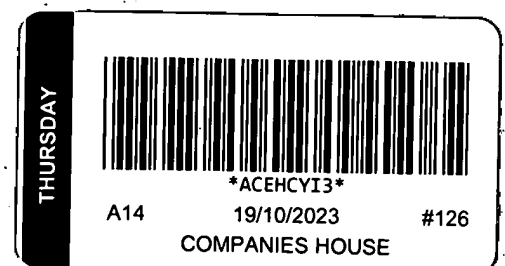


Howco Group Plc (SC079844)

Annual report and financial statements

Registered number SC079844

1 April 2023



Contents

Strategic Report	1
Directors' Report	5
Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	6
Independent auditor's report to the members of Howco Group Plc	7
Profit and Loss Account and Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes on the Financial Statements	13

Strategic Report

The Directors' present their Strategic Report and Financial Statements for the 53 week period ended 1 April 2023. The Strategic Report sets out the main trends and factors underlying the development and performance of Howco Group plc (the "Company") during the 53 week period ended 1 April 2023, as well as those matters which are likely to affect its future development. The Company is a subsidiary undertaking of Sumitomo Corporation which is the ultimate parent company incorporated in Japan. The Company's immediate parent is Eryngium Limited ("Group"), which holds investments in Howco companies globally. Included within the Group are sister companies in the United States, United Arab Emirates and South East Asia.

Principal activities

The Company's core competences continue to be that of supply chain management, engineering and materials processing, predominantly within the energy services sector.

Business review

The Company has experienced a recovery in trading conditions following the difficult conditions during the global pandemic. As a result, turnover was up 65% on the previous financial period. The increase in general cost base has been managed by the Company's Supply Chain team. Material is purchased from a variety of suppliers, with the most competitive prices being selected through Global Purchasing Power. The increased turnover, alongside a recovery in margin and administrative cost savings, resulted in an increased profit before tax of £10.0m (52 week period ended 26 March 2022: £2.7m).

Principal risks and uncertainties

The principal risks and uncertainties affecting the business include the following:

- **Oil prices:** the financial performance of the Company is subject to fluctuation in the price of oil and the general economic outlook. These factors are monitored closely.
- **Foreign currency exchange:** the Company monitors closely short, medium and long term exchange rates and has a policy of hedging against currency fluctuations relating to transactions where the Directors believe foreign currency risk is significant and can be reduced economically through appropriate hedging arrangements.
- **Raw material availability and prices:** the Company monitors raw material sources on a global basis and negotiates set purchase contracts where appropriate with key suppliers.
- **Environmental risks:** the Company places considerable emphasis upon environmental compliance in each of its business areas and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.
- **Health and Safety:** the Company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved. The Board notes that the total recordable incidents has fallen again this period.
- **Commercial relationships:** the Company maintains strong relationships with each of its key customers and suppliers and has established credit control parameters. Appropriate credit terms are agreed with all customers and suppliers and these are closely managed.
- **Regulation, legislation and compliance:** the Company monitors forthcoming and current legislation regularly and implements appropriate procedures to ensure ongoing compliance.

Key areas of strategic development and performance of the business include:

- **Sales and marketing:** new and replacement business is being won continually; key customer relationships are monitored on a regular basis.
- **Environment:** consent limits have been met; new methods of achieving greater environmental effectiveness are continually being examined.

Future developments

Alongside traditional links to the Oil and Gas sector, the Company has plans to diversify into the Renewables sector to support the Energy Transition effort and the drive towards Net Zero Emissions by 2050.

Accounting period

The Company utilises the 7-day rule available in the Companies Act 2006 to draw up its annual accounts to the Saturday closest to 31st March. This usually results in a 52 week period and the accounts being drawn up to the last Saturday in the month of March however, this occasionally results in a 53 week period as it has in the current period. These financial statements are therefore drawn up to 1 April 2023, a 53 week period, whilst the comparative period is the 52 week period to 26 March 2022.

Strategic Report *(continued)*

Financial Reporting Standards 101 (FRS 101)

The Financial Statements of the Company have been prepared in accordance with applicable UK Generally Accepted Accounting Principles under FRS 101 for the 53 week period ended 1 April 2023. The comparative figures, with the transitional date being 27 March 2022, did not require restatement following the transition from International Financial Reporting Standards (IFRS) to FRS 101.

Section 172 Statement

As Directors of the Company, we continue to be mindful of our statutory duty to promote the success of the Company for the benefit of the members as a whole. In doing so, we have regard, amongst other matters, to those factors set out in section 172 (1) (a) to (f) of the Companies Act 2006. Collectively, the Board recognises that having regard to these factors and stakeholder groups in decision-making contributes to the success of the Company. Depending on the matter at hand, the relevance of different stakeholder interests and other factors will vary. The Board may face making decisions based on competing stakeholder priorities and therefore, it may not always be possible to provide a favourable outcome for all stakeholders.

On appointment to the Board, the Directors are briefed on the Directors' statutory duties and are provided with various opportunities to meet key stakeholders. Ahead of all Board meetings, the Directors are supplied with papers which highlight the relevant stakeholder considerations for each of the agenda items. The Directors are in regular contact with their management teams which facilitates good communication and feedback at a local level.

The Company's key stakeholders are our employees, customers and suppliers. The Company has the following framework in place to ensure the Directors have regard to key stakeholders and matters set out in section 172 (1) of the Companies Act 2006 in their decision making.

The likely consequences of any decision in the long term

The long-term strategy of the Company is monitored to ensure that this aligns with the vision of the Group as a whole. Future areas of growth and change are considered in decision-making discussions. Input is sought from specialists within the Company where relevant. Both external and Group advisers are also called upon for their input when required in order to ensure the future environment under which the Company may operate is fully explored. The resulting assessment of future development informs the Board's decision-making and the balance between short and long-term actions.

The interests of the Company's employees

The Board promotes engagement with its workforce. The Directors are in regular contact with their management teams who they entrust with engagement of their wider teams. There is open communication with management throughout the Company. There are regular team meetings and toolbox talks on site which keep employees fully informed and engaged on Company developments.

The need to foster the Company's business relationships with suppliers, customers and others

The Company works closely with suppliers to ensure that our values on quality, safety and modern slavery are upheld throughout the supply chain. Value-added communications are facilitated in areas such as future growth and potential for the supply chain, to ensure that expectations are set and understood from the front line through to the management team and the Directors.

The Company has well-established customer engagement processes across Europe. These processes ensure that the perspectives of all customers are considered. Considerations include adaptation to industry change, regular communications with customers and providing excellent customer service.

The impact of the Company's operations on the community and the environment

The Directors are conscious of considering initiatives to reduce the impact of the Company's operations on the environment. As outlined in our Streamlined Energy and Carbon Reporting on page 3, the Company has invested in pilots to reduce energy loss in the period and has appointed Energy Management Teams at each site. This will enable the Company to continue to make inroads to reduce its environmental impact as far as possible.

The desirability of the Company to maintain a reputation for high standards of business conduct

The Company drives high standards of business conduct through the policies and procedures in place globally. The Board periodically reviews and approves clear frameworks, such as the Howco Global Code of Conduct, Howco Anti-Slavery and Human Trafficking Statement and Howco Modern Slavery Statement, to ensure that high standards are maintained both within the Company and business relationships.

Strategic Report *(continued)*

Section 172 Statement *(continued)*

The need to act fairly between members of the Company

Following consideration of all relevant factors, the Directors consider which course of action best prepares the Company to deliver in the long-term, taking into consideration the impact on stakeholders. In doing so, the Directors act as fairly as possible across the Company's stakeholder groups. The Directors will continue to review engagement methods to ensure they remain effective.

Streamlined Energy and Carbon Reporting

The Company has performed an assessment of greenhouse gas emissions and energy use for the 53 week period ended 1 April 2023. This has been presented, alongside the 52 week period ended 26 March 2022 comparative, to show the impact of the UK Distribution and Manufacturing operations, on the Company's total UK emissions.

UK greenhouse gas emissions and energy use date for the 53 week period ended 1 April 2023	Distribution	Manufacturing	Total
Energy consumption used to calculate emissions (kWh)	24,638,296	4,666,816	29,305,112
Scope 1 emissions in metric tonnes CO2e:			
- Gas consumption	4,024.39	229.95	4,254.34
- Diesel used on site	102.40	7.64	110.04
Total Scope 1	4,126.79	237.59	4,364.38
Scope 2 emissions in metric tonnes CO2e:			
- Purchased electricity	481.36	715.38	1,196.74
Scope 3 emissions in metric tonnes CO2e:			
- Other emissions from use of diesel	145.17	26.80	171.97
Total gross emissions in metric tonnes CO2e	4,753.32	979.77	5,733.09
Intensity ratio tonnes CO2e (per £1m UK Revenue)			62.72
UK greenhouse gas emissions and energy use date for the 52 week period ended 26 March 2022	Distribution	Manufacturing	Total
Energy consumption used to calculate emissions (kWh)	24,397,815	6,345,316	30,743,131
Scope 1 emissions in metric tonnes CO2e:			
- Gas consumption	4,066.37	447.99	4,514.36
- Diesel used on site	101.84	-	101.84
Total Scope 1	4,168.21	447.99	4,616.20
Scope 2 emissions in metric tonnes CO2e:			
- Purchased electricity	507.68	901.24	1,408.92
Scope 3 emissions in metric tonnes CO2e:			
- Other emissions from use of diesel	154.93	37.96	192.89
Total gross emissions in metric tonnes CO2e	4,830.82	1,387.19	6,218.01
Intensity ratio tonnes CO2e (per £1m UK Revenue)			88.4

Strategic Report *(continued)*

Streamlined Energy and Carbon Reporting *(continued)*

Quantification and reporting methodology

The Company has followed the 2019 HM Government Environmental Reporting Guidelines. The GHG Reporting Protocol – Corporate Standard and 2020 UK Government’s Conversion Factors for Company Reporting have also been referred to when preparing the report.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per £1m UK revenue.

Measures taken to improve energy efficiency

During the period, the Company recruited a Health, Safety, Environmental and Energy (HSEE) Specialist, which has resulted in an increased focus on Energy Management. Data collection has improved, with summarised data on waste, business travel, utilities and shipping now being readily available.

Further practical developments during the financial year have included the rationalisation of underutilised internal transport. At plant level, furnace lining has been improved in an effort to improve performance and reduce waste energy.

Across the Company, a new initiative called “Take Charge” has been rolled out, empowering employees to take part in reducing energy consumption through four simple steps:

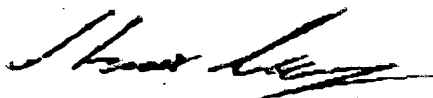
- Awareness - know your energy usage and what you can do to help;
- Measurement - accurately measure our past, present and future performance to demonstrate improvement;
- Process - reduce energy through improving our operations, processes and equipment;
- Sustain - maintain our energy performance improvements using our energy management systems.

Key performance indicators

Key financial performance indicators include profitability and working capital:

Financial	53 week period ended 1 April 2023	52 week period ended 26 March 2022	Measure
Return on capital	12.0%	3.8%	Profit after tax / Net assets
Current ratio	1.8 : 1	1.8 : 1	Current assets : Current liabilities
Inventory turnover	3.0	2.7	Revenue / Inventory
Sales per employee (£k)	437	230	Revenue / Average number of employees
Operating profit per employee (£k)	27	4	Operating profit / Average number of employees

On behalf of the Board



Kenneth Ness
 Director

Fountain House
 2nd Floor
 1-3 Woodside Crescent
 Glasgow
 G3 7UL

13 October 2023

Directors' Report

The Directors present their Directors' Report and the audited Financial Statements for the 53 week period ended 1 April 2023.

Principal activity

The Company's core competences continue to be that of supply chain management, engineering and materials processing, predominantly within the energy services sector.

Results and dividends

The profit before tax for the 53 week period amounted to £10.0m (*52 week period ended 26 March 2022: £2.7m*). The Board declared and paid a dividend of £nil during the 53 week period (*52 week period ended 26 March 2022: £31.2m*).

Financial Instruments

The Company's policy is to minimise the use of complex financial instruments.

Directors and Directors' interests

The Directors who held office during the period and up to the date of signing this report are as follows:

John M Ferguson
Kenneth Ness
David Preston

None of the Directors who held office at the end of the 53 week period had any disclosable interest in the shares of the Company

Employee involvement

The Company has channels of communication with employees on business development, Company performance and matters of general concern.

Employment of disabled persons

The Company gives full and fair consideration to applications for employment made by disabled persons, has continued whenever possible the employment of persons who became disabled while they are with the Company and has ensured continued training, career development and opportunities for the promotion of disabled persons employed by it.

Political contributions

The Company made no political donations or incurred any political expenditure during the current 53 week period or the prior 52 week period.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

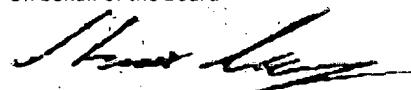
Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1 to 4.

On behalf of the Board



Kenneth Ness
Director

Fountain House
2nd Floor
1-3 Woodside Crescent
Glasgow
G3 7UL

13 October 2023

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Howco Group plc

Opinion

We have audited the financial statements of Howco Group plc ("the Company") for the 53 week period ended 1 April 2023 which comprise the Balance Sheet, the Profit and Loss account, the Statement of other comprehensive income, the Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 April 2023 and of its profit for the 53 period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual journal combinations, including cash and revenue journals.

Independent auditor's report to the members of Howco Group plc (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to fraud (continued)

- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Howco Group plc *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance; but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

16 October 2023

Profit and Loss Account and Other Comprehensive Income
for the 53 week period ended 1 April 2023

	<i>Note</i>	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
Revenue	2	165,617	96,829
Cost of sales		<u>(140,654)</u>	<u>(79,124)</u>
Gross profit		24,963	17,705
Selling and distribution costs		(2,148)	(1,342)
Administrative expenses		<u>(12,766)</u>	<u>(14,536)</u>
Operating profit	2	10,049	1,827
Interest receivable and similar income	5	227	975
Interest payable and similar charges	6	<u>(306)</u>	<u>(60)</u>
Profit before taxation		9,970	2,742
Taxation	7	<u>(1,928)</u>	<u>(493)</u>
Profit for the period		<u>8,042</u>	<u>2,249</u>

All results for the financial periods noted above were from continuing operations.

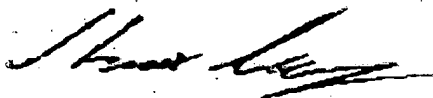
There was no other comprehensive income during the current 53 week period or preceding 52 week period.

The notes on pages 13 to 25 form part of these financial statements.

Balance Sheet
at 1 April 2023

	<i>Note</i>	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
Non-current assets			
Property, plant and equipment	8	9,916	11,243
Investments	9	8,085	8,085
Goodwill	10	5,951	5,951
		<u>23,952</u>	<u>25,279</u>
Current assets			
Stocks	11	54,819	36,267
Debtors: amounts falling due within one year	12	40,552	41,517
		<u>95,371</u>	<u>77,784</u>
Total assets		119,323	103,063
Current liabilities			
Creditors: amounts falling due within one year	13	(52,196)	(43,920)
Total assets less current liabilities		<u>67,127</u>	<u>59,143</u>
Creditors: amounts falling due after more than one year	14	(163)	(278)
Deferred tax liabilities	15	(119)	(62)
		<u>(282)</u>	<u>(340)</u>
Net assets		<u>66,845</u>	<u>58,803</u>
Equity			
Called up share capital	16	100	100
Share premium account		4,109	4,109
Other reserves	17	496	496
Profit and loss account		62,140	54,098
Equity shareholder's funds		<u>66,845</u>	<u>58,803</u>

These financial statements were approved by the Board of Directors on 13 October 2023 and were signed on its behalf by:



Kenneth Ness
Director

Company registered number: SC079844

The notes on pages 13 to 25 form part of these financial statements.

Statement of Changes in Equity
for the 53 week period ended 1 April 2023

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 27 March 2021	100	4,109	496	83,076	87,781
Total comprehensive income for the 52 wk period	-	-	-	2,249	2,249
Dividends paid (note 18)	-	-	-	(31,227)	(31,227)
Balance at 26 March 2022	100	4,109	496	54,098	58,803
Total comprehensive income for the 53 wk period	-	-	-	8,042	8,042
Balance at 1 April 2023	100	4,109	496	62,140	66,845

The notes on pages 13 to 25 form part of these financial statements.

Notes on the Financial Statements for the 53 week period ended 1 April 2023

1 Significant accounting policies

Howco Group Plc (the "Company") is a public limited company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC079844 and the registered address is Fountain House, 2nd Floor, 1-3 Woodside Crescent, Glasgow, G3 7UL.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments, where necessary, in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101 from UK-adopted IFRS, the Company has made no measurement and recognition adjustments.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures

- Cash Flow Statement and related notes;
- Comparative period reconciliations for property, plant and equipment, intangible assets and share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effect of new, but not yet effective, IFRSs;
- Related party disclosures; and

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 27 March 2022 for the purposes of the transition to FRS 101 Adopted IFRSs.

Measurement convention

The financial statements are prepared on the historical cost basis. The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company utilises the 7-day rule available in the Companies Act 2006 to draw up its annual accounts to the Saturday closest to 31st March. This usually results in a 52 week period and the accounts being drawn up to the last Saturday in the month of March however, this occasionally results in a 53 week period as it has in the current period. These financial statements are therefore drawn up to 1 April 2023, a 53 week period, whilst the comparative period is the 52 week period to 26 March 2022.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 1 to 4. The balance sheet presents net current assets of £43.2m (52 week period ended 26 March 2022: £33.9m) as at 1 April 2023. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons. The Company is a component of Sumitomo Corporation, a global trading and business investment company. The Company participates in a group treasury function and works closely with Sumitomo to manage the Company's funding requirements.

For the purposes of the Directors' assessment of the Company's going concern position, and to satisfy them of the Company's ability to pay its liabilities as they fall due, the Directors have prepared a cash flow forecast to March 2025. The cash flow forecast takes account of severe but plausible downsides including reductions in revenue should there be a slower than anticipated economic recovery. These forecasts indicate that, taking account of a reasonably possible downside scenario, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes on the Financial Statements *(continued)* for the 53 week period ended 1 April 2023

1 Significant accounting policies *(continued)*

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade receivables

Trade receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade payables

Trade payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement only.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Property plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold land and buildings	- 2% to 5% straight line
Plant and equipment, fixtures and fittings	- 8% to 20% straight line
Motor vehicles and computer equipment	- 33% straight line
Leasehold improvements	- over the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes on the Financial Statements *(continued)* for the 53 week period ended 1 April 2023

1 Significant accounting policies *(continued)*

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Goodwill arising on the hive-up of subsidiary undertaking

In March 2016, the trade and net assets of a subsidiary undertaking, CTL Engineering Company Limited, were transferred to the Company at their book value. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the Company's investment in that subsidiary undertaking fell below the amount at which it was stated in the Company's accounting records. Part 15 of the Companies Act 2006 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, at the time, the Directors considered that, as there had been no overall loss to the Group, it would fail to give a true and fair view to charge the diminution to the Company's profit and loss account. It should instead be re-allocated to goodwill, so as to recognise in the Company's individual balance sheet the effective cost to the Company of goodwill. The effect on the Company's balance sheet of this departure was to recognise goodwill of £5,951k.

Research

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment of non-financial assets excluding stocks and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes on the Financial Statements *(continued)*

for the 53 week period ended 1 April 2023

1 Significant accounting policies *(continued)*

Employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Revenue

Sales revenue, which is net of returns, rebates and discounts, and which excludes value added tax, is recognised when performance obligations are satisfied in respect of the transfer of goods or services at an amount that the business expects to be entitled to in exchange for those goods or services.

The Company's agreements with customers do not contain complex terms or separately identifiable performance obligations outside delivering product to customers. The performance obligation continues to be the supply of product to the customer and therefore the transaction price relates to this performance obligation. Revenue is recognised on despatch of goods to the customer for external sales and on receipt of goods by the customer for internal sales.

Expenses

Interest receivable and interest payable

Interest payable and similar expenses include interest payable and finance expense on lease liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Notes on the Financial Statements *(continued)*

for the 53 week period ended 1 April 2023

1 Significant accounting policies *(continued)*

Taxation *(continued)*

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Loans and borrowings' in the Balance Sheet.

Coronavirus Job Retention Scheme

During the comparative 52 week period ended 26 March 2022, Coronavirus Job Retention Scheme ("JRS") income was received, accounted for under the accruals model and classified as grants related to revenue. Grant income has been netted off with the corresponding payroll costs and the amount received has been disclosed in note 2. There was no JRS income received in the 53 week period to 1 April 2023.

Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. Due to the nature of estimation, the actual outcomes may well differ from these estimates.

Management has made the following judgements in applying the Group's accounting policies:

Inventory provisioning

Management considers the impairment of inventory on an ongoing basis. An impairment provision is recognised against inventory when the ability to sell is considered to be doubtful or uncertain. In determining whether inventory should be impaired, management considers the age of stock and current demand levels, as well as historical experience. Management regularly reassess these judgements and assumptions to ensure they remain appropriate and reliable.

Notes on the Financial Statements (continued)
for the 53 week period ended 1 April 2023

2 Notes to the profit and loss account

Turnover

The turnover is wholly attributable to the principal activity of the Company.

Primary geographical markets	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
UK	43,210	39,598
Europe	22,125	14,531
Rest of the World	100,282	42,700
	165,617	96,829

Major products/service lines	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
Supply Chain Management	48,141	42,009
Materials Processing	47,688	28,027
Engineering	4,590	3,177
Other	65,198	23,616
	165,617	96,829

Expenses and auditor's remuneration

	53 week period ended 1 April 2023			52 week period ended 26 March 2022		
	Within administration expenses £000	Within cost of sales £000	Total £000	Within administration expenses £000	Within cost of sales £000	Total £000
Auditor's remuneration						
- audit of financial statements	133	-	133	128	-	128
- other audit services	74	-	74	65	-	65
Depreciation and impairment						
- owned	321	1,203	1,524	344	1,507	1,851
- leased	214	-	214	212	-	212
Gain on disposal of assets	(124)	-	(124)	(9)	-	(9)
Coronavirus Job Retention Scheme – amount claimed	-	-	-	(158)	(732)	(890)

Notes on the Financial Statements (continued)
for the 53 week period ended 1 April 2023

3 Remuneration of Directors

	53 week period ended 1 April 2023	52 week period ended 26 March 2022
	£000	£000
Directors' emoluments	429	387
Company contributions to money purchase pension schemes	13	9
	<u>442</u>	<u>396</u>

The Directors' emoluments disclosed within these financial statements are those attributable to the qualifying services of each of the Directors in the interest of Howco Group plc. The qualifying portion of aggregate emoluments of the highest paid Director was £220k (52 week period ended 26 March 2022: £167k) and Company pension contributions of £6k (52 week period ended 26 March 2022: £3k) were made to a money purchase scheme on his behalf.

Number of Directors	
53 week period ended 1 April 2023	52 week period ended 26 March 2022
<u> </u>	<u> </u>

Retirement benefits are accruing to the following number of Directors

4 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the period, analysed by category, was as follows:

	Number of employees	
	53 week period ended 1 April 2023	52 week period ended 26 March 2022
Manufacturing	190	216
Administration	189	205
	<u>379</u>	<u>421</u>

The aggregate payroll costs of these persons were as follows:

	53 week period ended 1 April 2023	52 week period ended 26 March 2022
	£000	£000
Wages and salaries	17,169	15,621
Social security costs	1,752	1,577
Other pension costs	597	610
	<u>19,518</u>	<u>17,808</u>

5 Interest receivable and similar income

	53 week period ended 1 April 2023	52 week period ended 26 March 2022
	£000	£000
Bank interest	227	33
Exchange gain on foreign currency balances	-	942
	<u>227</u>	<u>975</u>

Notes on the Financial Statements (continued)
for the 53 week period ended 1 April 2023

6 Interest payable and similar charges

	53 week period ended 1 April 2023	52 week period ended 26 March 2022
	£000	£000
Bank interest	235	42
Finance expenses payable in respect of finance leases	18	18
Exchange loss on foreign currency balances	53	-
	<u>306</u>	<u>60</u>

7 Taxation

Analysis of charge in period

	53 week period ended 1 April 2023	52 week period ended 26 March 2022
	£000	£000
UK corporation tax		
Current tax on profit for the period	1,653	557
Adjustment in respect of prior periods	(29)	(119)
Foreign current tax on income for the period	247	112
Total current tax	<u>1,871</u>	<u>550</u>
Deferred tax (note 15)		
Origination and reversal of temporary differences	40	(108)
Adjustment in respect of prior periods	4	36
Effect of changes in tax rates	13	15
Total deferred tax	<u>57</u>	<u>(57)</u>
Tax on profit	<u>1,928</u>	<u>493</u>

Reconciliation of effective tax rate

	Effective rate	53 week period ended 1 April 2023	Effective rate	52 week period ended 26 March 2022
	%	£000	%	£000
Profit for the year		8,042		2,249
Total tax expense		1,928		493
Profit excluding taxation		<u>9,970</u>		<u>2,742</u>
Tax using the UK corporation tax rate of 19% (52 week period ended 26 March 2022: 19%)	19.0%	1,894	19.0%	521
Effects of:				
Non-deductible expenses	0.1%	8	0.1%	2
Adjustments in respect of prior periods	(0.3%)	(25)	(3.0%)	(83)
Other items including the effect of differences in tax rates	0.5%	51	1.9%	53
Total tax expense for 53 week period (52 week period ended 26 March 2022)	<u>19.3%</u>	<u>1,928</u>	<u>18.0%</u>	<u>493</u>

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase from 19% to 25% from 1 April 2023. This was subsequently enacted on 24 May 2021.

Notes on the Financial Statements (continued)
for the 53 week period ended 1 April 2023

8 Property, plant and equipment

	Freehold land and buildings £000	Plant and equipment £000	Fixtures, fittings, vehicles and computers £000	Assets under construction (AUC) £000	Total £000
Cost					
At 27 March 2022	11,253	30,901	4,739	78	46,971
Additions	227	259	39	127	652
Transferred from AUC to fully commissioned	-	9	13	(22)	-
Disposals	-	(1,491)	(14)	-	(1,505)
At 1 April 2023	11,480	29,678	4,777	183	46,118
Depreciation					
At 27 March 2022	4,380	26,792	4,556	-	35,728
Charge for the period	446	1,203	89	-	1,738
On disposals	-	(1,251)	(13)	-	(1,264)
At 1 April 2023	4,826	26,744	4,632	-	36,202
Net book value					
At 1 April 2023	6,654	2,934	145	183	9,916
At 26 March 2022	6,873	4,109	183	78	11,243

9 Investments

	£000
Subsidiary undertakings – cost and net book value	
At beginning and end of 53 week period	8,085

The Company's subsidiary undertakings, all of which the Company holds more than a 20% investment in, are as follows:

Subsidiary undertakings	Registered office address	Class and percentage of shares held 2023 and 2022
Howco Metals Management Limited	1-3 Woodside Crescent, Glasgow, G3 7UL	Ordinary shares 100%
Howco Special Processing Limited	1-3 Woodside Crescent, Glasgow, G3 7UL	Ordinary shares 100%
Howco Oilfield Services Limited	Carbrook Street, Sheffield, S9 2JN	Ordinary shares 100%
Howco Quality Alloys Limited	Carbrook Street, Sheffield, S9 2JN	Ordinary and Preference shares 100%
Howco Oilfield Services FZE	PO Box 50273, Hamriyah FZ, Sharjah, UAE	Ordinary shares 100%

Howco Metals Management Limited, Howco Special Processing Limited, Howco Oilfield Services Limited and Howco Quality Alloys Limited were dormant throughout the 53 week period.

Notes on the Financial Statements (continued)
for the 53 week period ended 1 April 2023

10 Goodwill

£000

Cost and net book value at beginning and end of 53 week period 5,951

The goodwill arose on the hive-up of assets from a subsidiary in 2016. The recoverable amount of the Company's single CGU is determined using 'value in use' calculations covering all of the Company's assets. Key assumptions in this calculation include the discount rate, projected revenues and terminal growth rates, projected gross margins and operating costs. A post-tax discount rate of 11.5% (52 week period ended 26 March 2022: 11.5%) was used, reflecting the Company's weighted average cost of capital adjusted for appropriate market risk, which is considered to be the most definitive basis for arriving at a discount rate.

A long term growth rate of 1.5% (52 week period ended 26 March 2022: 1.5%), changes in gross margin and overhead costs are based on the Directors' expectations of future performance in the markets in which the Company operates. This is consistent with budgets for the next period and strategic plans thereafter. Subsequent revenues are extrapolated to a terminal value based on the expected long term growth rate.

The Directors believe the assumptions used are appropriate. In addition, sensitivity analysis has been performed to determine the changes in assumptions which would result in an impairment of the carrying value of goodwill. Based on this analysis, the Directors believe that any reasonable changes in the key assumptions would maintain a recoverable amount for the CGU which exceeds the carrying value. Therefore, the Directors have concluded that no impairment charge is required against the carrying value of goodwill at the balance sheet date.

11 Stocks

	53 week period ended 1 April 2023	52 week period ended 26 March 2022
	£000	£000
Raw materials	44,888	27,217
Work in progress	9,931	9,050
	<u>54,819</u>	<u>36,267</u>

Stocks comprise metal products which can either be resold in their existing condition or treated prior to resale.

Stocks are shown net of write downs of £309k (52 week period ended 26 March 2022: £637k). The reversal of write downs amounted to £nil (52 week period ended 26 March 2022: £nil). Write downs and reversals are recognised in cost of sales.

12 Debtors: amounts falling due within one year

	53 week period ended 1 April 2023	52 week period ended 26 March 2022
	£000	£000
Trade debtors	24,071	19,740
Prepayments and accrued income	3,115	971
Taxation and social security	2,482	1,947
Amounts owed by group companies	-	13,124
Amounts owed by subsidiary or fellow subsidiary undertakings	10,884	5,735
	<u>40,552</u>	<u>41,517</u>

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £282k (52 week period ended 26 March 2022: £195k). Of this amount, £87k (52 week period ended 26 March 2022: £106k) was recognised in the profit and loss account in the current period.

The amounts owed by group companies represent cash balances that have been "swept" via inter group cash management arrangements.

Notes on the Financial Statements (continued)
for the 53 week period ended 1 April 2023

13 Creditors: amounts falling due within one year

	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
Trade creditors	27,624	22,393
Accruals and deferred income	2,721	1,871
Other creditors	29	24
Taxation and social security	-	505
Corporation tax creditor	833	145
Obligations under leases	231	151
Amounts owed to immediate parent company	7,835	7,835
Amounts owed to ultimate parent company	767	-
Amounts owed to subsidiary or fellow subsidiary undertakings	2,559	1,413
Amounts owed to group undertakings	9,597	9,583
	<u>52,196</u>	<u>43,920</u>

14 Creditors: amounts falling due after more than one year

	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
Obligations under leases	<u>163</u>	<u>278</u>

15 Deferred tax

The amounts provided for deferred taxation are analysed as follows:

	Liability at 26 March 2022 £000	Charged to income £000	Liability at 1 April 2023 £000
Property, plant and equipment	402	12	414
Provisions	(340)	45	(295)
Deferred tax liability	<u>62</u>	<u>57</u>	<u>119</u>

The deferred tax liability due after more than one year is £119k (52 week period ended 26 March 2022: £62k). No deferred tax has been recognised in respect of any withholding or other taxes that would be payable on the unremitted earnings of subsidiaries. There are no unremitted earnings on which UK tax is expected to become payable if repatriated (52 week period ended 26 March 2022: £nil).

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This was subsequently enacted on 24 May 2021

16 Called up share capital

	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

Notes on the Financial Statements (continued)
for the 53 week period ended 1 April 2023

17 Other reserves

	Capital reserve	Other reserve	Total other reserves
	£000	£000	£000
At beginning and end of 53 week period	481	15	496

The balance on the revaluation reserve under UK GAAP was transferred to the capital reserve on the transition to IFRS and no further releases from this reserve will be made unless the assets to which it relates are sold or otherwise disposed of.

18 Dividends

	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
Final dividend of £nil per share (52 week period ended 26 March 2022: £312.27 per share)	-	31,227

19 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £597k (52 week period ended 26 March 2022: £610k). Contributions amounting to £119k (52 week period ended 26 March 2022: £108k) were outstanding at the period end.

20 Commitments

Capital commitments as at the balance sheet date amounted to £nil (52 week period ended 26 March 2022: £nil).

21 Ultimate parent company, parent company of larger group and related undertakings

The Company is a subsidiary undertaking of Sumitomo Corporation which is the ultimate parent company incorporated in Japan. The Company's immediate parent undertaking is Eryngium Limited.

The largest group in which the results of the Company are consolidated is that headed by Sumitomo Corporation, incorporated in Japan. The consolidated financial statements of this group are available to the public and may be obtained from Otemachi Place East Tower, 3-2 Otemachi 2-chome, Chiyoda-ku, Tokyo.

The Company's related undertakings are the immediate and ultimate parent undertakings disclosed above and its subsidiary undertakings are disclosed in note 9.

Notes on the Financial Statements (continued)
for the 53 week period ended 1 April 2023

22 Leases

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as Property, plant and equipment (see note 8).

	Freehold land and buildings £000
Cost	
At 27 March 2022	907
Additions	227
At 1 April 2023	1,134
Depreciation	
At 27 March 2022	521
Charge for the period	214
At 1 April 2023	735
Net book value	
At 1 April 2023	399
At 26 March 2022	386

Amounts recognised in profit or loss

Leases under IFRS 16

The following amounts have been recognised in profit or loss for which the Company is a lessee:

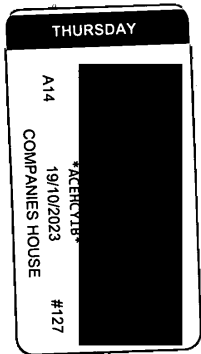
	53 week period ended 1 April 2023 £000	52 week period ended 26 March 2022 £000
Interest expense on lease liabilities	18	18

23 Subsequent events

There were no subsequent events post the balance sheet date and prior to the date of signing these financial statements that would have a material impact on the results reported or the financial position of this company.

Enriching lives and the world

Integrated Report **2023**



On the release of Integrated Report 2023

In recent years, significant progress has been made in coexisting with COVID-19 and the normalization of social and economic activities. This has resulted in a gradual recovery in comings and goings. At the same time, however, the business environment has become increasingly harsh due to heightened geopolitical risks and shifts in the monetary and fiscal policies of various countries.

Despite this business environment, however, we see an opportunity to take on the challenge of creating the future together with our stakeholders. The cornerstones for this are Sumitomo's Business Philosophy and Sumitomo Corporation Group's Management Principles. These involve the phrase "benefit for self and others; private and public interests are one and the same," which refers to the idea that Sumitomo's business must go beyond benefiting Sumitomo itself to also benefit the nation and society, and the concept of grand design—a planning approach which, rather than pursuing immediate profit, looks far ahead to devise a careful plan as we continue our efforts to make our business flourish. By putting these things into practice in our business activities, we will continue to grow together with society.

Moreover, we recognize that non-financial information is becoming more important in enhancing corporate value amid the growing global demand for economic and social sustainability and that integrated reports, which disseminate such information, have come to play an increasingly significant role.

Based on this recognition, we have put this integrated report together in an easy-to-understand manner from a long-term and comprehensive perspective on the future vision of the Group based on our current position while taking into account the feedback we receive from our stakeholders on a daily basis.

In this report, we explain this future vision by delving into the true value of the Sumitomo Corporation Group. Simultaneously, we communicate our initiatives for value creation with a focus on the people who are the driving force.

September 2023

Kuniharu Nakamura

Director, Chairman
Chairman of the Board of Directors

Corporate Message

Enriching lives and the world

We have become who we are today
by evolving with the times in unison with people and society.

We never pursue easy gains. Integrity and strong unity are
cherished principles from which we work to create value for society.

As we face a fast-changing world, we look toward the future with renewed anticipation
and reflect on the meaning of our mission.

To engage, commit and contribute.
To overcome challenges and come out ever stronger.
To cultivate the seeds of opportunity, bridge possibilities and create a better tomorrow.

We know that the passions of each individual create our indelible values.
But we also acknowledge that the power of many is far greater than the effort of one.

So we are united in all our will and determination.

We represent different regions, diverse cultures, and all walks of life.
Yet we know that the strength of unity begins with respect.
With this as our foundation, we aim to create a world never seen before.

Passion. Determination. Values.
These ideas we share universally together to achieve prosperity and realize dreams for all.

This is our enduring promise.

Our Corporate Message of "Enriching lives and the world" embodies Sumitomo's Business Philosophy, which has been passed down in unbroken succession since our founding over 400 years ago, and our mission of enriching society and people's lives around the world. Part of Sumitomo's Business Philosophy is "benefit for self and others, private and public interests are one and the same." This expresses our desire to create value for ourselves as well as the nation and society to achieve mutual growth. This desire has also been passed down via the Sumitomo Corporation Group's Corporate Mission Statement. "Enriching lives and the world" is a compass that shows the Sumitomo Corporation Group which way to go even in these uncertain times in order to keep growing together with society.



Corporate Message
Check out the videos covering our passionate employees
working on the front line of "Enriching lives and the world."
<https://www.sumitomocorp.com/en/jp/enrich#videoclips>

Story

Part 1

Value Creation Story

Looking back on the past and looking ahead to the future

Sumitomo's Business Philosophy is timeless, having been passed down for generations. See the true value and value creation story of the Sumitomo Corporation Group driven by this philosophy.



Part 2

Medium- to long-term Growth Strategy

Paving the way for the future with today's actions

Toward realization of a sustainable society— The Sumitomo Corporation Group's true value and growth strategy are to embrace the challenge of changing social structures and create new value required by the times.



03

Part 3

People and Organizations

Strengthening bases that will support the Company's sustainable growth in the future

Toward the next 100 years of the Sumitomo Corporation Group, the keys are people and governance essential for growth. These represent the management bases underpinning the true value of the Sumitomo Corporation Group.



Contents

01 Introduction	01 On the release of Integrated Report 2023	03 Story	05 Editorial policy
	02 Corporate Message	04 Contents	
06 Message from the President and CEO			

Part 1 Value Creation Story	Part 2 Medium- to long-term Growth Strategy	Part 3 People and Organizations
<p>Sumitomo Corporation Group milestones</p> <p>11 History</p> <p>Sumitomo Corporation Group Present and future vision</p> <p>13 Value creation model</p> <p>14 Value creation examples</p> <p>14 Agribusiness</p> <p>17 Integrated telecommunications business in Ethiopia</p> <p>20 Values of the Sumitomo Corporation Group</p> <p>21 Material issues</p> <p>22 Business overview</p> <p>23 Management capital</p>	<p>25 Message from CFO</p> <p>28 Management conscious of cost of capital and stock price</p> <p>29 Medium-term management plan SHIFT 2023</p> <p>30 Progress on the Business Portfolio SHIFT</p> <p>31 Initiatives and results of the three "shifts"</p> <p>32 Measures for completion</p> <p>Segment Overviews</p> <p>33 Metal Products</p> <p>35 Transportation & Construction Systems</p> <p>37 Infrastructure</p> <p>39 Media & Digital</p> <p>41 Living Related & Real Estate</p> <p>43 Mineral Resources, Energy, Chemical & Electronics</p> <p>45 Energy Innovation Initiative (EII)</p> <p>47 Business reform through DX</p> <p>47 Message from CDO</p> <p>48 Initiatives to promote DX</p> <p>49 Enhancement of sustainability management</p> <p>51 Key social issues and medium- and long-term goals</p> <p>53 Mitigation of climate change</p> <p>56 Respect for human rights</p> <p>58 Adapting to social structural changes</p> <p>59 Large-scale energy storage business</p> <p>61 Commercial aviation business</p> <p>63 Overseas industrial park business</p> <p>65 Overseas healthcare business</p> <p>67 Sumitomo personnel tackling challenges in the face of a changing social structure</p>	<p>Human capital</p> <p>69 Dialogue: CSO and CAO</p> <p>73 Strengthening human resources management under SHIFT 2023</p> <p>74 Human resources management reforms</p> <p>77 Business and talent</p> <p>Governance</p> <p>78 Tripartite discussion between Outside Directors</p> <p>83 Messages from Outside Directors (new and retiring)</p> <p>84 Corporate governance</p> <p>94 Directors, Audit & Supervisory Board Members, and Executive Officers</p> <p>98 Group governance</p> <p>99 Internal control</p> <p>100 Compliance</p> <p>101 Risk management</p> <p>102 Investment risk management</p> <p>103 Information security</p>
<p>104 Data Section</p>	<p>105 Summary of key financial indicators</p> <p>106 Segment information</p> <p>107 Financial highlights</p> <p>108 ESG highlights</p> <p>109 Consolidated statement of financial position</p> <p>111 Consolidated statement of comprehensive income</p>	<p>112 Consolidated statement of cash flows</p> <p>113 Company information</p> <p>114 Global network</p> <p>115 IR/SR activities</p> <p>116 External recognition</p>

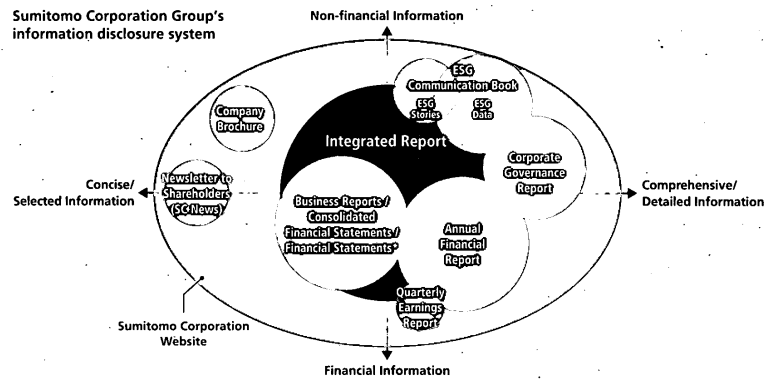
Editorial policy

At the Sumitomo Corporation Group, to respond to the interests of our stakeholders, we are working to provide both financial and non-financial corporate information by utilizing various information disclosure tools. As shown in the figure to the right, the integrated report is the primary disclosure tool for this information and serves as the core medium for communicating the medium- to long-term growth story of the Group.

