are used to confirm that management operations are legally compliant and meet international standards on social and environmental issues. When a case relating to the impact of the Sumitomo Corporation Group's business activities is referred to by a local community, an NGO, or another stakeholder, we ascertain the facts and engage in dialogue and discussion toward improvement. If, as a result of this process of review and monitoring of investments, an important social or environmental risk is confirmed, the individual response is reported or referred for further discussion to the Management Council and the Board of Directors through the relevant internal committees.

### Framework for Social and Environmental Risk Management



### Risk Management Activities through Companywide Framework

**New investments**  
Identify and evaluate risks and check their management status while considering the nature of the business

**Risk management after the investment**  
Monitor the management status of key risks and improve the situation (Group governance / internal audit)

**Improvement measures**  
Respond to requests from local residents, NGOs, etc.

▶ Refer to p. 61, Selective investment & strengthening of post-investment value creation

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

As of June 24, 2022, Executive Officers: As of July 1, 2022

## Directors

■ Shares owned in the Company (As of March 31, 2022) ■ Attendance at Meetings of the Board of Directors in FY2021



**Kuniharu Nakamura**  
Chairman

■ 165,700 shares  
■ 22/22

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

■ 92,900 shares  
■ 22/22

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



**Toshikazu Nambu**  
Representative Director

■ 72,300 shares  
■ 22/22

Apr. 1982 Entered the Company  
Apr. 2022 Representative Director,  
Executive Vice President,  
Chief Digital Officer  
(Media & Digital Business  
Unit and Living Related &  
Real Estate Business Unit)  
(present position)



**Takayuki Seishima**  
Representative Director

■ 33,300 shares  
■ 22/22

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



**Reiji Morooka**  
Representative Director

■ 26,100 shares  
■ -/-

Apr. 1984 Entered the Company  
Jun. 2022 Representative Director,  
Senior Managing  
Executive Officer,  
Chief Financial Officer  
(present position)



**Hirokazu Higashino**  
Representative Director






■ 23,100 shares  
■ -/-

Apr. 1987 Entered the Company  
Jun. 2022 Representative Director,  
Managing Executive Officer,  
Chief Strategy Officer and  
Chief Information Officer  
(present position)







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

## Outside Directors

■ Shares owned in the Company (As of March 31, 2022)		■ Attendance at Meetings of the Board of Directors in FY2021	
	<b>Koji Ishida</b> Outside Director Independent	May 1970 Entered The Sumitomo Bank, Limited Apr. 2004 Representative Director, Senior Managing Director, Sumitomo Mitsui Financial Group, Inc. (SMFG) (retired in June 2005)	Oct. 2007 President, Sumitomo Mitsui Finance and Leasing Co., Ltd. (retired in June 2011)
	■ 0 shares ■ 22/22	Jun. 2005 Standing Corporate Auditor, SMFG (retired in June 2006) Corporate Auditor, Sumitomo Mitsui Banking Corporation (retired in June 2006)	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)
	<b>Kimie Iwata</b> Outside Director Independent	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)	Oct. 2015 Audit and Inspection Commissioner, the Tokyo Metropolitan Government (present position)
	■ 0 shares ■ 22/22	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)	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)
	<b>Hisashi Yamazaki</b> Outside Director Independent	Apr. 1974 Assistant Judge Feb. 2011 President, Sapporo High Court (retired in March 2013)	Jun. 2018 Associations (present position) Outside Director, Sumitomo Corporation (present position)
	■ 0 shares ■ 22/22	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	Outside Director, Tokyo Commodity Exchange, Inc. (retired in December 2019) Jun. 2020 Outside Director, JAPAN POST INSURANCE Co., Ltd. (present position)
	<b>Akiko Ide</b> Outside Director Independent	Apr. 1977 Entered Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)	(retired in June 2014)
	■ 0 shares ■ 22/22	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. 2014 Full-Time Audit & Supervisory Board Member, Nippon Telegraph and Telephone Corporation (retired in June 2020) Aug. 2018 Audit & Supervisory Board Member, NTT, Inc. (retired in June 2020) Jun. 2020 Outside Director, Sumitomo Corporation (present position) Jun. 2021 Outside Director & Audit and Supervisory Committee Member, Tohoku Electric Power Co., Inc. (present position)
	<b>Takashi Mitachi</b> Outside Director Independent	Apr. 1979 Entered Japan Airlines Co., Ltd. Oct. 1993 Entered Boston Consulting Group Jan. 2005 Japan Co-chair, Boston Consulting Group May 2005 Managing Director & Senior Partner, Boston Consulting Group	Outside Director, Audit and Supervisory Committee Member, Unicharm Corporation (retired in March 2021)
	■ 0 shares ■ -/-	Mar. 2016 Outside Director, Rakuten, Inc. (currently Rakuten Group, Inc.) (present position) Jun. 2016 Outside Director, Lotte Holdings Co., Ltd. (present position) Mar. 2017 Outside Director, DMG MORI CO., LTD. (present position) Outside Director, FINC co., Ltd. (currently FINC Technologies Inc.) (retired in March 2020)	Jun. 2017 Outside Director, Tokio Marine Holdings, Inc. (present position) Oct. 2017 Senior Advisor, Boston Consulting Group (retired in December 2021) Apr. 2020 Professor, Graduate School of Management, Kyoto University (present position) Jun. 2022 Outside Director, Sumitomo Corporation (present position)

