

May 14, 2021

To whom it may concern,

Company: Sumitomo Corporation
Representative: Masayuki Hyodo
Representative Director, President and CEO
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Notice Concerning the Opinion of the Company's Board of Directors on a Shareholder Proposal

Sumitomo Corporation (the "Company") has received a document from its shareholder stating that the shareholder intends to make a proposal (the "Shareholder Proposal") requesting that the Company add a provision to the Articles of Incorporation which provides that the Company shall develop and disclose a plan outlining a business strategy for mitigation of climate change stated in the Attachment hereto, with respect to the agenda in the 153rd Annual Shareholders' Meeting to be held on June 18, 2021.

The Company hereby announces that it resolved in its Board of Directors' meeting held today that it would oppose adding the relevant provision to the Articles of Incorporation as requested by the Shareholder Proposal, for the following reasons:

1. Details of the Shareholder Proposal

Please see the Attachment hereto.

2. Opinion of the Company's Board of Directors and the Reasons Therefor

In developing a sustainable society, the Company has identified mitigation of climate change as one of the key social issues, and it aims at solving various issues concerning the mitigation of climate change, including the achievement of goals set in the Paris Agreement.

Based on this assumption, the Company will engage in various businesses set forth in the Articles of Incorporation based on the management policies set forth in Section 3 below; at the same time, it will appropriately manage climate change risks to prevent its corporate value from deteriorating and will identify forthcoming changes as an opportunity and lead those changes toward sustainable growth and enhancement of the corporate value, thereby continuing to meet the expectations of shareholders.

The Company has already been working on the development and disclosure of the plan outlining the Company's business strategy as included in the Shareholder Proposal; thus, it is not necessary to newly add the content requested by the Shareholder Proposal to the Articles of Incorporation. The Articles of Incorporation sets forth basic matters regarding corporate organization, among other matters, and from the perspective of changing relevant policies and plans as necessary and flexibly and implementing those promptly, the Company intends to maintain the Articles of Incorporation with the current content without setting forth any individual and specific policies.

Accordingly, the Company will oppose the Shareholder Proposal.

3. Background Leading to the Decision of the Board of Directors’ Opinion

(1) The Company’s efforts to date

In its Management Principles, the Company group declares that its corporate mission is to support its shareholders, clients, local communities, employees, and everyone else around the world in their endeavors to achieve economic and spiritual prosperity and realize their dreams through its sound business activities, and it aims to be a global organization that contributes broadly to society. Based on the concept of Sumitomo’s business philosophy, which has been preached since about 430 years ago, “benefit for self and others, private and public interests are one and the same” (the Company’s business, while benefiting the Company itself, must also benefit the society surrounding itself, and the Company and the society must improve together), the philosophy of instantly working on environmental issues and on the contribution to local society has been succeeded to by the Company. The foregoing is represented in the goal of “making the business activity carbon neutral by 2050,” which was set in June 2020.

As the Company works to enhance its sustainability management, in 2020, it identified six key social issues, which it should work on: “mitigation of climate change,” “circular economy,” “respect for human rights,” “development of local society and economy,” “improvement of living standards,” and “quality education.” The Company also set long-term goals for the respective issues, and took the initiative in acting to “make the business activity carbon neutral by 2050.” Then, in May 7, 2021, the Company developed medium-term goals and the KPIs towards the achievement of the long-term goals, and officially announced them together with the new medium-term management plan and the revision to the Policies on Climate Change Issues.

(2) The medium-term goals for realizing carbon neutrality by 2050 and the revision of the Policies on Climate Change Issues

Details of the announcement made by the Company are as stated below, which specifically indicate how carbon neutrality will be realized, including the policies concerning the thermal power generation business and fossil energy concession business. Based on stakeholders’ opinions, these medium-term goals were determined by the Company’s Management Council and the Board of Directors after thorough discussions.

Medium- and Long-term goals for Climate Change Mitigation

Long-term goals	Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle
Medium-term Goals	<ul style="list-style-type: none"> ■ Reduce the Group’s CO2 emissions 50% or more by 2035 (compared to 2019) ■ Reduce CO2 emissions of the power generation business by 40% or more by 2035 (of which reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise 20% coal-fired, 50% gas-fired and 30% renewables (*1) in terms of net ownership generation capacity. ■ Reduce indirect CO2 emissions from fossil energy concessions (*2) by 90% or more by 2035. ■ Reduce CO2 emissions in all other businesses (*3). ■ Establish businesses that will form the foundation for a sustainable energy cycle in society ■ Develop hydrogen and other forms of carbon-free energy and increase supply of renewable energy (3GW or more by 2030)(*4), and expand new power and energy services. ■ Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation. ■ Capture, store and utilize CO2 via carbon recycling, forestry business, CCS, and emissions credit trading, etc.