Key points of Integrated Report 2023

Throughout this report, we explain our vision for the Sumitomo Corporation Group in light of where we are now by delving into the true value of the Group as touched upon in "On the release of Integrated Report 2023." First, the President and CEO talks about his take on the true value. ● p. 6 In Part 1, we unpack specific examples of its demonstration referring to the value creation model. ● p. 10 At the same time, on the pages of Part 1 and Part 2, we explore what kind of talent and capability is required at our diverse business sites around the world with a focus on our people that are responsible for that true value and how we are working on them. In Part 3, we explain how our management and human resources strategies are linked from a medium- to long-term perspective at the Group level. ● p. 68

Sumitomo Corporation Group's information disclosure system



Scope of report

- Period covered: April 1, 2022, to March 31, 2023 (Some activities starting on or after April 1, 2023, are included.)
- Organizations covered: Sumitomo Corporation and the Sumitomo Corporation Group

Referenced guidelines

- The International Integrated Reporting Framework (IFRS Foundation)
- ISO 26000 (Guidance on Social Responsibility)
- Charter of Corporate Behavior, KEIDANREN (Japan Business Federation)
- Environmental Reporting Guidelines 2018, issued by the Ministry of the Environment
- Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry



Retroactive adjustment of figures

Due to application of Amendments to IAS 12 Income Taxes (issued in May 2021), figures for FY2022 in this integrated report have been re-presented retrospectively.

Cautionary statement concerning forward-looking statements

This integrated report contains management targets relating to medium-term management plans as well as a wide range of other forward-looking statements. They are subject to the influence of a range of factors in the Company's circumstances going forward and do not constitute a guarantee of future business performance or a guarantee that the targets and forecasts will be met. Readers are therefore advised to avoid placing undue reliance on the forward-looking statements contained herein and to be aware that the Company recognizes no obligation to update or revise such statements.

Main tools for information disclosure

	<p>As a communication tool for all stakeholders, this is an annual report that integrates our financial and non-financial information. This integrated report helps stakeholders understand the overview of our value creation and the enhancement of corporate value in the short, medium, and long term as well as corporate strategy and the overall progress of our business.</p>
<p>ESG Communication Book</p>	<p>Of non-financial information, the ESG Communication Book summarizes detailed information about our activities related to sustainability from the perspective of environmental, social, and governance (ESG). We provide the latest related information by disclosing it on our corporate website and updating it as necessary. Starting with the 2022 edition, we are breaking it up into two sections, namely the Story Section, which communicates our mechanisms of value creation, and the Data Section, which provides comprehensive information. The information necessary for stakeholders is disclosed in an easy-to-understand manner.</p>
<p>Business Reports / Consolidated Financial Statements / Financial Statements*</p>	<p>The Business Report conveys important matters related to business results and status of each fiscal year. The Consolidated Financial Statements disclose our corporate group's consolidated financial position and profit/loss. The Financial Statements disclose our non-consolidated financial position and profit/loss. (All three are in accordance with the Japanese Companies Act.)</p>
<p>Website</p>	<p>Investor Relations https://www.sumitomocorp.com/en/jp/ir Sustainability https://www.sumitomocorp.com/en/jp/sustainability</p>

* Included in Notice of Convocation



Message from the President and CEO

We will take on the challenge of creating the future with you by demonstrating the true value of the Sumitomo Corporation Group.

Masayuki Hyodo

Representative Director,
President and Chief Executive Officer

Message from the President and CEO

Reflecting on the second year of medium-term management plan SHIFT 2023 and reviewing the outlook for the final year

FY2022 results and achievements in the medium-term management plan

During FY2022, the second year of medium-term management plan SHIFT 2023, we accelerated the three “shifts” set forth in the plan: Business Portfolio SHIFT; Framework SHIFT, which strengthens the PDCA cycle of business strategy management and optimal allocation of management resources to ensure effectiveness of the Business Portfolio SHIFT; and Management Base SHIFT, achieved through enhancement of governance and human resources management as well as maintenance and improvement of financial soundness. Consolidated profit for the year attributable to owners of the parent for FY2022 was ¥565.3 billion, reaching a record high for the second consecutive year, while return on equity (ROE) reached the 16% level. These were significant achievements resulting from the three “shifts.”

The Sumitomo Corporation Group's business foundation improved significantly thanks to groupwide efforts to implement structural reforms to overcome weaknesses in the business portfolio that became apparent during the COVID-19 pandemic. We believe that our efforts to date to enhance our profitability have allowed us to demonstrate the various functions that the Group has cultivated over the years at a higher level.

Completing SHIFT 2023 and achieving future growth

Of the three aforementioned “shifts,” we have mostly completed our work on the Framework SHIFT and the Management Base SHIFT. In this final year of the plan, we will focus on (1) addressing remaining businesses in turnaround, (2) further profitability improvement of existing businesses,

and simultaneously (3) monetization of next-generation growth fields to bring SHIFT 2023 to completion.

To that end, in addition to our current focus on the completion of SHIFT 2023, we have put together the next three-year plan for establishing an earnings base to maintain ROE at 12–15% over the medium to long term regardless of the external environment and bring about sustainable growth of the Company. Under the next three-year plan, we seek to achieve profit for the year of ¥600 billion in FY2025 by fully capitalizing on the effects of the Framework SHIFT and the Management Base SHIFT and accumulating quality capital investments.

Our true value

What we mean by “true value”

Last year, I stated here that beyond SHIFT 2023 is the phase of demonstrating the Group's true value. So, what do we mean by “true value”?

With the spread of COVID-19, the situation in Ukraine, the setbacks in globalization, and the growing divisions or de-risking arising from these factors, I believe we are now

approaching a major turning point in history, the biggest since the end of the Cold War. Faced with such a business environment, we continue to grow sustainably by reforming our own business model and joining hands with society to create the value it needs.

What is important now is having the ability to create the value that society will need tomorrow so that we can find benefit for both ourselves and society, and continue to be needed by society at all times. To achieve this, it is crucial to have the ability to carry the business through to the end by organizing and integrating stakeholders' different perspectives and effectively addressing their concerns where the business takes place, as well as to carefully maintain the credibility that is brought about by a commitment to thoroughly engaging with stakeholders to solve problems and achieving specific results.

Credibility leads to the next business opportunity, and from there, demonstrating the ability to carry the business through to the end will bring about a virtuous cycle of continuously co-creating value. At the core of this is Sumitomo's Business Philosophy, passed down through the generations. It is embodied by the Group's journey overcoming various challenges since its establishment in 1919. Our true value lies

The ability to carry the business through to the end and solid credibility established with stakeholders

Message from the President and CEO

in our ability to carry things through to the end based on Sumitomo's Business Philosophy. We will continue to demonstrate this true value by refining and combining the three strengths of autonomous value creation by each group company, creation and reform of business by Sumitomo Corporation as an integrated trading company, and Group synergy generated with the Company at the core so as to maximize the value of the Group as a whole. In other words, this entails putting into practice the three-pillars growth strategy mentioned in this message last year.

Examples of how we have demonstrated our true value

The agribusiness, which the Group is pursuing as part of the Steady Business Growth category, is an example of where our true value is being demonstrated and thriving. In the agribusiness, we have expanded our business domain along the value chain to agrochemical trading, distribution, and the agricultural input & service business over a long time while staying on top of changes in the business environment.



Leveraging the knowledge we have accumulated through this as well as the people and networks to which this knowledge is passed on, we have built trust around the world with local communities and the farmers who are our customers. This is what has been the source of revenue expansion in the business.

In the history of this business expansion, there is a division of roles in which group companies in 38 countries enhance their customer-focused local operational skills under local leadership while, as the shareholder, Sumitomo Corporation focuses on global markets, promoting the aforementioned extension of the value chain and geographic expansion. This leads to a virtuous cycle in which synergy is generated for the agribusiness as a whole in terms of human resources and business strategy as we put into practice the three-pillars growth strategy.

Today, we provide various support to enhance the value of each group company, including providing management know-how to increase profitability, taking measures to maintain and improve governance indispensable for further

geographic expansion in priority markets, and offering various agricultural innovation know-how that enables both increased food production and reduced environmental impact. With these, we are working to realize co-creation. Both we and the group companies will carry these efforts through to achieve further growth by sharing issues and best practices at each business site and creating synergy through their implementation.

▶ p. 14 Value creation example (Agribusiness)

On the other hand, there are still some businesses in the Value Creation category that require a demonstration of true value more than ever. The nickel mining and refining business in Madagascar has faced various difficulties, including one-year suspension of operations due to the spread of COVID-19. Each time, we have built up trust with the government and local communities by engaging in discussions with various stakeholders and tenaciously tackling each issue head-on. However, we still have a ways to go to earn trust as a

Demonstrating true value to maximize
the overall value of the Group

Message from the President and CEO

Ensuring the sustainable development of the Group by harmonizing sustainability and prosperity



reliable source capable of meeting the coming significant demand from society, including the growing demand for EVs, on a higher level. We will achieve the goal as soon as possible by synergistically integrating the efforts of local group companies as they strive to achieve stable operations at a high level and greater operational efficiency with the business support we provide as a shareholder.

The integrated telecommunications business in Ethiopia is another example of our initiatives to achieve true value in a slightly longer time frame. This business is one with a farsighted perspective. While leveraging the Group's experience developing telecommunications infrastructure in other regions, the aim is to go further and develop various lifestyle-related businesses such as education, healthcare, agriculture, insurance, and entertainment after building a platform enabling mobile money payments. Safaricom Telecommunications Ethiopia PLC is working on expanding networks and services while engaging with local residents and various other stakeholders. As shareholders of the company, we and Vodafone Group Plc provide them with business expertise and support for human resources development while also providing assistance for developing its wide range of new

businesses based on the diverse business foundations of both groups. Carrying new businesses through with them over the long term will lead to creating the value that Ethiopia needs for its future development, which will also drive our growth.

▶ P. 17 Value creation example (Integrated telecommunications business in Ethiopia)

Improving corporate value over the medium to long term

Having the 54 Strategic Business Units (SBUs) that currently comprise our ¥10 trillion portfolio execute their respective business strategies and fully demonstrate their true value, we will establish a business portfolio that is both highly profitable and resilient as set forth in SHIFT 2023. Our 54 SBUs will work on business reform through DX while continuing to work on reforms that contribute to resolving six key social issues. Their cumulative efforts to harmonize sustainability and prosperity will ensure the sustainable development of the Group. It is our responsibility as management to allocate invested capital

preferentially to the SBUs that make this goal attainable, thereby steadily expanding profitability.

Needless to say, the key to fulfilling this responsibility is our people. Under the Management Base SHIFT, we are working to strengthen human resources management while establishing a strong link between our management and human resources strategies. Our people are truly a treasure for the Group. I am confident that continuously investing in our people, an important non-financial capital, will increase productivity and enhance their growth as well as bring further growth and stability to the Group, leading to improvement of corporate value over the medium to long term.

This fiscal year, we will finish up SHIFT 2023, which has guided our efforts to return to a growth trajectory. Furthermore, not only will we complete the plan we have set forth but we will also work to strengthen our earning power by putting together a growth story for the future.

Facing this historic turning point head-on, we will move forward in our journey as I have laid out above, boldly taking on the challenge of creating the future together with our stakeholders to realize our Corporate Message of "Enriching lives and the world."

Part 1 Value Creation Story

Looking back on the past and looking ahead to the future

Sumitomo's Business Philosophy is timeless, having been passed down for generations. See the true value and value creation story of the Sumitomo Corporation Group driven by this philosophy.

Sumitomo Corporation Group milestones

11 History

Sumitomo Corporation Group: Present and future vision

13 Value creation model

14 Value creation examples

14 Agribusiness

17 Integrated telecommunications business in Ethiopia

20 Values of the Sumitomo Corporation Group

21 Material issues

22 Business overview

23 Management capital

History

Sumitomo Corporation Group milestones

Around 1600
Starts copper mining



Copper beating pictorial record in the *Kodo Zuroku* (Source: Sumitomo Historical Archives)

1919
The Osaka North Harbour Company Limited founded (the predecessor to today's Sumitomo Corporation)



Head Office of The Osaka North Harbour (Sumitomo Sohonten Annex, former Teikokuza Theater) (Source: Sumitomo Historical Archives)

1945
Renamed to Nippon Engineering Co., Ltd. Enters the trading business



Sumitomo Building Annex, where Nippon Engineering's Head Office was located

1950
Steadily expands its presence overseas
Posted an employee to Bombay (now Mumbai), India, for the first time in 1950, and subsequently established a U.S. subsidiary in New York in 1952.

1952
Renamed to Sumitomo Shoji Kaisha, Ltd.
Usage restrictions on the "Sumitomo" trade name and trademark, resulting from a 1945 order issued by the General Headquarters of the Allied Powers in Japan for the dissolution of zaibatsu financial conglomerates, were abolished following the signing of the Japan-US Security Treaty in 1952.

1953
Begins export of Japanese tubular products
In the 1990s, long-term contracts with oil majors were evolved into supply chain management systems.



1962
Adopts a product division structure
This move involved consolidating the Osaka and Tokyo sales offices and creating nine product divisions: Iron & Steel, Nonferrous Metals, Electric, Machinery, Agriculture & Fishery, Chemicals, Textiles, General Products & Fuel, and Real Estate.

1963
Opens the first Summit store
Committed to community-based service, Summit has grown into one of the top supermarkets in the Tokyo metropolitan area.



1970s and later
Expands the scale of overseas steel service centers
Developed a system to process and supply steel products on a just-in-time basis, mainly in Asia, in response to overseas expansion by our customers.



1977
Launches the "Big Three & The Best" slogan
Set a goal of becoming one of the top three companies in terms of total trading transactions and the overall best company in the industry from an all-encompassing standpoint by improving profitability and efficiency.

1979
Introduces a sales division system
Following the expansion of the Company's business scope, four new sales divisions were established: Iron & Steel, Machinery & Electric, Nonferrous Metals, Chemical & Fuel, and Consumer Products. As a result of promoting the empowerment of these sales divisions, the flexibility of sales was significantly improved.

Economic and social situations

1945

- End of World War II
- General Headquarters of the Allied Powers in Japan issues an order calling for the dissolution of zaibatsu

1950

- Special demand for supplying the United States in the wake of the Korean War
- Japanese economy makes strides toward recovery

1955

- Japanese post-war economic miracle
- Exports stimulated and trade deregulated

1964

- Summer Olympics and Paralympics in Tokyo

1970

- Expo '70 in Osaka

1971

- Nixon Shock

1973

- First oil crisis
- Transition to floating exchange rate system

1979

- Second oil crisis

1600s

1910s

1940s

1950s

1960s

1970s

History

1988

Introduces the "Integrated Business Enterprise" corporate vision

Based on existing trading activities, promoted (1) acceleration of business activities, (2) expansion into downstream fields, and (3) reinforcement of integrated corporate strength, with the aim of forming two major revenue sources for the Company from trading activities and business activities.

1980s

Expands the construction and mining equipment business

The Company expanded from export and financing of construction and mining equipment to the sales & marketing business, and subsequently progressed into the rental business.



Trend of consolidated net profit (loss)

1985 1990

1980

- Iran-Iraq War

1985

- Plaza Accord, rapid yen appreciation
- Monetary easing policies instituted by the Bank of Japan

1980s

1990

Launches its first industrial park business in Indonesia



1996

The copper incident

It came to light that the general manager of a sales department was conducting unlawful copper trading unbeknownst to the Company. This incident led to the recording of losses to the extent of ¥285 billion, and roughly a decade was required to resolve the issue. Learning from this experience, the Company implemented a strict internal control system to prevent the recurrence of similar acts.

1998

Establishes the Sumitomo Corporation Group's Corporate Mission Statement Introduces the risk-adjusted return ratio as a new management indicator

1999-

Promotes selection and concentration of businesses under medium-term management plan Reform Package

1991

- Collapse of asset price bubble in Japan, start of recession

1996

- Japanese "Big Bang" financial deregulation

1997

- Asian financial crisis

1990s

2001

Consolidates head offices into the Tokyo Head Office



Harumi Triton Square, where the Head Office was relocated in May 2001

2003

Establishes the Sumitomo Corporation Corporate Governance Principles to enhance its corporate governance

2001

- Birth of Japan's big three megabanks
- September 11 attacks

2008

- Lehman Brothers bankruptcy

2000s

2011

Establishes SCSK Corporation Focuses on joint promotion of DX within the Group

2017

Identifies Six Material Issues

2018

Relocates Head Office to Otemachi, Tokyo



OTEMACHI PLACE EAST TOWER, where Head Office was relocated in September 2018

2019

Establishes 100th anniversary Corporate Message of Enriching lives and the world

2010

- Greek government debt crisis
- China's GDP becomes No. 2 in the world

2011

- Great East Japan Earthquake

2010s

2020

Identifies six key social issues and long-term goals

2021

Establishes the new Energy Innovation Initiative (EII)

2020

- COVID-19 pandemic

2021

- Summer Olympics and Paralympics in Tokyo

2020s

(Billions of yen)

600

500

400

300

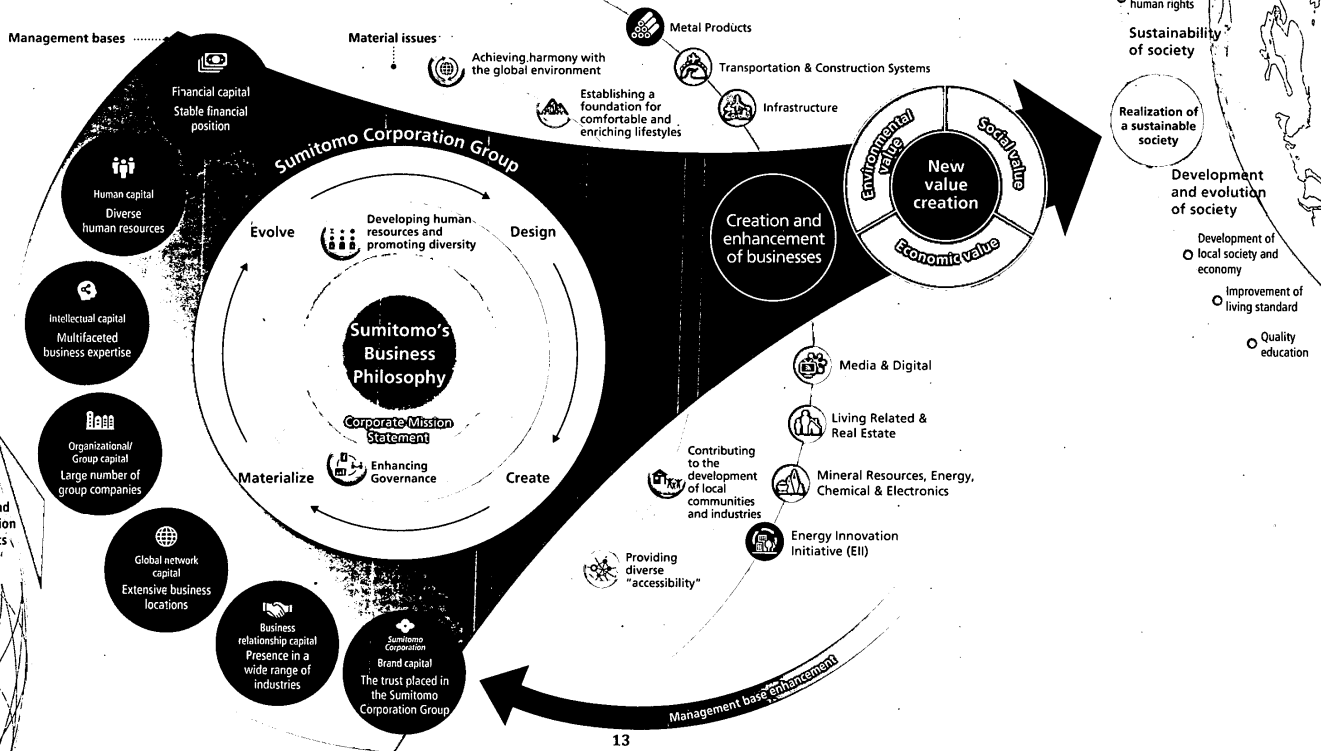
200

100

0

Value creation model

With Sumitomo's Business Philosophy and Sumitomo Corporation Group's Corporate Mission Statement at the core, the Sumitomo Corporation Group is creating and upgrading businesses and creating social, environmental, and economic value putting material issues at the root and leveraging the strength of the management bases we have built. Through this value creation, we are working to resolve key social issues and realize a sustainable society. At the same time, we are further strengthening our management bases by leveraging the experience and knowledge gained along the way. Through this cycle, we continue to grow with society and create new value.





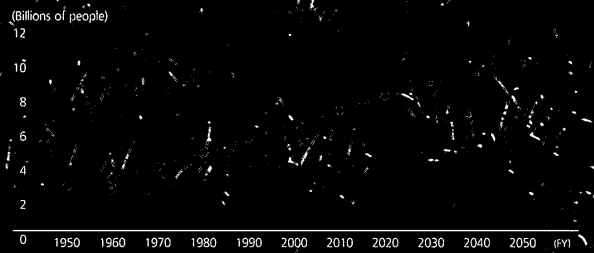
Value creation Example 1

Agribusiness

Sustainable food production

The world's population is projected to increase to approximately 10 billion by 2050. Therefore, increasing the production and stable supply of food is one of the biggest challenges facing humankind. While agriculture has a high growth potential against the backdrop of rapidly expanding food demand, climate change and demands for biodiversity conservation will make it difficult to significantly expand the area of arable land in the future. Thus, it is essential to increase the yield per unit area. Yet, there are concerns about environmental impacts due to too much reliance on chemical fertilizers as a means of achieving this. In other words, the future of agriculture requires that we build a sustainable food production system by overcoming the contradictory themes of maximizing yield per unit area and reducing environmental impacts.

Forecast of world population



Source: *World Population Prospects 2019*, published by the United Nations

Sumitomo Corporation Group's value creation

Pursuing the sustainable development and growth of agriculture around the world

The difficulty of agriculture lies in its diversity and locality. Climate, soil composition, water, temperature, and the insects and fungi that inhabit it—the condition of land varies greatly by country and region, and therefore the needs of consumers are equally diverse.

The Sumitomo Corporation Group's agribusiness has strengths in its integrated value chain spanning upstream to downstream. This business model enables access to a wide range of product markets and the collection of information on sales channels, and serves as the foundation for responding to the various needs of customers. In the agribusiness, the Group focuses on the agricultural input & service business. We directly and immediately grasp the voices of farmers on the front lines of agriculture, quickly procure raw materials and products that meet their needs, and provide a wide range of services. This agile procurement and provision function is one of the sources of value creation in the Group's agribusiness.

Furthermore, we are confident that the Group's experience and knowledge can be utilized in addressing the themes that agriculture currently faces; namely, improving and maximizing agricultural production and reducing environmental impacts. Through its long-standing agribusiness, the Group has gathered human resources with the knowledge of agriculture and markets around the world, and has refined its ability to build business models and relationships with partners and customers. In addition to existing businesses, we will contribute to the sustainable development and growth of agriculture around the world and realize sustainable food production systems by further strengthening our provision functions, such as farming support and consulting services using AI technology, contract production and sales of high-quality, original seeds, expansion of biopesticides, and clean agriculture.



Strengths generating value

Integrated value chain and Sumitomo's Business Philosophy

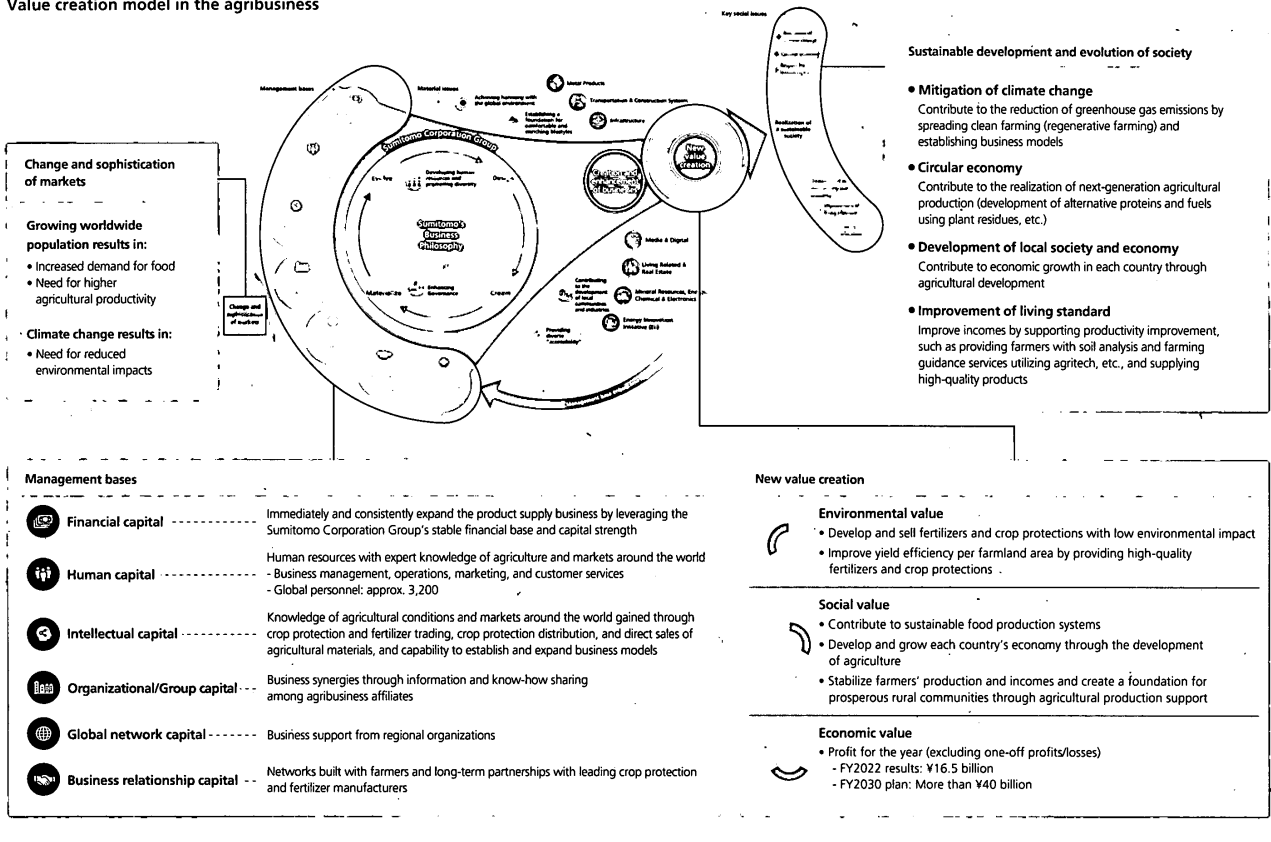
Since the 1950s, we have been involved in fertilizer and crop protection trading, and acquired commercial rights for crop protections around the world as well as accumulated knowledge of agricultural markets that differ depending on the region. In the early 1990s, we entered the crop protection distribution business in Eastern Europe. We have expanded our products to meet local needs and built a business model for distribution of agricultural materials in general, as today we have operations in more than 30 countries. Based on the understanding of agriculture in each country and the local business foundation accumulated through this business, we embarked on the agricultural input & service business. This began by making Alcedo S.R.L. of Romania a group company. The company is the largest integrated agricultural material distribution company in Romania, covering roughly one-third of all farmers in the country. By combining the company's direct sales network to farmers with our existing business groups offering distribution solutions, we have been able to build an integrated agricultural value chain from trading and wholesale to direct sales. Furthermore, in 2015 we invested in Agro Amazonia Produtos Agropecuários Ltda in Brazil. We have established local brands by accumulating a solid track record and trust with customers, such as thorough quality and delivery control of agricultural materials, seeds, fertilizers, and other products, and provision of custom-made products, technologies, and services through detailed dialogue with farmers. Today, we continue expanding business with both companies.

At the heart of these initiatives stands Sumitomo's Business Philosophy. Regardless of the era, we will not permit changes to mislead us; rather, we will emphasize "trust and reliability," "no pursuit of easy gains," and "benefit for self and others, private and public interests are one and the same," and anticipate changes with an enterprising spirit—a management stance that has led to good relationships with Alcedo, Agro Amazonia, and other group companies, partners, and customers—and has become a solid foundation for the growth of the agribusiness.

Agribusiness value chain covering upstream to downstream



Value creation model in the agribusiness





Value creation Example 2

Integrated telecommunications business in Ethiopia

Bringing prosperity to Ethiopia

Ethiopia is expected to see rapid growth in the future. With the headquarters of the African Union located in its capital Addis Ababa, Ethiopia holds a position of great geopolitical importance in the continent. It is expected to offer greater growth potential with a population of approximately 120 million, a median age of roughly 19 years, and a GDP growth rate of 8.6% (2012-2021 average). While it is undergoing political and economic reforms under high economic growth potential, Ethiopia is also facing social problems such as the digital divide and education disparities. The country is trying to grasp the future by overcoming the present.

Population**

123 million people
(2.5% annual growth rate)

Area**

1.1 million km²
(three times the size of Japan)

Median age**

19 years old

Mobile penetration rate**

Over 50%

Nominal GDP

US\$ 105.7 billion

Number of mobile network operators

2 companies

GDP growth rate

8.6% (2012-2021 average)

** Data source: World Bank, CIA World Factbook, and other sources.

Sumitomo Corporation Group's value creation

Resolving social issues through the telecommunications business

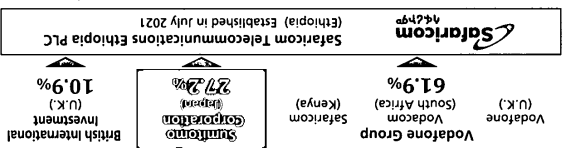
The development of telecommunications infrastructure affects the speed of a country's economic growth. Today, an economy of the same size as the one built over the past few decades is set to emerge over the course of the next several years following the growth of telecommunications infrastructure. In other words, underdevelopment of telecommunications infrastructure can hinder a country's potential. We consider the telecommunications infrastructure business to be a top priority business in Africa.

Safaricom Telecommunications Ethiopia PLC ("Safaricom Ethiopia"), the country's first private telecommunications operator, has many specialized personnel dispatched from SC-MEX, the center of excellence for telecommunications talent in the Sumitomo Corporation Group, Vodafone Group PLC, and other companies around the world.

Vodafone Group is one of the largest integrated telecommunications carriers in Europe with operations in 21 countries around the world, including eight African countries, while the Sumitomo Corporation Group has a diverse business portfolio. In the near future, we will combine our strengths with these partners and add content in various fields, such as education, healthcare, and agriculture, to a telecommunications and financial platform that adds the mobile money function to the telecommunications infrastructure, thereby expanding our business. Through this effort, we aim to build a new telecommunications-based economy.

Our goal is to provide value in Ethiopia that goes beyond the telecommunications business and to resolve social issues. By expanding investment and business, we will eliminate poverty through job creation, bridge the digital divide, and develop digital networks for value-added services such as financial services and education. While contributing to economic development and human resources development, we are pursuing "Enriching lives and the world" with this business.

Promotion structure for the integrated telecommunications business



Safaricom Telecommunications Ethiopia PLC (Ethiopia) Established in July 2021

Note: As of March 31, 2023

Strengths generating value

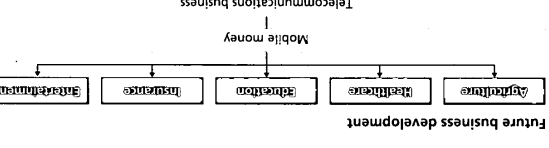
History of and talents for transforming telecommunications businesses

Our strength in developing the integrated telecommunications business in Ethiopia is changing global telecommunications industry.

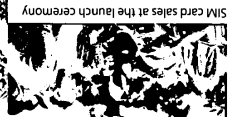
The history of our telecommunications business began in the 1960s with a trading business that supplied products from Japanese telecommunications equipment manufacturers to countries around the world. In the latter half of the 1970s, our market share grew to become the top among general trading companies, and as the scale of the trade grew, we shifted to an all-in contract scheme, including design and construction. In the 1990s, facing a wave of intense technological innovation following the advent of mobile phones, we decided to capitalize on this transformation and participate in new businesses. In 1995, we launched our first greenfield overseas telecommunications business, the Mongolian telecommunications business. Despite the small population size, Mongolia is a large nomadic country where livestock are allowed to graze and move through the grasslands. Popularizing mobile services in such a country could not be done by existing business schemes alone. We built up contracts with the development of services suitable to customer behavior and for the country's economy, placing the business on track. After that, we horizontally expanded our overseas telecommunications business in emerging countries, and since the 2000s we have been investing in telecommunications businesses in Asia and the Russian Primorsky Territory. This wide range of experience in the field of overseas telecommunications businesses in Ethiopia.

Experts—one of the capitals cultivated through trial and error in the highly difficult overseas telecommunications business in terms of political and economic conditions, lifestyles and climates, and technical aspects—represent a source of current and future earnings.

telecommunications business in Ethiopia.



Note: As of March 31, 2023

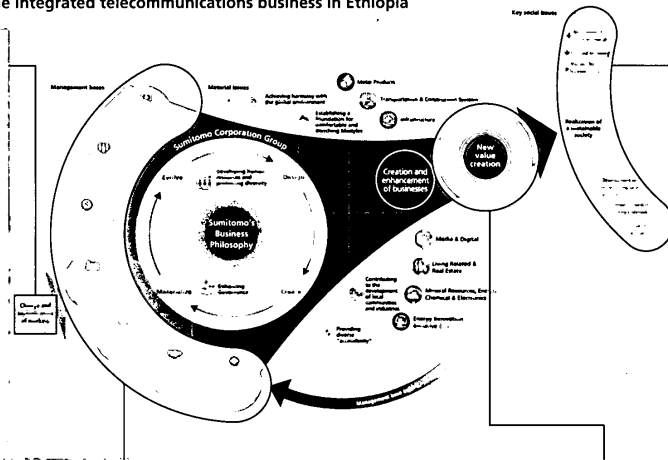


SIM card sales at the launch ceremony

Value creation model in the integrated telecommunications business in Ethiopia

Change and sophistication of markets

High economic growth potential
Deregulation of the telecommunications market
Population
Approx. 120 million
(2.5% annual growth rate)
Median age
Approx. 19
Nominal GDP
Us\$105.7 billion
Mobile penetration rate
Approx. 50%+
Economic policies
Homegrown economic reform
(macroeconomic stability and structural reforms)



Sustainable development and evolution of society

- **Circular economy**
Reuse of smartphones by promoting the used device recycling business
- **Respect for human rights**
Bridging of digital divide through the expansion of mobile network coverage area
Implementation of thorough health and safety policy
- **Development of local society and economy**
Improvement of business and living environments through development of regional telecommunications infrastructure
Financial inclusion through development of mobile money business
- **Improvement of living standard**
Higher incomes through creation of jobs with business expansion
Increased convenience through smartphones and other mobile handsets as well as mobile money services
- **Quality education**
Promotion of new education business utilizing telecommunications platforms (including creation and development of human resources in DX)

Management bases

- **Financial capital** ----- Stable financial base of the Sumitomo Corporation Group
- **Human capital** ----- Human resources for launching and operating overseas telecommunications businesses accumulated mainly in Asian countries
- **Intellectual capital** ----- Abundant knowledge and experience in greenfield/brownfield telecommunications business start-up and operation (total business operations: approx. 30 years; number of projects: more than 20)
- **Organizational/Group capital** ----- Specialized talent pool at SC-NEX (personnel: approx. 30)
Diverse and myriad business lines enabling various services and functions
- **Global network capital** ----- Business support from local organizations
- **Business relationship capital** ----- Strong relationships with national governments and strategic partnership with Vodafone Group

New value creation

- **Environmental value**
 - Reduced travel through development of telecommunications infrastructure
 - Curtailment of fossil fuel usage through utilization of solar power
- **Social value**
 - Improved information transmission standard for the national economy
 - Establishment and upgrading of social infrastructure platform
 - Bridging of digital divide, financial inclusion, establishment of an ecosystem utilizing telecommunications platforms, and contributing to Ethiopia's economic development
 - Creation of local jobs (effects of direct and indirect employment)
- **Economic value**
 - Aim to enable almost the entire population of Ethiopia to have access to a telecommunications network by 2030
 - Telecommunications network usage as of March 31, 2023
 - Subscribers: Approx. 3 million
 - Cities served: 22
 - Sales outlets: Approx. 44,000

Values of the Sumitomo Corporation Group

Sumitomo's Business Philosophy encapsulated in four phrases

Place prime importance on integrity and sound management; don't pursue immoral business

This phrase expresses a business approach based on building a reliable foundation of trust rather than simply seeking short-term gain. A business enterprise is there to pursue profit, but this management stance, which instead prioritizes relationships of trust and sound operations over immediate gain, is what has formed the corporate ethos of today's Sumitomo Group businesses.

Benefit for self and others, private and public interests are one and the same

This phrase expresses the idea that Sumitomo's business must go beyond benefiting Sumitomo itself to also benefit the nation and society. In other words, it encapsulates the belief that "it is not enough for Sumitomo's business to aim to enrich itself only, it must have the grander goal of serving the interests of the nation and society."

Planning imbued with a farsighted perspective

This phrase expresses a planning approach which, rather than pursuing immediate profit, looks far ahead to devise a careful plan that will benefit both Sumitomo and society. This attitude—which is in sync with today's values of prioritizing management based on medium- to long-term rather than short-term perspectives—is thus a Sumitomo tradition handed down since our earliest days.

An enterprising spirit

This phrase expresses the approach of actively embracing new things and ideas, and maintaining a strong focus on goals that is not affected by difficulties. This thinking has formed the Sumitomo Group's corporate culture of "facing contemporary change positively and staying one step ahead of it, letting go of out-of-date businesses and starting new ones to meet contemporary needs instead, and then nurturing them with dedication and determination."

Recognize human resources as the most important asset

While managing mines in various regions, Sumitomo came across the Besshi Copper Mine, which birthed its business, in 1690. For more than 300 years since that time, Sumitomo has developed this concept throughout its many challenges with nature. Since its founding, Sumitomo has valued free and vigorous discussions, and successive Director-Generals in the modern era have worked hard to ensure that those abilities were put to good use while securing human resources.

Sumitomo Corporation Group's Corporate Mission Statement

Corporate Vision	We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.
Management Principles	<ul style="list-style-type: none"> • Corporate Mission: To achieve prosperity and realize dreams through sound business activities • Management Style: To place prime importance on integrity and sound management with utmost respect for the individual • Corporate Culture: To foster a corporate culture full of vitality and conducive to innovation
Activity Guidelines	<ul style="list-style-type: none"> • To act with honesty and sincerity on the basis of Sumitomo's Business Philosophy and in keeping with the Management Principles • To comply with laws and regulations while maintaining the highest ethical standards • To set high value on transparency and openness • To attach great importance to protecting the global environment • To contribute to society as a good corporate citizen • To achieve teamwork and integrated corporate strength through active communication • To set clear objectives and achieve them with enthusiasm







Material issues

Over the years, we have conducted our business activities guided by Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Management Principles and Activity Guidelines. Nowadays, how companies are working to help resolve social issues is growing in importance. In April 2017, we identified "Six Material Issues to Achieve Sustainable Growth with Society" based on Sumitomo's Business Philosophy and Sumitomo Corporation Group's Management Principles. These are priority issues to be addressed by leveraging our strengths through our business activities. Our material issues take the form of six issues comprising our approaches to social contributions through our businesses summarized into four phrases and two

management issues. We have positioned them as important elements within the establishment of business strategies and in the decision-making process for individual businesses.








Meanwhile, the key social issues and accompanying goals established in 2020 clearly define the role we will play in achieving a sustainable society. They ensure that our sustainability management initiatives steer us toward the sustainable growth of the Company and society. We believe that both material issues and key social issues are essential in order to understand how our business relates to social issues and also to make clear commitments to society.