## Audit &amp; Supervisory Board Members

■ Shares owned in the Company (As of March 31, 2022)		■ Attendance at Meetings of the Board of Directors in FY2021	
	<b>Michihiko Hosono</b> Senior Audit & Supervisory Board Member (Full-Time)	Apr. 1981 Entered the Company Apr. 2016 Managing Executive Officer Apr. 2019 Advisor Jun. 2019 Senior Audit & Supervisory Board Member (present position)	
	■ 42,300 shares ■ 22/22 ○ 17/17		
	<b>Kazunari Sakata</b> Audit & Supervisory Board Member (Full-Time)	Apr. 1985 Entered the Company Apr. 2020 Executive Officer Apr. 2022 Advisor Jun. 2022 Audit & Supervisory Board Member (present position)	
	■ 14,200 shares ■ -/- ○ -/-		

	<b>Toshio Nagai</b> Outside Audit & Supervisory Board Member (Lawyer) Independent	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 & Supervisory Board Member, Sumitomo Corporation (present position)
	■ 0 shares ■ 22/22 ○ 17/17		
	<b>Yoshitaka Kato</b> Outside Audit & Supervisory Board Member (Certified Public Accountant) Independent	Sep. 1978 Certified Public Accountant (present position) Aug. 2008 CEO, Ernst & 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 & Supervisory Board Member, Sumitomo Corporation (present position)
	■ 0 shares ■ 20/22 ○ 17/17		
	<b>Yukiko Nagashima</b> Outside Audit & Supervisory Board Member Independent	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 & 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 & Supervisory Board Member, Sumitomo Corporation (present position)
	■ 0 shares ■ 19/19 ○ 12/12		

## Executive Officers

## President and Chief Executive Officer

**Masayuki Hyodo**  
Chief Executive Officer

## Executive Vice Presidents

**Toshikazu Nambu**  
Chief Digital Officer  
(Media & Digital Business Unit and Living Related & Real Estate Business Unit)

**Shingo Ueno**  
(Metal Products Business Unit and Mineral Resources, Energy, Chemical & Electronics Business Unit)  
Head of Energy Innovation Initiative

## Senior Managing Executive Officers

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

**Masaki Nakajima**  
General Manager, Media & Digital Business Unit

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

**Reiji Morooka**  
Chief Financial Officer

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

## Managing Executive Officers

**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.

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

**Iehisa Nakamura**  
General Manager for Europe & CIS; CEO of Sumitomo Corporation Europe & CIS Group; Chairman and Managing Director, Sumitomo Corporation Europe Limited

**Norihiko Nonaka**  
General Manager, Transportation & Construction Systems Business Unit; Director, Sumitomo Mitsui Finance and Leasing Co., Ltd.