(*1) As of 2020 : coal 50%, gas 30%, renewables 20% (*2) Indirect CO2 emissions generated by others with the use of fossil fuel (*3) Contribute to CO2 reduction by setting targets for individual businesses (*4) As of 2020: 1.5 GW (1 GW = 1 billion W)

Revision of Policies on Climate Change Issues

	Former policy	Revised Policy
Power generation portfolio (net ownership generation capacity)	2020: Coal 50%, gas 30%, renewables 20% 2035: Coal 30%, gas 40%, renewables 30%	2035: Coal 20%, gas 50%, renewables 30%
Coal-fired power generation business	New coal-fired power generation will not be developed. Provided, however, that individual considerations will be taken for projects which are indispensable for the economic and industrial development of regional communities, and match the policies of the governments of Japan and the relevant host country considering international initiatives and trends in the mitigation of climate change.	We will not be involved in any new coal-fired power generation business neither IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction)(*1). For IPP business, we aim to reduce CO2 emissions by 60% or more by 2035 (compared to 2019) and we will end all the coal-fired power generation business in the late 2040s.
Thermal coal mining business	The current level of equity share coal production shall be the upper limit, and new development will not be implemented	We will not make any further investment in the thermal coal mining interest and aim to achieve zero production from thermal coal mines by 2030.

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

The Company will hereafter monitor the progress on the achievement of these goals, and strategically allocate management resources so that the business portfolio of the Company group can create value required by the society.

(3) The Company's disclosure policy regarding the climate change issues

In the "Integrated Report," the Company indicates its Management Principles, as well as management strategies that originate from six material issues including achievement of harmony with the global environment, and discloses the status of its annual activities. Also, the Company discloses information regarding sustainability, mainly consisting of non-financial information, in the "ESG Communication Book." Furthermore, in March 2019, the Company announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and since 2020, it has been making disclosures in the ESG Communication Book in line with the framework. The Company will continue to use its efforts to expand/develop the scope and scenario for risk analysis (such as expansion of target business/target risk and consideration of 1.5 degrees scenario), to disclose measures to achieve the medium-term and long-term goals, and to further expand disclosure of data including quantitative information, and will reflect those in the ESG Communication Book 2021.

(4) Risk management and governance

The Company is monitoring the status of the Company group's climate change-related risks in the Management Council and Board of Directors' meetings, regularly. Further, since April 2020, the Company developed a system under which decisions are made taking into consideration assessments regarding the social/environmental impact before making new investment/financing.

Further, matters regarding climate change are discussed by the Corporate Sustainability Committee, and are determined by the Management Council and the Board of Directors (five of the eleven directors are outside directors; and three of the five Audit & Supervisory Board Members are outside members) through active discussions thereat.

(5) Strategic preparations for the future

In the new medium-term management plan, the Company has set the creation of next generation business that contributes to the realization of a carbon neutral society through a de-carbonized and

recycling energy system as a key priority measure; and in April 2021, it established the Energy Innovation Initiative.

Through this new organization, the Company will overlook the entire value chain through a multilateral approach utilizing various knowledge and human resources inside and outside the Company, and will focus on creating energy management business with the following three themes as its cores: “developing carbon-free energy,” “expanding new power & energy services,” and “CO2 capture, storage and utilization.” Through such efforts, the Company will resolve the key social issues including “mitigation of climate change” and “circular economy” and contribute to the realization of a carbon neutral society.

As stated above, the Company sets the mitigation of climate change as one of the key social issues for promoting and accelerating sustainability management, and understands it not only as a risk but also as an opportunity therefor, and is enhancing and improving its efforts from the perspective of implementing measures, disclosure, risk management and governance. Also, to achieve carbon neutrality by 2050 and the medium-term goals by 2035, the Company is striving to improve its corporate value through specific efforts.

End.

The Proposal

Partial amendment to the Articles of Incorporation (adoption and disclosure of a plan outlining the company's business strategy to align its business with the goals of the Paris Agreement)

Details of the proposal

It is proposed that the following provision be added to the Articles of Incorporation:

Noting the Company's support for the Task Force on Climate-related Financial Disclosures (TCFD), the Company shall adopt and disclose in its annual reporting a plan outlining the company's business strategy, including metrics and short-, medium-, and long-term targets, to align its business exposure to coal, oil and gas assets with the goals of the Paris Agreement.

Reasons for the proposal

The aim of the proposal is to manage the company's exposure to climate change risks, and protect its shareholders' assets.

Climate change presents severe risks to the human society and the economic system. The Paris Agreement, a treaty to prevent this crisis from becoming a reality, aims to strengthen the global response to the threat of climate change by limiting the global temperature rise to well below 2 degrees Celsius above pre-industrial levels and making efforts to limit the temperature rise to 1.5 degrees Celsius.

While other Japanese trading companies are shedding their thermal coal assets (mines and power plants), the company's current policy allows acquisition of existing coal mines and construction of new coal-fired power plants. Additionally, the company's moves on oil and gas do not demonstrate a pathway consistent with carbon neutrality within Paris-aligned timelines. The company's insufficient policy and practice pose significant financial risks to the company in a transition to a decarbonized economy. The proposal will allow shareholders to be informed as to how the company is managing risks of this nature.