▶ p. 51 Key social issues and medium- and long-term goals

<p>Leveraging our trust-based relationships with customers and partners across the globe and utilizing our business expertise, we will secure our growth and address social issues simultaneously by fulfilling our Corporate Mission, "To achieve prosperity and realize dreams through sound business activities."</p>		<p>Achieving Harmony with the Global Environment</p>	<p>To realize a recycling-oriented society and mitigate climate change, we are working to establish frameworks for the efficient use of resources and stable supply of renewable energy. In doing so, we will achieve growth in harmony with the global environment.</p>
		<p>Contributing to the Development of Local Communities and Industries</p>	<p>We steadily procure and provide goods and services to meet the needs of people in various countries and regions and contribute to developing industrial platforms. Through these means, we will create a virtuous cycle in which we can grow and develop together with local communities.</p>
		<p>Establishing a Foundation for Comfortable and Enriching Lifestyles</p>	<p>We strive to realize more convenient and comfortable lifestyles by providing goods and services for daily use while also responding to needs for high-quality lifestyles in order to support the physical and mental health of people around the world.</p>
		<p>Providing Diverse "Accessibility"</p>	<p>We provide diverse accessibility to open up the possibility of creating new value. To this end, we will improve mobility for safe and efficient flow of people and goods, and expand the network connecting information and finance.</p>
<p>As a prerequisite for resolving the issues listed above, we strive to maintain and enhance our Management Style that places prime importance on integrity and sound management with utmost respect for the individual and our Corporate Culture full of vitality and conducive to innovation.</p>		<p>Developing Human Resources and Promoting Diversity</p>	<p>In order to create new value and innovation by allowing our diverse personnel to fully exercise their abilities in a variety of fields, we will promote the development and empowerment of human resources, which represent our most important management resources.</p>
		<p>Enhancing Governance</p>	<p>We will enhance our ability to draft and implement strategies for achieving sustainable growth and to provide appropriate supervision of these strategies, all while maintaining transparency. In this manner, we will improve management efficiency and maintain sound management.</p>

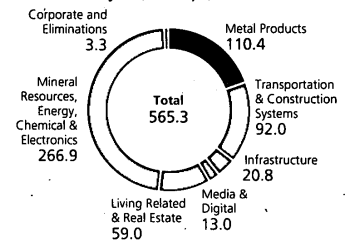
Business overview

Business units / Initiative

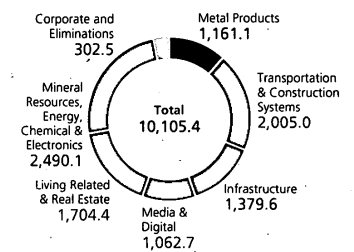
 <p>Metal Products</p>	<ul style="list-style-type: none"> • Steel Products Division • Tubular Products Division 	<p>The Metal Products Business Unit is engaged in the trade of metal products, including steel sheets, tubular products, and railway products. The business unit offers unique service features in response to customer needs both domestically and internationally, while building a strong value chain along each product line.</p>
 <p>Transportation & Construction Systems</p>	<ul style="list-style-type: none"> • Beyond Mobility Business Department • Lease, Ship & Aerospace Business Division • Mobility Business Division 1 • Mobility Business Division 2 • Construction & Mining Systems Division 	<p>The Transportation & Construction Systems Business Unit is engaged in businesses in the fields of transportation systems, including ships, aircraft, and automobiles, and construction and mining equipment.</p>
 <p>Infrastructure</p>	<ul style="list-style-type: none"> • Social Infrastructure Business Division • Global Power Infrastructure Business Division • Logistics Infrastructure Business Division 	<p>The Infrastructure Business Unit is engaged in a global infrastructure business that meets national, regional, and social needs in the social, power, and logistics fields.</p>
 <p>Media & Digital</p>	<ul style="list-style-type: none"> • Media Division • Digital Business Division • Smart Communications Platform Business Division 	<p>The Media & Digital Business Unit is engaged in businesses in the areas of media, digital business, and smart communications platform.</p>
 <p>Living Related & Real Estate</p>	<ul style="list-style-type: none"> • Lifestyle Business Division • Healthcare Business Division • Construction Material & Real Estate Business Division 	<p>The Living Related & Real Estate Business Unit is engaged in businesses in the fields of retail, food, healthcare, construction materials, and real estate.</p>
 <p>Mineral Resources, Energy, Chemical & Electronics</p>	<ul style="list-style-type: none"> • Mineral Resources Division No. 1 • Mineral Resources Division No. 2 • Energy Division • Basic Chemicals & Electronics Division • Life Science Division 	<p>The Mineral Resources, Energy, Chemical & Electronics Business Unit is engaged in businesses in the fields of mineral resources, energy, basic chemicals, electronics, and life sciences.</p>
 <p>Energy Innovation Initiative (EI)</p>	<p>Three focused areas</p> <ul style="list-style-type: none"> • Developing carbon-free energy • Expanding power & energy services • CO₂ capture, storage and utilization 	<p>The Energy Innovation Initiative (EI) takes a cross-organizational approach to get a bird's-eye view of the entire value chain and to design and create innovative businesses in next-generation energy fields based on three focused areas.</p>

FY2022 data by segment

Profit for the year (Billions of yen)










Total assets (Billions of yen)



Management capital

Sumitomo Corporation Group's seven management capital

Overview		Characteristics of capital (typical indicators)
 <p>Financial capital Stable financial position</p>	<p>We have a solid financial position owing to our balancing of the Core Risk Buffer (RB) and Risk-weighted Assets (RA) and our stable financing. While expanding profitability with cash flow discipline, we are working on further enhancing our financial position and improving the stability of management.</p>	<p>Total assets ¥10.1 trillion Shareholders' equity ¥3.8 trillion Core RB-RA ¥970 billion</p> <p>Net DER 0.7 times ROE 16% ROA 6%</p>
 <p>Human capital Diverse human resources</p>	<p>We recruit human resources with diverse backgrounds, develop them as professionals with extensive knowledge and expertise, and deploy human resources, an important management resource, globally.</p> <p>③ p. 73 Strengthening human resources under SHIFT 2023</p>	<p>Number of employees (Consolidated basis) 78,235 Percentage of women 25.7% Percentage of mid-career hires 42.6%</p> <p>(as of April 1, 2023) (FY2022)</p>
 <p>Intellectual capital Multifaceted business expertise</p>	<p>We leverage our business expertise to develop, invest in, and manage businesses. This expertise, in areas including risk management, logistics solutions, and financial services, has been built up over many years.</p>	<p>Diverse business domains 6 business units + 1 initiative Diverse SBUs* Business development Business investment/management</p>
 <p>Organizational/Group capital Large number of group companies</p>	<p>Owning world-class group companies in a wide range of industries, we use our accumulated management knowledge to improve profitability and further strengthen our business foundations.</p>	<p>Consolidated subsidiaries and associated companies 886</p>
 <p>Global network capital Extensive business locations</p>	<p>Operating from offices located worldwide, we leverage our network of ties with industry and government in each country to ensure that our businesses are swift to identify and respond to local needs.</p>	<p>Number of offices 129 locations 66 countries and regions</p>
 <p>Business relationship capital Presence in a wide range of industries</p>	<p>By deepening our relationships with business partners that we have cultivated in a variety of industries, we establish our presence in each industry, and implement multifaceted development of the business.</p>	<p>Number of clients Approx. 100,000</p>
 <p>Brand capital The trust placed in the Sumitomo Corporation Group</p>	<p>We have lived by Sumitomo's Business Philosophy, which has been passed down for approximately 400 years, and the Sumitomo Corporation Group's Management Principles, which "place prime importance on integrity and sound management." This is an ideal that we have consistently embodied and will continue to honor.</p>	<p>Sumitomo's Business Philosophy Sumitomo Corporation Group's Corporate Mission Statement</p> <p>History of Sumitomo Corporation 104 years</p>

* Strategic Business Unit. At Sumitomo Corporation, this term refers to a group of businesses that are united by a common strategy, regardless of the existing organization. The system was introduced in FY2021 to strengthen business strategy management.

Part 2 Medium- to long-term Growth Strategy

Paving the way for the future with today's actions

Toward realization of a sustainable society—
The Sumitomo Corporation Group's true
value and growth strategy are to embrace
the challenge of changing social structures
and create new value required by the times.

- 25 Message from CFO
- 28 Management conscious of cost of capital and stock price

- 29 Medium-term management plan SHIFT 2023
- 30 Progress on the Business Portfolio SHIFT
- 31 Initiatives and results of the three "shifts"
- 32 Measures for completion

Segment Overviews

- 33 Metal Products
- 35 Transportation & Construction Systems
- 37 Infrastructure
- 39 Media & Digital
- 41 Living Related & Real Estate
- 43 Mineral Resources, Energy, Chemical & Electronics
- 45 Energy Innovation Initiative (EII)

- 47 Business reform through DX
- 47 Message from CDO
- 48 Initiatives to promote DX

- 49 Enhancement of sustainability management
- 51 Key social issues and medium- and long-term goals
- 53 Mitigation of climate change
- 56 Respect for human rights

- 58 Adapting to social structural changes
- 59 Large-scale energy storage business
- 61 Commercial aviation business
- 63 Overseas industrial park business
- 65 Overseas healthcare business
- 67 Sumitomo personnel tackling challenges in the face of a changing social structure

Message from CFO



Reiji Morooka
Representative Director,
Senior Managing Executive Officer,
Chief Financial Officer

We will complete SHIFT 2023 and work to enhance our corporate value over the medium to long term through dialogue with our stakeholders.

— FY2022 performance summary and outlook

In FY2022, we recorded ¥565.3 billion in profit for the year, reaching a record high for the second consecutive year. In the mineral resources business, we saw increased profit from the previous fiscal year due to higher prices for mineral resources and energy and strong performance by the trading business. In the non-mineral resources business, there were some sectors that saw a decline in profit due to the impact of soaring fuel prices and inflation, such as the domestic electricity retail business, but the tubular products business and the construction equipment business were the main drivers of the significant increase in profit.

Free cash flow (post-shareholder return) was negative for

the single fiscal year, but this was due primarily to the increase in working capital resulting from favorable trade, so I see this as a positive. The basic policy of ensuring positive free cash flow (post-shareholder return) for the three-year total under SHIFT 2023 remains unchanged. We will maintain financial discipline by using cash generated from basic profit cash flow and asset replacement to make new investments and return profit to shareholders.

As for our financial position, due to the recording of profit for the year and the impact of depreciation of the yen, shareholders' equity at the end of FY2022 was approximately ¥3,780 billion, an increase of roughly ¥580 billion from the end of the previous fiscal year. As a result, the net debt-equity ratio (DER) came to 0.7 times.

Key financial indicators of SHIFT 2023

	SHIFT 2023			
	FY2021 results	FY2022 results	FY2023 forecasts	3-year total
Profit for the year	¥463.7 billion	¥565.3 billion	¥480 billion	—
Total assets	¥9,582.2 billion	¥10,105.4 billion	Around ¥10,500 billion	—
Shareholders' equity	¥3,197.8 billion	¥3,778.7 billion	Around ¥4,000 billion	—
Net interest-bearing liabilities	¥2,273.7 billion	¥2,484.4 billion	Around ¥2,500 billion	—
Net DER	0.7 times	0.7 times	Around 0.6 times	—
Free cash flow (post-shareholder return)	¥74.7 billion	-¥121.3 billion	¥50 billion	Ensure positive

Message from CFO

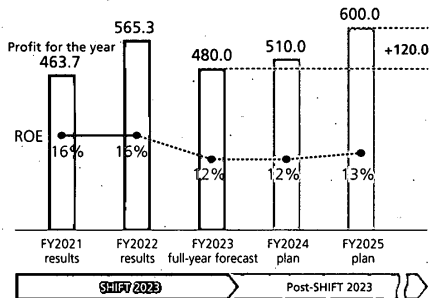
The full-year profit forecast for FY2023 is ¥480 billion. There is growing uncertainty over the future of the global economy due to prolonged inflation and increased financial instability, but we expect the current business environment to continue as it is for the most part. While we expect a decrease in profit in the mineral resources business due to the decline in resource and energy prices, we expect performance of the non-mineral resources business to remain firm at roughly the same level as in FY2022.

Along with this full-year forecast for FY2023, we announced our profit plans for FY2024 and FY2025 of ¥510 billion and ¥600 billion, respectively. To achieve these profit plans, we must complete SHIFT 2023 and steadily implement specific strategies and measures that will lead to growth thereafter.

— Completing SHIFT 2023

In my view, there is still halfway through to go in addressing businesses in turnaround and improving the profitability of

Profit for the year and ROE (Billions of yen)



existing businesses. The key issue in the final year of SHIFT 2023 is to give these matters thorough attention. Shifting to a business portfolio that is both highly profitable and resilient through these initiatives, we hope to establish an earnings base for maintaining a return on equity (ROE) of 12 to 15% regardless of the external environment.

Addressing businesses in turnaround

First, we will accelerate the initiatives of the Full Potential Plan*1, a symbol of our structural reform efforts. Of all the businesses for which we established a divestment policy in 2020, we have completed divestment from those with the most significant impact on profit and loss over the past two years. However, there still remain those from which we have not completed the divestment. Although the impact of these businesses on profit and loss is limited, we will recover management resources such as invested capital and human capital by completing the divestment and reallocate them to steady business growth and seeding businesses.

We have also made some progress in turning around large projects such as the Ambatovy Nickel Project, TBC (tire retail and wholesale business in North America), and Fyffes (fresh produce wholesale business in Europe and Americas), but so far that progress has been insufficient.

We will invest companywide resources, including human support from corporate departments in addition to the individual business departments in charge, to accelerate efforts.

*1 A system designed to improve the quality of the Group's portfolio, targeting group companies that have yet to achieve the expected results and have room for improvement as well as group companies where further growth is expected. The plan involves establishing specific strategies for maximizing business value and closely monitoring the status of implementation. We will divest from businesses that are not expected to grow.

Improving profitability of existing businesses and expanding earnings base

Under the current medium-term management plan, we have

grouped businesses that share a common strategy into Strategic Business Units (SBUs), regardless of the existing organization, and have set the cost of capital for each SBU to monitor the performance of each business in relation to the invested capital. We also determined to decide the allocation of management resources within the Company on the basis of invested capital, starting in FY2022. This has strengthened our efforts to shift management resources from businesses with limited growth potential to fields where there is high market potential and the Group's strengths can be demonstrated while taking into consideration the return on invested capital (ROIC) of each business in relation to the cost of capital.

I feel that awareness of improving ROIC is being instilled in each SBU through these efforts. We are engaged in thorough discussions at the management level concerning strategies and measures for ROIC. With regard to the SBUs where the ROIC is currently below the weighted average cost of capital (WACC), we are reviewing the timeline and measures required to achieve an ROIC higher than the WACC. For SBUs that already have an ROIC higher than the WACC, we are considering measures to further improve ROIC or expand profitability through increased capital investment. In all SBUs, we will identify effective actions that will lead to improved business value, and establish KPIs and KALs for those actions. We hope to achieve early expansion of the earnings base by implementing a PDCA cycle.

— Cost of shareholders' equity and shareholder return

There are various ways to calculate the cost of shareholders' equity, but we believe that if we achieve an ROE level of 12–15%, it will exceed the cost of shareholders' equity, thereby creating added value.

Owing to factors such as progress in structural reforms and

Message from CFO

a favorable external environment, our ROE exceeded 16% for two consecutive years in FY2021 and FY2022, reaching record highs at the same time. Our price-to-book ratio (PBR) had stayed below 1x since around 2008, but since announcing our financial results for FY2022, it has been on a clear upward trend. As of June 2023, it has risen to around 1x. To continue making improvements in this regard, it is essential that we steadily implement the various measures of the current

medium-term management plan SHIFT 2023 to continue producing better results, thereby gaining full recognition of the stability of our medium- to long-term earnings and growth potential by the stock market. Going forward, we will strengthen and accelerate these efforts.

> p. 28 Management conscious of cost of capital and stock price

As for shareholder return, our basic policy is to provide stable shareholder return over the long term, and we aim to increase the amount through medium- and long-term profit growth.

As I explained in last year's message, we have introduced a target range based on the dividend of equity (DOE) ratio in FY2022. I believe that our DOE range method has advantages for shareholders, such as transparency and predictability, as the minimum dividend payout rises as the range shifts upward and shareholders' equity increases. Last year, the 30% level of profit exceeded the upper limit of this DOE range, so we made an additional return by acquiring ¥70 billion in treasury stock.

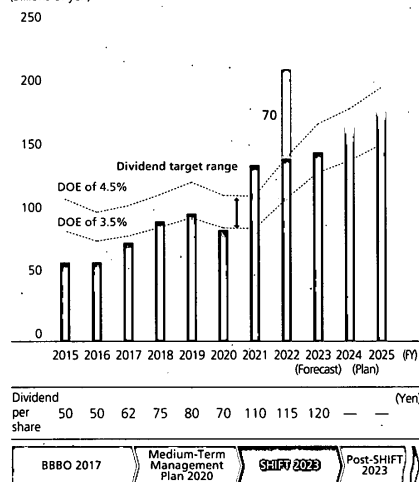
We will continue to work on further enhancing shareholder return while realizing profit growth over the medium to long term.

Shareholder return policy

- The annual dividend amount will be determined based on the consolidated dividend payout ratio of 30% within the DOE range of 3.5% to 4.5%, taking into consideration the status of fundamental earnings capacity, cash flows, and other factors (DOE is calculated based on shareholders' equity at the beginning of the year).
- If 30% of the profit for the year exceeds the above range, we will pay dividends or repurchase our shares for the excess portion in a flexible and agile manner (in the case of dividends, the payout ratio will be at least 30% in principle).

Shareholder returns

■ Dividends □ Share repurchase
(Billions of yen)



Message to our stakeholders

We are making steady progress on the three "shifts" of SHIFT 2023. Going forward, we will focus on addressing businesses in turnaround and improving the profitability of existing businesses as I explained earlier while developing the businesses that will become new earning pillars.

We also believe it is extremely important to thoroughly explain the status and results of those efforts to our shareholders, investors, and other stakeholders to gain their understanding. We will actively engage in dialogue with our stakeholders to enhance their trust in the Company. Moreover, taking into account the suggestions and insights gained through this dialogue, we will refine our strategies and measures to contribute to the Group's sustainable growth, tying that into boosting our value creation capabilities.

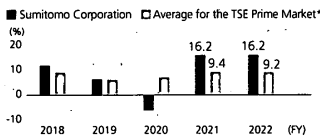


Management conscious of cost of capital and stock price

Analysis of current situation

We believe that if we can achieve ROE of 12% to 15%, our profitability will exceed the cost of shareholders' equity, and we will be able to create Economic Value Added (EVA). Thanks to progress in structural reforms and a favorable external environment, we achieved ROE of 16% in both FY2021 and FY2022, and set a new record high for profit. On the other hand, our PBR had remained below 1x from around 2008, but an upward trend has been established since the announcement of our financial results for FY2022, as it has risen to around 1x in June 2023. To continue to improve the PBR, we must obtain sufficient recognition from the stock market for the stability and growth potential of our medium- to long-term earnings. We will steadily implement the measures formulated in the current medium-term management plan SHIFT 2023 and further strengthen and accelerate these initiatives so that we can continue to produce even better results.

ROE

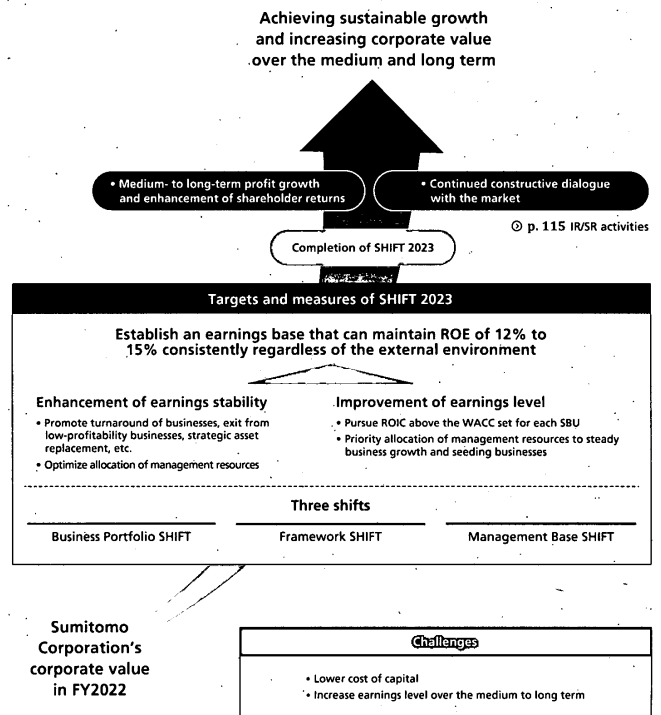


* Data for FY2021 and prior represents the average for the Tokyo Stock Exchange (TSE) First Section.

Initiatives

Aiming to increase corporate value, under SHIFT 2023 we have been working to shift to a highly profitable and resilient business portfolio (Business Portfolio SHIFT), shift the framework supporting this (Framework SHIFT), and shift the management bases (Management Base SHIFT). By steadily advancing the various measures of SHIFT 2023, we will build a system that can maintain ROE of 12% to 15% consistently regardless of the external environment. In terms of shareholder returns, we will achieve medium- to long-term profit growth through the completion of SHIFT 2023, thereby further enhancing these returns. We will enhance disclosure of these initiatives and strive for constructive dialogue with market participants.

Targets and measures for improving corporate value

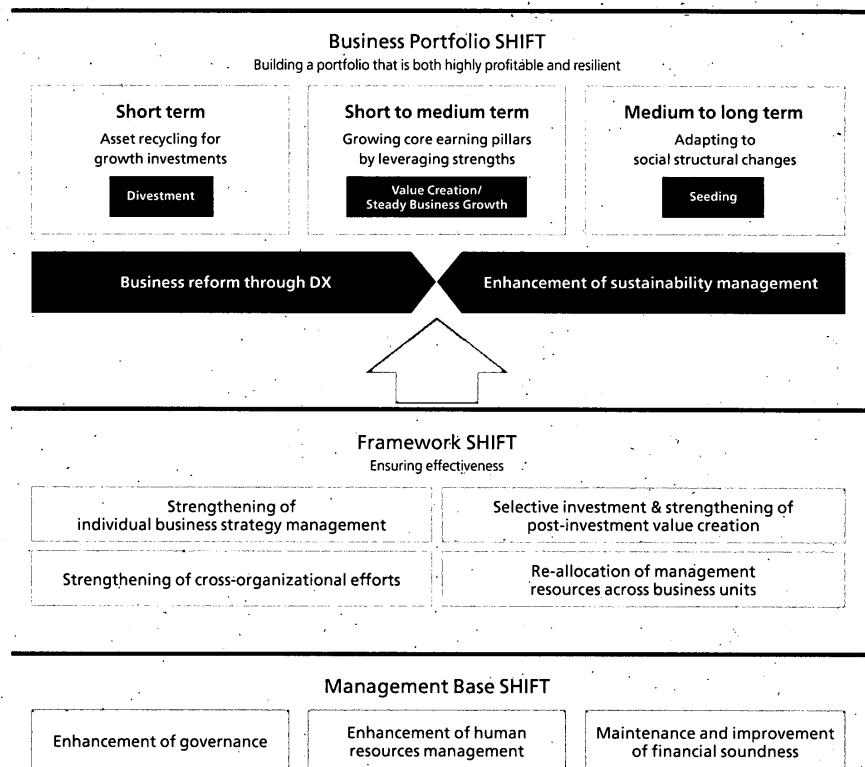


Medium-term management plan SHIFT 2023

Framework SHIFT and Management Base SHIFT completed and progress made on Business Portfolio SHIFT

The Sumitomo Corporation Group's performance deteriorated significantly in FY2020, the final year of the previous medium-term management plan, due in part to the external environment. Given this situation, we have begun working on the three-year medium-term management plan SHIFT 2023 starting in FY2021 to steadily return to a growth trajectory.

Under SHIFT 2023, we are working on three "shifts" as shown on the right. Over the past two years, we have mostly completed the Framework SHIFT and the Management Base SHIFT. As the effectiveness of the Business Portfolio SHIFT has improved, we will accelerate efforts in the final year of the plan to realize a business portfolio that is both highly profitable and resilient.



Medium-term management plan SHIFT 2023 Progress on the Business Portfolio SHIFT

The Sumitomo Corporation Group has classified its approximately 50 Strategic Business Units (SBUs) into four categories: Divestment for promoting the recovery of management resources such as funds and human capital, Value Creation for expanding the profitability of existing businesses through value additions and efficiency enhancements without increasing investment capital, Steady Business Growth for incrementally investing capital in areas where the Group's strengths can be leveraged to further expand revenues, and Seeding for growing the next-generation earning pillars with a long-term

perspective. We are making steady progress in the Business Portfolio SHIFT through each SBU's implementation of initiatives appropriate to its role.

Comparing profit for the year in each of the four categories in FY2020, before the start of SHIFT 2023, and in FY2022, we see steady improvement, owing in part to improvement in the external environment.

Seeding

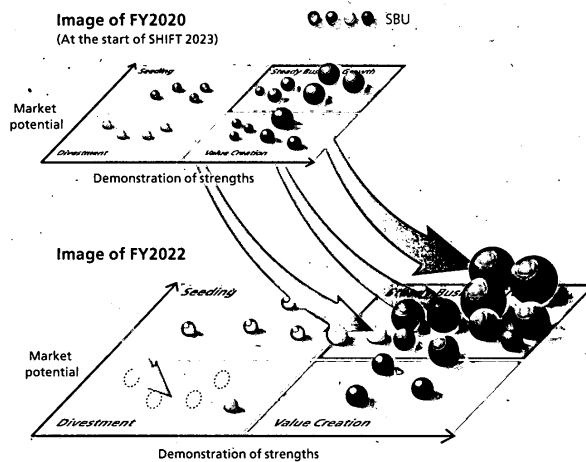
Steadily nurturing the seeds of next-generation businesses from a long-term perspective (next generation of tubular products, large-scale energy storage, etc.)

Results	FY2020	FY2022
Loss for the year	-¥5 billion	-¥10 billion
Invested capital	¥35 billion	¥150 billion

Divestment

Scheduled strategic withdrawals complete (silver, zinc, and lead business in Bolivia, copper and molybdenum mining business in Chile, oil and gas business in the United Kingdom and North Sea, etc.)

Results	FY2020	FY2022
Profit (loss) for the year	-¥25 billion	¥20 billion
Invested capital	¥200 billion	¥0 billion



Steady Business Growth

Progress in initiatives for further growth, including asset accumulation in each SBU (construction equipment-related, healthcare, agriculture, etc.)

Results	FY2020	FY2022
Profit for the year	¥100 billion	¥220 billion
Invested capital	¥3,200 billion	¥3,900 billion

Value Creation

Progress in strengthening resilience and expanding the earnings base by exiting from low-profitability businesses and taking value-creation measures in each SBU (tubular products in North America, media-related, basic chemicals, etc.)

Results	FY2020	FY2022
Profit (loss) for the year	-¥210 billion	¥330 billion
Invested capital	¥2,300 billion	¥3,400 billion

Medium-term management plan SHIFT 2023

Initiatives and results of the three “shifts”

In the medium-term management plan, we are pushing forward in various fields with implementing business reform through DX and enhancement of sustainability management, which are being implemented as common measures for all SBUs as part of the Business Portfolio SHIFT.

Moreover, as part of the Framework SHIFT, we have introduced a framework for optimal companywide allocation of investment capital going beyond divisional boundaries to accelerate

the Business Portfolio SHIFT. As for the Management Base SHIFT, we incorporated non-financial indicators into the executive compensation system and are promoting efforts such as encouraging diverse human resources to practice diversity, equity, and inclusion (DE&I).

Based on these efforts, we will further promote the Business Portfolio SHIFT in the final year of the medium-term management plan.

FY2022 initiatives

Business Portfolio SHIFT

Business reform through DX ● p.47

- Improve functionality and profitability through DX implementation in existing businesses. Progress in demand/supply forecasting in the domestic supermarket business, advanced data analysis in the healthcare business, expansion of service areas in the drilling efficiency solutions business, etc.
- New business creation from next-generation growth fields and DX: Provision of decarbonized energy systems, mobile payment services, SIM-based IoT infrastructure, DX support services, etc.
- Develop DX promotion know-how externally through private equity funds in which we participate.

Enhancement of sustainability management ● p.49

- Renewable energy supply expansion target for 2030 revised upwards from more than 3 GW to more than 5 GW.
- Progress on projects in focused areas such as developing carbon-free energy and expanding power & energy services.
- Internal carbon pricing system in place to promptly identify and respond to climate change risks and opportunities.
- Continued efforts to reduce human rights risks in the supply chain and conducted segment-specific human rights due diligence in two segments (four segments in total).

Framework SHIFT

Re-allocation of management resources across business units

- Internal framework replaced to allocate investment capital companywide in an optimum manner to enhance more dynamic shift in the business across the Group.

Management Base SHIFT

Enhancement of governance ● p.84

- The executive compensation system was upgraded to reflect the stock price growth rate of the Company to align more with shareholders’ interests to share the Company’s medium- to long-term corporate value.
- Non-financial indicators are also reflected in the executive compensation system to further strengthen commitment to the enhancement of sustainability management.

Enhancement of human resources management ● p.73

- With regard to key human resources, we have implemented various measures for evolving human resources management, including the hiring of external human resources and appointments that are not restricted by age, to further promote DE&I.

Medium-term management plan SHIFT 2023 Measures for completion

Addressing businesses in turnaround

- Continuing to work on the value creation of the Ambatovy Nickel Project, TBC, Fyffes, and others.
- Completion of the divestment of low-profitability businesses.

With regard to the divestment from low-profitability businesses, over the past two years we have divested from a total of 40 companies, but the divestment from some businesses is not yet complete. The impact of these businesses on our profit and loss is limited, but we will complete the divestment in order to recover funds and human capital and allocate them to other SBUs.

We are beginning to see some results in the Ambatovy Nickel Project, a large project in need of a turnaround, TBC, and Fyffes thanks to efforts to bring in experienced management and to review strategies from a medium- to long-term perspective. However, there is still much to be done. We will continue to invest companywide resources and provide human support from corporate departments to secure a turnaround in these projects.

Profitability improvement of existing businesses

- Profitability improvement in SBUs with ROIC below WACC.
- Asset replacement for businesses with poor growth potential.

Starting with the current medium-term management plan, each SBU creates its own growth strategy and sets quantitative plans, KPIs, and KAIIs. However, in some SBUs, there are cases where the ROIC level falls below the individually calculated WACC. For businesses facing such issues, we will steadily improve ROIC by setting more appropriate KPIs and KAIIs that lead to increased business value in each SBU, thoroughly implementing the PDCA cycle, enhancing the support functions provided by corporate departments, and strengthening the execution capabilities of SBUs.

We will also shift management resources such as funds and human capital across divisions to SBUs where our strengths can be leveraged, including asset replacement in businesses with little growth potential, thereby strengthening and growing our earning pillars.

Monetization of next-generation growth fields

- Monitoring from a companywide perspective and providing the necessary support.
- Cultivating core earning pillars through the focused allocation of management resources.

Despite the progress of cross-organizational efforts in various fields, tangible results such as realizing substantial profit have yet to be achieved. We will continue to engage in companywide monitoring of the status of each growth theme and provide support to ensure that each initiative leads to results.

Furthermore, when significantly increasing investment capital in specific areas, including large-scale projects under consideration in fields such as next-generation energy and social infrastructure, we will consider not only the timeline for revenue generation but also the future balance of our portfolio. We will then examine the appropriateness of concentrating management resources in those businesses and grow the ones that will become the face of our Company.

Metal Products

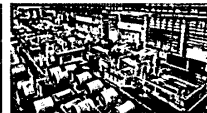
The Metal Products Business Unit has built a supply chain for steel products with optimal conditions for each industry and is also involved in those operations. We will also further contribute to society by improving functions and value through the implementation of measures to address climate change and the utilization of DX.



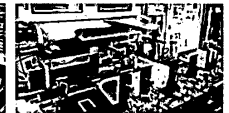
Katsuya Inubushi
Head of Business Unit



Sekal drilling optimization advice (Norway)



Steel service center (Thailand)




Automotive blanking (U.S.)

SWOT & business environment recognition


Strengths

- Expertise, solution capabilities, and a strong customer network in steel products and tubular products
- Global development of a strong supply chain firmly rooted in each region
- Strategic partnerships with energy majors
- One of the world's largest oil country tubular goods (OCTG) distribution businesses
- Leading market shares in unique segments such as railway products and equipment

Opportunities and examples of initiatives

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Social demand for a decarbonized/recycling-oriented society • Preparation of infrastructure for urbanization and railways in emerging countries • Environmental response for various transportation equipment |  | <ul style="list-style-type: none"> • Cultivation of the energy transition field, including CCS*, geothermal power, hydrogen power, and offshore wind power, and transformation into next-generation businesses, including digital technology • Development of construction steel sheet manufacturing business and delivery of railway products and equipment • Expansion of sales of steel products for EVs |
|---|---|--|

Risks & measures

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Volatile fluctuations in mineral resource, steel raw material, and product prices and fluctuations in the global supply-demand balance • Structural changes in the industry and transition to alternative materials for existing products in conjunction with energy transition and environmental response |  | <ul style="list-style-type: none"> • Further strengthening of resistance to market fluctuations by enhancing regional sales capabilities, including local production for local consumption, consolidating group companies, and reviewing inventory risk profiles • Cultivation and uncovering of new demand for alternative materials in addition to existing products and cross-sectional response to structural changes in the industry |
|---|---|---|

* Carbon dioxide Capture and Storage. Technology for capturing CO₂, isolating and sequestering it in the ground or seabed, and storing it

Progress in main SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Energy & Tubular Products	<ul style="list-style-type: none"> • Improved supply chain management for the energy industry, cultivated tubular product demand for CCS, geothermal power, and hydrogen power, and strengthened relationships with strategic partners, including in the decarbonization business
	Steel Products Business	<ul style="list-style-type: none"> • Enhanced management efficiency through rigorous structural reform and DX and accelerated the cultivation of environmental responses and regional strategies • Shift to a supply chain with materials that contribute to CO₂ reduction and business development
Value Creation	North America Tubular Product Group Companies	<ul style="list-style-type: none"> • Steady progress in structural reforms and strengthening of risk resilience at each group company, and promotion of ESG and DX business at our inventory yard in West Texas

Metal Products

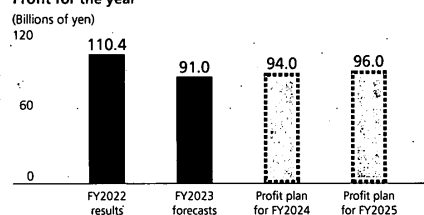
Profit plan through FY2025 (results + trend)

In FY2022, we achieved a significant profit increase of ¥55.2 billion from the previous fiscal year, mainly thanks to steady progress in promoting structural reforms, solid performance in the overseas steel service center business, and favorable market conditions in the North American tubular products business.

In FY2023, on the other hand, we expect profit to decrease compared to the previous fiscal year due to the settling of market conditions and other factors. However, we expect profit to increase for both steel products and tubular products after that going into FY2025.

Specifically, in the Steel Products Business, we aim to raise the existing earnings base by strengthening resilience and withdrawing from unprofitable businesses. At the same time, we expect to generate revenues through M&A in the ESG domain and initiatives in new domains such as the expanding global electrical steel sheet business in conjunction with the shift to EVs. Moreover, in the tubular products business, in addition to expecting a market recovery thanks to firm demand for conventional fossil fuels from the standpoint of energy security, we expect to generate revenues from the expansion of next-generation businesses through DX and the promotion of the energy transition field, including CCS and geothermal power, in response to the global trend toward decarbonization.

Profit for the year



Human resources strategy

Business challenges and human capital utilization in the Tubular Products Division

Energy companies, the primary customers of the Tubular Products Division, are being asked to overcome and resolve the conflicting "trilemma" of energy security, economic development, and decarbonization.

In the midst of this, the division is engaged in business in two domains, namely short-term oil and gas development and medium- to long-term energy transition: Our strategic partnerships with energy companies, which have been cultivated over a long period of time through tubular product trading and supply chain management (SCM), allow us to capture business needs in the decarbonization field, such as CO₂ storage and hydrogen transport.

The division recognized the major changes in market structure in the 1980s as an opportunity, building up an advantage by developing and providing advanced SCM services using its proprietary inventory management system and expertise. In addition to this, over the past 30 years, we have promoted the hiring and training of a wide range of specialized talent at our business locations all over the world in order to realize sustainable value creation. Their areas of specialization include trading, project management, IT, and quality and safety management. We are now attempting to bring all this knowledge together to open up new fields, going beyond tubular product SCM. We are hiring people with knowledge and experience in the SCM business to play a part in this.

Sumitomo personnel playing active roles at job sites



Jeby George

Department GM of DX & ESG Department,
Tubular Products Group,
Energy Business Division,
Sumitomo Corporation of Americas

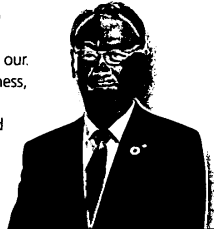
I joined Sumitomo Corporation in 2005 and have been involved in the launch and deployment of SCM projects under 19 contracts worldwide. During that time, I have cultivated the ability to develop business operations that encompass everything from the creation of business concepts to analysis and management of various business risks and the generation of added value and profits. I feel that this project management experience has allowed me to earn the trust of energy companies and deepen partnerships, which has led to positive results.

Currently, I am making full use of the mindset and skill-set I have acquired to work on initiatives that contribute to the business portfolio transformation pursued by the division as well as the development of CCS/CCUS* projects that form the core of our growth strategy and new businesses that promote sustainability within the tubular products supply chain and drilling operations.

* Carbon dioxide Capture, Utilization and Storage. Technology for effective utilization of captured and stored CO₂

Transportation & Construction Systems

The Transportation & Construction Systems Business Unit seeks to achieve sustainable growth while flexibly expanding, fusing, and advancing our business domains. We will accomplish this through our particular strengths, which include the leasing and financing business, the global reach of our value chains in the ship, automotive, and construction and mining equipment businesses, and our advanced expertise in the aerospace-related business.



Norihiko Nonaka
Head of Business Unit



Aviation business



Automotive business



Construction equipment business

SWOT & business environment recognition

Strengths

- A global group of businesses covering manufacturing, sales, aftermarket, finance, and services in the ship, defense, aerospace, aircraft, automotive, and construction equipment fields
- An industry-leading general leasing and financing business and aircraft leasing business
- Networking and partnerships with key players in each industry

Opportunities and examples of initiatives

- Recovery and growth of mobility around the world
 - Demand for a decarbonized society
 - Demand for a recycling-oriented society
 - New business opportunities arising from utilization of DX
- Commercial Aviation: Capture recovery and growth trends through acquisition of European aircraft leasing businesses
 - Ship and Mobility Services:
 - Ship: Develop low CO₂ emission vessels and offshore wind power plant
 - Mobility Services: Develop EV leasing and energy management business for companies
 - Commercial Aviation: Enter the used aircraft parts business
 - Construction Equipment Solution: Promote commercialization of smart construction

Risks & measures

- Rising interest and inflation rates and slowing growth of global economy
 - Geopolitical risks
 - Changing lifestyles, mobility patterns, and industrial structures
- Enhance profitability through cost reduction and reduce inventory risk by improving the accuracy of demand forecasting using DX
 - Optimize global portfolio diversification and balance and align with the international community
 - Develop and provide products and services in anticipation of changes in market needs and industrial structures

Progress in main SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Leasing	<ul style="list-style-type: none"> • Increased prime assets and expanded business areas with a focus on real estate, renewable energy, overseas business, etc.
	Commercial Aviation	<ul style="list-style-type: none"> • Increased operating assets in the aircraft leasing business • Expanded the value chain by entering the aftermarket aircraft parts business
	Automotive Sales & Marketing	<ul style="list-style-type: none"> • Expanded the business by securing the supply and enhancing the sales network • Optimized and increased the efficiency of the supply chain through system development
Value Creation	Construction Equipment Solution	<ul style="list-style-type: none"> • Executed a growth strategy based on regional expansion, products diversification, customer base expansion, and provision of on-site solutions
	Aerospace Defense & Technology	<ul style="list-style-type: none"> • Strengthened and expanded the aerospace, industrial equipment, and information and communications technology (ICT) businesses by making Sumitomo Precision Products Co., Ltd. a wholly owned subsidiary
	Automotive Manufacturing & Engineering	<ul style="list-style-type: none"> • Executed management and business structure reforms in foundry businesses in Japan and the United States • Developed an engineering services business that engages in development work for automotive original equipment manufacturer (OEM), etc.
Seeding	Tire	<ul style="list-style-type: none"> • Promoted a turnaround in the tire business in the United States
	Beyond Mobility	<ul style="list-style-type: none"> • Created new services related to the transportation of people and goods, such as by electric buses, electric taxis, and logistics robots

Transportation & Construction Systems

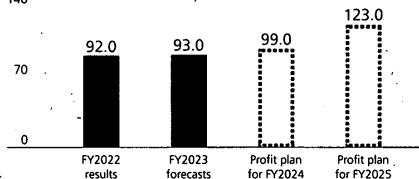
Profit plan through FY2025 (results + trend)

In FY2022, despite the lingering effects of supply chain disruptions and the energy crisis, including the semiconductor shortage and soaring market prices, the domestic leasing and aircraft leasing business, ship business, automotive sales and marketing business, and construction equipment business performed well, firmly capturing the market recovery and supply-demand imbalances.

Looking ahead to FY2025, we expect improvement in the business environment and enhanced profitability, so we are forecasting increased profit in many businesses. In leasing-related businesses, we expect to further increase environmental, real estate, and other assets, expand the aircraft leasing business against the backdrop of a full recovery and expansion of demand from the COVID-19 pandemic, and generate revenues in peripheral businesses. In automotive businesses, we will expand sales volumes in key areas of the sales and marketing business. Also, at Sumitomo Mitsui Auto Service Co., Ltd., the largest auto leasing business in Japan, we will work to generate revenues in the overseas business and peripheral businesses such as EV-related items. In the construction and mining systems business, we will work on expanding the business base and improving asset efficiency, especially in the North American market, where infrastructure improvement demand remains robust.

Profit for the year

(Billions of yen)



Human resources strategy

Expansion of talent pool

The Transportation & Construction Systems Business Unit leverages the presence in a wide range of industries and multifaceted business expertise of Sumitomo Corporation and group companies to enhance profitability, promote business model reform, and create new value. Playing the leading role in creating value are our diverse talent (human capital). To expand the talent pool, we continually work on mid-career hiring, leadership development, development of managerial talent, and improvement of DX and IT literacy.

Mid-career hiring

Over the past five years, we have hired more than 30 people, including female executive candidates, in order to acquire talent with capabilities that are lacking in our Company. Mid-career hires are playing active roles as leaders in various businesses. For example, a mid-career hire that came from an automobile manufacturer to join the Company in FY2022 established a new business company, Hakobune, Inc., which provides EV and energy management services based on new ideas. We will continue to actively acquire Top-Tier Professionals to lead the unit's strategy and growth.

Leadership development

As an independent initiative, the business unit launched leadership assessments by a specialized human resources agency in FY2019. These assessments are conducted for

approximately 400 employees, from divisional executives to core personnel who will lead the next generation. By objectively identifying the abilities and skills required for their own growth, they are then able to enhance their own leadership and people management skills.