**Shinji Nakano**  
Assistant CAO, Secretary & Human Resources

**Mitsuhiro Takeda**  
Director, Executive Vice President, JCOM Co., Ltd.

**Hirokazu Higashino**  
Chief Strategy Officer and Chief Information Officer

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

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

**Yoshinori Mukaida**  
Assistant CFO, Finance

**Tomonori Wada**  
General Manager for the Americas; President and CEO of Sumitomo Corporation of Americas Group; Director and President of Sumitomo Corporation of Americas

**Hajime Mori**  
General Manager for Middle East & Africa; CEO & COO of Sumitomo Corporation Middle East & Africa Group; Managing Director, Sumitomo Corporation Middle East FZE

**Yukihito Honda**  
General Manager, Infrastructure Business Unit

**Kotaro Tameda**  
General Manager, Living Related & Real Estate Business Unit

## Executive Officers

**Haruo Matsuzaki**  
Assistant General Manager for Europe & CIS; General Manager for CIS; Deputy CEO of Sumitomo Corporation Europe & CIS Group; President and CEO, Sumitomo Corporation (Central Eurasia) LLC

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

**Eiji Ishida**  
Director, Senior Managing Executive Officer, Sumitomo Mitsui Finance and Leasing Co., Ltd.

**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, CFO and Chief Business Development Officer of Sumitomo Corporation of Americas Group; Executive Vice President and CFO of Sumitomo Corporation of Americas

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

**Takashi Yamana**  
President and Representative Director, Sumitomo Shoji Machinex Co., Ltd.

**Tatsuro Tamura**  
Assistant General Manager for Europe & CIS; Deputy CEO & CFO of Sumitomo Corporation Europe & CIS Group; General Manager, Corporate Management Unit in Sumitomo Corporation Europe & CIS Group; CFO, Sumitomo Corporation Europe Limited

**Kazumasa Watanabe**  
General Manager, Media Division

**Masahiko Yokohama**  
General Manager, Planning & Coordination Dept., Metal Products Business Unit

**Takayuki Sumita**  
President and CEO, SUMITOMO CORPORATION GLOBAL RESEARCH CO. LTD.; Assistant CSO; Energy Innovation Initiative Design & Strategy Dept.

**Koji Aso**  
Assistant CSO, Investor Relations, Corporate Communications & Corporate Sustainability; General Manager, Corporate Sustainability Dept.

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

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

**Tadayuki Ueno**  
Assistant CFO, Risk Management

**Yasuhiro Yoshida**  
Assistant CFO, Accounting

**Kimihiko Sato**  
General Manager, Internal Auditing Dept.

**Hiroshi Karashima**  
Assistant General Manager for Asia & Oceania; Sumitomo Corporation Asia & Oceania Group; President Director, PT. Sumitomo Indonesia

**Takao Kusaka**  
General Manager, Lease, Ship & Aerospace Business Division

**Hiroaki Murata**  
General Manager, Construction Material & Real Estate Business Division

**Aki Tomita**  
Assistant General Manager for East Asia; General Manager, Corporate Unit in Sumitomo Corporation China Group; General Manager, Corporate Coordination Group in Sumitomo Corporation China Group; General Manager, Sumitomo Corporation (Shanghai) Limited

## 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 assess 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.



## 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 including the management-level personnel 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

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.

### Initiatives to ensure compliance

#### ■ 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 are

imposed, and measures to prevent recurrence are applied.

In addition, the secretariat of the Compliance Committee analyzes and assesses the status of compliance violations within the Group every year and reviews such matters as future compliance-related measures. The results and details are discussed by the Compliance Committee and then reported to and discussed by the Management Council, Audit & Supervisory Board, and Board of Directors.

Through this process of improving and enhancing measures while implementing a PDCA cycle, we work on thorough familiarization with compliance.

#### ■ 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.



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

Sumitomo Corporation Group Compliance Policy  
 Compliance Management System (including the status of Compliance Committee activities)  
 Speak-Up System (including efforts to encourage its use)  
 Status of compliance (including establishment and implementation of compliance measures such as procedures for addressing compliance violations and departments in charge of providing a response)  
 Continuous education program initiatives and Sumitomo Corporation Group Anti-Corruption Policy





## Risk management

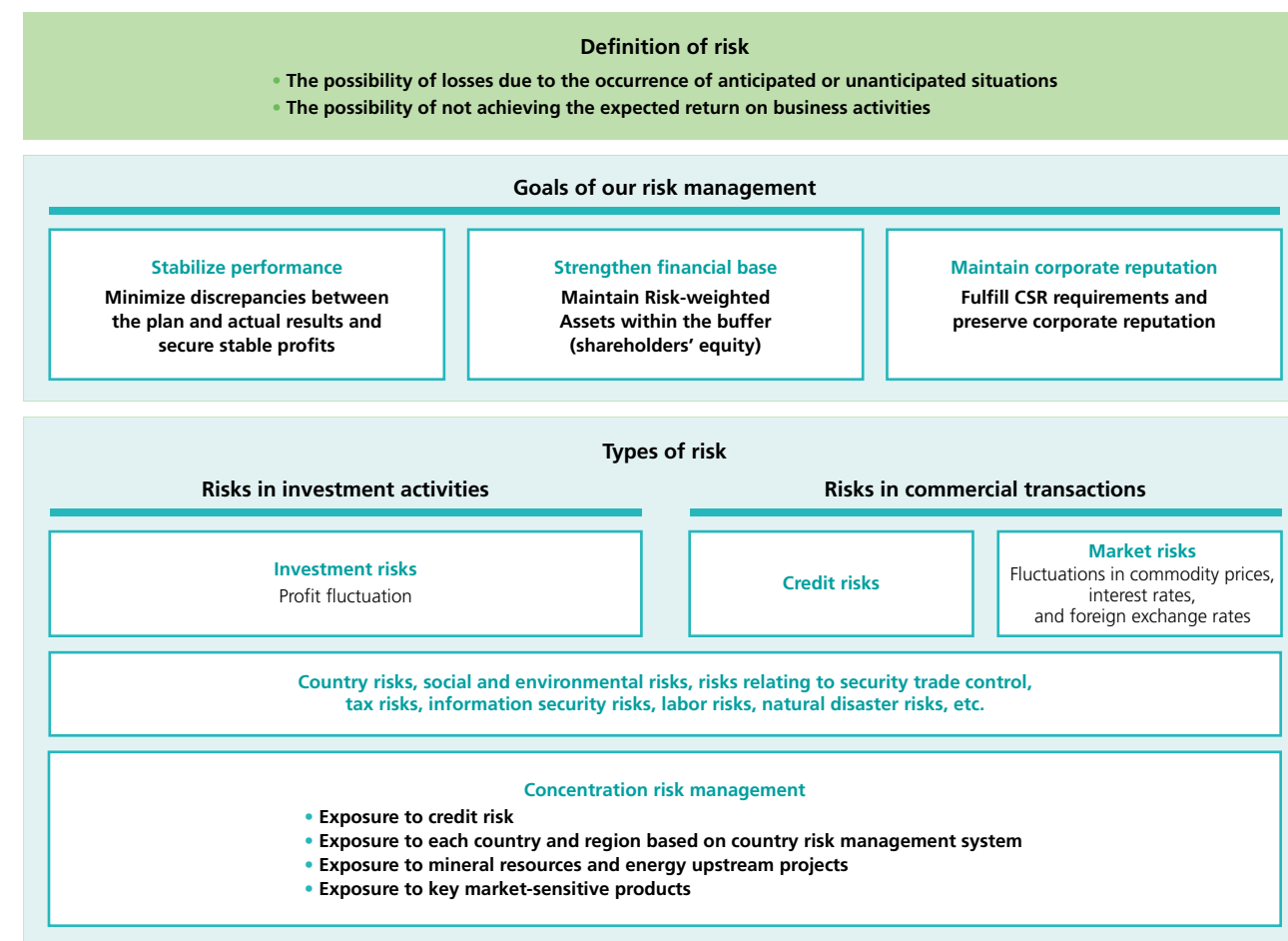
### Basic policy and framework

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. As an example, we have established rigorous investment discipline as the common basis of judgment to select more appropriate investments among diverse investment opportunities in a wide range of business domains. At the same time, we have built an optimal governance structure for improving the value of each business after investment and introduced an incentive plan linked to investment performance.