Development of managerial talent

We had been working on it for some time, but in FY2017 we officially established a rotation program (diversity rotations) to develop future managerial talent. So far, we have dispatched a total of 13 individuals to consulting firms and investment funds, developing the leaders that will promote business transformation based on the skills and experience they cultivate through hands-on cross-organizational training.

Improvement of DX and IT literacy

In FY2020, we introduced an online learning platform provided by a human resources development vendor. We built an environment to learn various business skills, including in the specialized fields of DX and IT, and over the course of three years roughly 200 people participated.

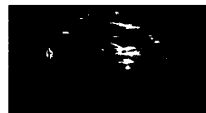
To expand our human capital, which is the key to sustainable growth of the business unit, we will work on further enhancing human resources management through various measures.

Infrastructure

The Infrastructure Business Unit will contribute to the development of local communities and economies through the creation of new value to help resolve the challenges of local societies ahead of social changes. We will also promote businesses arising from the pursuit of carbon neutrality and contribute to resolving climate change on a global basis.



Yukihito Honda
Head of Business Unit



Northwind offshore wind farm (Belgium)



Illustration of North Hanoi Sustainable City upon completion (Vietnam)



Operational visualization system at logistics center (Japan)

SWOT & business environment recognition

Strengths

- Presence in the communities and countries of operations and the capabilities to address their respective needs
- Advanced and substantial expertise, industry networks, and customer bases in each business domain
- Structuring capabilities to establish systems for stable business operation
- Project management capabilities backed by an extensive engineering, procurement, and construction (EPC) track record
- Capability to build value chains through collaboration between the business unit's top businesses and internal and external partners

Opportunities and examples of initiatives

- Increased demand for environment-friendly infrastructure businesses such as the renewable power generation business
- Expansion of business opportunities addressing the needs of local communities and the privatization of public infrastructure
- Global manufacturing and supply chain reform
- Start of construction of onshore wind farms in Abukuma, Japan and Egypt and offshore wind farms in France
- Opening of the Bangladesh Industrial Park and expansion of the water infrastructure business in Shandong, China
- Launch of a manufacturing DX service at an industrial park and a logistics human resources allocation optimization service using quantum computing

Risks & measures

- Changes in business conditions or tightened regulations for coal-fired power plants
- Intensification of competitive business environment with the entry of suppliers from emerging countries and new business operators from other industries
- Heightened geopolitical risk and fluctuations in resource prices and the domestic electricity market
- Sustainable power source development initiative for achieving carbon neutrality by 2050
- Selection of suppliers and partners according to the individual needs of customers and optimization of operational efficiency through the use of DX
- Analysis utilizing the global network and intelligence of an integrated trading company, selection of key strategic regions based on geopolitical megatrends, utilization of insurance and financial leverage, and collaboration with governments

Progress in main.SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Social Infrastructure	<ul style="list-style-type: none"> • Expanded high-quality infrastructure assets that contribute to solutions to the social challenges of local communities - Expanded the water infrastructure business in China
	Renewable Energy IPP	<ul style="list-style-type: none"> • Expanded the renewable energy business in Japan and overseas - Started construction of onshore wind farms in Abukuma, Japan and Egypt and offshore wind farms in France - Launched a baseload renewable energy source development study in Indonesia
	Overseas Industrial Park	<ul style="list-style-type: none"> • Expanded existing businesses, promoted development of new businesses, and enhanced services for tenant companies at industrial parks - Opened new industrial park in Bangladesh and launched sales - Launched a manufacturing DX service for tenant companies, further expanded the rooftop solar power generation business, and opened clinics for employees of these companies
Value Creation	Sumitomo Shoji Machinex	<ul style="list-style-type: none"> • Created new value through industrial equipment sales - Sold and delivered green steel manufacturing systems - Planned launch of sales and maintenance business for air conditioning equipment in Vietnam
	Logistics Business/ Design & Solution	<ul style="list-style-type: none"> • Utilized DX for business expansion to address various logistics needs - Launched human resources allocation optimization service for logistics sites through the introduction of quantum computing - Participated in the TradeWaltz trade platform
Seeding	Insurance	<ul style="list-style-type: none"> • Designed and provided insurance products to address changes in the global business environment
	Smart City	<ul style="list-style-type: none"> • Engaged in high-value urban development through introduction of smart services - Promoted a Sustainable City town management feasibility study in northern Hanoi and carried out proof-of-concept experiments on community services for the child-rearing generation - Received order for renewable energy power source combined with EV leasing and launched 5G implementation experiment in Higashi-Hiroshima Smart City

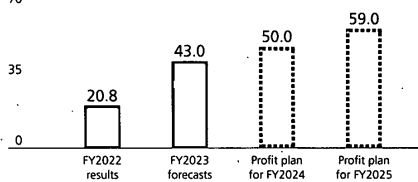
Infrastructure

Profit plan through FY2025 (results + trend)

In FY2022, although we benefited from solid profit contributions from our overseas power generation business, we saw a significant decrease in profit compared to the previous fiscal year, due in part to soaring electricity procurement prices in our domestic electricity retail business.

Going into FY2025, we expect a substantial recovery and expansion of profit. In the overseas power generation business, we have factored in an increase in revenues from existing projects entering the contract phase as well as a certain amount of profit contribution from the gradual launch of operations in the renewable energy business currently under development and construction. In the domestic electricity retail business, we changed the business model to one where we do not bear the risk of price fluctuations by revising contract terms, which was the cause of the decrease in profit in FY2022. On top of that, we will work on expanding revenues by leveraging the supply-demand adjustment and energy management capabilities we have cultivated to date. In addition, we expect some new projects to contribute to revenues in the social infrastructure business, in which we are engaged in water, transportation, aviation, port, and Smart City projects. As such, from FY2023 to FY2025 we expect steady profit recovery and growth.

Profit for the year
(Billions of yen)



Development of human resources with conceptual creativity

Approach to and policy on talent development

For many years, the business unit has been involved in infrastructure construction projects in various fields, including electricity, railways, logistics, and industrial parks around the world. In many of these cases, we have played the role of consortium or project leader and key partner.

Infrastructure projects are a crucial foundation that supports the industries, economies, and daily lives of people in the respective regions and countries. At the same time, not only are they large in scale but they also often take long periods of 10 to 20 years from development to completion. The key to our success is the rapport and unity we have built with our various stakeholders, including relevant governments, local communities, and business partners. We have produced many highly committed professionals whose mission is to get things done while meeting these expectations.

In today's world, the emphasis is on DX and green transformation (GX) revolutions, and various industry players are pursuing collaboration with each other. It has become increasingly important to possess design thinking capabilities to create new value in addition to the aforementioned elements in order to achieve further growth. To keep pace with these changing times, we are securing and developing talent with varied experiences, diversifying the options for where they engage in their activities, and accelerating the promotion of young people to leadership positions.

Specific initiatives

Notably, we have secured talent with technical capabilities and expertise from various industries, including real estate, renewable energy, and property and casualty insurance. In addition, we have placed specialized technical and strategic teams in major global regions such as Tokyo, Germany, the United Arab Emirates, the United States, and Indonesia. They serve as centers of excellence and have allowed us to establish a global standard professional service framework to take on challenging projects.

We also actively promote young people to president or senior management positions of group companies, tying that into the early development of management talent and the revitalization of the organization.

We will continue to work on the active promotion of diverse talent, implementation of strategic rotations, and enhancement of our global specialized organizations.

Through our infrastructure projects around the world, we aim to produce talent that will contribute to the improvement of people's lives and the development of society.



Diverse human resources playing an active role in the Bangladesh Industrial Park project

Media & Digital

The Media & Digital Business Unit aims to create value with impact and scale by utilizing digital technology and data. We will also contribute to enhancing the corporate and social value of the entire Group by leveraging the DX human resources and expertise we have cultivated.



Masaki Nakajima
Head of Business Unit



SCSK, a leading IT solutions provider | JCOM, Multi-channel broadcasting | Safaricom Ethiopia, integrated telecommunications business

SWOT & business environment recognition

Strengths

- SCSK Corporation, a leading IT solutions provider
- JCOM Co., Ltd., with the No. 1 share of the cable TV market in Japan
- Jupiter Shop Channel Co., Ltd., the leading player in the TV shopping market in Japan
- T-Gaia Corporation, with the No. 1 share of the mobile phone distribution market in Japan
- Access to cutting-edge technologies through our global CVC*1 network
- Expertise and network through the overseas telecommunications business

Opportunities and examples of initiatives

- Expansion of opportunities to resolve social issues with digital technologies
- Growing importance of leveraging digital data amid accelerating social changes
- Creation and expansion of new markets with 5G mobile technologies
- Multifaceted development through business alliance in various fields with Vodafone Group Plc.
- DX solutions through collaboration with partners such as SCSK
- Business development utilizing cutting-edge technologies
- Launched 5G base station sharing services business and local 5G business
- Commenced telecommunications services in Ethiopia and investment in DABCO Limited

Risks & measures

- Changes in the global industrial structure and consumer behavior as a result of digital disruption
- Intensified competition to secure IT and DX human resources across various industries
- Competition arising from the fusion between broadcasting and telecommunications
- Country risk in businesses based in emerging countries such as changes in policies or regulations
- Utilization of cutting-edge technologies led by our global CVC bases (five bases)
- Expansion of the digital solution business and enhancement of digital related functions
- Alignment with Over The Top (OTT) and enhancement of mobile services
- Cooperation with national governments and international agencies

*1 Corporate Venture Capital

Progress in main SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Digital Business	<ul style="list-style-type: none"> • Promoted joint DX projects with SCSK (GX-related services, etc.) • Enhanced data marketing function with SC Digital Media K.K.*2
	Cable Platform	<ul style="list-style-type: none"> • Enhanced the main services of JCOM (video streaming packages, Wi-Fi services, etc.) • Expanded JCOM's living-related services (online medical consultations, etc.)
Value Creation	Media Commerce & Content	<ul style="list-style-type: none"> • Promoted the media commerce business, such as Jupiter Shop Channel • Promoted the media content business
	Smart Infrastructure	<ul style="list-style-type: none"> • Expanded services in the integrated telecommunications business in Ethiopia (mobile money, etc.)
	Smart Services	<ul style="list-style-type: none"> • Participated in next-generation digital platform projects (investment in DABCO) • Launched digital financial services in Africa (collaboration with M-KOPA Holdings Limited)
Seeding	New Business Investment	<ul style="list-style-type: none"> • Invested in start-up companies through our global CVC bases and promoted business development • Executed DX-related private equity investments
	5G	<ul style="list-style-type: none"> • Promoted the 5G base station sharing services business • Promoted initiatives for local 5G business

*2 The company name will be changed to SC Digital Co., Ltd. on October 1, 2023.

Media & Digital 

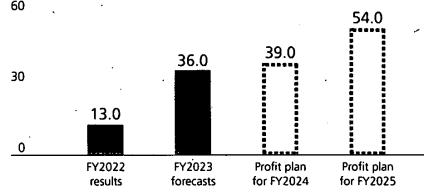
Profit plan through FY2025 (results + trend)

In FY2022, our major domestic group companies performed well for the most part. Meanwhile, the telecommunications business in Myanmar saw a decline in profit due to the deteriorating business environment and increased fuel and other costs. We also incurred start-up costs associated with the launch of the telecommunications business in Ethiopia.

Going into FY2025, we will steadily promote various initiatives. As for major domestic group companies, JCOM, which provides essential infrastructure for daily life (television, internet, telephone, mobile service, and electricity); will expand its services. TV shopping business Jupiter Shop Channel will pursue a customer-oriented approach to expand its customer base. SCSK, which is engaged in system development and IT infrastructure development, will capture ongoing investment demand for digitalization.

As for the overseas telecommunications business, we expect to see improvement in revenues in the telecommunications business in Myanmar. We also anticipate that the current work on network construction, sales network development, and expansion of cities served will contribute to revenues in the telecommunications business in Ethiopia.

Profit for the year (Billions of yen)



Human resources strategy

Sumitomo personnel playing active roles at job sites



Naoko Deura
Strategy & Growth Team Leader,
Media Commerce Department

Since joining Sumitomo Corporation as a new graduate, I have been involved in business strategy, development, and operations in B2C-related media businesses as well as DX.

After working in administrative operations at the Head Office in the living-related business unit, I shifted roles to take charge of e-commerce business development. I was seconded to a magazine company in which Sumitomo invested, where I launched a women's fashion e-commerce business and took part in marketing operations. Following that secondment, I transferred to take charge of overseas business development at Shop Channel, a major TV shopping channel. There, I negotiated with potential partners in Asia and launched a TV shopping joint venture with leading local companies in Thailand as the first such overseas business. In Thailand, where I was stationed for five years, I worked with local employees and was able to deliver the Group's unique program broadcasts, products, and services to customers nationwide.

While accumulating these hands-on experiences, I developed a desire to deepen my overall knowledge of management, which led me to study business administration and design thinking at business school in the United States, sponsored by the Company.

After returning to Japan, I became a staff member under the Chief Digital Officer and was involved in creating the various initiatives related to companywide DX promotion and operations at the DX Center, which had just been established as a cross-functional organization of the Group. I have since been pursuing value creation companywide through DX.

Today, I lead a team in the Media Division that develops businesses that will become future earning pillars. Through M&A, collaborations, and the extensive assets of Sumitomo Corporation, our aim is to develop new media commerce businesses that deliver exciting products, services, and content to consumers via media, and we hope to expand globally in the future. The market environment is changing rapidly, and competition is fierce. However, I will continue to bring the team together to take on challenges, leveraging the knowledge, networks, and mindset I have cultivated through the companywide DX activities and my on-site experience in launching and operating businesses in Japan and overseas.

Living Related & Real Estate

The Living Related & Real Estate Business Unit will develop businesses that provide products and services that are close to consumers on a global basis while utilizing advanced technology to create new value and lifestyles, thereby contributing to the development of comfortable and exciting infrastructure for life.



Kotaro Tameda
Head of Business Unit



Utsunomiya Terrace complex urban development project



Summit supermarket chain/
Tomod's drugstore with
dispensing pharmacy




Left: New Zealand carrot juice
manufacturing business
Right: Bird Friendly® coffee

SWOT & business environment recognition


Strengths

- Expertise in retail and healthcare businesses acquired through the management of Summit Inc. and Tomod's Inc.
- Store network located primarily in the Tokyo metropolitan area and access to customers of Summit and Tomod's
- Robust global platform for food distribution and sale
- Extensive track record of developing and managing comprehensive portfolio of real estate projects

Opportunities and examples of initiatives

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Expansion of overseas retail market, primarily in emerging countries with a growing middle class • Development of new businesses that lead to greater efficiency in rising medical expenses in Japan and other developed countries; as well as installations of medical infrastructure in emerging countries • Heightened global concerns over SDGs-related issues including food waste and environmental burdens • Focus on real estate in Japan as stable assets |  | <ul style="list-style-type: none"> • Expansion of the retail business in Asia • Expansion of a community-based integrated care business centered on the dispensing pharmacy business and development of the managed care business in emerging countries • Acquisition of various ESG-related certifications that contribute to resolving social issues • Accumulation of prime assets and realization of profitable portfolio |
|---|---|---|

Risks & measures

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Decline in consumer confidence due to worsening economic conditions • Extreme weather patterns, infectious diseases, and other factors affecting harvest and sales price in recent years • Changes in global food supply, production, and logistics • Impact on the real estate market caused by capital market fluctuations |  | <ul style="list-style-type: none"> • Building of a highly efficient management structure • Strengthening of resilience through diversification of production areas and upgrading of equipment • Diversification of suppliers and strengthening of procurement, development, and planning/proposal capabilities to suit demand • Early ascertainment of financial market trends, analysis of impact on the real estate market, and timely and appropriate decisions on development, disposition, etc. |
|---|---|--|

Progress in main SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Retail	<ul style="list-style-type: none"> • Expanded presence in the Tokyo metropolitan area by aggressively opening and remodeling Summit stores • Enhanced profitability by promoting retail DX measures
	Healthcare	<ul style="list-style-type: none"> • Expanded the drug store and dispensing pharmacy business centered on Tomod's • Developed peripheral domains such as a community-based integrated care business centered on the dispensing pharmacy business • Expanded the customer and management bases in the managed care business • Expanded operations into ASEAN
	Food Distribution	<ul style="list-style-type: none"> • Further strengthened the business of SC Foods Co., Ltd. by coordinating with existing group companies and developing differentiated products • Strengthened the business through closer coordination with the Retail SBU
	Real Estate	<ul style="list-style-type: none"> • Built an optimal portfolio by accumulating prime assets mainly in strategic areas and withdrawing from unprofitable businesses • Steadily implemented B/S management by utilizing external funds such as investment funds and REITs
Value Creation	Global Fresh Produce	<ul style="list-style-type: none"> • Introduced a new management team, promoted the Sustainability Policy, and strengthened initiatives for value-proposition sales to realize early completion of the turnaround plan and further enhance our earning capabilities
	Building Materials and Cement	<ul style="list-style-type: none"> • Further expanded the earnings base of industry-leading group companies through enhanced collaboration with the real estate business

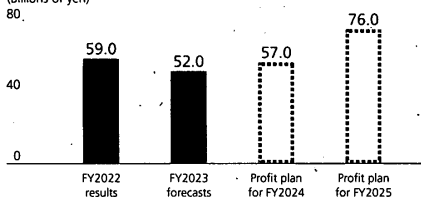
Living Related & Real Estate

Profit plan through FY2025 (results + trend)

In FY2022, the domestic supermarket business saw a decrease in profit due to a decline in demand for at-home meals associated with the easing of restrictions on movement implemented in response to the COVID-19 pandemic and the impact of soaring electricity prices. However, the real estate business performed well, producing solid results.

Although profit will decrease in FY2023 due to the delivery of the large real estate project in FY2022, we aim to achieve steady growth through FY2025. In the domestic supermarket business, we will implement large-scale store remodeling and work to improve profitability through DX, such as by increasing operational efficiency and reducing losses with AI-based demand forecasting, thereby expanding the revenue base. In the healthcare business, we will increase profit by expanding the revenue bases of the domestic drugstore and dispensing pharmacy business and the overseas managed care business. In the real estate business, we will continue to promote portfolio management handling various areas and asset types. At the same time, we will accumulate prime assets, strengthen the development and sales business, and promote the expansion of funds with high asset efficiency and REIT-related businesses. By doing these, we will further enhance our stable revenue base.

Profit for the year
(Billions of yen)



Human resources strategy

Sumitomo personnel playing active roles at job sites



Mao Yasuda
Retail Business Department No. 1

Over the past few years since joining Sumitomo Corporation, I have learned the basics of business and management from scratch through my responsibilities in overseeing B2B operations. Being at the Head Office, I have also provided support to group companies. Gradually, I developed a strong desire to contribute to the enhancement of business value by heading out to the front lines of the business.

I am currently assigned to Summit, a supermarket chain, where I am in charge of promoting DX. In this work, it is essential to have a deep understanding of the issues and needs at the job site. As such, I often conduct interviews and on-site surveys at stores, and I get to experience the joy that comes from working on the front lines. I also find it both challenging and interesting to be involved in the process of overcoming obstacles one by one by putting my head together with those from group companies who are familiar with the business and digital technology specialists to find the best solutions. It has also led to my personal growth. I will continue to work toward becoming a future-oriented individual who can identify needs and create new business by utilizing both the business acumen I have acquired through my supervisory responsibilities and the knowledge I have gained on the front lines.



Akinari Yamaguchi
Food & Agriculture Business
Department No. 1
CEO, Juice Products New Zealand Ltd.

After joining the Company, I was involved in domestic sales, imports, and exports mostly of agricultural and livestock products. This was followed by work in group company management, new business development, and value creation. I have also been an overseas trainee, been seconded to a group company, and served as manager of domestic sales. Throughout my career, I have acquired extensive knowledge not only of products and industries but also of company operations such as accounting, finance, legal, and labor affairs. I have also formed personal connections within the industry and the Group.

Currently, I am serving as CEO of Juice Products New Zealand, which manufactures fruit and vegetable juices in New Zealand. It is an agricultural business that operates around the clock, and as CEO, I am often required to make immediate and accurate decisions regarding sudden changes in plans, such as factory shutdowns due to adverse weather conditions. To do this, I draw on all the experience, knowledge, and connections I have cultivated in the past. When it comes to running the company, there are some legal, accounting, and labor issues specific to New Zealand, so I add and update knowledge based on my experience in Japan while placing great importance on teamwork, leveraging human capital from inside and outside the company.

Mineral Resources, Energy, Chemical & Electronics

The Mineral Resources, Energy, Chemical & Electronics Business Unit considers the changes brought about by social demand and megatrends for sustainability to be great opportunities. By upgrading our existing businesses and creating new ones, we continue to create social, environmental, and economic value in the fields of mineral resources, energy, chemical and electronics.



Yoshiyuki Sakamoto
Head of Business Unit



MUSA iron ore mining business



High-value-added petrochemical derivative manufacturing business



Agricultural input & service business

SWOT & business environment recognition

Strengths

- Experience and expertise cultivated in operations and business management in the upstream mineral resources and energy field
- Business-building capabilities covering the entire value chain
- Global partner and customer bases
- Competitive advantage in electronics manufacturing services (EMS), agricultural inputs, and aluminum smelting
- Sales network for crop protection products in countries worldwide
- Derivative trading function

Opportunities and examples of initiatives

- Global trend of energy transition
- Changes in demand for a decarbonized/recycling-oriented society
- Higher expectations for improved agricultural productivity
- Development of new business model through participation in the energy transition business in the United Kingdom
- Green initiatives (green aluminum, green steel, green chemicals)
- Strengthening of the agricultural input business and business development in innovative fields

Risks & measures

- Geopolitical risks
- Further increase in awareness of the problem of climate change
- Global pandemics
- Identification of factors affecting the supply chain and other functions and scenario planning
- Initiatives for achieving carbon neutrality by 2050
- Continuation of operations putting safety and security first, leveraging experience with the business continuity plan (BCP) response in the manufacturing business in each region

Progress in main SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Aluminum Value Chain	• Promoted a business model that generates profit from both investment in aluminum smelting using renewable energy power sources and base metal trading
	Non-Ferrous Metals Value Chain	• Shifted management resources to copper, nickel, and other products that are expected to grow in demand, promoted the optimization of the upstream asset portfolio for non-ferrous metals, and enhanced trading functions
	Basic Chemicals	• Adjusted the supply-demand balance and strengthened the distribution services function by utilizing the business foundation, including customers, suppliers, manufacturing business, and logistics assets
Seeding	Agribusiness	• Strengthened the agricultural input business by enhancing products and functions and expanding geographically • Developed and promoted new agriculture-related businesses that capitalize on new technologies and trends (clean farming, smart farming, next-generation food production)
	Energy Seeding	• Implemented initiatives in new energy-related business domains that contribute to mitigation of climate change
	Green Chemicals	• Combined existing business base with new technologies that contribute to reducing environmental impact, and promoted the building of a supply chain that contributes to carbon neutrality and the establishment of a circular economy

Mineral Resources, Energy, Chemical & Electronics

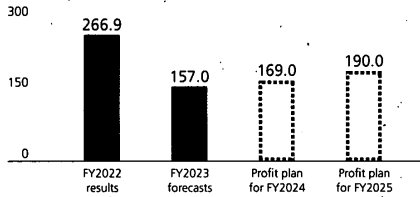
Human resources strategy

Profit plan through FY2025 (results + trend)

In FY2022, mineral resource and energy market volatility was high due to the situation in Ukraine, among other factors. In the midst of this, we achieved a high level of profit thanks to the execution of stable operations and trading functions in the mining business, the capturing of increased demand and higher prices for agricultural inputs resulting from higher grain market prices, and benefiting from a recovery in demand in the EMS business prompted by easing of the semiconductor shortage.

From now to FY2025, we expect a decline in mineral resources and energy prices in resources-related businesses to lead to a short-term drop in profit. However, we expect a contribution to revenues mainly from the nickel mining and refining business in Madagascar, which is aiming for high and stable operations, and the copper business in Chile, which launched production in 2023. In the chemicals and electronics field, expansion of the business base through geographical expansion in the agribusiness and improvement of profitability through enhanced functionality will drive performance growth. We will also steadily improve profitability through organic growth in the electronics business and expansion of basic chemicals trade.

Profit for the year
(Billions of yen)



Human resources management in the Ambatovy Nickel Project

Project outline

Sumitomo Corporation is the largest shareholder and operator of the Ambatovy Nickel Project, which is currently underway in Madagascar. This is one of the world's largest nickel projects, carrying out all production processes from nickel ore mining to base metal refining in the same country. We produce high-grade nickel used in storage batteries for EVs and other applications for which demand is expected to grow, selling it to customers in Japan, Europe, the United States, and Asia.

Currently, we are working on short-, medium-, and long-term issues to strengthen our system for stable and continuous production of high-grade nickel. This includes strengthening initiatives to improve operations and instilling a culture that promotes such improvements, enhancing our regular and preventive maintenance systems, and promoting inter-departmental collaboration. Realizing complex integrated production in Madagascar, which is still growing, will require not only immediate measures but also various long-term initiatives. As such, we are promoting localization at all levels, accumulating knowledge and experience, and working on business management and environmental conservation aimed at co-prosperity and coexistence based on relationships with local communities.

Importance of human resources management

We consider expanding the human capital that preside over the management of our business an important task along with developing and dispatching managerial talent that will lead the business to success. In the mining

business, we place the right talent in the right assignments. They have experience cultivated not only in this project but at multiple sites and operating companies and networks formed in the resources industry, including experience managing the silver, zinc, and lead business at our wholly owned San Cristóbal Mine in Bolivia that we sold in FY2022. We also actively utilize professional human capital from our network to provide the diverse functions required in the mine development business.

We constantly strive to enhance the capabilities of each individual and, as shareholders, we promote independent management by local operating company Ambatovy. Through proactive dialogue and mutual cooperation within the Board of Directors, we aim to build a solid business foundation and create new value.

By fully leveraging the functions of group company management teams and boards of directors, including those of Ambatovy, and our own, we seek to maximize corporate value. Through this pursuit, our global mine development business will provide a stable mineral resource supply worldwide while contributing to the countries and local communities where the mines are located, thereby achieving prosperity and realizing dreams of the people.



On-site inspection with partner Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR)

Energy Innovation Initiative (EII)

We will contribute to achieving a sustainable society based on the three focused areas of developing carbon-free energy, expanding power & energy services, and CO₂ capture, storage and utilization from a bird's-eye view of decarbonization and recycling energy systems.



Koji Aso
Head of EII



Green hydrogen production business

Domestic on-site solar power generation business

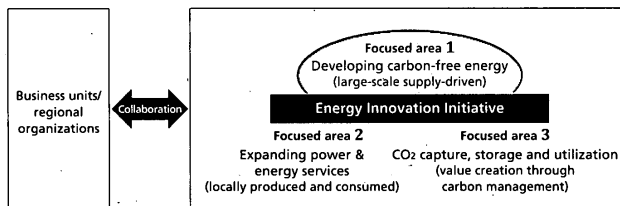
New Zealand forestry business

Overall picture and vision of EII

As EII, we are working to create next-generation energy businesses that contribute to realizing a carbon-neutral society through the development of a decarbonization and recycling-oriented energy system based on three focused areas. In FY2022, we launched an overseas organization to establish a global system and established three new business lines, including the Indonesia Energy Transition Dept. We aim to build a future revenue base for the Group with diverse insights from both internal and external sources and promoting business development through cross-organizational collaboration that goes beyond conventional regional and divisional boundaries.

Creation of new businesses through cross-company collaboration

Creation of next-generation energy businesses

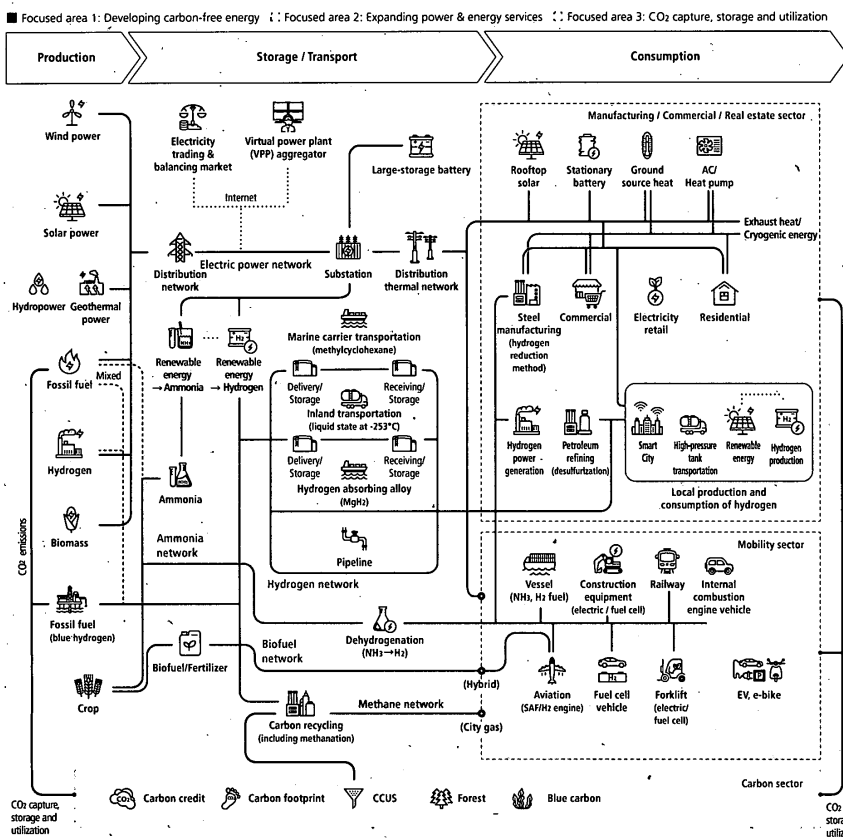


Scale of next-generation energy-related investments by the Sumitomo Corporation Group:
¥1.5 trillion (2030 plan)

Results and future initiatives in the three focused areas

Focused area	Theme	Main progress/achievements and future policy
Focused area 1	Hydrogen & ammonia	We are working on major projects such as the hydrogen supply chain development project with Japanese and Australian affiliates while also promoting the clean ammonia business. Please access the news release below for details on our hydrogen-related initiatives. https://www.sumitomocorp.com/en/jp/news/topics/2023/group/20230308
	Next-generation biofuels	New projects are under development, including a low-carbon bioethanol manufacturing project combined with CCS and a bio-jet fuel (sustainable aviation fuel (SAF)) project.
Focused area 2	Green power platform	The domestic corporate solar power purchase agreement (CPPA) distributed/concentrated solar power generation business is expanding steadily, such as for the AEON Group. We are also promoting business development overseas.
	Large-scale energy storage business ● p. 59	Preparations for commercialization are steadily underway, including the construction of a large-scale energy storage station in Chitose City, Hokkaido and the launch of Battery Station Kyushu LLC, a joint project we are carrying out with Kyushu Railway Company (JR Kyushu).
Focused area 3	Forestry business	We will work on new businesses that make full use of our strengths, such as forest management expertise and marketing capabilities, through our ownership of sustainable forest assets.
	Carbon management	We will promote carbon neutrality by participating in carbon credit business rulemaking and developing the CCUS value chain.

Energy Innovation Initiative (EII)



Human resources strategy

Developing talent to design and create innovation businesses

Through inter-organizational collaboration and open innovation, EII aims to promote business development for the creation of decarbonized, recycling-oriented energy systems and to establish future earning projects for the Group in the next-generation energy field. Looking at the entire energy value chain, we will combine the business foundation and functions of the Group to come up with and implement a growth strategy that will contribute to the realization of a carbon-neutral society. We believe it is important to develop talent with the necessary mindset, skills, and expertise to "design and create innovation businesses."

Since diversity of human resources (DE&I) is also essential for the creation of new business opportunities and business development, we EII have brought together members with diverse backgrounds and expertise from both inside and outside the Company, and currently have more than 200 members globally, including those from overseas organizations. In order to put the formulated strategies into practice, we will focus on creating a system that enables diverse talent to reach their full potential and pursue results as a global EII team, such as by flexibly establishing new organizations when deemed necessary.

Business reform through DX

Message from CDO

Steadily reforming our business through DX

The DX Center, which we established in 2018, drives our efforts to transform business models across the Company by utilizing digital technologies based on business challenges. Under the previous medium-term management plan, we worked on the development of a “DX-ready” environment, including activities to raise internal awareness of DX and promote its spread and the digitalization of on-site operations through robotic process automation (RPA). Under the current medium-term management plan SHIFT 2023, we are promoting DX through unified groupwide efforts. Digital technology is merely a tool for solving problems. It is combining the power of different digital technologies to provide solutions from both a macro perspective that considers the entire industry and a micro perspective that identifies the essence of on-site challenges that will lead to business transformation. Using this approach, we will contribute to the strengthening of each business through DX and the improvement of profitability and creation of value groupwide.

Supporting the achievement of the Business Portfolio SHIFT through expansion of functions

Same as sustainability, DX is an important tool that supports the Business Portfolio SHIFT. Under the current medium-term management plan, we have expanded the functions of the DX Center to bring about a more accelerated and effective Business Portfolio SHIFT, in addition to our continued efforts to implement DX at each SBU. To reform business by utilizing digital technology, it is important to build a system infrastructure to realize it. We have established an IT package called “SC Digital Platform” to enable rapid and advanced system deployment and data analysis. This package is available

to approximately 900 group companies, and we are promoting the Group's DX by combining it with the human support provided by SCSK.

In addition to our digital technology initiatives, we have launched the Quantum Transformation (QX) Project, which aims to realize social transformation through quantum technology. We are expanding our network and conducting proof-of-concept experiments to prepare for the coming quantum society. We are also engaged in key start-up investments in five global locations (Silicon Valley, Hong Kong/Shanghai, Tel Aviv, London, and Tokyo), focusing on incorporating the latest technology and cultivating new business models. Through this geographical reach, we are enhancing collaboration between the investee start-up companies and the Sumitomo Corporation Group. In this way, along with continuous efforts toward business model transformation, we have been promoting expansion in terms of functionality, establishing a framework for more vigorously promoting the Business Portfolio SHIFT. This is the change in DX within the current medium-term management plan.

Continuing to create value and pursue social reform

Five years have now passed since the establishment of the DX Center. In April of this year, as momentum was being generated throughout the Company and the adoption of DX progressed, we decided to integrate the functions of promoting DX and IT strategies to build a foundation for further value creation activities and enhance technological and specialized capabilities under the Chief Digital Officer (CDO) and the Chief Information Officer (CIO). The aim is to provide more advanced functions and improve profitability utilizing digital technology.

We will continue to promote advanced DX at the on-site level by improving the DX skills of all employees, aiming to further increase the upside potential of each SBU. We will also

utilize the latest technologies, such as generative AI, to achieve advanced data-driven management, tying this into value creation and sustainable growth of the Company. In the coming years, we will work on providing comprehensive solutions not only to the Sumitomo Corporation Group but also to society at large by leveraging our accumulated expertise in areas such as digital technology and data utilization. We are already providing our DX expertise to society through our DX services for Japanese manufacturers in Southeast Asia and our private equity fund. Through the creation of value that is both large in scale and has a huge social impact, we will achieve internal and external business reform and establish our presence as an integrated digital solutions trading company.

Tatsushi Tatsumi

Executive Officer,
Corporate Group,
CDO/CIO



Business reform through DX

Initiatives to promote DX

Building a system for collaboration

The key to success in DX is having the ability to conceptualize a business that combines knowledge of business sites and digital technology as well as the ability to implement technology to realize the vision. Involving key persons from business sites and having a clear picture of the use of digital technology and its expected effects will lead to the realization of effective DX.

To implement DX in our extensive business portfolio, Sumitomo Corporation has established a collaborative system consisting of three companies: SCSK, which is engaged in the development and integrated operation of digital solutions; SC Digital Media*1, which provides digital marketing functions; and Insight Edge, Inc., a company specializing in DX technology. The SBUs and the DX Center are working to bring about the envisioned outcome and expected effects of DX in terms of both business and digital aspects, promoting groupwide DX with strong technological implementation capabilities.

Insight Edge has more than 30 specialized talent, including data scientists, agile development engineers, UI/UX designers, and data consultants. It provides the engineering functions required for realizing DX. We leverage the strengths of our in-house organizations to not only reduce the time and costs involved in selecting and subsequently contracting with external vendors but also to introduce specialist talent from the problem-identification and measure-planning stages. By repeating the process of quickly developing and improving solutions for a wide range of needs across group companies, including prototype development, AI-driven demand forecasting/anomaly detection, and big data analysis, we are increasing the probability of success in DX.

*1 The company name will be changed to SC Digital Co., Ltd. on October, 1 2023.

Collaborative system for promoting DX



Examples of DX

AI + Drones

Promoting a blue economy business with image analysis algorithms

Together with group companies Sumitomo Corporation Tohoku Co., Ltd., Insight Edge, and Nileworks Inc., Sumitomo Corporation has established a technology for measuring carbon absorption through blue carbon. We have been supporting the acquisition of J Blue Credit*2 in Hirono Town, Iwate. Blue carbon is carbon from CO₂ absorbed from the atmosphere and sequestered and stored in water and marine environments, primarily by mangroves, seagrasses, and seaweed beds. By combining the drone photography technology of Nileworks, which develops agricultural drones, with image analysis algorithms developed by Insight Edge, we were able to achieve rapid and accurate measurement of carbon absorption, rated as highly reliable in the certification audit. In 2022, we obtained certification for a record-high 3,106.5 tons of CO₂. We will continue to combine group technologies and expertise to develop new businesses utilizing digital technology.

*2 A credit standard operated since 2020 by the Japan Blue Economy (JBE) Association, which certifies credits specializing in the carbon stored in coastal and marine ecosystems ("blue carbon")

Logistics + Quantum technology, AI, and robots

Utilizing our network to implement the latest technologies in our businesses

The logistics industry is facing a number of issues, including labor shortages and low productivity such as the "2024 problem." We are taking on the challenge of solving these issues through DX methods using quantum, AI, and robot technologies. We developed the Smile Board Connect system to promote visualization at warehouse sites. Combining this system with our magiQanneal quantum computer-based logistics optimization platform, we provide a service that optimizes the allocation of on-site workers and improves productivity. Furthermore, in the Robots as a Service (RaaS) business, where we provide high-performance robots on a subscription basis, we have signed an exclusive distributorship agreement with Dexterity, Inc., a U.S.-based company that our CVC discovered and invested in. We are providing their AI robotics solutions domestically. These are examples of DX services realized through the QX Project and CVC. We will continue to leverage the Group's network and organically combine functions to maximize the value provided to customers utilizing digital technologies.

Enhancement of sustainability management

Sustainability management embodying Sumitomo's Business Philosophy

Sustainability management involves two elements, namely "sustainable corporate growth" and "contribution to the development of a sustainable society." We believe that initiatives that align these two elements are the ideal form of corporate activities in the coming era. We can envision a long-term narrative of our value creation by anticipating changes in the future business environment and leveraging their own strengths to accomplish these two elements.

Sumitomo Group companies have inherited Sumitomo's Business Philosophy over the course of generations and have conducted their businesses in accordance with the values therein. The idea that Sumitomo's business must go beyond benefiting Sumitomo itself to also benefit the nation and society is found in the phrase, "benefit for self and others, private and public interests are one and the same," which describes one element of Sumitomo's Business Philosophy. This aligns closely with the values of today's sustainability management. For around 400 years, companies within the Sumitomo Group have emphasized harmony with the public interest and have strived not only to pursue economic benefits but also to conduct management in such a way as to continually serve the common good as their mission while addressing the social issues of the times and changes in the business environment. In today's society, we continue to recognize the enduring importance of management that embodies Sumitomo's Business Philosophy. We are committed to resolving social issues and pursuing the ideal vision of society from a medium- to long-term perspective.

Establishing key social issues and medium- and long-term goals

Based on the philosophy that has been passed on through the generations, in 2020 the Sumitomo Corporation Group identified six key social issues that are particularly relevant to its business activities from among the social issues facing the world. After that, we established medium- and long-term goals to contribute to solutions to each of the issues.

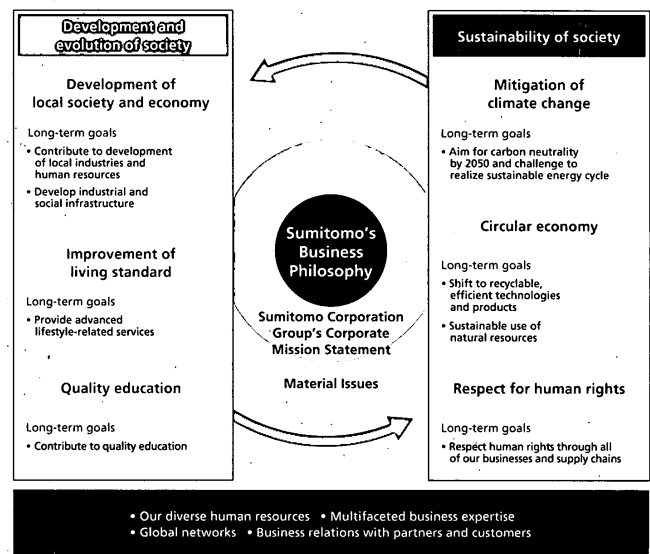
In addition, the current medium-term management plan SHIFT 2023, which was launched in FY2021, further links sustainability management to growth strategies and reflects them in specific initiatives and allocation of management resources. In other words, we will take the demands of society with respect to realizing a sustainable society as opportunities and strive to shift our business portfolio to align with medium- to long-term social structural changes. To that end, along with financial indicators, we thoroughly manage and monitor medium- and long-term goals (non-financial indicators) for key social issues while regularly verifying progress on the action plan.

Specifically, KPIs and KAIs are set for the Group's key social issues at the SBU level, where progress is monitored together with the growth strategies of each SBU. Key initiatives and

progress toward achieving medium- and long-term goals are discussed at strategy meetings and other forums and are also monitored regularly by the Corporate Sustainability Committee, an advisory body to the Management Council.

None of these initiatives can be accomplished overnight, but we will continue to create new value through persistent implementation of the management cycle, seeking to simultaneously enhance the Group's corporate value and realize a sustainable society.

Six key social issues

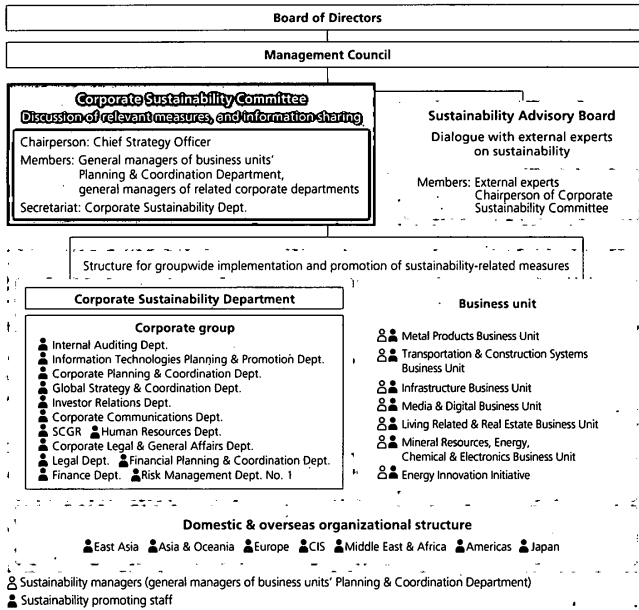


Enhancement of sustainability management



Corporate sustainability system

The Corporate Sustainability Department is responsible for planning and promoting sustainability internally. Through collaboration among the general managers of each Planning & Coordination Department who are responsible for promoting sustainability in each business unit and sustainability promotion personnel of each Planning & Coordination Department, related corporate departments, and overseas regional organizations, we are implementing sustainability promotion measures throughout the entire Group. At the same time, each business unit, initiative, and regional organization is promoting its own measures based on the uniqueness of their respective businesses and regions.



Corporate Sustainability Committee

We have established the Corporate Sustainability Committee as an advisory body to the Management Council. For important initiatives related to sustainability promotion, the committee submits agenda items and reports to the Management Council and the Board of Directors for consideration. These initiatives are then promoted at the discretion of the Management Council and under the supervision of the Board of Directors.

Main topics of discussion and reports in FY2022

- Monitoring of medium-term sustainability goals
- Operation of the Corporate Sustainability Committee
- Establishment of Sustainability Advisory Board
- Disclosure based on the TCFD
- Utilization of internal carbon pricing
- GX League
- Status of social and environmental risk management
- Social contribution activities
- Environmental management activities
- Biodiversity-related initiatives
- Initiatives for enhancing disclosure of non-financial information
- Results of ESG rating

Sustainability Advisory Board

We established the Sustainability Advisory Board, consisting of external experts, in March 2023 to obtain advice and recommendations on sustainability management in general.

Main topics of first meeting in 2023

- Discussion on the next medium-term management plan
- Measures required for the six key social issues
- Sustainability promotion system and evaluation mechanism

Advisory Board members (March 2023–February 2024)

- Sadayoshi Tobai (Chief Executive Officer, WWF Japan)
- Hidemi Tomita (Managing Director, LRQA Sustainability K.K.)
- Takashi Nawa (Professor, Kyoto University of Advanced Science and Visiting Professor, Hitotsubashi University Graduate School)
- Junko Watanabe (Attorney-at-Law, Nishimura & Asahi)

Key social issues and medium- and long-term goals

Key social issues	Long-term goals	Medium-term goals	Progress	
Mitigation of climate change > p. 53 	Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle	Reduce the Group's CO ₂ emissions 50% or more by 2035 (compared to 2019)	<ul style="list-style-type: none"> Reduce CO₂ emissions of the power generation business by 40% or more by 2035 (of which, reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise 20% coal-fired, 50% gas-fired, and 30% renewables*1 in terms of net ownership generation capacity. Reduce indirect CO₂ emissions*2 associated with the fossil fuel upstream business by 90% or more by 2035. Reduce CO₂ emissions in all other businesses*3. 	<ul style="list-style-type: none"> Reduced the Group's CO₂ emissions by 12.3% (compared to 2019) Reduced CO₂ emissions of the power generation business by 1.2% (compared to 2019) Power generation portfolio at end of FY2022 comprised 52% coal-fired, 30% gas-fired, and 18% renewables in terms of net ownership generation capacity Reduced indirect CO₂ emissions associated with the fossil fuel upstream business by 41.8% (compared to 2019)
		Establish businesses that will form the foundation for a sustainable energy cycle in society	<ul style="list-style-type: none"> Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (5 GW 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. 	<ul style="list-style-type: none"> Expanded the supply of renewable energy in Japan and overseas: 1.8 GW (as of end of FY2022) Began to consider a business of combining hydrogen and power storage in Ishikari City, Hokkaido Oshima Shipbuilding obtained an approval in principle for the ammonia fueled ships Conducted a proof-of-concept for the Blue Carbon Project in Hirono Town, Iwate Prefecture. With the cooperation of the Fisheries Associations in Hirono Town, measured the seaweed bed area and applied to acquire J Blue Credit®, marketing the granted credits Continued developing projects to acquire and expand the scale of forest resources
Circular economy 	Shift to recyclable, efficient technologies and products Sustainable use of natural resources	Use renewable and recyclable raw materials, collect waste, and promote improved efficiency of product usage	<ul style="list-style-type: none"> Expand use of raw materials derived from recycled or renewable resources. Improve efficiency of product usage and expand businesses that promote longer product life (sharing, sales of used items, leasing, rentals, etc.). 	<ul style="list-style-type: none"> Secondarily used EV batteries at a large-scale battery energy storage system in Chitose City, Hokkaido with the aim of beginning commercial operation in FY2023 Expanded a subscription service of EV for corporate and private customers, in addition to EV sharing, increasing the user base
		Reinforce the sustainable procurement system for major natural resources used by the Group	<ul style="list-style-type: none"> Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system. 	<ul style="list-style-type: none"> Promoted sustainable forest management through due diligence (conduct of supplier survey and on-site inspection, etc.) based on our Forest Management Policy and Sourcing Policy for Forest Products
Respect for human rights > p. 56 	Respect human rights through all of our businesses and supply chains	Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group's Human Rights Policy	<ul style="list-style-type: none"> By 2023, achieve 100% participation rate in human rights education based on the Guiding Principles, and 100% implementation rate in regional organizations and subsidiaries. Strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including the supply chain, and implement risk mitigation measures by 2025. Establish a more effective grievance mechanism*5 based on assessment results. 	<ul style="list-style-type: none"> Rolled out human rights education tool (e-learning) to all officers and employees of Sumitomo Corporation and achieved 100% participation rate in FY2022 Conducted human rights due diligence in sequence on a business-unit basis with the aim of covering all businesses by 2025 (completed for Infrastructure Business Unit and Mineral Resources, Energy, Chemical & Electronics Business Unit in FY2022, reaching a cumulative total of four business units)
		Ensure a safe workplace environment	<ul style="list-style-type: none"> Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction. 	<ul style="list-style-type: none"> Created a booklet that introduces countermeasures against the most frequent accidents, and distributes it to employees throughout the global tubular organization. Also, provided e-learning for HSSE*6
		Achieve a diverse organization grounded in mutual respect	<ul style="list-style-type: none"> Provide a safe working environment that is free from discrimination and harassment. Promote human resources management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values. 	<ul style="list-style-type: none"> Explicitly added the concept of Equity to the Global Human Resources Management Policy (DE&I), and continued Diversity Weeks (intensively developed programs aimed at permeating and realizing DE&I) and implemented global collaboration




*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)

*5 A process that employees, local residents, or other stakeholders can use to lodge complaints regarding human rights violations and other issues related to enterprise's business activities including its supply chain, for resolving such issues

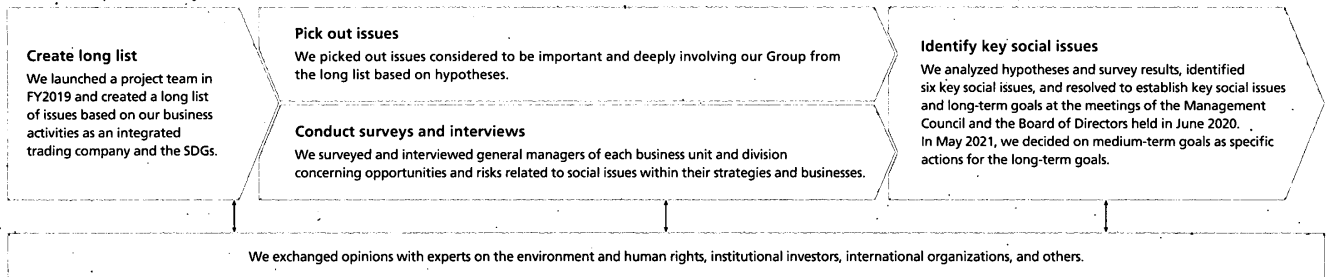
*6 Health, Safety, Security and Environment

Key social issues and medium- and long-term goals

Key social issues	Long-term goals	Medium-term goals	Progress
Development of local society and economy 	Contribute to development of local industries and human resources	Develop local industries, create jobs, and develop human resources through the Group's global business operations	<ul style="list-style-type: none"> Promote sustainable, highly productive, and value-added industries, and coexist with local communities through business. Create employment and develop management and highly skilled human resources at the Group's business sites.
	Develop industrial and social infrastructure	Establish industrial and social infrastructure that contributes to the sustainable development of society	<ul style="list-style-type: none"> Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions.
Improvement of living standard 	Provide advanced lifestyle-related services	Deliver advanced lifestyle services that help to solve social issues such as urbanization and aging populations	<ul style="list-style-type: none"> Provide more advanced services and new functions that improve the standard of living, such as mobility, media and telecommunications, healthcare services, and Smart City development, based on new technologies and concepts.
			<ul style="list-style-type: none"> The North Hanoi Sustainable City: Obtained approval for urban planning/progressed on land expropriation/concluded a basic agreement with BRG (a partner company) Provided a variety of welfare services (childcare center booking service, health checkups, education, café within the industrial park, etc.) via a digital platform for tenant companies and employees at Thang Long Industrial Parks in Vietnam Provided local 5G infrastructure services, and conducted local 5G proof-of-concept trials with cable TV operators and railroad operators for commercialization
Quality education 	Contribute to quality education	Provide quality and equal learning opportunities through 100SEED* activities	<ul style="list-style-type: none"> Quantitatively expand the scope of learning opportunities. 100% satisfaction of beneficiaries. Continue to have at least 5% of all employees participate annually (scope is Sumitomo Corporation, regional organizations, and group companies).

* Social contribution activity program with employee participation at the Sumitomo Corporation Group

Identification process of key social issues



Mitigation of climate change

Achieving carbon neutrality at the Sumitomo Corporation Group and in society

Mitigating climate change is a serious challenge that must be overcome to realize a sustainable society. As such, we must make the transition to a society that emits as little CO₂, methane, and other greenhouse gases as possible by converting to renewable energy and other forms of clean energy and conserving energy in industries and households. It will also be necessary to balance residual emissions and absorption of CO₂ to create a sustainable energy cycle by maintaining and recovering CO₂ absorbed by forests, marine plants, and other natural capital and capturing, storing, and utilizing CO₂ through new technologies and business models that consider it a resource.

The Sumitomo Corporation Group has set forth a long-term goal of realizing carbon neutrality within the Group by 2050. In addition to setting milestones to achieve this goal, we are steadily promoting the use of internal carbon pricing and the creation of next-generation businesses centered on the Energy Innovation Initiative (EII).

The decarbonization movement is spreading to diverse industries with a global presence. We will steadily shift our business portfolio by addressing the risks brought about by the accompanying changes in technology and business models while at the same time cultivating the business opportunities presented by the social needs created by those same changes.

Promoting the utilization of internal carbon pricing (ICP)

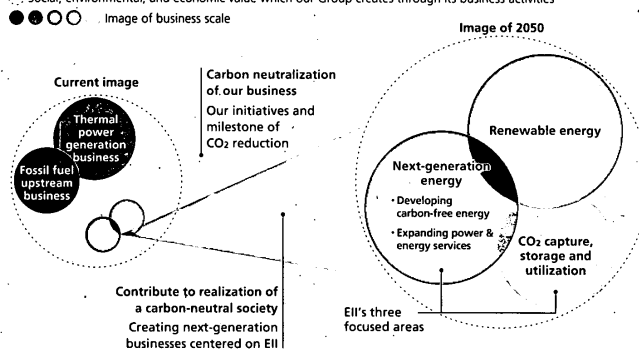
While working on early action on potential future risks and opportunities arising from climate change, we are promoting the utilization of internal carbon pricing as a means of accelerating our portfolio shift. We use some scenarios such as the IEA's*1 NZE Scenario*2 to centrally visualize and monitor the Group's carbon emission costs, businesses that have the potential to create environmental value by capturing, storing, and utilizing CO₂, and businesses that contribute to reducing CO₂ emissions. In addition, regarding individual investments, we analyze new and existing investments that are of high importance using those scenarios to check whether or not they will have an impact on future business and how to address it.

*1 International Energy Agency

*2 Net Zero Emissions by 2050 Scenario: A scenario that assumes global achievement of net-zero emissions by 2050 (a 1.5°C increase in temperatures since the Industrial Revolution)

Initiatives to mitigate climate change (business shift)

● Social, environmental, and economic value which our Group creates through its business activities



Basic agreement with state-owned electric company in Indonesia to accelerate energy transition

Demand for electricity is expected to increase fivefold to sevenfold by 2060 in Indonesia as the country's economy and population continue to grow. At the same time, however, it aims to achieve net-zero greenhouse gas emissions, which currently stand at approximately 1.8 billion tons. The Group is accelerating the new development of renewable energy power generation projects and promoting studies on the early transfer or shutdown of existing coal-fired power plants in order to support stable energy supply and carbon neutrality in Indonesia. We will co-create a comprehensive ecosystem, including attracting investment from green industries that require renewable energy.

Upward revision of renewable energy supply expansion target for 2030

Based on the fact that the number of highly feasible pipeline projects is on the rise, we updated our target for net ownership generation capacity from 3 GW or more to 5 GW or more. We will establish businesses that will form the foundation for a sustainable energy cycle through the expansion of the renewable energy power generation business of the Infrastructure Business Unit and the creation of next-generation businesses in a decarbonization and recycling energy system sought by the EII.

Mitigation of climate change

Steadily promoting initiatives for carbon neutrality at the Sumitomo Corporation Group

With regard to the scope of the goal of carbon neutrality within the Group, in addition to Scope 1 and Scope 2 CO₂ emissions at Sumitomo Corporation and its consolidated subsidiaries (approx. 1 million tons), we also include the CO₂ emissions of the power generation business, which emits a large portion of total emissions (approx. 43 million tons), including associated companies (equity method), and indirect CO₂ emissions generated by other organizations with the use of fossil fuel in the fossil fuel upstream business (Scope 3 Category 11; approx. 9 million tons).

Scope of goal of carbon neutrality (2022 results)

	Scope 1 Direct emissions	Scope 2 Indirect emissions from acquired electricity, etc.	Scope 3 Other indirect emissions
Sumitomo Corporation/Subsidiaries	Approx. 1 million tons (excluding the power generation business)		Fossil fuel upstream business Approx. 9 million tons
Associated companies (equity method)	Power generation business (including facilities under construction) Approx. 43 million tons		

Policy on and approach to our coal-fired power generation business

Sumitomo Corporation policy

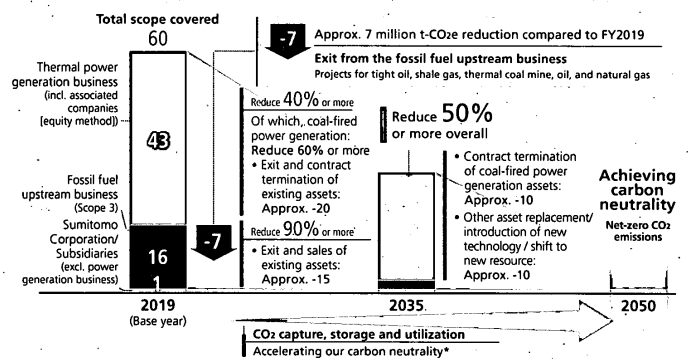
- No involvement in any new coal-fired power generation business, neither in Independent Power Producer (IPP) nor EPC, without any exception
- End all coal-fired power generation business by the late 2040s

Approach to efforts

- From the perspective of our social responsibility, including the development of local communities and economies and our obligation to supply, we will pursue every option, not eliminating the possibility of accelerated withdrawal from the business, while implementing the following efforts to accelerate the decarbonization of our Company and society as a whole.
- Consensus building based on sincere dialogue with host countries, local communities, and other stakeholders
 - Pursuit of consideration and efforts toward the decarbonization and low-carbonization of existing facilities
 - Maximum support for host countries to shift power sources to renewable energy and other sources

In FY2022, we sold some of our interests in the fossil fuel upstream business and pushed forward with the Business Portfolio SHIFT through promotion of the renewable energy business. At the same time, we began studies on how to promote decarbonization and low-carbonization for our existing coal-fired power generation business. To achieve carbon neutrality within the Group by 2050, we will steadily work toward specific milestones for CO₂ emission reductions.

Milestones for reducing emissions to achieve carbon neutrality (Millions of tons of CO₂e)



* Through means recognized by international standards such as capture and storage by forests and other technical methods

Disclosure based on the TCFD

Recognizing the importance of disclosing information related to our initiatives to address climate change issues, we have been supporting the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since March 2019.

We established medium- and long-term goals for mitigating climate change as a key social issue. While making such efforts as reviewing the Group's Policies on Climate Change Issues, in compliance with the framework recommended by the TCFD, we disclose information related to climate change on our corporate website and on our ESG Communication Book (ESG Data). Through opportunities such as ESG briefings, we are striving to engage in further dialogue with stakeholders and continuously enhance information disclosure.

Governance

With regard to the various opportunities and risks related to climate change issues involved in the Group's diverse business activities, the Board of Directors receives periodic reports on strategies in the Group's diverse activities in each business field, their progress, and the status of risks affecting

Mitigation of climate change

the Company's entire business portfolio, and monitors whether appropriate management is being carried out. In addition, the Board of Directors adopts resolutions establishing Policies on Climate Change Issues and discusses the handling of important issues related to the policies.

Strategy

The Group positions its climate change mitigation initiatives as a strategic means to reduce risks and explore business opportunities. We are steadily promoting the Business Portfolio SHIFT accordingly.

In analyzing transition risk scenarios, we recognize that long-term changes in the external environment caused by climate change will bring about various changes in the Group's business environment. In principle, we include businesses involved in sectors where there are expected to be significant changes in the business environment, regardless of their size, within the scope of analysis. In 2023, we added businesses related to new opportunities to the scope of analysis. In the respective scenario analyses for transition risks and physical risks, we confirm our response to the risks and opportunities and strive to enhance information disclosure.

The demand and supply trends in the relevant markets of our businesses, as described in the various scenarios*1, show that roughly 90% of them would either be neutral or show an increase. Overall, we have confirmed that the markets are stable or expanding under the scenarios. In addition, we analyze our potential risks and opportunities, taking into account external

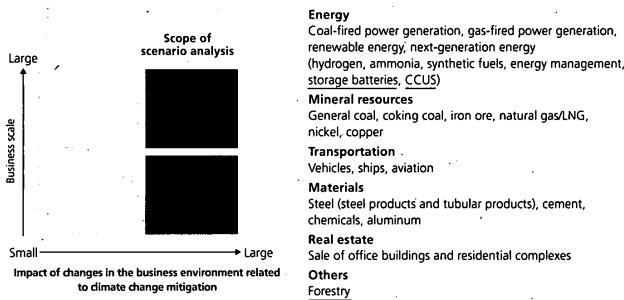
environmental changes such as the climate-related disclosure standards of ISSB*2, technological changes, regulatory introductions, market trends, and other factors. We also monitor our response to those changes and the progress of our portfolio shift.

As for physical risks, in 2023 we identified the forestry business as a field where the risks are relatively significant among our businesses in a wide range of fields and regions. This was in addition to the power generation business, mineral resources and energy concession business, real estate business, and agriculture. Of these, for businesses that we consider particularly susceptible to physical risks, we analyzed the impact using assessment tools that refer to the RCP8.5*3 scenario by the IPCC*4, which assumes a 4°C rise by the year 2100, and others.

We have confirmed that in all of these businesses, we are able to manage the risks through confirmation of the impact of local weather and geographical factors on the business at the time of investment, ongoing assessments after participation in the business, clarification of the contractual scope of responsibilities, and liability insurance policies.

*1 Using the five scenarios of 1.5–2.5°C described in World Energy Outlook 2022 and Energy Technology Perspective 2023 by the IEA, The Inevitable Policy Response 2021 by the Principles for Responsible Investment (PRI), and other forecasts
 *2 International Sustainability Standards Board
 *3 Representative Concentration Pathway 8.5
 *4 Intergovernmental Panel on Climate Change

Business sectors identified for transition risk scenario analysis



* Underline indicates new inclusion in scope.

Risk management

The status of the Group's major risks, including confirmation within each business unit, is summarized and reported regularly to the Management Council and the Board of Directors. If there are any unacceptable risks from the perspective of the portfolio as a whole, measures including reduction of exposure are investigated with organizations responsible for risk management.

Metrics and targets

We have established CO2 emission reduction targets ● p. 54 and are working to achieve carbon neutrality within the Group and in society.

For further details, please visit our ESG Communication Book (ESG Data).
<https://www.sumitomocorp.com/en/jp/sustainability/communication/index.html#data>



Respect for human rights

Our approach to respect for human rights

Through the implementation of human rights due diligence, stakeholder dialogue, internal education, and other such efforts based on the Sumitomo Corporation Group's Human Rights Policy established in May 2020, the Group strives to demonstrate respect for human rights as part of its corporate social responsibility (CSR) and achieve sustainable growth together with society.

Goals and progress

<p>Long- and medium-term goals</p>	<p>Long-term goals</p> <ul style="list-style-type: none"> • Respect human rights through all of our businesses and supply chains <p>Medium-term goals</p> <ul style="list-style-type: none"> • Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group's Human Rights Policy • Ensure a safe workplace environment • Achieve a diverse organization grounded in mutual respect
<p>Progress in FY2022</p>	<ul style="list-style-type: none"> • Promote and ensure respect for human rights <ul style="list-style-type: none"> - Carried out human rights due diligence for two business units (Infrastructure and Mineral Resources, Energy, Chemical & Electronics) - With the human rights due diligence performed for Media & Digital and Living Related & Real Estate in FY2021, this brings the cumulative total to four business units - Implemented e-learning on business and human rights for all Sumitomo Corporation officers and employees, achieving a 100% participation rate

For further details, please visit our corporate website.



Policy, structure, etc., for respect for human rights
<https://www.sumitomocorp.com/en/jp/sustainability/respect>



Details on initiatives related to key social issues
<https://www.sumitomocorp.com/en/jp/sustainability/management>



Sumitomo Corporation Group's Human Rights Policy

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

Sumitomo Corporation became a signatory in 2009 to the Ten Principles of the United Nations Global Compact, which advocates for values common to its own Management Principles, including those regarding human rights and labor.

We also respect the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and we operate in accordance with the United Nations Guiding Principles on Business and Human Rights.

1. Scope of application

Sumitomo Corporation endeavors to ensure that all executives and employees within the Group fulfill their responsibility to respect human rights.

In addition, we encourage our suppliers and business partners to accept, understand, and practice this policy so that we can work together to fulfill our social responsibilities, including respect for human rights in the relevant value chain.

2. Human rights due diligence

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

3. Compliance with relevant laws

Sumitomo Corporation will comply with national and regional laws and regulations applicable to its group operations.

When those laws and regulations are incompatible with internationally recognized human rights, we will seek to employ measures to respect international human rights norms.

4. Stakeholder engagement

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

5. Education

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

6. Reporting

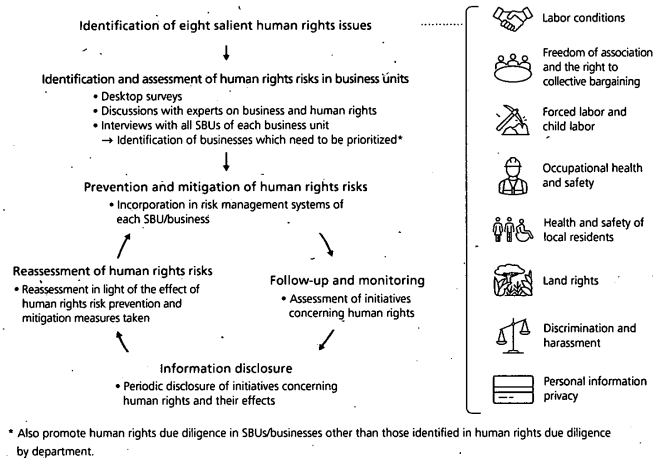
Sumitomo Corporation will disclose appropriate information regarding its efforts to respect human rights.

Respect for human rights

Human rights due diligence in all businesses, including the supply chain

Based on the Sumitomo Corporation Group's Human Rights Policy, we began human rights due diligence in 2020 so that we can identify, prevent, mitigate, and account for how we address any adverse human rights impact of the Group's business activities. Respect for human rights is one of the key social issues of the Sumitomo Corporation Group. As such, we have established a medium- to long-term goal of achieving respect for human rights in all of our businesses, including our supply chain. Our human rights due diligence is carried out via a process in line with international guidance such as the United Nations Guiding Principles on Business and Human Rights and the United Nations Guiding Principles Reporting Framework. We also identified salient human rights issues that should be prioritized in order to evaluate the impact on human rights within the Group and the related risks. Specifically, we have positioned the following as material issues: freedom of association and the right to collective bargaining, forced labor and child labor, discrimination and harassment, occupational health and safety, labor conditions, health and safety of local residents, land rights, and personal information and privacy. These are also related to the five core labor standards of the International Labour Organization.

Human rights due diligence / process of identification of salient human rights issues



FY2022 results and future initiatives

In FY2022, we continued our human rights due diligence that was started in FY2021 in the Infrastructure Business Unit and the Mineral Resources, Energy, Chemical & Electronics Business Unit. We identified human rights risks of concern and the status of implementation of prevention measures and mitigation activities taking into account the characteristics of each business. We have begun looking into how to further strengthen measures to address certain human rights risks. In FY2023, we plan to conduct human rights due diligence at other business units as well. At the Media & Digital Business Unit and the Living Related & Real Estate Business Unit, each SBU and business prioritizes the identified human rights risks considering their severity. They then established concrete action plans and are implementing the PDCA cycle. The Corporate Sustainability Department is reinforcing our Group's initiatives to contribute to respect for human rights by supporting each SBU and business' action as needed. Moreover, with regard to human rights education, we conducted e-learning on business and human rights for all Sumitomo Corporation officers and employees in accordance with our medium-term goals. We will continue to conduct human rights due diligence and roll out human rights education to regional organizations and subsidiaries.

For further details, please visit our ESG Communication Book (ESG Data).
<https://www.sumitomocorp.com/en/jp/sustainability/communication/index.html#data>



Comment from an Outside Director

I hope to see the identification of human rights risks and the implementation of mitigation measures to ensure sustainable business growth.

Hisashi Yamazaki, Outside Director



Sumitomo Corporation has promoted initiatives in accordance with the Sumitomo Corporation Group's Human Rights Policy since its announcement in May 2020. Through FY2022, under the direction of the Corporate Sustainability Department and with the cooperation of outside experts, the Company conducted human rights due diligence with respect to four SBUs to identify and assess the risks. Currently, no major problems other than geopolitical issues have been reported. However, it will be necessary to complete human rights due diligence in the remaining departments as soon as possible and, as the next step, to address human rights due diligence at the group company level as well. In light of the increasing global attention on human rights issues in business, when making new investments, it is necessary to continue and enhance efforts to accurately identify human rights risks at the investee alongside investment due diligence. In addition, it is crucial to conduct human rights due diligence after investment execution to prevent and mitigate human rights risks.

Adapting to social structural changes

Resolving key social issues and achieving sustainable growth through business

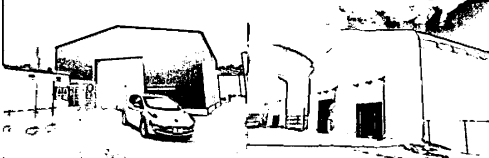
The social structure is undergoing changes due to climate change, the pandemic, and declining birthrates and aging populations. The Sumitomo Corporation Group has identified social issues that are closely related to these changes and are deeply important as “key social issues” and incorporates them into its management and business strategies.

The Group will take on the challenge of social development and sustainable growth of the Group by evolving each business in line with the major social trends of digitalization and sustainability while pursuing value creation and resolution of key social issues. Through this, we will continue to strengthen our ability to respond to social issues in order to enhance growth potential and sustainability.

<p>Medium-term management plan SHIFT 2023 ● p. 29</p>	<p>Business reform through DX ● p. 47</p>	<p>Adapting to social structural changes</p>
	<p>Enhancement of sustainability management ● p. 49</p>	

Large-scale energy storage business

● p. 59




Commercial aviation business

● p. 61



Overseas industrial park business

● p. 63



Overseas healthcare business

● p. 65



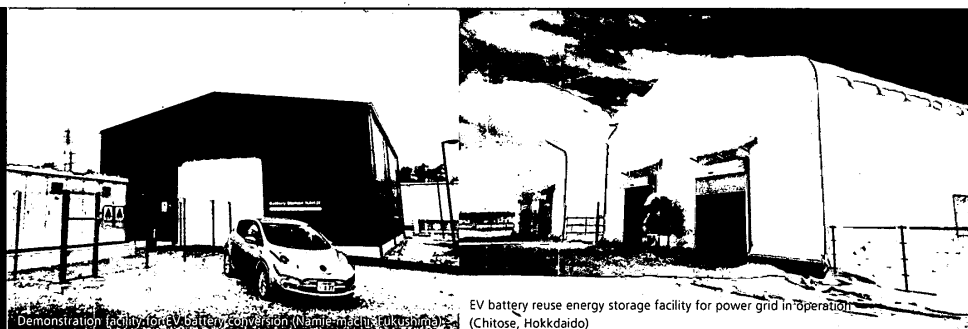
Adapting to social structural changes

Large-scale energy storage business

Related key social issues

Mitigation of climate change

Circular economy



Demonstration facility for EV battery conversion (Nami-machi, Kushima)

EV battery reuse energy storage facility for power grid in operation (Chitose, Hokkaido)

Social structural changes

Expanding renewable energy to address climate change

The whole world recognizes that mitigation and control of climate change is a pressing issue. It is vital that the switch be made to renewable energy sources that do not emit CO₂, but in Japan the rate of introduction is only around 20%, which is low compared to other countries. One of the reasons for this is the insufficient capacity of transmission lines, or the power grid, operated by electric power companies to deliver electricity from renewable energy.

A robust power grid is necessary to utilize all of the electricity that is generated in fluctuating amounts from renewable energy throughout the day. It is increasingly the case that some electricity from renewable energy has to be abandoned due to insufficient capacity in the power grid.

Sumitomo Corporation's pursuits

Creating an ecosystem that goes beyond the large-scale energy storage business

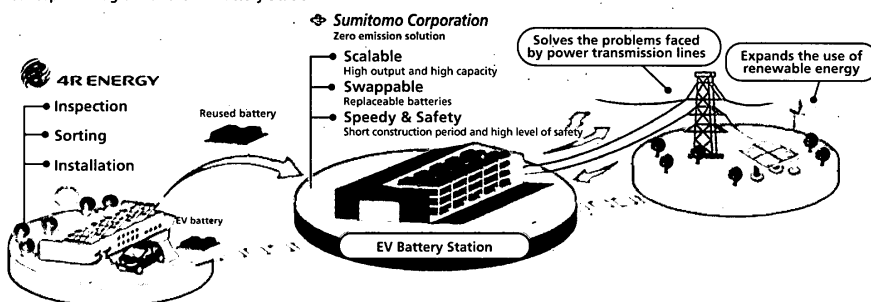
We have been working to realize a large-scale energy storage business that supplements the capacity of the power grid. Toward that end, we have been conducting multiple demonstration projects aiming for social implementation of the

new infrastructure of storing electricity. We have been steadily developing the business environment based on our unique plans, including achieving institutionalization through discussions with government agencies. Beginning in FY2024, our large-scale storage batteries will be connected to the power grid to improve the supply-demand balance and alleviate congestion in the power grid. This will support the expansion of renewable energy.

Our large-scale energy storage business has created

unprecedented value. Specifically, we realized a high-output, high-capacity energy storage business by connecting multiple EV batteries. By not only utilizing the technology and price competitiveness of mass produced EV batteries but also reusing them, we are able to maximize the potential of the resources and reduce the CO₂ generated during the battery manufacturing process. By simultaneously expanding renewable energy and spreading EVs, we will synergistically accelerate carbon neutrality. In addition, we will promote the reuse of batteries, thereby contributing to the realization of a sustainable society.

Conceptual diagram of the EV Battery Station



Adapting to social structural changes
Large-scale energy storage business

Strength-leveraging growth strategy
Expanding the business through demand cultivation and overseas development

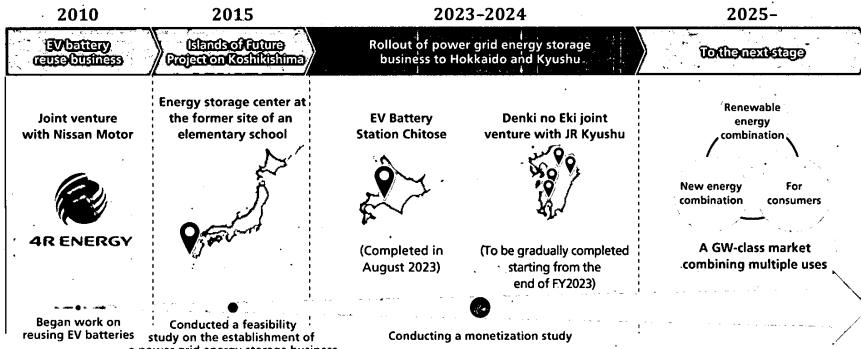
Our unique efforts in the energy storage business began with the establishment of 4R Energy in 2010. In 2015, we launched operations at the Koshikishima Energy Storage Center, Japan's first power grid energy storage business, and have confirmed the feasibility of the business. We have since continued to improve the performance of energy storage facilities and develop various programs and markets related to the energy storage business. Our plan is to complete a larger, more efficient energy storage facility in FY2023 and launch operations in FY2024. Gradually rolling out and expanding the power grid energy storage business, we aim to bring to market energy storage facilities with a cumulative total capacity of 100 MW (investing more than ¥20 billion) in Japan by FY2026. In addition, we will develop other uses for storage

batteries and provide storage battery services to distribution targets such as renewable energy power plants and electricity consumers. At the same time, we will ramp up overseas development and further expand the business.

Unique strategy

- Vision**
 - Recognize that large-scale energy storage facilities are essential for expanding renewable energy
 - Focus early on expansion of the use of EVs and EV batteries
- Technological development**
 - Develop proprietary technology for converting EV batteries for use in large-scale energy storage
 - Develop AI-based operations system with the aim of maximizing revenue in the electricity market
- Partners**
 - Secure storage batteries through collaboration with leading EV manufacturer Nissan Motor and leading battery suppliers
 - Collaborate with all parties including JR Kyushu and local governments

Large-scale energy storage business road map



Non-financial impact

Mitigation of climate change

- Contribution to the further spread of renewable energy that does not emit CO₂
- Reduction of CO₂ emissions in the battery manufacturing process through reuse and advanced use of EV batteries

Circular economy

- Reuse of batteries in each energy storage business

Number reused

700 batteries

Energy storage (converted into 24 MW/h)

Equivalent to approx. **2,500 households**

Financial impact

Cumulative investment up to FY2026

Over **¥20 billion**

Introduce a total of 100 MW of energy storage facilities to the domestic market (Expand assets further in FY2027 and beyond)

Target profit by around 2030

Several billion yen

Adapting to social structural changes

Commercial aviation business

Related key social issues

Mitigation of climate change

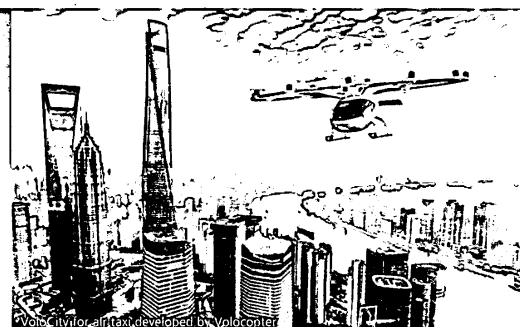
Circular economy

Development of local society and economy

Improvement of living standard



Aircraft based on by SMBC Aviation Capital



Volocopter air taxis developed by Volocopter

The future of the transportation system sector Continuing to be an essential presence in society

The movement of people and goods is expected to continue to increase due to population growth, economic growth, and urbanization, primarily in emerging countries. The transportation system sector, which supports such movement, must control and reduce CO₂ emissions generated in the process of providing services. For Sumitomo Corporation, which operates in the transportation system sector, including automobiles, ships, and aircraft, meeting the demand for mobility while reducing its environmental impact is a major challenge and a requirement for growth. Based on the strong belief that overcoming this challenge leads to a future where we continue to be an essential presence in society, we are striving to realize safe, convenient, and sustainable mobility.

In our automotive business, we are engaged in the manufacturing of parts and the sale and leasing of manufactured vehicles along with battery life cycle management, and in our ship business, we are developing fuel ships with low environmental impact, including securing supply sources for hydrogen, ammonia, and other fuels. We are also accelerating specific initiatives in the aviation business.

Social structural changes Industry facing the challenge of addressing increased demand and the environment

Although aircraft CO₂ emissions only account for roughly 2% of total global emissions, the pace of reduction is slower compared to other fields, so they are expected to increase to approximately 20% of total emissions by 2050. The International Civil Aviation Organization (ICAO) has set goals of improving fuel efficiency by 2% per year and achieving net-zero CO₂ emissions on international flights by 2050. Progress is being made toward decarbonization of the aviation industry. Moreover, in recent years, the number of retired aircraft is on the rise, so there is a need to reuse parts and materials, properly dispose of abandoned equipment, and deal with industrial waste.

Driven primarily by growth in emerging countries, a further increase in global demand is predicted in the aviation industry as passenger demand recovers from the COVID-19 pandemic. There are also countries and regions around the world with serious issues in medical services, disaster prevention infrastructure, urbanization, and traffic congestion. It is hoped that aircraft will be one of the solutions to these issues. As such, there is also growing interest in Advanced Air Mobility (AAM) utilizing electric vehicles for air taxi and drones in low-altitude airspace, which is currently underutilized.

Sumitomo Corporation's pursuits Contributing to the development of aviation infrastructure

Together with the SMBC Group, we are engaged in a world-class aircraft and aircraft engine leasing business to contribute to the development of aviation infrastructure. To achieve carbon neutrality by 2050, we are contributing to fuel saving by converting our leased fleet to fuel-efficient aircraft. Furthermore, in the medium to long term, we plan to work on the stable supply of sustainable aviation fuel (SAF), which will account for roughly 60% of the decarbonization of the aviation industry. In addition to reducing environmental impact at the "entry point" of the life cycle, we started the used aircraft parts and aircraft recycling businesses in FY2022. At the "exit point" of the life cycle, we will establish a circular economy through the effective utilization of resources and energy as well as the reduction of waste.

In the helicopter leasing business, we provide helicopters used for emergency medical service and search and rescue. In January 2023, we invested in Volocopter GmbH, a developer and manufacturer of electric vehicles for air taxi and large drones. We will take the lead in the spread and penetration of AAM, which is expected to be the future of transportation and logistics, and the development of this new social infrastructure.

Adapting to social structural changes
Commercial aviation business

Strength-leveraging growth strategy
Providing new means of air transport and mobility to society

We will leverage our strength of operating a world-class aviation business to support the sustainable growth of the aviation industry and propose new means of air transport and mobility that anticipate future needs.

Strengths

- World's second-largest aircraft leasing company (SMBC AC^{*1})
- World-class aircraft engine and helicopter leasing business
- Partnership with SMBC/SMFL
- Highly liquid portfolio centered on fuel-efficient aircraft
- Global airline network
- Coordination with the EII network in the SAF field
- Knowledge of logistics networks and quantum technology
- Knowledge in the field of AAM, where we are a pioneer

Growth strategy

Portfolio optimization for sustainability/ support for fuel conversion

- Convert fleet of aircraft leasing and aircraft engine leasing companies to fuel-efficient aircraft
- Provide carbon offsets to customer airlines through SMBC AC
- Collaborate with the EII with the aim of ensuring a stable supply of SAF made from biomass-derived material, waste, and used cooking oil
- Early-stage investments in electric and hydrogen-powered aircraft

Efficient aircraft operation/expansion of used aircraft parts and aircraft recycling businesses

- Expand and upgrade used aircraft parts business at Werner Aero (investment executed in 2022)
- Enter the aircraft dismantling and recycling business and reuse/recycle engines, parts, and materials from retired aircraft. Return scrapped metals to the market as secondary alloys
- Improve aircraft utilization by providing spare engines on lease during the maintenance period through SAEL^{*2}

Expansion of helicopter and aircraft leasing business

- Further expand the area and customer base of SMBC AC leveraging the world's second-largest business platform realized through the acquisition of Goshawk Aviation
- Lease helicopters for emergency medical service and search and rescue through SMFL LCI Helicopters Limited

Provision of new means of air transport and logistics

- Expand business and accumulate knowledge in the field of AAM through collaboration with Volocopter (investment executed in 2023)
- Pursue the air taxi operation business in Japan
- Look into replacing truck deliveries with drone deliveries (conduct proof-of-concept in Katsuura City, Chiba)
- Provide unmanned aircraft control systems in the AAM field through OneSky Systems, Inc.