## Information security

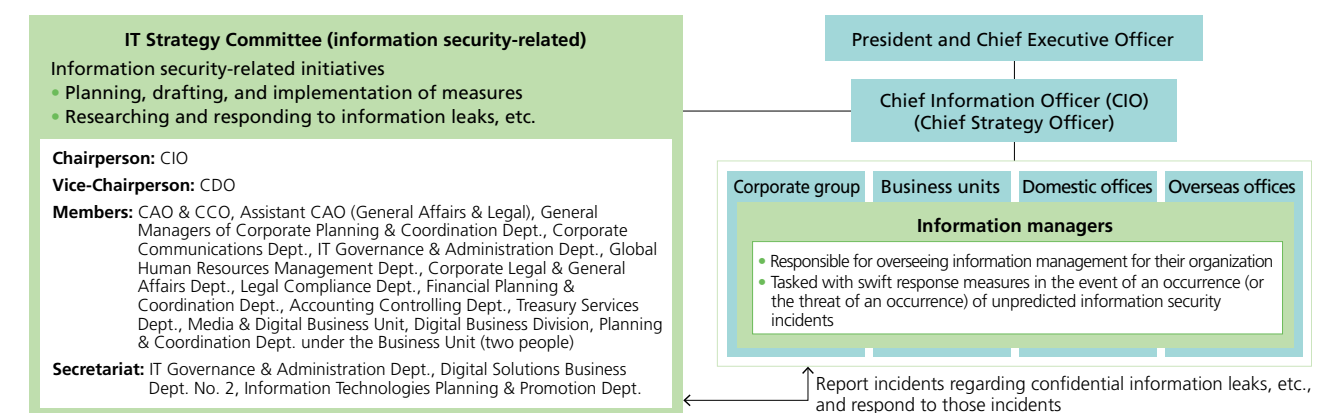
### Basic policy and framework

Led by the IT Strategy Committee, which is a companywide organization chaired by the Chief Information Officer (CIO), Sumitomo Corporation has established an Information Security Policy and other relevant regulations, and works to ensure information security and the appropriate management of information assets. 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.

### Information Management System

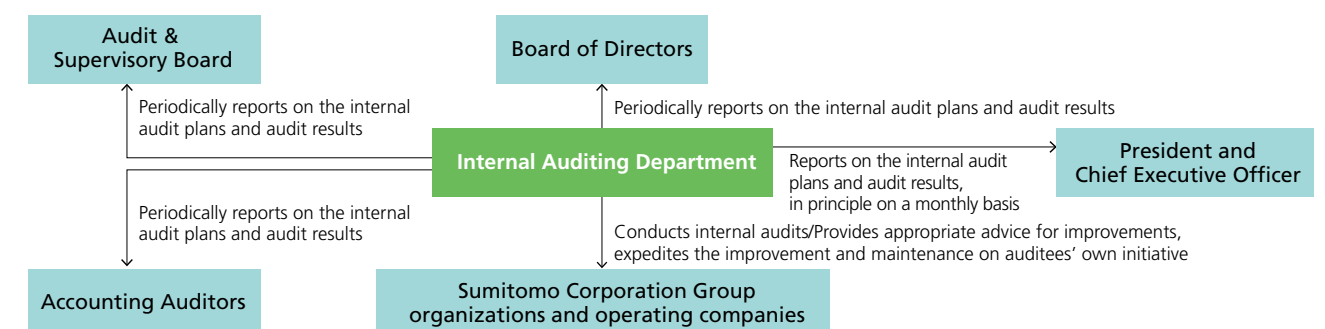


## Internal audits

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 internal audit results 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 regularly conducts audits on all aspects

of internal control, comprising asset and risk management, compliance, and business operations. It evaluates the effectiveness and adequacy of the internal controls of auditees, taking into account the significance of the inherent risks. At the same time, it provides appropriate advice for improvements and expedites improvement and maintenance on the auditee's own initiative, thereby contributing to the improvement of governance and internal controls within the Sumitomo Corporation Group.



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