*1 SMBC Aviation Capital Limited *2 SMBC Aero Engine Lease B.V.

Non-financial impact

Mitigation of climate change

- Reduce the CO₂ emissions of customer airlines by expanding the fleet of new generation fuel-efficient aircraft
- Reduce CO₂ emissions in society through provision of carbon credits and stable supply of SAF

Circular economy

- Contribute to sustainable and stable growth of the aviation industry through reuse and recycling of aircraft parts

Development of local society and economy

- Contribute to the growing demand for transportation of people and goods by providing aircraft through leasing
- Contribute to emergency medical service and search and rescue by providing helicopters through leasing

Improvement of living standard

- Contribute to improved convenience and the creation of a clean future society by providing a new means of air transportation

Financial impact

Profit for the year in FY2022: **¥11.9 billion** Target profit in FY2030: **¥30.0 billion**

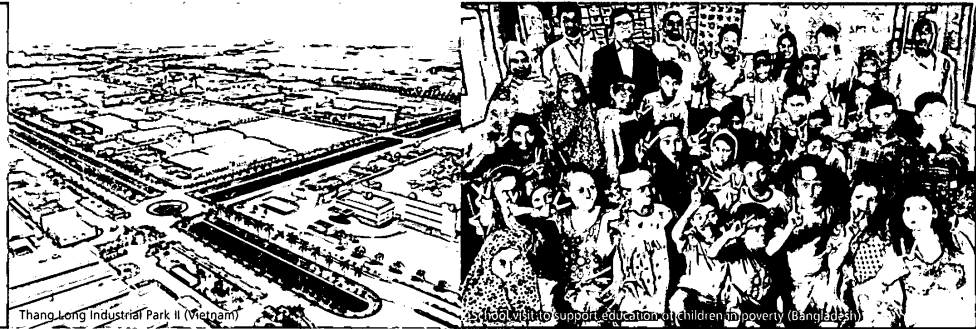
Adapting to social structural changes

Overseas industrial park business

Related key social issues

Development of local society and economy

Improvement of living standard



Social structural changes

Progress on rebuilding the supply chain and economic growth in emerging countries

The rapid appreciation of the yen following the signing of the Plaza Accord in 1985 prompted many Japanese companies to expand their business overseas. When expanding manufacturing operations overseas, in addition to land, facilities, and infrastructure for plant construction, it is necessary to secure logistics, material procurement, and other functions. Industrial parks equipped with these play an important role for manufacturers expanding overseas.

In recent years, the functions required of industrial parks have been changing as more companies set up operations overseas to restructure and decentralize their global supply chains and capture demand in emerging markets such as Asia.

Sumitomo Corporation's pursuits

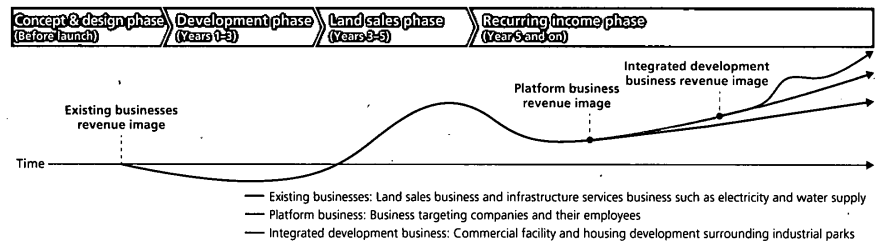
Developing industrial parks to contribute to development of local economies and communities

We got an early start developing and operating overseas industrial parks in the 1990s. Since then, we have continued to pursue the development of environments where Japanese

companies can focus on their manufacturing activities and the creation of industries and jobs in the countries and regions where the industrial parks are located. So far, we have developed nine industrial parks in six Asian countries with approximately 600 companies employing roughly 240,000 people.

We have secured sustainable revenues by continually developing overseas industrial parks and selling lots. Through this initiative, we have enhanced our ability to plan and carry out the development of industrial parks that are up to international standards in emerging countries as well as our ability to coordinate with local governments and communities to provide tenant companies with the necessary functions.

Revenue image in the industrial park business



We will continue to work on expanding our business model and developing and operating industrial parks that contribute to the sustainable development of local economies and communities.

Moreover, as the areas where our existing industrial parks are located develop, employee income levels also rise, and we are able to provide employees with more business opportunities. The needs of tenant companies are also changing, and additional revenue opportunities present themselves several years after land sales and after the launch of operations by companies. We are also looking into developing commercial facilities and housing near the industrial parks in the future.

Adapting to social structural changes
Overseas industrial park business

Strength-leveraging growth strategy
Expanding the business domain by leveraging relationships built with local communities

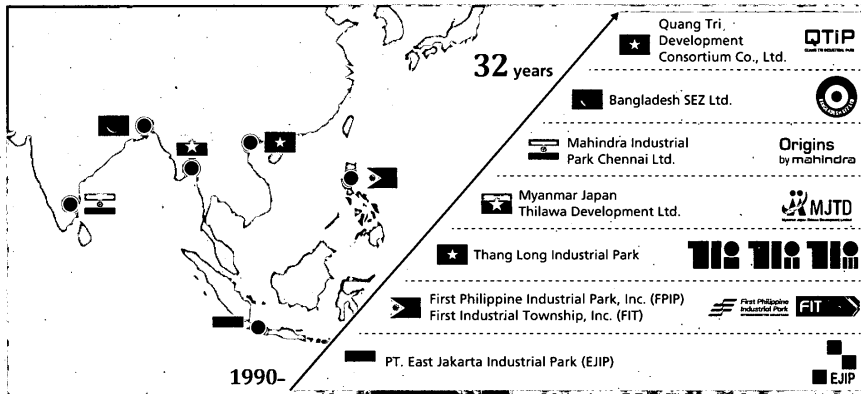
In countries where our existing industrial parks are located, such as Vietnam, economic and social development has progressed compared to when we first set up our operations. Demand has increased for enhanced services to help secure employees, supply of environmentally friendly infrastructure such as electricity, and development of surrounding areas.

As such, we have begun providing new services in the Thang Long Industrial Parks in Vietnam that use the industrial park as a platform. This includes online sales of daily necessities to employees of companies located in the parks and delivery to the parks, online educational services for children and women, and online medical care and sales of health and accident

insurance. We also provide DX services to visualize the operating status of manufacturing equipment and CO₂ emissions and have installed solar power generation equipment on the roofs of plants to supply green power. Leveraging our collective strengths, we are addressing the diverse needs of companies located in the parks.

Launching a new business in an emerging country involves dealing with regulations and permits, and our strength lies in the relationships we have built to date with our tenants, the countries of operation, and local communities through our overseas industrial park business. While continuing to sell lots in industrial parks and supply basic infrastructure, we are looking into a new business using the industrial parks as platforms as a second step along with general development of commercial facilities and housing in the surrounding area as a third step.

Progress and expansion of the overseas industrial park business



Non-financial impact

Development of local society and economy
Improvement of living standard

- Further creation of industries and employment through expansion of existing businesses
- Improvement of standards of living through new initiatives
- Contribution to local economies

Plan for FY2030	Industrial park locations	Companies	Number of employees
	14 locations	950	350,000

Financial impact

Looking ahead to FY2030, we aim to achieve a profit for the year of ¥10 billion through co-creation with other SBUs in businesses combining existing businesses with the new business using industrial parks as platforms and integrated development business.



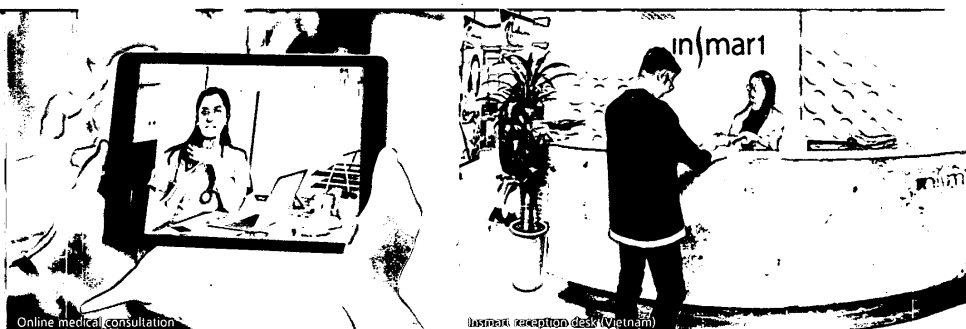
Target profit in FY2030
¥10 billion

Adapting to social structural changes

Overseas healthcare business

Related key social issues

Improvement of living standard



Online medical consultation

Pharmacy (reception desk) (Vietnam)

Social structural changes

Healthcare needs changing due to aging of societies and technological developments

In recent years, the supply and quality of medical services have not kept pace with the growing medical needs that have arisen against the backdrop of aging societies and increasing lifestyle diseases in Southeast Asia. As a result, issues such as lack of access to appropriate services and long delays in receiving medical care have begun to surface. Moreover, as healthcare costs rise with advances in pharmaceuticals and medical technology, the financial burden on patients, companies, and insurers is increasing. For that reason, demand is expected to grow for primary healthcare and pre-disease/preventive services to address illnesses before they become serious.

In addition, the spread of smartphones and the development of technologies such as big data and AI have also brought about changes in the healthcare environment. The diversification of access to healthcare, including online consultations and at-home medical care, the individualization of medical treatment utilizing such technologies as genomics, and the correction of information asymmetry between doctors and patients are leading to a power shift in healthcare toward the patients themselves. However, the mechanisms for patients to utilize data in a meaningful way have not yet been fully developed.

Sumitomo Corporation's pursuits

Developing a managed care business contributing to enhancement of healthcare

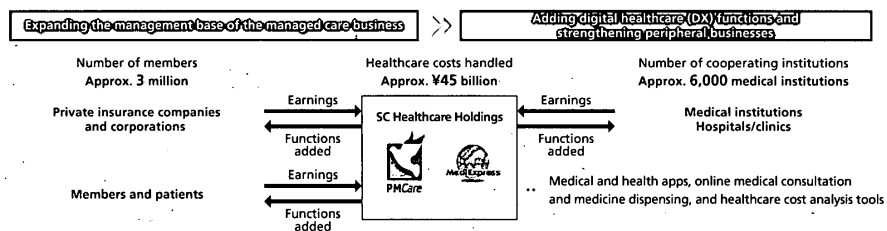
We invested in a managed care business in Malaysia in 2019 to help enhance the country's healthcare system. "Managed care" refers to a system in which a private health insurance company, a managed care service company, and a medical institution work together to provide medical services. The managed care service companies we invested in and operate play a role in healthcare payment management and healthcare infrastructure. They also focus on providing healthcare cost analysis and control tools that

utilize medical data and promote online medical

consultations/drug dispensing and health improvement programs. Against the backdrop of growth in the healthcare market and the need of companies and private insurers to control healthcare costs, demand for our investee companies continues to grow. In fact, SC Healthcare Holdings Sdn. Bhd. has one of the largest market shares in the country.

As a corporate group that brings Malaysian companies, insurers, and medical institutions together, we will provide higher-quality, more efficient healthcare services and help improve individual health management and control and optimize healthcare costs.

Illustration of healthcare services in Malaysia



Adapting to social structural changes
Overseas healthcare business.

Strength-leveraging growth strategy
Focusing on growth markets and strengthening the business in three phases

In our medium-term management plan SHIFT 2023, we have set forth healthcare as one of the themes of our next-generation growth strategy. We have long been developing drugstores with dispensing pharmacies in Japan and overseas and have also been working to establish comprehensive community care systems and support drug discovery.

Furthermore, we are promoting the advancement of our healthcare business and the expansion of our areas of operation by leveraging the knowledge and network we have built in the healthcare field along with the expertise in local business customs and regulatory compliance accumulated through our many years of doing business in Southeast Asia and the consumer insight we have cultivated in our retail business. Going forward, we will strengthen our business in three phases, focusing on emerging countries in Southeast Asia with high potential for market growth and abundant opportunities for entry.

Developing the overseas healthcare business

Phase 1 Primary healthcare system

We will develop the managed care business as medical infrastructure with connections to a wide range of healthcare providers. After participating in this business in Malaysia in 2019, we entered the business in Vietnam in 2021. Through the collaboration of the DX Center and other organizations, we are expanding into the online medical consultation, drug dispensing, and online pharma businesses.

Phase 2 Pre-disease/preventive treatment services

Based on the primary healthcare system established in Phase 1, we will expand our pre-disease/preventive services such as health checkup services for managed care members and in-house clinics in collaboration with companies.

Phase 3 Healthcare cost control and optimization model

In the medium to long term, we will develop a healthcare cost control and optimization model utilizing the accumulated medical data. We aim to achieve sustainable growth as a company while contributing to patients, medical institutions, insurers, and others by promoting healthcare cost optimization through pre-disease/preventive services, early detection and provision of medical care to managed care members with high risk of disease, clinic referrals, management of the status of care, and more. We signed a collaboration agreement with Roland Berger Pte. Ltd. in 2023. We will work with this company to analyze data accumulated through our managed care business. We also seek to expand and develop our business in the healthcare industry by further growing our ecosystem through collaborations with other diverse players.

Non-financial impact

Improvement of living standard

- Provision of appropriate healthcare in the appropriate location
- Contribution to higher quality of life through control and optimization of healthcare costs in each country

Financial impact

Healthcare cost trend and control of healthcare costs

- No efforts made to control or optimize healthcare costs
- Healthcare costs reduced by 5%

Incorporate a portion of the reduction of medical costs (tens of billions of yen) into our profits

Sumitomo personnel tackling challenges in the face of a changing social structure



In the face of a changing social structure, Sumitomo personnel are taking on challenges in creating new value on the front line of our business. The ESG communication website introduces how they are addressing key social issues and working toward sustainable growth. Check out their thoughts and commitment to business as they embrace challenges despite numerous difficulties, while keeping Sumitomo's Business Philosophy as a source of their drive.

For details, please visit our ESG Communication website.
<https://www.sumitomocorp.com/envjp/sustainability/communication/index.html>



Key social issues being addressed by Sumitomo personnel

Mitigation of climate change



Reducing the automotive industry's CO₂ emissions



Forestry



Large-scale energy storage business



Biomass energy development



Aircraft aftermarket business

Circular economy

Respect for human rights



Roundtable discussion

Development of local society and economy



Integrated telecommunications business in Ethiopia

Improvement of living standard



Next-generation agribusiness

Quality education



Social contribution activity program 100SEED



TOMODACHI Sumitomo Corporation Scholarship Program

Part 3 People and Organizations

Strengthening bases that will support the Company's sustainable growth in the future

Toward the next 100 years of the Sumitomo Corporation Group, the keys are people and governance essential for growth. These represent the management bases underpinning the true value of the Sumitomo Corporation Group.

Human capital

- 69 Dialogue: CSO and CAO
- 73 Strengthening human resources management under SHIFT 2023
- 74 Human resources management reforms
- 77 Business and talent

Governance

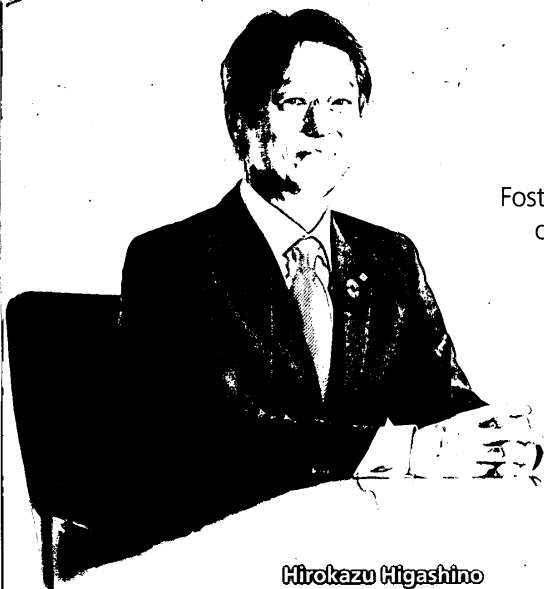
- 78 Tripartite discussion between Outside Directors
- 83 Messages from Outside Directors (new and retiring)
- 84 Corporate governance
- 94 Directors, Audit & Supervisory Board Members, and Executive Officers
- 98 Group governance
- 99 Internal control
- 100 Compliance
- 101 Risk management
- 102 Investment risk management
- 103 Information security



Dialogue

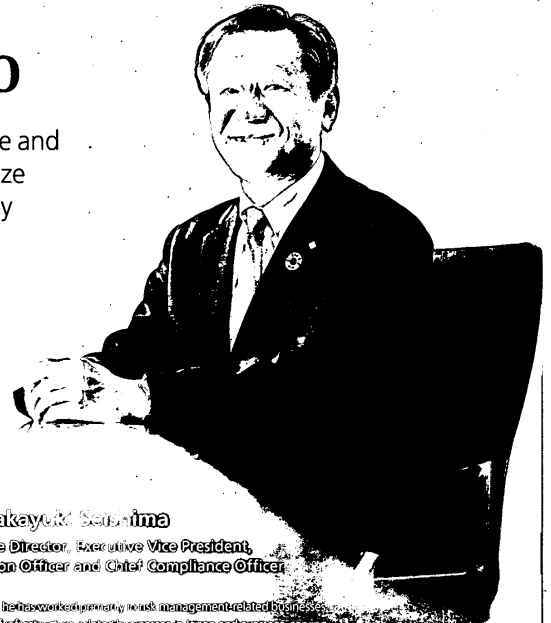
CSO and CAO

Fostering growth of the people and organizations that will realize our management strategy



Hirokazu Higashino
Representative Director,
Senior Managing Executive Officer,
Chief Strategy Officer

Profile Since joining the Company, he has worked primarily on real estate-related businesses in Japan and overseas, serving as General Manager, Material, Supplies & Real Estate Div., General Manager, Planning & Coordinator Dept., Living Related & Real Estate Business Unit, and Deputy General Manager, Living Related & Real Estate Business Unit, among other roles. In April 2022, he was appointed Chief Strategy Officer (CSO).



Takayuki Saito
Representative Director, Executive Vice President,
Chief Administration Officer and Chief Compliance Officer

Profile Since joining the Company, he has worked primarily on risk management related to planning and administration of infrastructure-related businesses in Japan and overseas, serving as General Manager, Planning & Administration Dept., Environment & Infrastructure Business Unit, Executive Vice President and Chief Financial Officer (CFO) of Sumitomo Corporation of Americas, and Assistant CAO, Secretary & Human Resources, among other roles. In April 2019, he was appointed Chief Administration Officer (CAO) and Chief Compliance Officer (CCO).

Dialogue CSO and CAO

Direction and challenges of our human resources strategy

Please tell us about Sumitomo Corporation's vision and the HR strategy for realizing it.

Higashino The Sumitomo Corporation Group is developing diverse businesses for the next 100 years to embody its Corporate Message of "Enriching lives and the world." In this context, I believe it is important for each and every member of the team to carefully consider what "Enriching lives and the world" means to them personally and put Sumitomo's Business Philosophy into practice at the individual level. Based on our philosophy "People are our most important asset," management focuses on our human resources and works continuously to create value through the power of our people. Business strategies take on greater driving force, and organizations become more powerful by enhancing our people—the Group's most important capital—and by creating an organization where each individual can maximize their abilities. In this era of rapid changes in the business environment, we have to not only develop our existing business models but also explore new businesses beyond our current domains and pursue more complex and challenging businesses.

Seishima It is essential that we expand our diverse talent pool with individuals who possess attractive qualities to keep up with the changing times and promote the Group's growth strategy. Under the current medium-term management plan SHIFT 2023, we are steering our HR strategy in a major new direction to create an organization which will enable our people to demonstrate their abilities in various business domains and at various work sites while enhancing their capabilities. The Global HR Management Policy serves as the compass for this endeavor and defines the vision and essential concepts of the Sumitomo Corporation Group's HR management. Our vision for Sumitomo Corporation

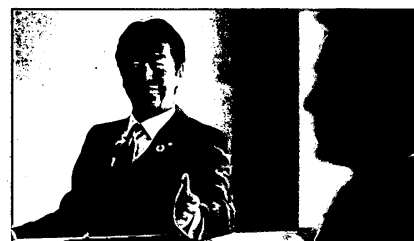
(SC) People is that they will share and embody the Group's vision, principles, and Sumitomo's Business Philosophy. It is also important that each individual has high aspirations and continues to grow autonomously. We are looking for people who can make decisions and execute them responsibly as professional businesspeople and who can demonstrate their abilities with an eye toward further enhancing the corporate value of the entire Group.

What do you think are the characteristics of Sumitomo Corporation's HR strategy and what future challenges do you foresee?

Seishima One of the characteristics of our strategy is that we are developing highly specialized talent for each business field and domain. Over the past few years, we have also made a conscious effort to ensure flexibility in the allocation of human resources at the companywide level. Achieving the Business Portfolio SHIFT set forth in the current medium-term management plan requires a corresponding shift in our management resources. Of course, this also requires a shift in our talent. Our evaluation is that our efforts to expand our internal open recruitment system and mid-career hiring have, to date, resulted in progress in our shifting of talent and recruitment as planned.

Higashino Up to now, career paths after joining Sumitomo Corporation have tended to follow a single route. Going forward, however, we believe we need to develop more diverse routes and positions to create a system that supports autonomous career development. For example, our talent pool will be stronger if more of our people hone their skills and master one particular area within their respective industries, rather than all of them aiming for management. I see people as "works of art." A company is like a museum that grows more attractive and popular by acquiring various works of art. Sumitomo Corporation is engaged in a wide range of businesses.

I believe that by creating an environment where the roughly



80,000 people within the Group are able to choose their own career paths and reach their potential, the Company will naturally become stronger. And, from the standpoint of developing and utilizing talent to create excellent "works of art," one of our roles is to draw out potential that the individuals themselves may not be aware of. To that end, I hope to promote rotations that encourage such awareness.

Seishima I also believe that it's important to implement rotations that draw out potential. One caveat is that positions and roles are not solely determined by individual desires. Instead, the individual's wishes must align with the Company's expectations and needs, and they have to be competent for that position. Some people change jobs because they didn't get the job that they wanted with us. This could indicate that our Company wasn't attractive enough. The organization provides many attractive opportunities to meet the expectations of each individual, while individuals strive to excel in their desired or assigned positions. I think that it's important for both the organization and individuals to grow stronger through that mutual relationship.

Also, while eliminating the seniority-based system that still exists in practice, it's essential that we further promote diversity in terms of gender, nationality, and career backgrounds.

Furthermore, as we have expanded our business from trading to

Dialogue CSO and CAO



business investment, one of the major challenges is how to quickly develop more professionals who operate businesses across various fields and not just in management positions. We have been developing our talent pool to facilitate this process.

What do you think the challenges are for further developing talent?

Mr. Higashino, you had been responsible for the real estate business. Could you tell us about that based on your experience from that time?

Higashino The real estate team is mainly focused on business investments, requiring agility to capture changes and a high level of expertise. With volatile trends and rapid changes in the market coupled with continually changing mainstay products, which are the source of its revenue, the knowledge and experience possessed by individuals is vital to generate profits, and it's also crucial to pass on that expertise. The real estate team has set forth a basic strategy called "The Vision" for where we hope to be in 10 years from now. Naturally, the HR strategy is tied to this basic strategy. To achieve this vision for 10 years from now, the team is focusing on developing young people through on-the-job training, actively recruiting external talent, and promoting agile and flexible personnel rotations to adapt to market fluctuations.

As the general manager, I sought not only to develop real estate professionals but also to develop talent capable of contributing to Sumitomo Corporation as a whole. Being an integrated trading company, we are uniquely positioned to help our people to gain experience not only in real estate but in other fields as well. I think this is a career plan that will allow us to develop our people into even better "works of art."

Seishima Many of our business fields require a high level of expertise, like the real estate business. Right now, I consider experts who contribute to the organization by demonstrating expertise in one particular area to be exceptionally valuable talent. While leaders of organizations are classified into Management (M) job groups and assigned grades, specialized personnel are categorized into Expert (E) job groups, with its highest grade considered to be the same level as the counterpart of M job groups. Currently, we do not yet have a large number of talent in the high-grade E job groups, but I am sure that by creating a system and environment where both management and experts can thrive will lead to higher performance and autonomy in career development of our people.

Vision for Sumitomo Corporation beyond evolving human resources management

What are your thoughts on diversity, equity, and inclusion (DE&I) at Sumitomo Corporation?

Seishima In March 2023, we expanded the concept of D&I to the next stage of DE&I. At that time, we had many discussions in the HR department about the importance of equity (the "E" in DE&I). We've made substantial progress for employees in terms of flexibility in workstyles, such as remote work, and employee benefits and now have an environment in place where employees can contribute according to their individual circumstances. However, when it comes to doing away with the male-oriented

seniority-based hierarchy and having women, young people, and foreign nationals play an active role, looking at whether equity is practiced at each workplace, we believe that equity is an issue that carries a weight equal to diversity and inclusion. While the previous D&I policy already included the concept of equity, we explicitly introduced DE&I to express our commitment to driving meaningful behavioral change in each organization and individual in light of the current situation.

Higashino We are no longer in an era where only men in their 40s and 50s can play an active role as a leader.

Our business is oriented toward resolving social and global issues such as climate change mitigation and local community and economic development. Given that half of the world's population is female, and people of all ages and various nationalities exist, it's safe to say that the participation of diverse members is essential in running businesses and making decisions. Going further, I believe that Sumitomo Corporation's future depends on further accelerating the promotion of DE&I that we are now actively pursuing and expanding and establishing it on a global scale. For instance, the integrated telecommunications business in Ethiopia serves as a prime example of a business that is up and running through the inclusion of diverse individuals from around the world.

» p. 77 Business and talent

So far, how do you evaluate the entire process from talent acquisition to development, putting the right talent in the right assignments, performance management, and fair treatment?

Seishima First, in terms of recruitment, there has been considerable diversification in both the methods used and the talent recruited. As far as methods go, we have expanded mid-career hiring. We used to seek specialized individuals that would become immediate assets, but recently we have also been

Dialogue CSO and CAO

conducting open mid-career hiring where we look at the individual's suitability and fit with the culture of the department they will be assigned to regardless of experience or expertise in a specific field. As a result, in FY2022 just under half of all hires were mid-career hires, and just under 40% of those were women. Next, regarding development, our off-the-job training program is already quite extensive, but I think we need to further enhance the system for developing talent to expand the candidates for future management positions. As for putting the right talent in the right assignments, we have the idea that the business requirements for executing business strategies comes first and then we find the right talent for it. We emphasize the capabilities and qualifications needed for the assignment without regard to seniority and will continue to focus on establishing a system of promoting the right talent. Regarding performance management and fair treatment, we have introduced a system to enhance the correlation with the business strategy of each Strategic Business Unit (SBU). Specifically, we have switched to a system that differentiates the allocation of bonus funds based on the degree to which the specific targets set by each SBU are met.

Higashino Mr. Seishima's explanation of putting the right talent in the right assignments is spot on. At the same time, the right talent is closely related to the development of talent. In HR management, it is essential that we view our people as capital. You can increase capital if you put in the effort, but if you slack off, it will decrease. We will put the right talent in the right assignments in our business while at the same time strengthening our talent through development. In the HR management of the future, one of the key points will be how well we can link the right assignments with the right talent and tie that into enhancing corporate value.

How do you view the engagement survey that was launched in 2022 when it comes to improving employee motivation?

Seishima Statistically, there is a positive correlation between corporate conditions such as performance and work environment and engagement scores. In other words, we can measure the status at our company based on these scores. However, the requirements for a favorable state are significantly influenced by progress on our business strategy, the way work is done, and other such factors. As such, starting from this fiscal year, we are implementing various measures that go beyond human resources strategy and have incorporated the improvement of engagement scores into management goals as a KPI to measure whether we are approaching our vision. Regarding the organizational issues that have come to light based on the results of the 2022 survey, we will keep track of the current situation and issues in each organization and work on improvements accordingly. At the same time, we recognize that there is still room for improvement in organizations and systems at the companywide level. As such, I hope to realize further enhancement of engagement by taking on practical, ongoing improvements in that regard.

Higashino We are in the process of restructuring our Company from losses sustained in FY2020. The results of the restructuring to date have manifested in the form of record profits for two consecutive fiscal years and a higher valuation by the market. Everyone in the Group should be proud of what has been done so far. As we continue to bear the burden of completing this restructuring, I also believe that management's steady efforts to clearly communicate the purpose and significance of operations to subordinates and ensuring their understanding will lead to an improvement in engagement.

Seishima Engagement is an important factor when it comes to the Company's sustainable growth. Starting from FY2023, we have incorporated the results of the engagement survey as one of

the evaluation indicators for executive stock-based remuneration. This demonstrates the resolve of the entire management team to come together and work on improving engagement.

Our people whom will shape the future of Sumitomo Corporation

Finally, could you each share a few words on the prospects of acquiring and developing talent that will shape the future of Sumitomo Corporation?

Higashino In business, there are multiple time frames, namely the short term, medium term, and long term. We also apply these time frames to talent, seeking talent that will be on the front lines as immediate assets, talent that will conceptualize for the medium to long term and make big waves, and talent that will explore a singular path without getting caught up on immediate profits. I believe securing and developing such diverse talent will lead to prosperity 100 years from now. At the same time, I believe that if Sumitomo Corporation becomes a company that naturally attracts diverse and talented individuals, this will enhance our business strategy in due course, allowing us to evolve into an even stronger corporate group.

Seishima I feel that the series of HR system reforms that started with the Global HR Management Policy are of great significance, but I also believe that progress on the business strategy has a significant effect on employee morale and energy. After all, what attracts businesspeople is an organization that is achieving business growth along with significant results. The framework that supports such organizations and successes is the HR management system. As such, I believe that what is most important in our HR strategy is to evolve into an organization that everyone wants to do business with and where working here will lead to personal growth, thereby attracting more businesspeople to our Company.

Strengthening human resources management under SHIFT 2023

Recognizing human resources as the most important asset

As Sumitomo's Business Philosophy states that "People are our most important asset," human resources are considered the most important form of management capital. We promote management strategies by creating an environment and organization where each individual can maximize their abilities in diverse business fields. The Group is constantly working to evolve its individuals and organizations to meet the needs of the rapidly changing business environment as well as the economy and society, as the Group as a whole continues to take on the challenge of creating new value.

To respond to major changes in the business environment, we will need to expand our diverse pool of talent with skill sets in areas such as new business development as well as the management and governance of group companies. We are working to create a multifaceted organization and structure, including expanding mid-career recruitment, building centers of excellence around the world, and maintaining and strengthening networks with management and specialists.

› p. 34 "Human resources strategy" in Part 2 of the segment overview

Evolving our human resources management

The Group established the Global HR Management Policy in 2020, which represents our vision and approach to HR management on a global scale. We are making progress with HR system reforms, including introduction of a job grading system in 2021 and elimination of the former clerical positions to unify career groups in 2022.

SHIFT 2023 places enhancement of HR management as a major core of its management strategy. We are promoting HR management reforms according to the concepts of expanding the pool of Top-Tier Professionals, implementing thorough "Pay for Job, Pay for Performance," promotion of DE&I, and enhancing people management skills.

› p. 74 Human resources management reforms

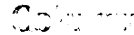
Employee engagement as a KPI

We began conducting an annual engagement survey*1 of all our employees in FY2022. There is a positive correlation between high employee engagement and organizational profitability and productivity, and our aim is to utilize this as one of the management indicators to better understand the current "state of the company" toward the realization of our vision and to continuously implement grassroots actions.

In addition to HR management, various factors such as business strategy, organizational structure, and work progress have an impact, and we are promoting various measures at the companywide and frontline levels while carefully interpreting the survey results. From FY2023, we plan to conduct this survey for employees around the world, including locally hired employees at domestic and overseas sites. Employee engagement*2 has also been added as one of the calculation indicators for stock-based remuneration in officer remuneration.

*1 Previously, we had conducted an employee awareness survey once every three years.

*2 A general term for the Employee Engagement Index and Environmental Index for Utilizing Employees calculated using the engagement survey.



Initiatives of the Engagement Enhancement Working Group

In response to reduced face-to-face communication during the COVID-19 pandemic, we established a companywide working group in FY2022 with the aim of developing talent to improve organizational dynamics and strengthening communication. Later, we changed its name to the Engagement Enhancement Working Group to foster an organizational culture that increases connections between the Company and individuals and based on the results of the engagement survey. The working group continues to carry out activities today.

Working group members were selected from individual business and corporate organizations, and identify issues found on the front line of business, and formulate and disseminate plans to solve them. In FY2022, the working group provided recommendations on actions to address issues to the Management Council and supported the creation and implementation of action plans in each organization. By working on both reporting and making proposals to top management and supporting the execution of actions on the front line, the working group will continue to contribute to the enhancement of employee engagement.



The Engagement Enhancement Working Group members

Human resources management reforms

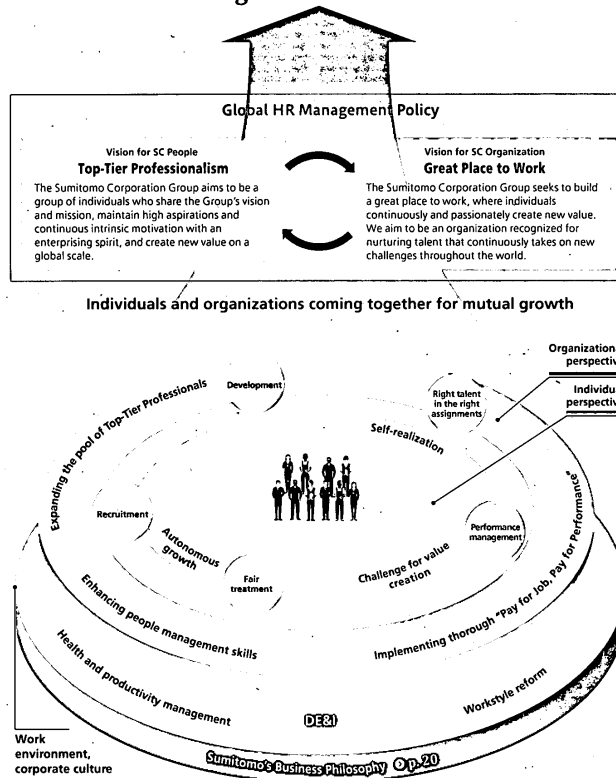
The Group defines its ideal employee (individual) and company (organization) within the Global HR Management Policy, and aims for “Enriching lives and the world” by building relationships in which individuals and the organization grow together.

Based on Sumitomo's Business Philosophy, which has been passed down to the Group's people, we are working to upgrade the HR management cycle. Specifically, we are creating a work environment and workplace culture that serves as the foundation for each and every employee to demonstrate their abilities and potential, and implementing various measures and systems from the perspectives of recruitment, development, right talent to the right assignments, performance management, and fair treatment. At the same time, following the concepts of expanding the pool of Top-Tier Professionals, implementing through “Pay for Job, Pay for Performance,” promotion of diversity, equity, and inclusion, and enhancing people management skills, we provide a place where each and every employee can realize autonomous growth and self-realization and encourage them to take on new challenges for value creation.

Through this cycle, we are maximizing the performance of the organization and our diverse workforce, thereby realizing our vision and creating new value for the Group.

Furthermore, important HR management policies, strategies, and measures are discussed at meetings of the Management Council and the HR Management System Committee, an advisory body to the Management Council. The Board of Directors makes decisions, supervises, and monitors these policies accordingly.

Enriching lives and the world



Recruitment of human resources

- Diversification of recruiting methods: Enhancing mid-career hiring at each level in addition to recruiting new graduates for the purpose of addressing changes in the business environment and improving diversity
- Expansion of reach to various candidates from junior-level employees to management-level candidates (by direct sourcing, etc.)
- Expansion of an alumni network

Development of talent ● p. 75

Toward the more active roles of human resources: Right talent in the right assignments

- Job grading system: Determination of grades according to the significance of duties. Elimination of seniority-based promotion and creation of a foundation for promoting flexible and optimal assignment of the right talent to the right assignments. In FY2022, the scope was expanded to those re-employed after retirement.
- HR shift: Swift and flexible reassignment of talent according to the Business Portfolio SHIFT, taking into account individual aptitude and preferences. Approximately 100 employees are to be reassigned under SHIFT 2023, with these largely completed in FY2021 and FY2022.
- Establishment of a succession plan: Facilitation of systematic training and promotion from a medium- to long-term perspective.
- Promotion of global job grading and global mobility: Establishment of a common global job grading scheme to compare magnitude of jobs on a global basis. Continuous promotion of cross-border transfers of locally hired employees at overseas offices based on the Global Mobility Policy (the Group's shared policy on treatment of transfers between overseas offices).

Performance management and fair treatment

- Reform of evaluation system: Introduction of absolute evaluation and 360-degree evaluation to create an evaluation system focused on diverse individuals.
- Evaluation based on the progress of strategy execution: Reflection of progress on SBU strategy execution in compensation.
- Investment performance-linked evaluation: Compensation that reflects the performance of new, large-scale investments.

Work environment and workplace culture supporting human resources

- Health and productivity management and workstyle reforms ● p. 76

DE&I ● p. 75

Human resources management reforms

Diversity, Equity, and Inclusion (DE&I)

The Group considers DE&I as a source of our value creation, innovation, and competitiveness. To develop diverse businesses, it is essential to foster a culture and awareness that embraces various values and ideas, and makes use of individual expertise, skills, and experiences regardless of attributes.

Promotion of women's participation and advancement	<ul style="list-style-type: none"> • Introduction of indicator for women's participation and advancement in officer evaluation and remuneration • Promotions not based on attributes (gender, seniority, etc.) • Active promotion of mid-career human resources including executive officers and promotion of women and younger employees to senior management and general manager positions <p>Targets for FY2030 Ratio of women in managerial positions: 20% or higher (8.4% as of April 2023) Ratio of women in general manager positions: 10% or higher (1.4% as of April 2023) Ratio of women in Director and Audit & Supervisory Board Member positions: 30% or higher (18.8% as of April 2023)</p>
Mindset reforms	<ul style="list-style-type: none"> • Explicit statement on the concept of "equity" in the Global HR Management Policy • Continuous dissemination of messages from executive leadership • Required training for managers by Outside Officers (seminars and panel discussions by female officers) • With the cumulative participation of 3,206 respondents, more than 94% replied it was "useful" or "very useful" • Holding of Diversity Weeks (concentrated DE&I program over a three-week period) • With the cumulative participation of 1,995 attendees, more than 90% responded "I encourage colleagues to attend"

Diversity Weeks 2023 Program

■ Sharing messages from executive leadership ■ Training and seminars by outside experts ■ Individual DE&I themes

	Monday	Tuesday	Wednesday	Thursday	Friday
Week 1	Message from the President and Chief Executive Officer Message from the CAO	Messages from overseas general managers	Men's roundtable discussion on taking childcare leave	Seminar: "CSV Management in a Super VUCA Era"	Men's roundtable discussion on taking childcare leave
Week 2	DE&I interview General Manager, Infrastructure Business Unit	Men's roundtable discussion on taking childcare leave	Column on unconscious bias	Panel talk: "LGBTQ Community at Work— Exploring Sexual Diversity and Implications for the Workplace"	Women's roundtable discussion
Week 3	DE&I interview General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit		Women's roundtable discussion	Dialogue: "Meaning and Essence of DE&I—Making DE&I a Competitive Strength"	Column on hiring of people with disabilities

Development of talent

We focus on developing diverse professionals who can compete in various industries and fields and have world-class abilities (expertise). To this end, we implement various initiatives that link on-the-job and off-the-job training, including more than 300 training programs annually and job rotations across organizations.

Inheritance of Sumitomo's Business Philosophy	<ul style="list-style-type: none"> • Conducting training annually at Besshi Copper Mine (predecessor to Sumitomo Corporation) • All employees learn the history of Besshi Copper Mine upon joining the Company
Sumisho Business College (Off-the-job training program)	<ul style="list-style-type: none"> • Off-the-job training programs provide opportunities to acquire broad-based business knowledge and skills along with insight and reskilling, encouraging autonomous career development. - Number of courses: 1,705 (FY2022) - Total training time for all employees: 177,320 hours (FY2022)
Development of managerial talent	<ul style="list-style-type: none"> • Developing talent who understand and embody Sumitomo's Business Philosophy, can take charge of business management, and can work with the management of group companies through diverse practical experience (on-the-job training) and long-term training programs for selected employees (off-the-job training)
Global talent development	<ul style="list-style-type: none"> • Conducting level-specific training (executive-, manager-, and working-level personnel) for locally hired employees of overseas offices and others for the purpose of instilling our DNA as a member of the Group, sharing information on management policies, and improving skills
Overseas training program	<ul style="list-style-type: none"> • Dispatching MBA, overseas, and language trainees - Number of dispatched employees: 61 (FY2022) - Number of destination countries: 17 (FY2022)



Training at Besshi Copper Mine

Long-term training programs for selected employees

Human resources management reforms

Health and productivity management and workstyle reforms

With the aim of building a great place to work where every individual can maximize their abilities, we are working to create a culture in which diverse workstyle options are available and measures to support health maintenance and promotion are implemented. As a result, we have been selected as a "White 500" enterprise with outstanding health and productivity management for seven consecutive years.

Health and productivity management	<ul style="list-style-type: none"> • Health management support provided by the in-house clinic • Subsidy for comprehensive medical checkup from the Corporate Health Insurance Society (up to ¥80,000) • Encouragement to undergo regular health checkups (uptake rate: 100%) • Establishment of counseling center (Counseling sessions in FY2022 including group companies: 2,352)
Promotion of well-balanced workstyles	<ul style="list-style-type: none"> • Mindset reform through information dissemination, training, etc. • Implementation of labor-management discussions • Development of diverse leave programs (for spouse maternity leave, marriage, refreshment, and volunteering)
Promotion of flexible workstyles	<ul style="list-style-type: none"> • Introduction of teleworking system, super flexible work hours system, and dress code modification
Support for balancing work and childcare/ family care	<ul style="list-style-type: none"> • Introduction of paid leave, days off, and reduced working hours in excess of legal requirements • Establishment of company-affiliated childcare centers • Offering of childcare consultant services and individualized long-term care consultations • Support for Employees Stationed Overseas with Children • Encouragement of men to take childcare leave • Information provision through handbook and seminars

SCG Counseling Center

The SCG Counseling Center, located in the Head Office building, is a dedicated counseling facility for the Group's employees. It provides a host of services including mental health management for getting the most out of skills, regardless of job, workplace, or private matters. With thorough information management and an environment that safely accepts any form of consultation, the number of users has increased since the center's establishment in April 2005.



Autonomous growth and tackling the challenge of value creation

Based on the belief that the energy created by our highly motivated people when taking on challenges becomes the driving force for organizational growth and value creation, we focus on developing and expanding measures and opportunities that support the autonomous growth and self-realization of each and every employee.

Internal recruitment system	Application requirements were relaxed and openly recruited positions were expanded in FY2021 to promote autonomous career development
Side/Second job system	Qualifications were loosened for Head Office employees in January 2023 to broaden employees' perspectives and support their autonomous growth and challenges
0 → 1 Challenge	<p>A global in-house entrepreneurship program that aims to foster a culture of taking on challenges where employees are encouraged to actualize new business ideas</p> <p>Initiated in 2018</p> <p>Cumulative number of applicants (FY2018 to FY2022) 999</p>
MIRAI LAB PALETTE	<p>An open innovation lab promoting collaboration aimed at creating new value together with partners in various fields beyond the boundaries of the Company.</p> <p>Opened in April 2019</p> <p>Cumulative number of cases of business development support (FY2021 to FY2022) Over 30</p>



Presentation by 0 → 1 Challenge applicant



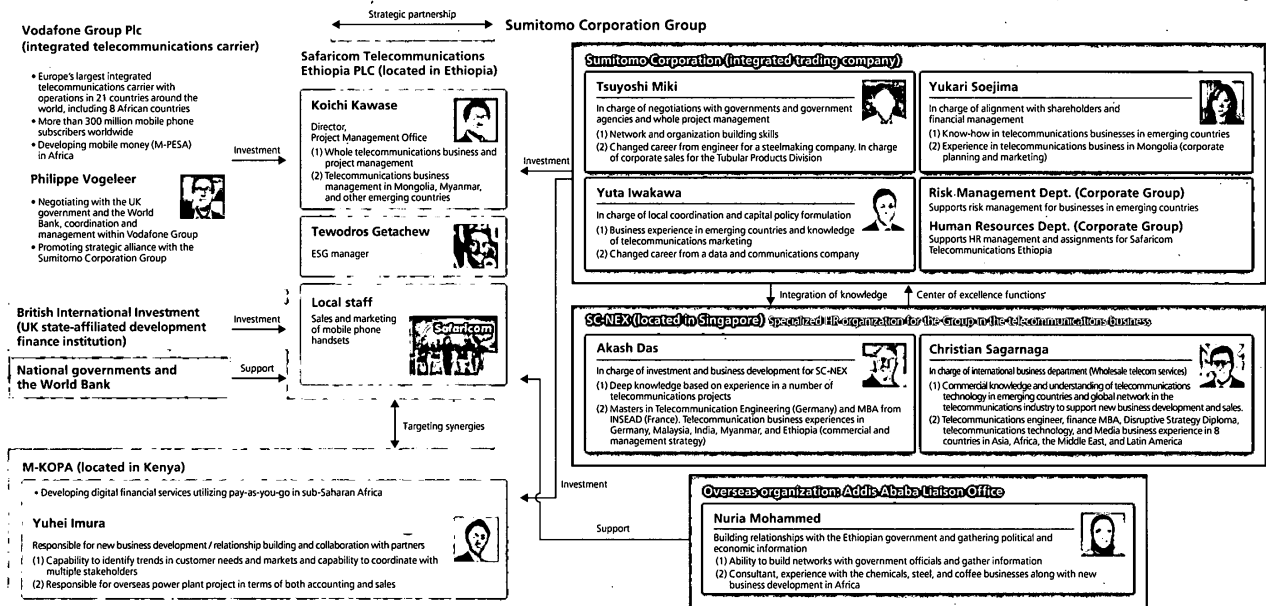
MIRAI LAB PALETTE

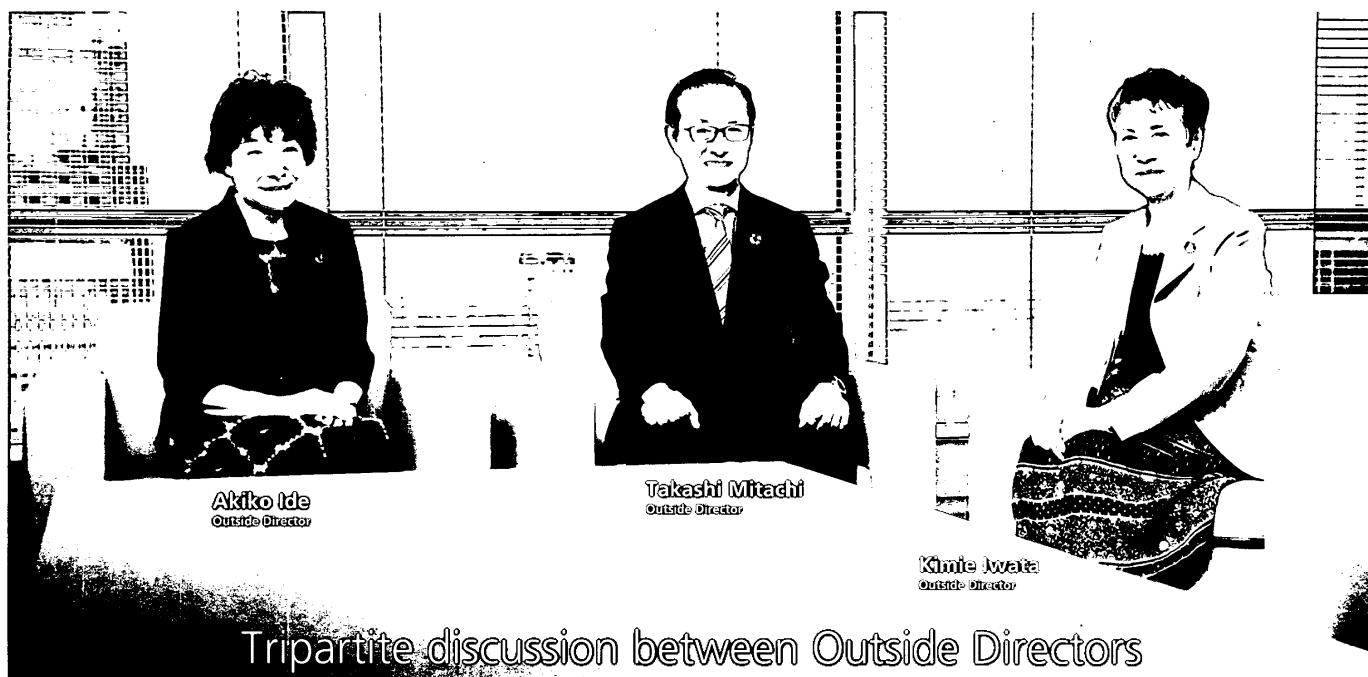
Business and talent The integrated telecommunications business in Ethiopia

Through our integrated telecommunications business in Ethiopia, we contribute to building a foundation for social and economic success in Ethiopia by developing telecommunications infrastructure, an essential form of infrastructure for day-to-day living. This business requires a wide range of functions and skill sets, such as expertise in the telecommunications business, the launch and operation of businesses in emerging countries, risk management, negotiations with governments, and project management skills to implement joint projects with multiple partners and

so on. This business was launched by bringing together talent with diverse careers, experiences, skills, and know-how from not only the Group but also partners, and generating synergies while utilizing their individual abilities. Beyond nationality, culture, and background, we assign the right talent with the abilities necessary for this business to the right assignments considering individuals' capabilities and backgrounds, and ensuring that business is implemented with a diverse range of knowledge. We will further strengthen our talent as this business grows in the future.

(1) Demonstrated capabilities needed for the role (2) Background





Results of SHIFT 2023 and emerging issues

One of the aims of medium-term management plan SHIFT 2023 is to build a business portfolio that is both highly profitable and resilient.

Now that two years have passed since the plan's launch, we had three Outside Directors sit down with us to give their perspectives on the results and emerging issues of the Business Portfolio SHIFT, one of the pillars of the plan.

The discussion also focused on Sumitomo Corporation's initiatives with respect to human capital as a driving force of corporate reform.

Tripartite discussion between Outside Directors

Three-year medium-term management plan SHIFT 2023 is entering its final year. What are your thoughts on the progress, results, and issues as of today?

Establishment of the guiding principle of emphasizing cost of capital

Mitachi The focus of the current medium-term plan is how to build a business portfolio that is both highly profitable and resilient in light of past experiences of deteriorating business performance. From this perspective, I feel that in the year since I became an Outside Director, Sumitomo Corporation's guiding principles of business promotion have been changing significantly. Specifically, thorough discussions have been held with a focus not only on investment returns such as ROIC and ROE but also on the cost of capital, represented by WACC. I believe that steady progress has been made in strengthening earning power and reducing volatility.

Iwata Under the current medium-term plan, the Business Portfolio SHIFT is effectively being accelerated through the Framework SHIFT and the Management Base SHIFT. By introducing a framework for evaluating ROIC/WACC at the

Strategic Business Unit (SBU) level, Sumitomo Corporation has seen more active discussions taking place on topics such as new investments and exit strategies. It has also made it easier to evaluate and monitor a wide range of businesses. In addition, it represents significant progress that the SBUs have been divided into the four strategic categories of Divestment, Value Creation, Steady Business Growth, and Seeding to promote the Business Portfolio SHIFT. This has helped to visualize where the Company is and where it is heading. It is vital that the Company takes advantage of these to complete the goals set forth in the current medium-term plan.

Mitachi So, what guiding principle should be added next? Discussions have begun in earnest on improving the low PBR following the request from the Tokyo Stock Exchange. When breaking the PBR down into ROE and price-to-earnings ratio (PER), it is essential to increase the PER, which is the market's evaluation based on its past track record and expectation of the Company's growth, in addition to accelerating the efforts mentioned earlier in terms of ROE. Through the initiatives of the current medium-term plan, Sumitomo Corporation strives to establish a stable and robust earnings base. Building upon this, the Company will ensure sound investment discipline

and implement trial and error to create future growth drivers. I believe it's important to sincerely communicate these efforts to the market to gain understanding.

Bringing out and maximizing the strengths and capabilities as a group of an integrated trading company

Iwata While continuing to strengthen the initiatives of the current medium-term plan, the Company also acknowledges the feedback from investors who have expressed concerns about the difficulty in identifying future growth drivers based on the investor relations (IR) activities. I have also raised these concerns at the Board of Directors' meetings. In my opinion, it would be ideal to highlight the initiatives where the Company has already demonstrated its strengths, such as the Energy Innovation Initiative (EII), the cross-functional organization formed in FY2021 from the standpoint of accelerating decarbonization efforts. I would also like to see the Company work on steady efforts with a specific time frame and scale in mind to establish the next pillar in the seeding field, where the aim is to cultivate next-generation businesses.

Ide Speaking of steady efforts, integrated trading companies are increasingly acting as business investment firms, so overall group



Akiko Ide, Outside Director

Profile Akiko Ide was appointed an Outside Director of Sumitomo Corporation in June 2020. She has extensive knowledge and rich experience in information and telecommunications, corporate management, and corporate governance, having held key positions at a major telecommunications company over the course of many years. She has also served as an executive at its group company and a full-time Audit & Supervisory Board Member at its parent company (holding company).



Takashi Mitachi, Outside Director

Profile Takashi Mitachi was appointed an Outside Director of Sumitomo Corporation in June 2022. He has extensive knowledge and rich experience in corporate management and integrated risk management, having served in key positions at a major management consulting firm in the United States for many years.



Kimie Iwata, Outside Director

Profile Kimie Iwata was appointed an Outside Director of Sumitomo Corporation in June 2018. She has extensive knowledge and rich experience in corporate management, corporate governance, CSR, and diversity, having held a number of important positions in the Ministry of Labour (currently Ministry of Health, Labour and Welfare) over the years. Since retiring from the ministry, she has served as an executive and outside director at private companies.

Tripartite discussion between Outside Directors



governance is crucial when envisioning further growth as a group. With the significant changes in the industrial structure and sustainability trends in recent years, making sure Sumitomo Corporation's management policy permeates the entire Group can serve as a compass to verify whether individual business activities are conducted effectively and efficiently to achieve the goals. In that sense, the Group Management Policy (GMP) is of great significance, having been established under the current medium-term plan based on the three principles of Jiritsu, Dialogue, and Collaboration. It has become increasingly important from a governance perspective to clearly define the roles and responsibilities of both parent and group companies to ensure sustainable growth and reduce risks as supply chains grow more complex. This is true in both hands-on businesses and investment projects.

Mitachi It is extremely important to put the GMP into practice to ensure investment discipline and to deepen dialogue with the stock market. As a company, Sumitomo Corporation engages in dialogue with its investors. As an investor at the same time, the Company engages in dialogue with companies it invests in. Under

this structure, it is important to proceed with the process of communicating what the Company has addressed as an investor, what good outcomes it has obtained, and how it will expand those to the entire group.

Through that process, it is important to strengthen the foundation of the Group, establish a track record in individual businesses, earn the trust of the market, and tie that into future investments. The Company needs to build upon this chain of progression. Furthermore, Sumitomo Corporation, as an integrated trading company, can and should combine individual businesses to create entirely new industry structures and leverage competitive advantages. At times, it is necessary to take large risks. However, Sumitomo Corporation is able to diversify those risks with its diversified business portfolio spanning various industries and regions. I hope the Company will take advantage of this characteristic and be mindful of controlling risks and opportunities taking into consideration the different time frames for returns in each business. I believe that being thorough in this regard will lead to further enhancement of the Company's portfolio management capabilities.

Under the current medium-term plan, the Company has identified enhancement of sustainability management and business reform through DX as common principles to accelerate the Business Portfolio SHIFT. How do you evaluate the Company's performance in this regard?

Practicing sustainability management in the energy field

Iwata In all business domains, I believe that these two initiatives will be the source of future growth. In particular, many sustainability issues, which were once considered business risks for companies, are now considered growth opportunities, leading

to increased competition. Companies must take an integrated approach to business strategy and sustainability strategy. As a Director, I have consistently talked about this approach, and it is currently being discussed and incorporated into the business strategies of each SBU. Internal carbon pricing was introduced in the context of climate change mitigation, but it is still only used as reference information. In the future, I hope it will be used as a criterion for business evaluation, along with financial evaluation criteria, and applied as a sustainability assessment criterion for investment and divestment decisions.

Social changes are occurring at a faster pace than we could have imagined, so I hope that the Company, while always staying one step ahead, promotes the mechanisms to enhance the effectiveness of growth strategies for SBUs for the next medium-term plan.

Mitachi In terms of climate change mitigation, we basically need a shift in the way industries have been created since the Industrial Revolution as we use energy from fossil fuels. Today, new energy businesses such as solar and wind power are attracting a great deal of attention, but as a company that develops business in various industries and regions, we have to go one step further and be the one who creates new structures in various industries that use these new forms of energy. We need to leverage the scale, networks, and information we have cultivated to date to create a competitive advantage.

Pursuing added value through DX

Ide As for the other pillar, DX, there is a notable movement toward utilizing DX as a growth strategy. The DX Center, which serves as the organizational foundation of the entire Company and possesses advanced information, actively exchanges information with SBUs that have on-site operations. Sumitomo Corporation leverages its knowledge of supply chains and

Tripartite discussion between Outside Directors

connections in various industries as an integrated trading company to support business partners and investees in enhancing their value and roll out cross-industry solutions. Beyond that perspective, however, the Company views DX as a growth strategy and uses it as a tool to shift its business portfolio, including establishing monetization models, changing business models, and expanding the industries themselves.

One challenge in evaluating the added value lies in how to measure the results of DX. Currently, we have been able to quantify the effects of DX as improvement in operational efficiency equals cost reduction. However, the goal of DX goes beyond cost reduction and encompasses profit generation through business model reform. It is difficult to say how much DX has contributed because the results are not achieved through digital technology alone. The Company is currently working on accumulating numerical data to quantify the effect of DX within each SBU, but when it comes to the evaluation methodology, I believe that we will need to continue engaging in active discussions to enhance the accuracy.

Mitachi The Group has a DX company called SCSK, so there is



some experience to draw on. I feel that Sumitomo Corporation needs to be more conscious of promoting the enhancement of corporate value through DX at various group companies through the GMP and tie this into the enhancement of the corporate value of both Sumitomo Corporation and the Sumitomo Corporation Group.

What drives every business is people. Sumitomo Corporation is working on enhancing the human resources management cycle. What are your thoughts on these measures?

Increasing engagement and maximizing the strengths of the Group's talent

Ide Japan's working-age population is declining year after year, and the government is focusing on measures to address the declining birthrate. In these circumstances, what we must recognize first and foremost is that work values and behavioral patterns have significantly changed since those in management today were young. Looking at the current situation from this perspective, the Global HR Management Policy, which positions the organization as a place to take on challenges based on the thought that individuals realizing their own career and personal growth matching their own preferences is a good measure. The policy clearly defines the direction in which the Company will recruit and develop talent. And the various measures set forth based on the policy are also well-reasoned. Within all this, what I would like to emphasize is not only discussions on achieving the numerical target of a certain percentage of female managers but also whether or not a process is firmly integrated into the organization so that each individual is motivated and can reach their full potential. People are different than other resources in that they have thoughts and feelings of their own, so I believe that



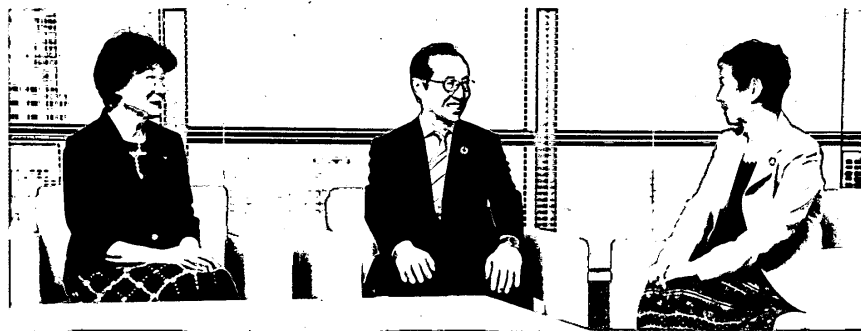
everything starts by listening carefully to feedback from them.
Iwata I think the Company's people both in management and among young professionals are of high quality regardless of gender. I also think that the Company could make better use of its excellent human capital, though. For example, direct feedback from employees in the open answers of engagement surveys currently being conducted provides insight on how to make the most of human capital, the driving force of corporate value enhancement. I believe there are three key points in this regard. The first is to increase productivity through business reforms such as improvement of business operational processes. It is essential to continuously increase the time spent thinking about creating new value by making time through optimization of business operational processes. The second is to promote further advancement of women. Steady progress has been made in eliminating position-based management, subsequently promoting from formerly clerical positions to manager positions, and increasing the percentage of women hired. I would like for the Company to more expand the individual domain for each member including what were formerly clerical positions,

Tripartite discussion between Outside Directors

provide growth opportunities, and fairly evaluate and promote women. The third is to eliminate seniority-based consciousness based on the concept of “Pay for Job, Pay for Performance.” I would like for the Company to further spread the system and mechanisms, always asking to what extent those have truly penetrated the organization, including in employee mentality. Currently, as a result of evaluating employees based on their abilities and contributions, the Company has produced certain results, such as the appointment of 40-year-olds to executive positions and 20-year-olds to managerial positions. However, there is still a ways to go and more work to be done.

I hope that Sumitomo Corporation will strive to become a company where people who are capable, willing to grow, and continue to produce results can thrive, regardless of age or gender. This will lead to the growth of the Company as well.

Mitachi I agree. I think another crucial point is how well the Company can organize and leverage the diversity of its human capital. The Sumitomo Corporation Group has a diverse workforce, but it is not enough to just have diversity. The question is how the Company will create value by leveraging that diversity. With any global communication comes a little friction and conflict. So, you have to embrace healthy conflict and believe that innovation will arise as you move forward. I also hope that management will clearly express that it is looking for leaders who will proactively step forward, and provide support and encouragement to the employees to do so.



The philosophy that pervades the people of the Group

Mitachi When leveraging the diversity of human capital, having a shared mindset among all group officers and employees makes it possible for individuals with different backgrounds and opinions to collaborate and thrive together. In that respect, having Sumitomo's Business Philosophy as the foundation of the corporate culture is surely a strength. It is also a strength that the essence of this philosophy aligns with the contemporary issues of CSR and sustainable business practices. There are many instances where this philosophy is being effectively applied in the actual business as more than simply a slogan, and I feel that

it should be further promoted and established.

Iwata That never hit home for me as much as when we had discussions about mid-career recruitment during the Board of Directors' meeting. During the exchange of various opinions, President Hyodo said something along the lines of “We should all share Sumitomo's Business Philosophy. It doesn't matter if we differ on anything else. In fact, I hope that we can find possibilities in those differences.” We are all human, so it is only natural for friction and problems to arise as we go about our business. This reminded me, however, that having a pervasive business philosophy is ultimately a very good thing for an organization. That is precisely why the Company has continued to be a presence in society until today, and I have high expectations going forward.

Messages from Outside Directors (new and retiring)

I hope to see continued improvements in the mechanisms that support the role of Outside Directors and further enhancement of the effectiveness of the Board of Directors.

Koji Ishida Former Outside Director (2017–2023)



On my retirement from the position, I reflected on the role of an Outside Director.

I believe the first thing that is expected of Outside Directors is for them to provide the Board of Directors with knowledge, ideas, opinions, and judgments from backgrounds that completely differ from the experience, logic, circumstances, and personal relationships within the Company.

The Board of Directors of a company with an Audit & Supervisory Board makes decisions on business execution and supervises the execution of duties. Even as an Outside Director, I believe my main role is to verify the validity of management decisions as the primary delegate of decision-making and supervision.

The matters to be brought before the Board of Directors have been thoroughly reviewed and discussed by people with practical knowledge and experience at all executive levels and relevant departments. It is difficult for part-time Outside Directors to determine the validity of decisions due to a lack of practical knowledge and having insufficient related information. As such, for Outside Directors to fulfill their role, it is essential to have a support system in place that includes providing sufficient information to them.

Sumitomo Corporation has created and improved agenda and reference materials, enhanced preliminary explanations of propositions, and introduced a system whereby important agenda items are selected in advance and discussed off-site several times until a consensus is reached to consolidate opinions among the Board of Directors. These support measures are also reviewed and continuously improved through the evaluations of the effectiveness of the Board of Directors conducted annually by the Directors and Audit & Supervisory Board Members.

Starting this year, a new Directors' Administration Department was established to expand support to Outside Directors. This provided greater access to a variety of more in-depth information.

I believe the development and improvement of systems like this to support the role of Outside Directors will contribute to further improvement of the effectiveness of the Board of Directors in the future.

I hope to contribute to the realization of a cohesive society where everyone can thrive through self-reliance and mutual assistance.

Takahisa Takahara Outside Director (2023–)



I think that as an Outside Director it is important to uphold the pride and responsibility to support Sumitomo Corporation in fulfilling its social responsibilities and in contributing to the realization of a prosperous life for humanity.

During my time at Unicharm Corporation, I have gained experience in various fields, including

overseas business. As the company president for the past 22 years, I have been engaged in global management.

I believe that the realization of a cohesive society, where everyone around the world from babies to the elderly, and even pets, support and care for each other, is a universal dream of managers.

Although every business of Sumitomo Corporation has a remarkable story to tell, I firmly believe that the pursuit of "benefit for self and others, private and public interests are one and the same" is the very essence of its social responsibility. While the dreams of each stakeholder may vary, there exists a common goal of altruism beyond those dreams. At the same time, the spirit of altruism can become the driving force behind their materialization. I intend to work diligently and passionately to meet your expectations. I look forward to your support.

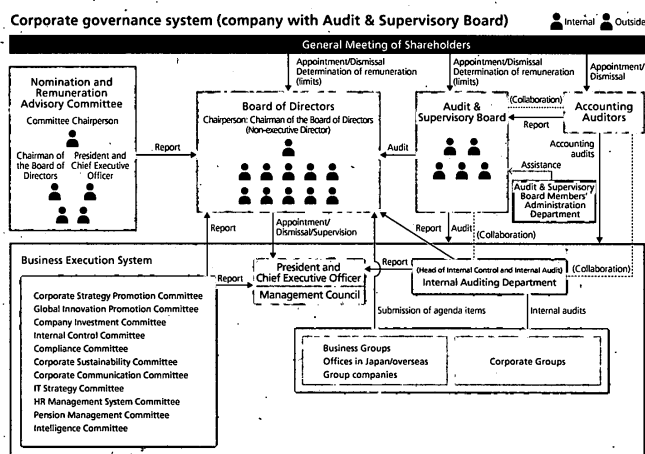
Corporate governance

Basic 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

Under the Audit & Supervisory Board system, the Company elects Outside Directors and Outside Audit & Supervisory Board Members with independence from the Company and a high level of insight in their respective specialized fields, and incorporates more diverse perspectives in the Company's decision-making and management supervision. In addition, the Company has established the Nomination and Remuneration Advisory Committee, chaired by an Outside Director and composed of a majority of Outside Directors, to enhance the independence, objectivity, and transparency of the functions of the Board of Directors regarding the nomination and remuneration of senior management, thereby ensuring effective supervision and monitoring of 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 the Corporate Group, Officers responsible for the Business Group, General Managers of Business Units, and Head of the Initiative.



Overview of corporate governance system (As of June 23, 2023)

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
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)

Corporate governance

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	2016	Began evaluating the effectiveness of the Board of Directors (evaluation period began with FY2015; continues each year)
1998	Established the Sumitomo Corporation Group's Corporate Mission Statement		Complied with all principles of Japan's Corporate Governance Code (continues each year)
2003	Established the Sumitomo Corporation Corporate Governance Principles		Revised the Board of Directors' agenda criteria
	Reduced the number of Directors (from 24 to 12)		Increased the number of Outside Directors by 1 to 4
	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	2017	Reduced the number of Internal Directors from 10 to 6 (Chairman, President, 3 Officers in charge of the Corporate Group, 1 General Manager of a Business Unit)
	Increased the number of Outside Audit & Supervisory Board Members by 1 to 3 (for a total of 5 Audit & Supervisory Board Members)		
2005	Shortened term of office of Directors and Executive Officers to 1 year	2018	Increased the number of Outside Directors to 5
2007	Established the Remuneration Committee as an advisory body to the Board of Directors, the majority of whose members are Outside Directors	2019	Revised the counselor and honorary advisor system
2013	Appointed first two Outside Directors		Set the policy and procedure for appointment and dismissal of the President and Chief Executive Officer
	Specified the term of office of Outside Directors (limited to 6 years) in the Sumitomo Corporation Corporate Governance Principles		Determined the policy and procedure for appointment and dismissal of the Chairman of the Board of Directors
	Specified the term of office of Outside Audit & Supervisory Board Members (limited to 8 years) in the Sumitomo Corporation Corporate Governance Principles	2020	Began agenda setting for the Board of Directors
2015	Reviewed governance and decision-making processes	2021	Disclosed the skills matrix for Directors and Audit & Supervisory Board Members
	• Management Council became the highest executive-level decision-making body	2023	Newly established a dedicated department to support Directors
	• 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		

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, who convenes meetings of the Board of Directors and presides over them as Chairperson, 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.

Corporate governance

■ Skills of Directors and Audit & Supervisory Board Members Male Female

	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	Chairman	○	○	—	○	○	○	○
	Masayuki Hyodo	Representative Director, President and Chief Executive Officer	○	○	—	○	○	○	○
	Shingo Ueno	Representative Director, Executive Vice President	○	○	—	○	—	—	—
	Takayuki Seishima	Representative Director, Executive Vice President	○	—	—	—	○	○	○
	Reiji Morooka	Representative Director, Senior Managing Executive Officer	○	—	—	—	○	○	—
	Hirokazu Higashino	Representative Director, Senior Managing Executive Officer	○	○	○	○	—	—	—
Outside	Kimie Iwata	Outside Director	○	—	—	○	—	—	○
	Hisashi Yamazaki	Outside Director	—	—	—	—	—	○	○
	Akiko Ide	Outside Director	○	—	○	○	—	—	—
	Takashi Mitachi	Outside Director	○	○	—	○	—	○	○
	Takahisa Takahara	Outside Director	○	○	—	○	—	—	—
Internal	Daisuke Mikogami	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, 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, SHFT 2023, we are promoting a business portfolio shift with a focus on DX 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.

Corporate governance

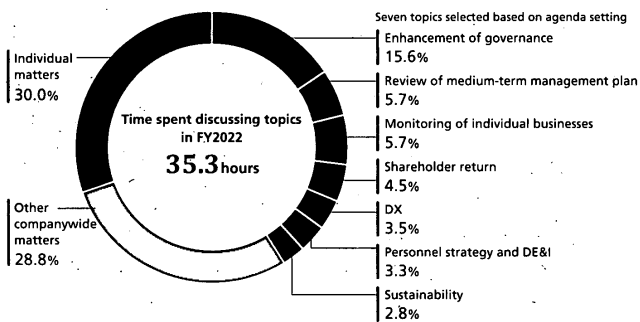
■ Adequate deliberation and enhancement of monitoring function

Agenda items for the Board of Directors are carefully selected by delegating authority to the business execution side within a scope deemed appropriate in order 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, with sustainability and personnel strategy, among others, being identified as topics. Additionally, to further strengthen its business execution monitoring functions, the Board of Directors 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 separate from in-person Board meetings to more actively discuss important management topics, including management policy and plans as well as ESG issues. In particular, looking ahead to the completion of the medium-term management plan SHIFT 2023, which ends in FY2023, the Board of Directors is carefully monitoring the status of initiatives by the business execution side and providing support.

*1 Corporate Strategy Promotion Committee, Global Innovation Promotion Committee, Corporate Sustainability Committee, Internal Control Committee, etc.

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

Main topics discussed by the Board of Directors and time spent



Main topics and agenda items of Board of Directors' meetings

Topic	Example of agenda items
Review of medium-term management plan	• Overall management review • Companywide portfolio valuation • Full Potential Plan
DX	• Companywide promotion of DX • Restructuring of DX and IT organizations
Monitoring of individual businesses	• Ambatovy nickel mining and refining business in Madagascar • Telecommunications business in Myanmar
Enhancement of governance	• Evaluation of the effectiveness of the Board of Directors • Internal control and internal audit • Status of reducing cross-shareholdings
Sustainability	• Status of promoting sustainability in each SBU • Status of human rights due diligence companywide • Disclosure based on the TCFD
Personnel strategy and DE&I	• Employee engagement • Recruitment plans
Shareholder return	• Dividend policy • Share repurchases
Other companywide matters	• General Meeting of Shareholders • Annual results and finance • Crisis management and compliance
Individual matters	• Individual investments and loans • Regular reporting of Business Units

■ Discussions on sustainability

The Company, having passed down Sumitomo's Business Philosophy, recognizes the importance of contributing to the realization of a sustainable society through its business activities. Under this shared awareness, the Company's Directors and Audit & Supervisory Board Members discuss and approve important policies and measures on sustainability at Board of Directors' meetings and hold active discussions during off-site meetings. For example, they monitor the progress of the Group's specific initiatives for carbon neutrality (e.g., introduction of internal carbon pricing and setting KPIs/KAIs for sustainability management at all SBUs) and human rights due diligence by each Business Unit, thereby supporting the advancement of sustainability management. In addition, they view the response to climate change issues not only as a risk but also as an opportunity. As an example, they have deliberated and approved projects that contribute to realizing clean energy conversion of business partners through the provision of products and technologies that lead to decarbonization.

Corporate governance

■ Evaluation of the effectiveness of the Board of Directors

To maintain and heighten its effectiveness, each year we analyze and evaluate the effectiveness of the Board of Directors with support of an independent third party (outside consultant) and proceed to disclose the outline of the results.

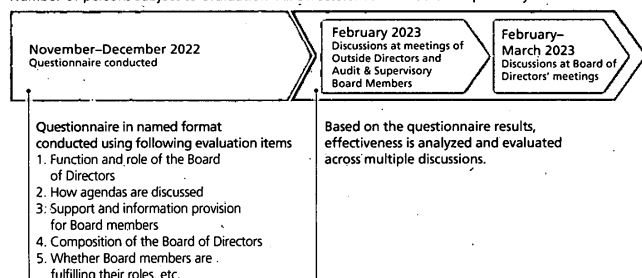
In FY2022, from the perspective of continuing to implement the PDCA cycle to improve the functions of the Board of Directors, Board members discussed the methods and items of the Board's effectiveness evaluation and made the following revisions.

Key points pertaining to the review of the Board's effectiveness evaluation

- Change from anonymous to a named format**
 The questionnaire was changed from the conventional anonymous format to a named format, as we considered that it is important to understand the background of the respondents and their opinions as well as their awareness of the issues in order to deepen discussions based on the opinions expressed in the questionnaire, and judged that frank exchanges of opinions are sufficiently conducted at the Board of Directors at present.
- Enhance discussions with all Board members instead of individual interviews**
 Instead of individual interviews using a third-party organization (anonymous to other Board members), a policy was established to enhance the process of discussing issues and improvement actions among all Board members based on the results of the named questionnaire.
- Change to a questionnaire with mostly written responses**
 While maintaining the basic questions to observe the progress of improvement from a fixed point of view, the questionnaire was narrowed to the main issues and changed to a format in which each Board member wrote freely what they have considered to be issues.

Evaluation process

Number of persons subject to evaluation All Directors: 11 All Audit & Supervisory Board Members: 5



As a result of the effectiveness evaluation, the Board of Directors was again found to be functioning effectively overall in FY2022, with the level of its operations and performance of functions improving year by year. An overview of the evaluation and future initiatives is presented below.

Main evaluation results and future initiatives

Points highly rated

- Appropriate agenda setting**
 The agendas of Board of Directors' meetings are systematically discussed and appropriately set. In particular, sufficient time is spent in discussion on monitoring the progress of strategy based on the medium-term management plan. In the future, it is advisable to spend more time discussing geopolitical events and other environmental changes that may impact management as well as medium- to long-term management strategies.
- Enhanced discussions**
 Enhancements to prior briefings to Directors and Audit & Supervisory Board Members and meetings of Outside Directors and Outside Audit & Supervisory Board Members are invigorating essential discussions at Board of Directors' meetings. The constructive questions and answers and sufficient exchange of opinions on each agenda item have contributed to the enhancement of monitoring and decision-making functions of the Board of Directors.
- Fulfillment of functions of Outside Directors**
 Outside Directors provide suggestions and advice based on their specialized expertise and experience. The Outside Directors have contributed to fulfillment of supervisory function of the Board of Directors by providing opinions from the various viewpoints of stakeholders, which are difficult for Internal Officers and executive management to recognize.

Comments from Board members and future initiatives

- Function and role of the Board of Directors**
 Discussion returned to the most essential issues, such as "what functions and roles the Board of Directors should play." Such discussions will continue to be held in the future.
- Optimization of agendas**
 - From the perspective of strengthening both the management and monitoring functions of the Board of Directors and increasing corporate value, we will continue to set appropriate agendas and deepen discussions on medium- to long-term management policies.
- Improved quality of discussions**
 We will improve the quality of discussions at Board of Directors' meetings by establishing a new organization (in April 2023) to support communications between the Board of Directors and management/officers and advancing initiatives such as reviewing agenda items for the Board of Directors, preparing concise materials, and organizing discussion points.

Corporate governance

■ Corporate governance

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, the core of the Company's Management Principles, in principle Outside Directors and Outside Audit & Supervisory Board Members visit Sumitomo-related facilities* during the first fiscal year of their term of office. Furthermore, to facilitate their understanding of our wide-ranging businesses, they visit our business sites. In FY2023, they plan to visit multiple sites in Japan and overseas (the Americas and Asia).

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



Besshi Copper Mine (Ehime)



Summit Steel Co., Ltd. (Osaka)

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 Outside Audit & Supervisory Board Members outlining each project and important points. Pre-meeting briefings for Outside Directors were held 12 times in FY2022 lasting a total of 28

Establishment of dedicated department

The Company established the new Directors' Administration Department to promote communication between the Board of Directors and executive management. The department assists the annual agenda setting and thoroughly organizes the points of discussion on the agenda at each Board of Directors' meeting. In this manner, the Company strengthened its support system necessary for Directors to execute their duties.

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 FY2022, Outside Officers have led in-house seminars on such topics as DE&I promotion, in addition to IR activities.

Corporate governance

■ 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 and report the results to the Board of Directors. Additionally, the committee also deliberates and determines other matters delegated by the Board of Directors outside of (1) to (8) above, and then reports its findings to the Board of Directors.

An overview of the activities of the Nomination and Remuneration Advisory Committee in FY2022 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	(Chairperson) Kimie Iwata	7/7 (100%)	<ul style="list-style-type: none"> FY2023 Director/Audit & Supervisory Board Member/Executive Officer HR management (Selection of Management Council members and allocation of human resources based on successor plan) Candidates for Outside Director FY2022 evaluations of individual Executive Officers Introduction of non-financial indicators into stock-based remuneration Review of remuneration levels of Outside Audit & Supervisory Board Members
	Koji Ishida	7/7 (100%)	
	Takashi Mitachi	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 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.

Corporate governance

Remuneration of Directors and Audit & Supervisory Board Members

Executive remuneration system

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

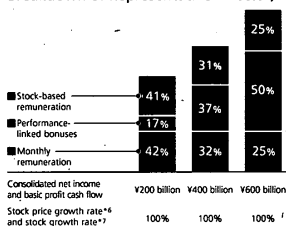
- *1 The remuneration of Executive Directors and Executive Officers consists of "monthly remuneration," "performance-linked bonuses," and "restricted performance share unit-based remuneration."
- *2 The remuneration of the Chairman of the Board of Directors, whose main role is management supervision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

Remuneration standards and remuneration composition ratios

Referring to objective remuneration market research data*5 provided by external specialized agencies, the Company sets appropriate remuneration standards and remuneration composition ratios based on the Company's business environment and management and human resources strategies.

*5 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.

- *6 Stock price growth rate = ((Average price of Company's common shares in relevant fiscal year) / (Average price of Company's common shares in the previous fiscal year)) / ((Average of TOPIX in relevant fiscal year) / (Average of TOPIX in the previous fiscal year))
- *7 Stock growth rate = ((Average price of Company's common shares in the month of termination of Evaluation Period) / (Average price of Company's common shares in the month of commencement of Evaluation Period)) / ((Average of TOPIX in the month of termination of Evaluation Period) / (Average of TOPIX in the month of commencement of Evaluation Period))

Performance-linked bonuses

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 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.

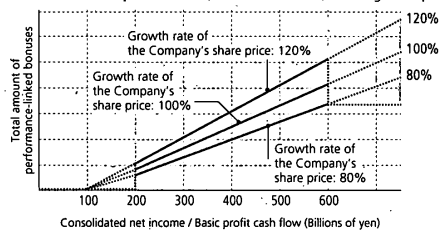
Calculation formula for total amount of performance-linked bonuses

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

Total amount of performance-linked bonuses

The potential range of business results in terms of consolidated net income and basic profit cash flow is assumed to be from ¥200 billion to ¥600 billion. If business results fall outside this range, the total amount of performance-linked bonuses to be paid is decided separately by the Board of Directors based on report from the Nomination and Remuneration Advisory Committee. Additionally, in order to further promote the initiatives of the medium-term management plan SHIFT 2023, we added the year-on-year share price growth rate as an indicator for determining the total amount of performance-linked bonuses. The total amount to be paid is calculated by multiplying the amount calculated from consolidated net income and basic profit cash flow by the year-on-year share price growth rate. The range of year-on-years stock price growth rate is from 80% to 120%. 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)



Corporate governance

■ **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, and of the 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 DE&I.

Breakdown of financial and non-financial indicators in personal evaluations

Financial indicators 50%	Non-financial indicators 50%	
	20%	30%
	<ul style="list-style-type: none"> • Business reform through DX • Enhancement of sustainability management • Promotion of DE&I 	

■ **Restricted performance share unit-based remuneration**

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. Beginning in FY2023, in order to promote efforts to help solve key social issues and to make non-financial indicators related to the environment and society more closely linked with stock-based remuneration to raise awareness of the Company's commitment to enhance sustainability management, evaluation on the non-financial indicators (response to climate change, promotion of women's active engagement, and employee engagement) is used to calculate the amount of the Company's common shares to be granted as restricted shares. 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.

Evaluation period of the Company's stock growth rate (image)

20X1	20X2	20X3	20X4
Stock price evaluation period			Share grant

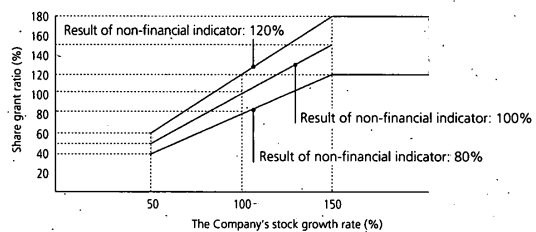
■ **Introduction of non-financial indicators in calculation of share grant ratio**

Response to climate change, promotion of women's active engagement, and employee engagement have been set as indicators in calculating the number of granted shares. The progress and results of initiatives for each fiscal year are evaluated, and the final evaluation is determined by the Nomination and Remuneration Advisory Committee after averaging the evaluations over a three-year period.

Item	Evaluation criteria	Evaluation ratio
Response to climate change	Progress and results of initiatives related to the Group's long-term targets and medium-term targets for the Group's six key social issues	Reflected in evaluation using a ratio of 1:1:1
Promotion of women's active engagement	Results versus the quantitative targets set every year to achieve the target ratio of women in FY2030	
Employee engagement	Quantitative results of "employee engagement" and "environment that utilizes employees" in engagement surveys	

Share grant ratio based on stock growth rate and non-financial indicator

$$\text{Grant calculation formula} = \text{Standard number of granted shares by position} \times \text{Share grant ratio based on the Company's stock growth rate (0\% to 150\%)} \times \text{Share grant ratio based on the non-financial indicator (80\% to 120\%)}$$



Corporate governance

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 cost of capital 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 FY2022, the Company sold shares of 22 listed stocks (either in whole or in part), amounting to ¥33.8 billion in total. As of the end of March 2023, the Company's shareholdings in listed companies cover 59 stocks, with the total balance of ¥190.7 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.

Initiatives to ensure transparency of business management

■ Establishment of disclosure policy

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



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



■ Measures relating to the General Meeting of Shareholders

Approximately three weeks prior to each General Meeting of Shareholders, the Company sends out a convening notice describing how to access the materials for the General Meeting of Shareholders to our shareholders (the printed materials for the General Meeting of Shareholders, for shareholders who have requested delivery of such materials in paper form). The Company also provides the materials for the General Meeting of Shareholders on its corporate website in advance of sending the notice, together with its English-language translation. This early sending of materials for the General Meeting of Shareholders 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.



For details, please visit our corporate website.
<https://www.sumitomocorp.com/en/jp/ir/stock/stmt>



Directors, Audit & Supervisory Board Members, and Executive Officers

As of June 24, 2023, Executive Officers: As of July 1, 2023

Directors ■ Shares owned in the Company (As of March 31, 2023) ■ Attendance at meetings of the Board of Directors in FY2022



Kuniharu Nakamura
Chairman
■ 187,700 shares
■ 18/18

Apr. 1974
Joined 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
■ 107,900 shares
■ 18/18

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



Shingo Ueno
Representative Director
■ 56,200 shares
■ -/-

Apr. 1982
Joined the Company
Apr. 2022
Executive Vice President
(Metal Products Business Unit,
Mineral Resources, Energy,
Chemical & Electronics
Business Unit and Head of
Energy Innovation Initiative)
Jun. 2023
Representative Director and
Executive Vice President
(Metal Products Business Unit,
Mineral Resources, Energy,
Chemical & Electronics
Business Unit, and Energy
Innovation Initiative)
(present position)



Takayuki Seishima
Representative Director
■ 40,400 shares
■ 18/18

Apr. 1984
Joined the Company
Apr. 2021
Representative Director,
Senior Managing Executive Officer,
Chief Administration Officer and
Chief Compliance Officer
Apr. 2023
Representative Director,
Executive Vice President,
Chief Administration Officer and
Chief Compliance Officer
(present position)



Reiji Morooka
Representative Director
■ 29,400 shares
■ 14/14
(Since appointed as a
Director on June 24, 2022)

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



Hirokazu Higashino
Representative Director
■ 26,400 shares
■ 14/14
(Since appointed as a
Director on June 24, 2022)

Apr. 1987
Joined the Company
Jun. 2022
Representative Director,
Managing Executive Officer,
Chief Strategy Officer and
Chief Information Officer
Apr. 2023
Representative Director,
Senior Managing Executive Officer,
Chief Strategy Officer
(present position)

Directors, Audit & Supervisory Board Members, and Executive Officers

Outside Directors ■ Shares owned in the Company (As of March 31, 2023) ■ Attendance at meetings of the Board of Directors in FY2022



Kimie Iwata

Outside Director Independent

- 0 shares
- 15/18

Apr. 1971
Joined the Ministry of Labour (currently Ministry of Health, Labour and Welfare)

Jan. 2001
Director-General of Equal Employment, Children and Families Bureau (retired in August 2003)

Jun. 2008
Representative Director, Executive Vice President, Shiseido Company, Limited (retired as Executive Vice President in March 2012; retired as Representative Director in June 2012)

Jul. 2012
Outside Director, Japan Airlines Co., Ltd. (retired in June 2018)

President, Japan Institute for Women's Empowerment & Diversity Management (Retired in June 2018)

Oct. 2015
Audit and Inspection Commissioner, the Tokyo Metropolitan Government (present position)

Mar. 2016
Outside Director, Kirin Holdings Company, Limited (retired in March 2019)

Outside Director, Stripe International Inc. (retired in April 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)



Hisashi Yamazaki

Outside Director Independent

- 0 shares
- 18/18

Apr. 1974
Assistant Judge

Feb. 2011
President, Sapporo High Court (retired in March 2013)

Mar. 2013
Commissioner, Japan Fair Trade Commission (retired in December 2015)

Aug. 2016
Attorney-at-law (present position)

Jul. 2017
Supervisory Board Member, National Federation of Agricultural Cooperative Associations (present position)

Jun. 2018
Outside Director, Sumitomo Corporation (present position)

Outside Director, Tokyo Commodity Exchange, Inc. (retired in December 2019)

Jun. 2020
Outside Director, JAPAN POST INSURANCE Co., Ltd. (present position)



Akiko Ide

Outside Director Independent

- 0 shares
- 18/18

Apr. 1977
Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)

Jun. 2012
Executive Director, Director of Information Security, NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.)

May 2013
President and Chief Executive Officer, Radishbo-ya Co., Ltd. (currently Oisix ra daichi Inc.) (retired in May 2014)

Jun. 2013
Executive Director, Senior Manager in Charge of Commerce Business Promotion, NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.) (retired in June 2014)

Jun. 2014
Full-Time Audit & 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, Tahoku Electric Power Co., Inc. (present position)



Takashi Mitachi

Outside Director Independent

- 0 shares
- 14/14

(Since appointed as a Director on June 24, 2022)

Apr. 1979
Joined Japan Airlines Co., Ltd.

Oct. 1993
Joined Boston Consulting Group

Jan. 2005
Japan Co-chair, Boston Consulting Group

May 2005
Managing Director & Senior Partner, Boston Consulting Group

Mar. 2011
Director, Japan Association for the World Food Programme (retired in August 2018)

Apr. 2013
Vice Chairman, KEIZAI DOYUKAI (Japan Association of Corporate Executives) (retired in April 2017)

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)

Outside Director, Audit and Supervisory Committee Member, Unicharm Corporation (retired in March 2021)



Takahisa Takahara

Outside Director Independent

- 0 shares
- -/ -

Apr. 1986
Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)

Apr. 1991
Joined Unicharm Corporation

Jun. 1995
Director, Unicharm Corporation

Apr. 1996
Director, General Manager of Procurement Division and Deputy General Manager of International Division, Unicharm Corporation

Jun. 1997
Senior Director, Unicharm Corporation

Apr. 1998
Senior Director, General Manager of Feminine Hygiene Business Division, Unicharm Corporation

Oct. 2000
Senior Director, Responsible for Management Strategy, Unicharm Corporation

Jun. 2001
Representative Director, President, Unicharm Corporation

Jun. 2004
Representative Director, President & CEO, Unicharm Corporation (present position)

Jun. 2021
Outside Director, Nomura Holdings, Inc. (present position)

Jun. 2022
Outside Director, Sumitomo Corporation (present position)

Directors, Audit & Supervisory Board Members, and Executive Officers

Audit & Supervisory Board Members

■ Shares owned in the Company (As of March 31, 2023)
 ■ Attendance at meetings of the Board of Directors in FY2022 ■ Attendance at meetings of the Audit & Supervisory Board in FY2022



Daisuke Mikogami

Senior Audit & Supervisory Board Member (Full-Time)

■ 35,000 shares
 ■ -/
 ■ -/

Apr. 1983
 Joined the Company
 Apr. 2014
 Executive Officer
 Apr. 2017
 Managing Executive Officer
 Apr. 2023
 Advisor
 Jun. 2023
 Senior Audit & Supervisory Board Member (present position)



Kazunari Sakata

Audit & Supervisory Board Member (Full-Time)

■ 14,200 shares
 ■ 14/14
 ■ 12/12
 (Since taking office on June 24, 2022)

Apr. 1985
 Joined the Company
 Apr. 2020
 Executive Officer
 Apr. 2022
 Advisor
 Jun. 2022
 Audit & Supervisory Board Member (present position)



Toshio Nagai

Outside Audit & Supervisory Board Member (Lawyer)

Independent
 ■ 0 shares
 ■ 18/18
 ■ 17/17

Apr. 1974
 Assistant Judge
 Mar. 2013
 President, Osaka High Court (retired in July 2014)
 Sep. 2014
 Attorney-at-law (present position)
 Jun. 2015
 Outside Corporate Auditor, Toray Industries, Inc. (present position)
 Jun. 2016
 Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position)



Yoshitaka Kato

Outside Audit & Supervisory Board Member (Certified Public Accountant)

Independent
 ■ 0 shares
 ■ 18/18
 ■ 17/17

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)



Yukiko Nagashima

Outside Audit & Supervisory Board Member

Independent
 ■ 0 shares
 ■ 18/18
 ■ 17/17

Apr. 1985
 Joined 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)

Directors, Audit & Supervisory Board Members, and Executive Officers

Executive Officers

President and Chief Executive Officer

Masayuki Hyodo
Chief Executive Officer

Executive Vice Presidents

Shingo Ueno

(Metal Products Business Unit, Mineral Resources, Energy, Chemical & Electronics Business Unit and Energy Innovation Initiative)

Takayuki Seishima

Chief Administration Officer and Chief Compliance Officer

Senior Managing Executive Officers

Masaki Nakajima
General Manager, Media & Digital Business Unit

Reiji Morooka
Chief Financial Officer

Yoshiyuki Sakamoto

General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit

Mitsuhiro Takeda

Director, Executive Vice President, JCOM Co., Ltd.

Hirokazu Higashino

Chief Strategy Officer

Katsuya Inubushi

General Manager, Metal Products Business Unit

Managing Executive Officers

Keigo Shiomi

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

Iehisa Nakamura

Assistant General Manager, Media & Digital Business Unit

Norihiko Nonaka

General Manager, Transportation & Construction Systems Business Unit

Shinichi Kato

Assistant General Manager for the Americas; Sumitomo Corporation of Americas; President and CEO, 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

Yukihiro Honda

General Manager, Infrastructure Business Unit

Kotaro Tameda

General Manager, Living Related & Real Estate Business Unit

Haruhiko Aritomo

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

Nobuhiro Yoshida

General Manager for Japan Region; General Manager, Kansai Office

Hiroyuki Koike

General Manager for Europe; CEO of Sumitomo Corporation Europe Group; Chairman and Managing Director, Sumitomo Corporation Europe Limited

Takayuki Sumita

Assistant CSO; Energy Innovation Initiative Design & Strategy Dept.; President and CEO, Sumitomo Corporation Global Research Co. Ltd.

Koji Aso

Head of Energy Innovation Initiative

Kimihiko Sato

Head of Internal Control and Internal Audit; General Manager, Internal Auditing Dept.

Executive Officers

Takashi Yamana

President and Representative Director, Sumitomo Shoji Machinex Co., Ltd.

Tatsuro Tamura

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

Kazumasa Watanabe

General Manager, Media Division

Masahiko Yokohama

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

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

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 CAO, General Affairs & Legal; General Manager, Legal Compliance Dept.

Gota Iwanami

Assistant General Manager for Japan Region; General Manager, Chubu Office

Nobuyasu Yonezu

Director of Energy Innovation Initiative; General Manager, Indonesia Energy Transition Dept.

Seiji Kitajima

Director of Energy Innovation Initiative

Eisuke Takenaka

General Manager, Corporate Planning & Coordination Dept.

Tatsushi Tatsumi

Chief Digital Officer, Chief Information Officer

Shunichi Aramaki

General Manager, Digital Business Division

Yoshiko Nakazawa

Assistant CAO, Human Resources

Group governance

Basic principles

■ Promoting maximization of corporate value based on the Group Management Policy

The Sumitomo Corporation Group consists of 886 companies in 78 countries and regions. These companies are the source of the Group's strength. Their business domains fall under a wide range of industrial fields, and many of them are industry leaders.

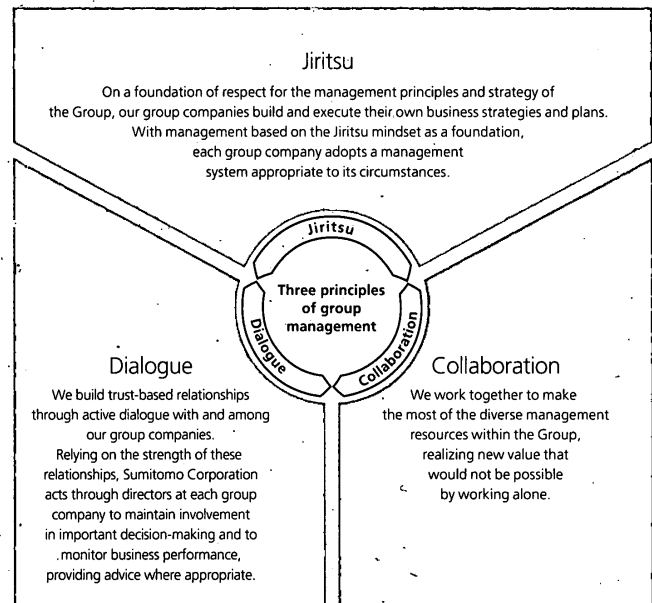
The group companies respect the Sumitomo Corporation Group's Corporate Mission Statement and management strategies, and engage in Jiritsu* management. Our approach to group management is to contribute to important decision-making at Board and other meetings through active dialogue based on relationships of trust as a shareholder, and to create new value through collaboration among group companies including Sumitomo Corporation. For the purpose of sharing and better implementing this basic approach and policies within the Group, we established the Group Management Policy (GMP) in 2021.

The GMP clarifies the roles and responsibilities in group management, setting forth the three principles of Jiritsu, dialogue, and collaboration to be respected by Sumitomo Corporation and its group companies.

The values set forth in the Sumitomo Corporation Group's Corporate Mission Statement and the GMP are shared and implemented within the Group. This allows us to swiftly and appropriately respond to industry structural transformation and trends surrounding sustainability and to grow our group companies into future earning pillars, thereby further solidifying the Group's business portfolio and maximizing corporate value.

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

Three principles of the GMP



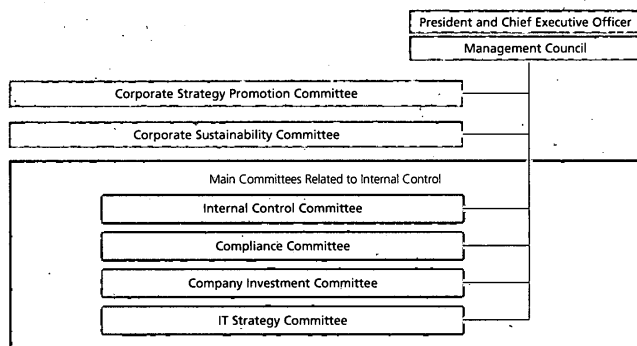
Internal control

Basic policy and system

To realize sustainable growth and development, the Sumitomo Corporation Group is working on enhancing group governance and improving the overall quality of groupwide operations through the development, operation, evaluation, and improvement of appropriate internal controls. We have established basic regulations on internal controls to reasonably ensure compliance with laws and regulations related to business activities, safeguarding of assets against loss, effectiveness and efficiency of operations, and reliability of financial reporting in the Group's overall businesses.

To ensure efficient operation of existing internal control frameworks, create synergy, and coordinate with internal audit functions, the Internal Control Promotion Department, which takes on overall control of the Group's internal control-related operations, has been established alongside the Internal Auditing Department under the supervision of the Head of Internal Control and Internal Audit. By actively identifying issues and utilizing internal control activities within the Group, the department will promote greater effectiveness and consistency of the above efforts throughout the Group.

Internal control structure

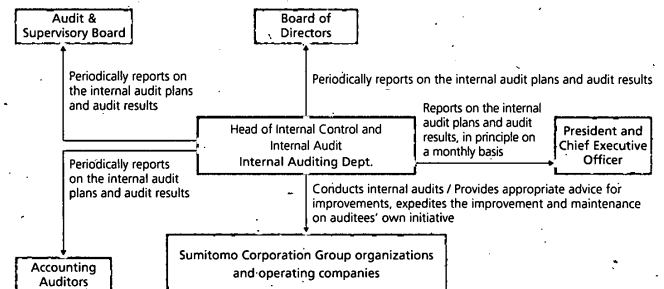


Internal audits

The Internal Auditing Department is an independent organization under the supervision of the Head of Internal Control and Internal Audit, which reports directly to the President and Chief Executive Officer, 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 Group.

Internal audit process



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



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.

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 facts and details of the report are maintained in the strictest confidence, and we ensure that the whistleblower is not subjected 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, 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
 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.

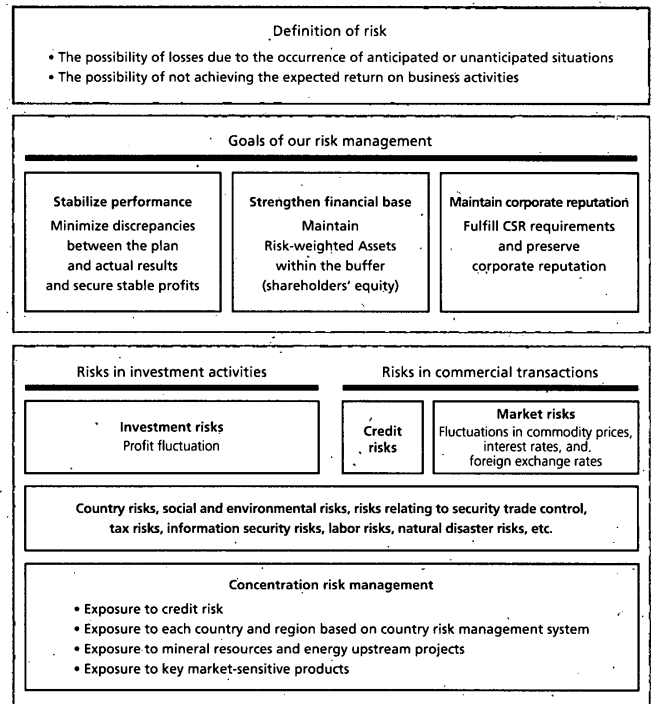
1. Stabilize performance
2. Strengthen financial base
3. Maintain corporate reputation

We categorize our business activities into investments and commercial transactions and manage risk after identifying both common and category-specific risk factors. By studying advanced methods and processes, we 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.

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



Risk management system



Investment risk management

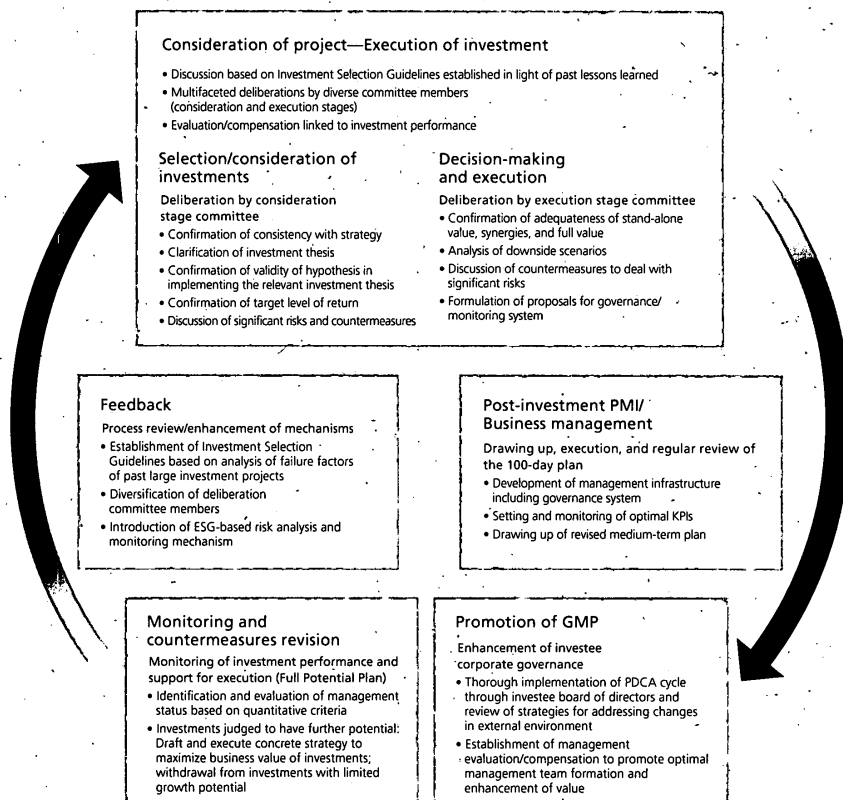
Business investment process

We have adopted a unified framework that covers everything from the entry into the investment to the exit and that takes into account changes in the portfolio as a whole, as well as the nature of the risks involved in each individual investment opportunity, while reviewing the process for assessing and following up investment projects as appropriate.

When assessing investment projects, we clarify the investment theme at the initial stage of the process and verify its appropriateness as a key point of due diligence. In addition, by applying a discount rate appropriate to each business risk, we are able to calculate an "appropriate price" for the investment and evaluate the opportunity from both quantitative and qualitative aspects.

With regard to the decision-making process, the Business Unit Investment Committee or the Company Investment Committee meets at each stage of consideration and implementation, depending on the scale and importance of the project. From an early stage, these committees conduct in-depth discussions from various perspectives regarding the strategic positioning of the project, the background to and the reasoning behind the selection of the project, ESG, and the various factors that may affect the success of the investment.

In addition, we have enhanced the mechanisms for improving the probability of investment success at each investment stage. We will increase the value of each business by steadily implementing measures, including establishment of strict investment discipline for selecting investments, development of an optimal governance structure for increasing the value of each business after investment, reviewing strategies and establishing a medium-term plan for addressing changes in the external environment, and investing the right resources at the right time. Furthermore, to increase our commitment to value creation, we introduced a new compensation system linked to investment performance in 2022. Stepping up our monitoring efforts, we set a clear time frame and make improvements to business investments that do not increase in value as expected. If improvement is not expected, we will continue to engage in thorough asset recycling.



Information security

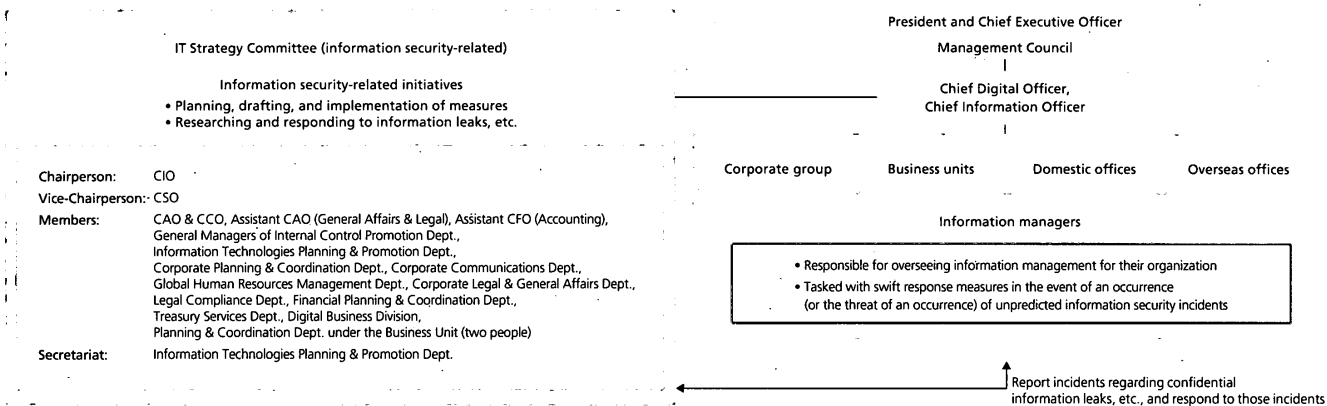
Basic policy and framework

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 security management system



Data Section

- 105 Summary of key financial indicators
- 106 Segment information
- 107 Financial highlights
- 108 ESG highlights
- 109 Consolidated statement of financial position
- 111 Consolidated statement of comprehensive income
- 112 Consolidated statement of cash flows
- 113 Company information
- 114 Global network
- 115 IR/SR activities
- 116 External recognition

Summary of key financial indicators

As of and for the years ended March 31

We have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

Financial data	(FY)	BBBO2014		BBBO2017			Medium-Term Management Plan 2020			SHIFT 2023	
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 ^{*)}
Results of operations:											
Gross profit	¥	894.4	¥ 952.9	¥ 894.1	¥ 842.7	¥ 956.5	¥ 923.2	¥ 873.7	¥ 729.5	¥ 1,009.6	¥ 1,234.8
Selling, general and administrative expenses		-706.4	-755.2	-762.7	-693.8	-731.6	-647.6	-677.4	-678.9	-713.9	-811.7
Interest expense, net		-17.4	-13.0	-2.6	-1.7	-5.8	-11.6	-15.6	-5.5	-1.2	-11.5
Dividends		14.9	17.2	10.6	9.4	10.7	12.1	11.1	8.6	27.3	20.1
Share of profit (loss) of investments accounted for using the equity method		126.2	49.1	-53.8	83.5	149.7	127.1	84.8	-41.4	176.8	252.4
Profit (loss) for the year attributable to owners of the parent		223.1	-73.2	74.5	170.9	308.5	320.5	171.4	-153.1	463.7	565.3
Financial position at year-end:											
Total assets		8,668.7	9,021.4	7,817.8	7,761.8	7,770.6	7,916.5	8,128.6	8,080.0	9,582.2	10,105.4
Equity attributable to owners of the parent		2,404.7	2,481.4	2,251.5	2,366.5	2,558.2	2,771.5	2,544.1	2,528.0	3,197.8	3,778.7
Interest-bearing liabilities (net) ^{*)}		3,123.5	3,517.5	2,770.3	2,627.9	2,521.5	2,427.1	2,468.8	2,300.4	2,273.7	2,484.4
Cash flows:											
Cash flows from operating activities		278.2	243.7	599.7	345.8	295.3	268.9	326.6	467.1	194.1	232.8
Cash flows from investing activities		-249.9	-399.6	-85.4	-180.7	-155.8	-51.3	-203.4	-120.1	49.0	-91.5
Free cash flows		28.4	-155.9	514.3	165.1	139.5	217.6	123.2	347.0	243.1	141.3
Cash flows from financing activities		145.9	-74.8	-507.2	-254.4	-229.6	-233.2	-57.7	-466.4	-139.9	-250.5
(¥bn)											
Amounts per share:											
Profit (loss) for the year attributable to owners of the parent:											
Basic	¥	178.59	¥ -58.64	¥ 59.73	¥ 136.91	¥ 247.13	¥ 256.68	¥ 137.18	¥ -122.42	¥ 370.79	¥ 452.63
Diluted		178.46	-58.64	59.69	136.81	246.91	256.41	137.03	-122.42	370.53	452.27
Equity attributable to owners of the parent		1,927.37	1,988.62	1,803.95	1,895.81	2,048.93	2,219.11	2,036.48	2,022.83	2,558.24	3,061.92
Cash dividends declared for the year ^{*)}		47.00	50.00	50.00	50.00	62.00	75.00	80.00	70.00	110.00	115.00
(%/Times)											
Ratios:											
Equity attributable to owners of the parent ratio (%)		27.7	27.5	28.8	30.5	32.9	35.0	31.3	31.3	33.4	37.4
ROE (%)		10.0	—	3.2	7.4	12.5	12.0	6.4	—	16.2	16.2
ROA (%)		2.7	—	0.9	2.2	4.0	4.1	2.1	—	5.3	5.7
Debt-equity ratio (net) (Times)		1.3	1.4	1.2	1.1	1.0	0.9	1.0	0.9	0.7	0.7

^{*)}1 Interest-bearing liabilities (net) excludes cash and cash equivalents and time deposits from interest-bearing liabilities.

^{*)}2 Cash dividends per share represents the cash dividends declared applicable to each respective year, including dividends paid after the year-end.

^{*)}3 Due to application of Amendments to IAS 12 Income Taxes (issued in May 2021), figures for FY2022 have been re-presented retrospectively.

Segment information

(Billions of yen)

(FY)	Metal Products		Transportation & Construction Systems		Infrastructure		Media & Digital		Living Related & Real Estate		Mineral Resources, Energy, Chemical & Electronics		Corporate and Eliminations		Total	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Gross profit	140.3	220.4	189.4	261.0	71.5	59.8	111.0	121.3	222.7	242.8	271.2	329.7	3.6	-0.2	1,009.6	1,234.8
Selling, general and administrative expenses	-74.9	-86.9	-149.4	-181.7	-57.9	-65.1	-85.1	-92.7	-187.4	-206.3	-129.3	-147.1	-29.8	-32.0	-713.9	-811.7
Share of profit (loss) of investments accounted for using the equity method	8.2	11.7	5.8	63.3	10.0	12.0	36.1	14.3	7.9	8.6	107.5	141.0	1.3	1.5	176.8	252.4
Profit for the year	55.2	110.4	34.9	92.0	33.3	20.8	39.3	13.0	44.2	59.0	247.3	266.9	9.5	3.3	463.7	565.3
One-off profits (losses) <i>Rounded figures</i>	-1.0	+10.0	-37.0	-4.0	+3.0	+1.0	+1.0	-17.0	-10.0	+6.0	+51.0	+15.0	0	+1.0	+7.0	+11.0
Profit (loss) excluding one-off effects <i>Rounded figures</i>	56.0	100.0	72.0	96.0	31.0	20.0	38.0	30.0	55.0	53.0	196.0	252.0	9.0	2.0	457.0	554.0
Basic profit cash flow*	53.1	95.2	41.5	65.8	23.1	17.5	41.4	57.5	43.9	30.8	154.6	224.5	2.0	18.1	359.5	509.3
Investments and loans <i>Rounded figures</i>	3.0	6.0	43.0	73.0	122.0	87.0	50.0	32.0	37.0	103.0	28.0	50.0	—	—	290.0	350.0
Total assets	981.3	1,161.1	1,751.7	2,005.0	1,228.7	1,379.6	1,008.0	1,062.7	1,527.7	1,704.4	2,747.4	2,490.1	337.4	302.5	9,582.2	10,105.4
Trade and other receivables	340.0	386.7	290.3	315.9	313.3	286.1	86.4	97.3	155.1	176.2	748.0	730.5	-95.4	-106.4	1,837.8	1,886.2
Goodwill	5.1	4.6	46.6	48.3	—	—	13.9	13.9	32.6	38.3	7.2	10.5	0.1	0.1	105.5	115.7
Number of employees (Non-consolidated basis)	517	472	650	639	633	614	509	506	459	485	899	873	1,483	1,479	5,150	5,068
Number of employees (Consolidated basis)	5,938	5,905	18,978	21,552	3,666	3,528	15,557	15,967	16,595	18,346	10,313	9,713	3,206	3,224	74,253	78,235

Notes: 1. Due to reorganization carried out as of April 1, 2022, FY2021 results are described on a reclassified basis.

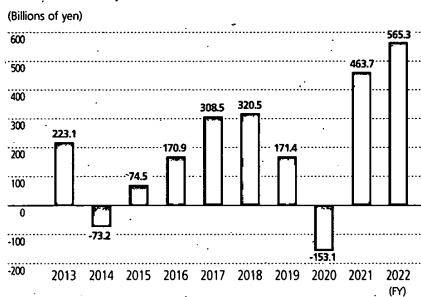
2. Due to application of Amendments to IAS 12 Income Taxes (issued in May 2021), figures for FY2022 have been re-presented retrospectively.

* Basic profit cash flow = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × ((1 - Tax rate) + Dividend from investments accounted for using the equity method)

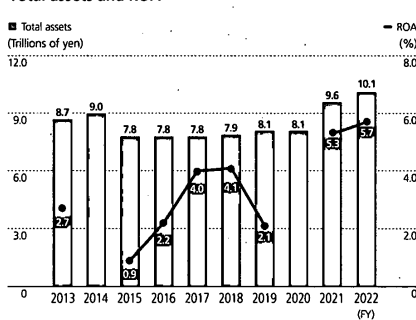
Financial highlights

We have prepared the consolidated financial statements in accordance with IFRS.

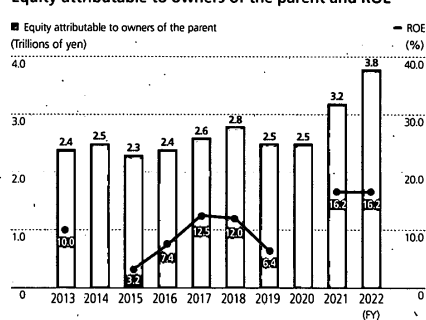
Profit (loss) for the year attributable to owners of the parent



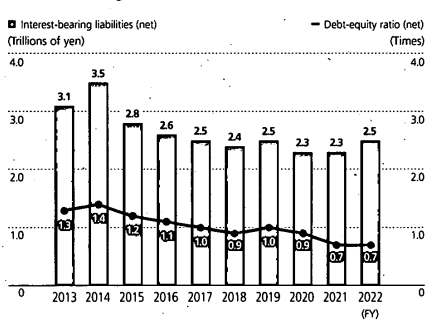
Total assets and ROA



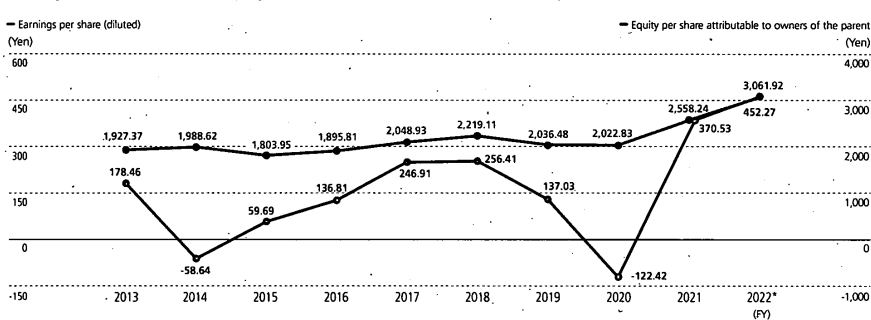
Equity attributable to owners of the parent and ROE



Interest-bearing liabilities (net) and DER (net)



Earnings per share (diluted) / Equity per share attributable to owners of the parent



* Due to application of Amendments to IAS 12 Income Taxes (issued in May 2021), figures for FY2022 have been re-presented retrospectively.

ESG highlights

Employee data (As of March 31 of each fiscal year)

		(FY)	2019	2020	2021	2022
Employee data	Number of employees (Consolidated basis)		72,642	74,920	74,253	78,235
	Number of employees (Non-consolidated basis)*1		5,376	5,390	5,300	5,223
	Number of employees dispatched overseas		1,144	1,098	976	921
	Number of new employees**		209	154	106	101
	Male/Female		118/91	102/52	75/31	72/ 29
	Number of mid-career employees**		35	27	20	75
	Ratio of differently abled employees to total employees*3		2.24%	2.11%	2.20%	2.25%
	Number of female managers**4		203	216	204	232
	Ratio of female managers to total managers**4		7.1%	7.5%	7.4%	8.4%
	Average age		42.5	42.7	43.1	43.2
	Average years of service per person (Years/Months)		17/11	18/1	18/6	18/5
Male		18/8	18/10	19/2	19/1	
Female		15/7	15/10	16/4	16/6	
Gender wage gap between male and female**5		—	—	—	58.7%	
Working styles	Average monthly overtime hours (Hours/Minutes)		7/47	12/49	12/20	10/55
	Average annual days of paid vacation acquired		17.1	12.3	12.8	13.7
	Spouse maternity leave		92	83	70	86
	Leave to look after a sick child		225	173	169	194
	Number of individuals acquiring childcare leave		65	107	103	112
	Male/Female		9/56	34/73	41/62	61/51
	Ratio of eligible male employees taking childcare leave**6		—	—	—	67.0%
Number of individuals using shortened work hour system		165	173	200	195	
Skills development training**7	Number of employees undergoing training overseas		67	34	76	61
	Total number of lectures		286	255	919	1,705
	Number of employees participating in training		14,963	12,211	44,876	92,446
	Total training hours		65,652	50,806	119,894	177,320
	Average hours per employee		12.7	9.7	23.4	32.3

Environmental data

		Scope: Sumitomo Corporation, consolidated subsidiaries, and joint operations				
		(FY)	2019	2020	2021	2022**
CO ₂ emissions (Scope 1, 2)*9 (1,000 t-CO ₂ e)			1,475	2,175	2,062	1,821
Electricity consumption (MWh)			1,534,809	1,525,641	1,645,278	1,336,280
Water withdrawal (1,000 m ³)			20,144	93,120	78,107	66,452
Waste emissions (t)			33,305	36,480	36,413	33,200

Corporate governance data (As of March 31 of each fiscal year)

		(FY)	2019	2020	2021	2022**
Number of Directors			10	11	11	11
Number of Internal Directors			6	6	6	6
Number of Outside Directors			4	5	5	5

*1 Figures include employees at overseas offices of the Company.

*2 Figures for previous fiscal years have been restated following changes in the calculation method of the number of persons including medical professionals instituted in FY2022.

*3 Figures are as of June 1 of each fiscal year.

*4 Figures are as of April 1 of the subsequent fiscal year (previously, figures had been disclosed as of March 31 of each fiscal year). Figures for previous fiscal years have been restated following changes in the calculation method instituted in FY2022. Please visit our corporate website for Encouraging More Active Involvement of Women in Business. <https://www.sumitomocorp.com/en/jp/about/talent/diversity/female>

*5 Items subject to calculation of gender wage gap: Monthly salary (base pay, secondment allowance, separate living allowance, teleworking allowance, overtime work allowance, late-night premium allowance for managers, bonus). Reason for gap: While the ratio of female managers affects the wage gap for both regular and non-regular employees, there is no significant wage gap among employees with equivalent jobs (department general manager equivalent: 102.6%, section manager level: 100.3%, non-manager level: 85.4%). The wage gap is expected to decrease over the medium to long term as we aim to achieve its target female manager ratio (at least 20% female managers by FY2030).

*6 "The ratio of eligible male employees taking childcare leave" is calculated based on the ratio of employees taking childcare leave or leave intended for childcare under Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ministry of Labour Ordinance No. 25, 1991) in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76, 1991).

*7 Training hosted by the Head Office targeted at Head Office employees and locally recruited employees of overseas bases and business companies.

Figures from FY2021 include training conducted by business units in addition to the training organized by HR.

*8 For details on environmental data, please visit our ESG Communication Book (ESG Data). <https://www.sumitomocorp.com/en/jp/sustainability/communication/index.html#date>*9 CO₂ emissions factors for electricity are based on as follows:Non-consolidated in Japan: The adjusted emission coefficients of individual power companies
Consolidated subsidiaries in Japan: The average emission coefficient of all power companies
Overseas: The country-specific data in 2020 listed in "Emissions Factors 2022," published by the International Energy Agency (IEA). The amount of 1,821,000 t-CO₂e for FY2022 is the total of 1,065,000 t-CO₂e for the power generation business and 757,000 t-CO₂e for businesses other than the power generation business.

*10 We have 11 Directors (including 5 Outside Directors), as resolved at the 155th Ordinary General Meeting of Shareholders held in June 2023.

Consolidated statement of financial position

Sumitomo Corporation and Subsidiaries
As of March 31, 2019, 2020, 2021, 2022, and 2023

ASSETS	(FY)	2018	2019	2020	2021	(Millions of yen) 2022*
Current assets:						
Cash and cash equivalents	¥	660,359	¥ 710,371	¥ 599,013	¥ 733,824	¥ 656,859
Time deposits		10,492	10,262	12,751	13,847	10,783
Marketable securities		1,989	2,014	1,621	2,308	1,741
Trade and other receivables		1,340,451	1,231,088	1,303,621	1,621,862	1,678,995
Contract assets		—	117,230	188,812	300,539	426,369
Other financial assets		62,692	112,723	115,041	250,892	123,827
Inventories		925,204	929,981	793,279	1,058,003	1,390,559
Advance payments to suppliers		161,037	131,520	135,217	116,795	135,177
Assets classified as held for sale		56,034	—	24,718	33,815	6,574
Other current assets		329,392	291,202	323,511	513,598	442,073
Total current assets		3,547,650	3,536,391	3,497,584	4,645,483	4,872,957
Non-current assets:						
Investments accounted for using the equity method		-2,130,517	2,025,255	2,102,139	2,356,984	2,641,716
Other investments		429,532	358,961	416,934	416,667	388,767
Trade and other receivables		371,420	331,871	239,348	215,941	207,201
Other financial assets		75,576	94,981	87,422	204,415	190,736
Property, plant and equipment		746,647	1,054,042	1,050,648	1,023,733	1,046,316
Intangible assets		259,759	288,913	255,961	254,966	284,790
Investment property		275,273	355,844	340,451	339,336	346,355
Biological assets		22,858	21,075	26,183	40,241	36,891
Deferred tax assets		36,248	38,077	23,821	26,660	30,706
Other non-current assets		21,043	23,186	39,493	57,740	58,945
Total non-current assets		4,368,873	4,592,205	4,582,400	4,936,683	5,232,423
Total assets		¥ 7,916,523	¥ 8,128,596	¥ 8,079,984	¥ 9,582,166	¥ 10,105,380

We have prepared the consolidated financial statements in accordance with IFRS. Please refer to the annual financial report for detailed information on the financial situation. <https://www.sumitomocorp.com/verjpr/report/yuka/2022>

* Due to application of Amendments to IAS 12 Income Taxes (issued in May 2021), figures for FY2022 have been re-presented retrospectively.